

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

PJM Interconnection, L.L.C.)	Docket No. ER23-729-000
)	
PJM Interconnection, L.L.C.)	
)	
v.)	
)	
PJM Interconnection, L.L.C.)	Docket No. EL23-19-000
)	

**ANSWER AND MOTION FOR LEAVE TO ANSWER
OF THE INDEPENDENT MARKET MONITOR FOR PJM**

Pursuant to Rules 212 and 213 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 this answer to the comments and protests submitted in this proceeding on January 20, 2023.

The Market Monitor supports PJM’s comments on the legal questions related to the filed rate doctrine. The Market Monitor’s answer focuses on the policy and market design issues raised by some commenters.

I. ANSWER

The policy objections to PJM’s filing from a range of participants are hyperbolic and misplaced. PJM’s filing would apply an objective rule to ensure that the results of the BRA

¹ 18 CFR §§ 385.212 & 385.213 (2022).

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”).

for DPL-S reflect the actual supply and demand of capacity in the LDA. That should be the goal of all parties interested in ensuring that the PJM capacity market is effective, efficient and competitive.

Parties make far ranging accusations including that PJM's actions will cause financial harm, will undermine confidence in markets, will damage market integrity, will undermine the commitment to competitive markets, will damage market certainty, will undermine confidence in RTO markets, will have cascading effects on future PJM auctions and potentially on system reliability, will vitiate FERC-regulated markets; and will have far reaching implications in every market for years to come with increased costs and reduced reliability associated with profound regulatory uncertainty.³ Parties also impugn PJM's motives, including asserting that PJM's proposal reflects PJM's desire to change the auction results, reflects PJM's preference for a different result and demonstrates PJM's concern "about out-sized financial consequences to a small percentage of PJM's load for a single planning year."⁴ One filing stated, without evidence, that "PJM has repeatedly demonstrated, and continues to demonstrate in the December 23 Filings, a bias towards actions that will push down prices while failing to make fixes, much less timely fixes, needed to ensure that

³ See Protest and Comments of the American Clean Power Association, et al., Docket No. ER23-729-000, et al. (January 20, 2023); Comments of Constellation Energy Generation, LLC, Docket No. ER23-729-000 (January 20, 2023); Protest of the Electric Power Supply Association (EPSA), Docket No. ER23-729-000, et al. (January 20, 2023) ("EPSA"); Motion to Intervene and Comments of Invenergy Wind Development North America LLC, et al., Docket No. ER23-729-000, et al. (January 20, 2023); Motion to Intervene and Protest of Leeward Renewable Energy, LLC, et al., Docket No. ER23-729-000, et al. (January 20, 2023); NRG Power Marketing LLC, et al, Docket No. ER23-729-000, et al. (January 20, 2023); Protest of Pine Gate Renewables, LLC, Docket No. ER23-729-000, et al. (January 20, 2023); Protest of the PJM Power Providers Group, Docket No. ER23-729-000, et al. (January 20, 2023) ("Power Providers"); and Protest of Vistra Corp., Docket No. ER23-729-000, et al. (January 20, 2023).

⁴ *Id.*

resources necessary for reliability have the opportunity and incentive to remain in the market.”⁵

Constellation’s basic assertions are that the identified issues with the auction results were “foreseeable and in line with prior clearing prices.” Regardless of whether the issue was foreseeable, failing to correct the identified issues would not result in prices that were in line with prior prices and it would be irrelevant even if true. The standard is whether the prices that PJM ultimately posts are a result of the actual supply of and demand for capacity in DPL-S. PJM’s proposal meets that standard.

EPSA’s wide ranging assertions are unsupported, including that PJM’s proposed modifications “would make it impossible for market participants to rely on the auction parameters posted by PJM ahead of each auction, deter bilateral contracting and investments, and result in prices that do not reflect reliability needs.”⁶

Some parties assert that the auction needs to be rerun as a result of PJM’s filing. The 2024/2025 Base Residual Auction does not need to be rerun. Market participants offered competitively or were constrained to competitive offers by the market power mitigation rules, and there is no reason to believe that their offers were affected by the overstated demand. Market offers were competitive. Market offers in a rerun auction would be expected to be the same. No party that supported rerunning the auction offered any reason to believe otherwise. Market participants are not entitled to confirmation of their assumptions about the MW of supply that will actually offer. The assertion that PJM’s parameters are a determinant of participant offer behavior is not consistent with competitive behavior in a competitive market. Competitive offers are not a function of CETO or CETL or any of the other parameters. Competitive offers are a function of the marginal costs of providing capacity.

⁵ EP SA at 2.

⁶ *Id.*

The underlying assertion of the objecting parties is that prices that will result from PJM's proposal are wrong. But that assertion is incorrect. Again, the standard is whether the prices that PJM ultimately posts are a result of the actual supply of and demand for capacity in DPL-S. PJM's proposal meets that standard. The prices resulting from PJM's proposal will correctly reflect supply and demand and are therefore the only correct prices in this situation. If the prices are correct, the market incentives are correct and consistent with reliability needs.

Some participants provided more constructive approaches, including that PJM's proposed solution be limited to this auction, that a 206 filing on larger issues be required and that the rules be modified to ensure that the parameters are consistent with offers.⁷

The Market Monitor's position is consistent with these approaches.⁸ While PJM's solution is not perfect, it would successfully address the issue with the current auction results in an effective and efficient way and permit the posting of final auction results quickly. The Market Monitor supports the immediate implementation of PJM's solution to clearing the 2024/2025 Base Residual Auction under the 205 and the 206 approaches.

If the Commission takes the FPA 206 approach, the Market Monitor requests that the Commission adopt PJM's solution to clearing the 2024/2025 BRA and include the preferred approach in place of PJM's proposed materiality threshold for application to future auctions.

The preferred approach would be to require all planned resources to commit to a must offer requirement by a defined date prior to the posting of auction parameters by PJM. This would avoid the arbitrary determination of materiality and directly address an important part of the issue.

⁷ See Comments of the PSEG Companies, Docket No. ER23-729-000, et al. (January 20, 2023); Power Providers (Shanker Affidavit) at 6.

⁸ See Comments of the Independent Market Monitor for PJM, Docket No. ER23-729-000, et al. (January 20, 2023) at 6-7.

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 answers or protests 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.⁹ In this answer, the Market Monitor provides the Commission 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 pleading as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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⁹ See, e.g., PJM Interconnection, L.L.C., 119 FERC ¶61,318 at P 36 (2007) (accepted answer to answer that "provided information that assisted ... decision-making process"); California Independent System Operator Corporation, 110 FERC ¶ 61,007 (2005) (answer to answer permitted to assist Commission in decision-making process); New Power Company v. PJM Interconnection, L.L.C., 98 FERC ¶ 61,208 (2002) (answer accepted to provide new factual and legal material to assist the Commission in decision-making process); N.Y. Independent System Operator, Inc., 121 FERC ¶61,112 at P 4 (2007) (answer to protest accepted because it provided information that assisted the Commission in its decision-making process).

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Dated: February 3, 2023

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 3rd day of February, 2023.



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