

Transmission System. The Market Monitor has explained its position in a number of proceedings where the same issue has been raised.³

Please find attached a supporting memorandum explaining the Market Monitor's position that Ingenco fails for 14 of its 15 units to show that they provide reactive capability to PJM under Schedule 2 of the OATT and are therefore not eligible to receive compensation from PJM.⁴

The Market Monitor understands that this is a black box offer of settlement that does not purport to resolve the issues on the merits. The issue of eligibility cannot be resolved on a black box basis. The basis for the level of the rate is concealed. The existence of the rate schedule is not concealed. Even if the other terms of the offer of settlement are approved, the issue of eligibility can and should be severed and litigated. The issue has been raised in a number of proceedings pending before the Commission where settlement proceedings

³ See *Whitetail Solar 2, LLC*, Protest of the Independent Market Monitor for PJM, Docket No. ER21-936-000 (February 16, 2021); *Whitetail Solar 2, LLC*, Answer and Motion for Leave to Answer of the Independent Market Monitor for PJM, Docket No. ER21-936-000 (March 24, 2021); *Whitetail Solar 3, LLC*, Comments and Motion of the Independent Market Monitor for PJM, Docket No. ER20-1851-000 (August 31, 2020); *Whitetail Solar 3, LLC*, Answer, Motion for Leave to Answer, and Comments of the Independent Market Monitor for PJM, Docket No. ER20-1851-000, -001 (November 12, 2020); *Ingenco Wholesale Power, LLC*, Comments and Motion of the Independent Market Monitor for PJM, Docket No. ER20-1863-000, -001 (August 31, 2020); *Ingenco Wholesale Power, LLC*, Answer and Motion for Leave to Answer of the Independent Market Monitor for PJM, Docket No. ER20-1863-000, -001 (November 4, 2020); *Oxbow Creek Energy, LLC*, Reply of the Independent Market Monitor for PJM in Opposition to Offer of Settlement, ER19-2847-004 (June 16, 2021).

⁴ See 18 CFR 602(f)(4) ("Any comment that contests an offer of settlement by alleging a dispute as to a genuine issue of material fact must include an affidavit detailing any genuine issue of material fact by specific reference to documents, testimony, or other items included in the offer of settlement, or items not included in the settlement, that are relevant to support the claim. Reply comments may include responding affidavits."). This reply does not allege a genuine issue of material fact. This reply disputes the eligibility of the Lakehurst to file a rate schedule under Schedule 2 to the OATT. This reply therefore contests the offer of settlement as a matter of law, and it is not required and not appropriate to include an affidavit alleging a dispute as to a genuine issue of material fact. Rule 602(f)(4) states a particular requirement applicable to parties alleging a dispute of material fact. Rule 602 does not state that settlements cannot be contested by alleging a legal dispute.

reached impasse and the issue will be decided at hearing.⁵ A decision in one or more of these proceedings would provide guidance for resolving the issue disputed in this case. The settlement offer filed in this case should not be approved while any of these proceedings remain pending. Accordingly, the Market Monitor moves that this proceeding be held in abeyance while any of these proceedings remain pending.

The offer of settlement should not be approved without a decision resolving the issue of whether Ingenco is eligible to file a rate for reactive capability under Schedule 2 to the OATT.

Respectfully submitted,



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⁵ See *Whitetail Solar 1 LLC*, Docket No. ER20-714-000; *Whitetail Solar 2, LLC*, Docket No. ER21-936-000; *Whitetail Solar 3, LLC*, Docket No. ER20-1851-002, EL21-27-000; and *Elk Hill Solar 2, LLC*, ER21-1633-000.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Eagleville, Pennsylvania,
this 22nd day of November, 2021.



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Attachment



DATE: November 22, 2021
TO: Ingenco Wholesale Power, L.L.C., Docket No. ER20-1863-000
FROM: The Independent Market Monitor for PJM (Market Monitor)
SUBJECT: Memorandum re Eligibility Issue

This memorandum explains the Market Monitor’s position on the eligibility of a generating unit to collect rates for reactive capability under Schedule 2 to the PJM OATT (Schedule 2), and, in particular, certain generating facilities owned by Ingenco Wholesale Power, L.L.C. (“Ingenco”) at 15 electric generating stations located at four landfills in Virginia, Pennsylvania and Maryland.¹ Thirteen of the generating facilities are interconnected at 34.5 kV.² One of the generating facilities is interconnected at 25 kV. One of the facilities (Pine Grove in Pine Grove, Pennsylvania) is interconnected at 69 kV. All of these interconnections are sub-BES (Bulk Electric System) (which NERC defines as equipment rated below 100 kV).

The Pine Grove generating facility has a Reportable Classification of “low” and has a monitored facilities rating of “status only.” The Market Monitor does not object to the eligibility of the Pine Grove generating facility at this time. The Market Monitor’s does object to the eligibility of the remaining 14 generating facilities (“Generating Facilities”).

Eleven of the Generating Facilities’ points of interconnection to the transmission/distribution system are owned and operated by Virginia Electric and Power Company (VEPCO).³ The remaining three Facilities connect separately with Appalachian Power Company, West Penn Power Company and Delmarva Power and Light Company.⁴ The lines at the points of interconnection for each of the Generating Facilities are referred to as the “Lines.”

The Generating Facilities are not eligible for reactive payments because they are not connected directly to the PJM system and therefore do not provide reactive capability to PJM under Schedule 2, and should not receive payments for a service that they does not and cannot provide.

¹ See Ingenco Filing, Docket No. ER20-1863-000 (May 20, 2020) (“Ingenco Filing”). For a list of the stations, see Ingenco’s first deficiency response, Docket No. ER20-1863-000 (August 10, 2020) at 6–7.

² Ingenco Response to Deficiency Letter, ER20-1863-000 (August 10, 2020) at 5–6.

³ Ingenco Filing, ER20-1863-000 (May 20, 2020) at 2.

⁴ *Id.*

The issue of eligibility is significant because PJM customers should only pay for ancillary services that they receive. The issue of eligibility concerns the definition of services that PJM customers should be required to pay for under Schedule 2. Questions related to whether resources connected to the distribution system provide services that should be paid for by local customers are separate. Schedule 2 should be correctly implemented. Because the decision to file under Schedule 2 is made solely by the generation owner, the issue of eligibility requires resolution by the Commission.

Reactive Capability

Reactive capability is an ancillary service.⁵

PJM procures reactive capability from generators located on the high voltage grid that it plans and operates. Reactive power is local and cannot be transferred over long distances.⁶

PJM procures reactive capability from generators in order to provide Reactive Supply and Voltage Control from Generation or Other Sources Service procured under Schedule 2 directly to PJM customers. PJM also relies on “non generation resources,” referenced in Schedule 2, as part of its plan to maintain transmission voltages on the PJM’s transmission facilities within acceptable limits.

Schedule 2

Schedule 2 provides (emphasis added):

In order to maintain transmission voltages on *the Transmission Provider’s transmission facilities* within acceptable limits, generation facilities and non-generation resources *capable of providing this service that are under the control of the control area operator* are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other

⁵ See, e.g., *Chehalis Power Generating, L.P.*, 123 FERC ¶ 61,038 at P 2 (2008), citing *Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 at 31,705–06 and 31, 716–17 (1996), *order on reh’g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048, *order on reh’g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh’g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff’d in relevant part sub nom.* *Transmission Access Policy Study Group v. FERC*, 343 U.S. App. D.C. 151, 225 F.3d 667 (D.C. Cir. 2000), *aff’d sub nom.* *New York v. FERC*, 535 U.S. 1 (2002).

⁶ See FERC, *Payment for Reactive Power*, Commission Staff Report, Docket No. AD14-17 (April 22, 2014) at 5 (“Transmission lines dissipate reactive power more quickly than real power, meaning that reactive power cannot be efficiently transferred long distances on transmission lines.”).

Sources Service must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to the Transmission Customer's transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided *directly by the Transmission Provider*. The Transmission Customer must purchase this service from the Transmission Provider.

In addition to the charges and payments set forth in this Tariff, Schedule 2, Market Sellers providing reactive services at the direction of the Office of the Interconnection shall be credited for such services, and Market Participants shall be charged for such services, as set forth in Tariff, Attachment K-Appendix, section 3.2.3B.

PJM is the Transmission Provider responsible under Schedule 2 to procure "the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider." PJM procures reactive capability for its system to ensure that it will have the reactive power to operate its system at acceptable transmission voltages.

Schedule 2 authorizes PJM to charge its Transmission Customers for reactive capability and to pay generating facilities that provide the reactive capability that supports reactive supply and voltage control service.

PJM is interconnected to systems that it does not monitor, operate or have responsibility for, including transmission systems and distribution systems. The operators of those systems are responsible to ensure sufficient reactive capability for those systems.

Schedule 2 explains that when PJM actually calls upon a resource to provide reactive output, that output is paid directly based on lost opportunity costs.

Nowhere does Schedule 2 create an obligation for PJM Transmission Customers to pay for reactive capability provided to support the operation of interconnected transmission or distribution systems.

PJM Monitored/Operated Facilities

The Line Is Not Monitored/Operated by PJM.

Within the geographical PJM region, PJM takes responsibility to monitor and operate a defined set of high voltage transmission facilities.

As a Regional Transmission Organization (RTO), PJM is responsible for maintaining the bulk electric system (BES). NERC defines the BES as: all transmission and transmission related facilities operating at 100 kV or more.⁷ But PJM's responsibility includes the responsibility to monitor and operate some transmission lines below the 100 kV threshold. PJM may exercise its judgment, subject to approval by FERC, to assume responsibility for lines with voltages as low as 69 kV or 34.5 kV.

PJM has primary responsibility for grid operation and for planning the PJM Transmission System. For example, PJM states whether a line is part of the PJM Transmission System. The key criteria for such determinations are whether the line is a Reportable Transmission Facility and a Monitored Transmission Facility.

PJM is the Transmission Provider for the PJM Transmission System.

In this case, none of the Lines are a Reportable Transmission Facility or a Monitored Transmission Facility.

Whatever reactive power is produced by the Ingenco Facilities is in service to the owner and operator of the Lines.

To ensure that emergency situations can be covered, Schedule 2 requires that all generating units in its Energy Management System (EMS) have the capability to produce more MVAR than the small amount required by their voltage schedule.⁸ The asserted cost of this capability is paid under Schedule 2 of the PJM Tariff as reactive capability costs, despite the fact that incremental costs to provide reactive capability are typically zero and despite the fact that any capacity costs are accounted for in the capacity market. All generators with an interconnection agreement with PJM (ISA) are required to meet these reactive capability standards.

⁷ NERC, Bulk Electric System Definition Reference, v. 3 (August 2018).

⁸ See PJM Manual 14D, rev. 54 para. 7.1.2 (Voltage and Reactive Control).

PJM publishes a map of all its transmission facilities on its website (Library/Maps/System Map). PJM does not include the Line on its map.

Definition of Reportable and Monitored Transmission Facility

PJM Manual 3 (Transmission Operations) defines Reportable and Monitored transmission facilities.⁹

The monitored facilities are included in the Transmission Facilities List. The Transmission Facilities List is located on the PJM website.

PJM's criteria for defining Reportable Transmission Facilities and Monitored Transmission Facilities are the appropriate criteria to determine what constitutes the PJM Transmission System and what facilities are not part of the PJM Transmission System.

The Facilities are not Reportable or Monitored Transmission Facilities.

PJM also publishes a map of all of its transmission facilities on its website.

PJM does not include any of the Lines on its map.

⁹ See PJM Manual 3: Transmission Operations, Rev. 59 (May 27, 2021), Section 1.5.6 at 19–21, included as Exhibit IMM-001-3.