

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

PJM Interconnection, L.L.C.)	Docket No. ER12-2391-000
)	
)	
PJM Interconnection, L.L.C.)	Docket No. ER12-1204-001
)	
)	
)	(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 for PJM (“Market Monitor”),² submits these comments on the filings submitted by PJM Interconnection, L.L.C. (“PJM”) on August 2, 2012 in Docket No. ER12-2391-000 (“August 2nd Filing”) and on August 15, 2012 in Docket No. ER12-1204-001 (“August 15th Filing”). In both filings, which are related but not consolidated, PJM proposes revisions to the market rules for the PJM Regulation Market. These comments are for the limited purpose of identifying and correcting what PJM has confirmed are inadvertent errors included in both the August 2nd Filing and the August 15th Filing.

In its August 2nd Filing and August 15th Filing PJM proposes “to revise section 3.2.2A.1(b)(i) to incorporate the historic accuracy score into the [Three Pivotal Supplier

¹ 18 CFR § 385.211 (2010).

² PJM Interconnection, L.L.C. is a FERC-approved Regional Transmission Organization. Capitalized terms used herein and not otherwise defined have the meaning provide in the PJM Open Access Transmission Tariff (“OATT”) and PJM Operating Agreement.

(TPS)] Test to ensure the test is run on the same basis [as] that clearing process and pricing process.”³ This is the correct approach. The TPS Test is designed to test and evaluate a relevant market structure on the same basis as the market clearing and pricing process involved in that market. With the implementation of the proposed changes to the Regulation Market, the market will clear and set price on the basis of effective MW. Effective MW are defined as the product of offered regulation capability MW multiplied by historic performance. For example, a resource with 10 MW of capability and a 50 percent performance score has 5 MW of effective MW for purposes of providing regulation. A TPS Test of the market for effective MW must, therefore, be based on this definition of supply.

The revisions proposed in both the August 2nd Filing and the August 15th Filing contained an error in the proposed formula for calculating performance adjusted regulation capability (effective supply) MW in the TPS Test. In defining effective MW for purposes of the TPS Test, PJM’s proposed language revising Section 3.2.2A.1(b)(i) of Schedule 1 to the PJM Operating Agreement, and the parallel provision of the OATT, incorrectly defines effective MW as the offered MW *divided* by historic performance:

(i) The three-pivotal supplier test will include in the definition of available supply all offers from resources capable of satisfying the Regulation requirement of the PJM Region *divided by the historic accuracy score of the resource* for which the capability cost-based offer plus the performance cost-based offer plus any eligible opportunity costs is no greater than 150 percent of the clearing price that would be calculated if all offers were limited to cost (plus eligible opportunity costs) [emphasis added].⁴

³ August 2nd Filing at 10; August 15th Filing at 15 n.36.

⁴ August 2nd Filing, Attachment A at 5.

The language proposed for the definition of supply in the Regulation Market TPS test must be consistent with the definition of effective MW used in the rest of the proposal. Replacing “divided” with “multiplied” in 3.2.2A.1(b)(i) fully corrects this problem.

The Market Monitor has brought this matter to the attention of PJM, and PJM has authorized the Market Monitor to state that PJM agrees that the issue identified by the Market Monitor is an inadvertent error and that PJM supports the proposed correction.

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

Respectfully submitted,



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Dated: August 17, 2012

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 17th day of August, 2012.



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