

I. ANSWER

A. The FTR Forfeiture Rule Meets FERC Requirements.

XO Energy asserts (at 1–2) that establishing intent is required in the application of the FTR forfeiture rule and that “FERC precedent and applicable law does not contemplate implementation of a per se anti-manipulation rule.” XO Energy asserts (at 2) “FERC’s anti-manipulation rule requires proof of scienter.”

XO Energy is incorrect. Market Rules can include protective provisions without including a finding of intent or manipulation. The FTR forfeiture rule is designed to prevent market participants from using virtual transactions to create congestion that benefits their related FTR positions. The rule offers efficient protection for the market because market activity can be evaluated efficiently and effectively without an evaluation of intent, without lengthy investigations of each case and without the large penalties that could result from such investigations.

The purpose of the FTR forfeiture rule is to deter prohibited market manipulation. The FTR forfeiture rule does not make a finding or result in a finding that manipulation has occurred. The FTR forfeiture rule does not make a finding or result in a finding or rely on a finding of intent. Intent is an element of prohibited market manipulation referenced in Section IV.I.1 of Attachment M.⁴ The FTR forfeiture rule protects the markets in an efficient manner and promotes competitive market results.

B. The FTR Forfeiture Rule Is Triggered by Behavior that Causes Inefficient Market Results.

XO Energy asserts (at 2) that the FTR forfeiture rule is triggered by profits and losses. XO Energy is incorrect. When the FTR forfeiture rule is failed, the FTR profits in each identified hour are forfeited.

⁴ See 18 CFR 1c.2.

C. The FTR Forfeiture Rule Should Apply to Individual FTRs, Regardless of the Relative Size of the Portfolio.

XO Energy argues (at 3-4) that FTRs should be considered on a portfolio basis.

Under XO Energy's approach, an FTR in a portfolio could be shielded from forfeiture while the same FTR held by another market participant, without a portfolio, engaging in the same virtual behavior, would be subject to forfeiture. XO Energy's approach would result in discriminatory treatment. For the same reasons, the relative size of a portfolio is irrelevant.

D. The Market Monitor's Interest Is in Efficient and Competitive Markets.

The purpose of the market design in RTOs under the Federal Power Act is to provide just and reasonable rates for energy by implementing efficient and competitive markets. The Market Monitor's interest and purpose in monitoring, market design and enforcement is ensuring that PJM's markets are efficient and competitive. It is important that the rules can be efficiently and consistently administered. The FTR forfeiture rule is important to the efficient and competitive operation of the PJM markets. The FTR forfeiture rule can be efficiently and consistently administered. The FTR forfeiture rule is designed to prevent market participants from using virtual transactions to create congestion that benefits their related FTR positions. The FTR forfeiture rule is designed to deter market manipulation and thereby improve the efficiency and competitiveness of the PJM energy markets.

II. MOTION FOR LEAVE TO ANSWER

The Commission's Rules of Practice and Procedure, 18 CFR § 385.213(a)(2), do not permit answers to an answer unless otherwise ordered by the decisional authority. The Commission has made exceptions, however, where an answer clarifies the issues or assists in creating a complete record.⁵ In this answer, the Market Monitor provides the Commission

⁵ See, e.g., *Calif. Indep. Sys. Operator Corp.*, 134 FERC ¶ 61,004 at P 13 (2011) (accepting answer to rehearing request that provided information that assisted Commission's decision-making); *Aquila Merchant Servs., Inc.*, 127 FERC ¶ 61,218 at P 28 (2009) (accepting answers to requests for rehearing

with information useful to the Commission's decision making process and which provides a more complete record. Accordingly, the Market Monitor respectfully requests that this answer be permitted.

III. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to this answer as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



Jeffrey W. Mayes

Joseph E. Bowring
Independent Market Monitor for PJM
President
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8051
joseph.bowring@monitoringanalytics.com

General Counsel
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@monitoringanalytics.com

Howard J. Haas
Chief Economist
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8054
howard.haas@monitoringanalytics.com

Dated: April 15, 2022

"because they have provided information that assisted us in our decision-making process"); *see also* *N. Natural Gas Co.*, 137 FERC ¶ 61,202 at P 10 (2011) (accepting answer to rehearing request because it clarifies the record, and will expedite resolution of issues).

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 15th day of April, 2022.



Jeffrey W. Mayes
General Counsel
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@monitoringanalytics.com