

requirement that JPMVEC offer at cost is preferred. If the Commission approves PJM's alternative approach that would require JPMVEC to offer at cost, then the Market Monitor recommends additional steps to ensure proper implementation of that approach.

A. JPMVEC Should Receive Revenues Equal to the Applicable Nodal LMP If Required to Offer at Zero Dollars.

If the Commission requires that JPMVEC offer at zero dollars, then JPMVEC's revenues should equal LMP at the relevant node, regardless of JPMVEC's actual cost-based offer. Under the requirement that JPMVEC offer at zero, the Commission has effectively established that the relevant cost-based offer is zero. The cost-based offer of zero should be used consistently to determine dispatch and compensation.

If the Commission were to require other PJM members to pay operating reserve credits, or uplift payments, to JPMVEC resulting from dispatch at zero but with costs set at actual costs, JPMVEC could be better off under this approach than under normal market based dispatch. Such treatment would guarantee a positive margin whenever LMP exceeds cost and establish a floor that would require other PJM members to guarantee that JPMVEC never loses money. The Market Monitor does not believe that this result is intended. By setting revenues equal to LMP at the relevant node and not permitting any uplift payments, JPMVEC could participate on terms that do not unfairly penalize other market participants, do not interfere with efficient market operations, and do not confer an unwarranted benefit on JPMVEC.

B. The IMM Recommends the Alternative Approach That Would Require JPMVEC to Offer at Cost, Provided that Unit Costs are Verified by the IMM, and Costs Exclude Any Additional Margin.

The Market Monitor prefers PJM's alternative approach, which would require JPMVEC to offer at cost in the Day-Ahead and Real-Time Energy Markets, provided that the Commission also require certain additional enhancements.

Under the preferred approach, JPMVEC would be required to make cost-based offers, including cost-based operating parameters as defined in PJM Manual 15 (Cost

Development Guidelines). Such offers would be based solely on cost and could not include any margin. The IMM would be required to verify those cost-based offers. JPMVEC would be required to provide all data requested by the Market Monitor in order to verify those cost-based offers. Unlike the usual operation of PJM's rules for reviewing inputs to mitigation, JPMVEC FERC Electric Tariff No. 5 should prohibit cost-based offers above levels agreed to and verified by the Market Monitor unless approved by the Commission. These requirements are appropriate because this proceeding is about establishing a cost-based rate from JPMVEC under the circumstances of this proceeding and not about PJM's mitigation program.

Under this approach, PJM would dispatch the unit based on cost-based offers. If the unit were dispatched on cost and operating reserve credits were required, it would be appropriate to pay those credits.

II. CONCLUSION

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,



Jeffrey W. Mayes

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

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

Dated: April 3, 2013

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 April, 2013.



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