

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.)	
)	Docket No. EL22-26-000
v.)	
)	
PJM Interconnection, L.L.C.)	
)	
PJM Interconnection, L.L.C.)	Docket No. ER22-957-000
)	
)	(not consolidated)

COMMENTS OF THE INDEPENDENT MARKET MONITOR FOR PJM

Pursuant to Rule 211 of the Commission’s Rules and Regulations,¹ Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor (“Market Monitor”) for PJM Interconnection, L.L.C. (“PJM”),² submits these comments supporting the filings in these proceedings, submitted by PJM Interconnection, L.L.C. (“PJM”) on January 31, 2022, pursuant to Sections 205 and 206 of the Federal Power Act (“January 31st Filings”).³ Although these proceedings are not consolidated, both seek approval of identical revisions to identical parallel provisions of the PJM market rules.

The Market Monitor agrees with PJM’s request for a February 1, 2022, refund effective date, and PJM’s request for fast track processing.⁴ PJM customers are currently paying prices that are not just and reasonable. That result needs to be addressed as soon as possible.

¹ 18 CFR § 385.211 (2020).

² Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”), the PJM Operating Agreement (“OA”) or the PJM Reliability Assurance Agreement (“RAA”).

³ See 16 U.S.C. § 824d & 824e.

⁴ January 31st Filing (Docket No. EL22-26) at 4, citing 18 C.F.R. § 385.206(h).

I. COMMENTS

A. PJM Proposal

In order to protect PJM customers from paying unjust and unreasonable prices due to the identified situation on the transmission system, PJM seeks to remove the application of Transmission Constraint Penalty Factors (“TCPF”) for the identified location as soon as possible.⁵ The Market Monitor supports granting the relief requested by PJM. PJM requests that the applicable rules be revised “to set the transmission line limit in its Security Constrained Economic Dispatch (“SCED”) program to a level that ensures the offers of the resources being used to control the constraint are reflected in the Congestion Price in lieu of applying the Transmission Constraint Penalty Factor when there are insufficient available resources to relieve a transmission constraint caused by this transmission outage.”⁶ The Market Monitor interprets this to mean that when the constraint is violated the LMP would be set by the offers of the resources being used to control the constraint rather than by the transmission penalty factor, as is currently the case. PJM requests that the revision remain effective only for the duration of the outage of the Lanexa-Dunnsville-Northern Neck 230 KV circuit line, expected to last until at least December 2024, while this line is rebuilt.⁷ The revisions would apply “when there are insufficient available resources to relieve a transmission constraint on the remaining transmission facilities serving the Northern Neck peninsula.”⁸

Retaining the application of the transmission penalty factor in this case would continue to create very high prices that cannot elicit a market response, either from the supply side or the demand side. In this case, the transmission penalty factor is increasing

⁵ See OA Schedule 1 § 5.6.

⁶ January 31st Filing (Docket No. EL22-26) at 1–2; January 31 Filing (ER22-957) at 2.

⁷ At the time of PJM’s filing, the expected date of completion was December 2023.

⁸ See Proposed OA Schedule 1 § 5.6.3(c) etc., January 31st Filing, Attachment A.

real-time prices in the area but is also increasing real-time Dominion zonal prices because they are part of the average zonal price. Most Dominion load pays average zonal prices. Responses from supply or demand elsewhere in the Dominion Zone cannot affect this local situation. The transmission penalty factor is also creating modeling differences between the day-ahead and real-time markets that has created the opportunity for market manipulation that is currently being taken advantage of by virtual traders.

B. A Generally Applicable Solution Should be Developed.

PJM states that it “recognizes that a more generic revision to the rules addressing the application of the Transmission Constraint Penalty Factor in the form of a circuit breaker may be appropriate.”⁹ The Market Monitor agrees that general rules are needed that define the circumstances under which the rules for application of the Transmission Constraint Penalty Factor should be modified. But the transmission penalty factor issue is only part of the issue. More general rules are needed to address all the issues highlighted by this situation.

For example, the Market Monitor has a longstanding recommendation in the State of the Market Report to eliminate virtual bidding in the day-ahead market “at pricing nodes that allow market participants to profit from modeling issues.” The January 31st Filings do not eliminate ongoing opportunities for virtuals to continue to profit from the false arbitrage opportunity created by the Lanexa-Dunnsville outage, although they do reduce that opportunity. The January 31st Filings do not eliminate the possibility for virtual trading to benefit FTR positions held in the Northern Neck area of Virginia, although the recent Commission decision to reinstitute the FTR forfeiture rule will help this issue.¹⁰ Further market rule changes are required to protect PJM customers from market manipulation resulting from modelling differences created by this situation and other similar situations.

⁹ January 31st Filing (Docket No. EL22-26) at 23; January 31 Filing (ER22-957) at 23.

¹⁰ See *PJM Interconnection, L.L.C.*, 178 FERC ¶ 61,079 (2022).

A combination of eliminating virtual trading at locations where there are persistent modeling differences between day-ahead and real-time models and providing PJM the authority to suspend virtual trading when unexpected modeling issues arise.

In this case, virtual traders have engaged in market manipulation by engaging in false arbitrage and taking advantage of a “money tree” that has nothing to do with market fundamentals. Virtual traders have already profited significantly and there have been increasing levels of virtual activity in the area.

II. CONCLUSION

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

Respectfully submitted,



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Dated: February 2, 2022

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 2nd day of February, 2022.



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