

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

PJM Interconnection, L.L.C.)	
)	Docket No. ER14-1144-000
)	

**MOTION FOR CLARIFICATION AND/OR RECONSIDERATION,
OR, IN THE ALTERNATIVE, REHEARING,
OF THE INDEPENDENT MARKET MONITOR FOR PJM**

Pursuant to Rule 212 of the Commission’s Rules and Regulations,¹ Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM (“Market Monitor”), submits this motion for clarification and/or reconsideration of the order issued January 24, 2014, granting a request of PJM Interconnection, L.L.C. (“PJM”) for waiver of the tariff provisions for make-whole payments.² The Market Monitor supports the request for waiver and the Commission’s expeditious action to grant it, but recommends that a subsequent order issue that makes clarifications, or, if necessary, reconsidered determinations, on the issues identified below. In the alternative, to the extent necessary to grant the relief requested, the Market Monitor requests rehearing pursuant to Rule 713.³

The Market Monitor agrees that when increases in fuel costs (natural gas) cause the marginal cost of generating power to exceed the offer cap of \$1,000 per MWh, the generating unit should be made whole to the extent that the change in the cost of fuel, converted to a cost per MWh, resulted in marginal cost in excess of \$1,000 per MWh. Accurately reflecting short run marginal cost in cost-based offers is essential to the efficient functioning of the energy market and appropriate incentives for generating units.

¹ 18 CFR § 385.212 (2013).
² *PJM Interconnection, L.L.C.*, 146 FERC ¶ 61,041 (2014).
³ 18 CFR § 385.713.

Several implementation details appear to not have been addressed and the Market Monitor proposes specific treatment of such details.

PJM requested (at 7) and the January 24th Order granted relief (at P 5) applicable only to Generation Capacity Resources. Natural gas-fired generation resources that are not Generation Capacity Resources (energy only resources) should receive the same relief as Generation Capacity Resources. Generation resources that are not Generation Capacity Resources are not subject to the day-ahead must offer requirement but they are eligible to participate in the Day-Ahead and Real-Time Energy Markets.⁴ The waiver of the tariff provisions for make-whole payments should not be implemented in a manner that could deter such resources from participating in PJM Energy Markets.⁵ Accordingly, an additional order should determine or clarify that the waiver should be extended to include natural gas-fired generation resources even if they are not Generation Capacity Resources.

PJM requested (at 3) and the January 24th Order granted (at P 1) relief effective January 24, 2014. PJM indicates that it is open to additional discussion and the potential for a future filing requesting relief from an earlier effective date. The events giving rise to the requested waiver began on the Gas Day starting at 10 a.m., January 22, 2014, and there is no reason why sellers held to offers incorporating fuel costs below the actual cost of fuel during that period should not also have an opportunity to receive make-whole payments if they can document eligibility. Accordingly, an additional order should advance the effective date to January 22, 2014, to ensure non-discriminatory treatment and to avoid the need for any additional future filings on this matter.

Cost-based offers in the energy market are designed to reflect short run marginal cost but may include a ten percent adder.⁶ The ten percent adder was included in the

⁴ See PJM Operating Agreement (OA) Schedule 1 § 1.10.1A(d).

⁵ See OA Schedule 1 § 3.2.3(l)–(n).

⁶ OA Schedule 1 § 6.4.2(a)(ii).

definition of cost-based offers prior to the implementation of PJM markets in 1999, based on the uncertainty of calculating the hourly operating costs of CTs under changing ambient conditions.⁷ In this case, the cost and volumes of natural gas that are subject to the waiver are known precisely. No ten percent adder is necessary to afford relief under the rationale for granting a waiver, “to permit sellers that submit cost-based offers from Generation Capacity Resources into the PJM energy markets and whose costs exceed the applicable energy market clearing price to receive a make-whole payment covering the difference between their costs and the clearing price.”⁸ The goal of the waiver, with which the Market Monitor agrees, is to ensure that generation owners who incurred fuel costs greater than \$1,000 per MWh be allowed to recoup such excess short run marginal costs. Allowing a ten percent adder would constitute an unjust and unreasonable windfall. Accordingly, an additional order should determine or clarify that make-whole payments made subject to the waiver should not include a ten percent adder.

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

Respectfully submitted,



Jeffrey W. Mayes

General Counsel
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Valley Forge Corporate Center

Joseph E. Bowring
Independent Market Monitor for PJM
President
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Valley Forge Corporate Center

⁷ See Market Monitor, 2012 State of the Market Report for PJM, Section 2 (Energy Market) at 79.

⁸ January 24th Order at P 1.

Eagleville, Pennsylvania 19403
(610) 271-8051
joseph.bowring@monitoringanalytics.com

Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@monitoringanalytics.com

Dated: January 29, 2014

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 29th day of January, 2014.



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