UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.	)))	Docket No. ER21-1802-000

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 answers submitted by PJM Power Providers Group on May 21, 2021 ("Power Providers") in the above referenced docket. On April 30, 2021, PJM proposed revisions to the PJM market rules to clarify that generators do not incur lost opportunity costs and PJM does not pay lost opportunity cost uplift when generators are dispatched down for a stability constraint ("April 30th Filing"). Power Providers' arguments ignore the core point. There is no opportunity cost. No opportunity to make power sales is lost under the circumstance addressed by the revisions in the April 30th Filing. PJM's proposed revisions should be approved.

---

1 18 CFR §§ 385.212 & 385.213 (2019).

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").

I. ANSWER

Power Providers assert (at 2) that the April 30th Filing is discriminatory and contrary to economic and reliability principles. Power Providers claim discrimination, stating that the April 30th Filing "would no longer compensate generators for lost opportunity costs for reducing economic output below their economic levels for stability constraints, but yet continue to pay such lost opportunity costs for other reliability or transmission issues." Power Providers' statement is misleading in that it fails to explain that stability limited resources do not receive lost opportunity cost payments under the status quo when PJM has implemented procedures to limit the resource's output in the economic dispatch. In asserting that the April 30th Filing is contrary to economic and reliability principles, Power Providers do not mention the real risk of damage to the generating unit were it to pursue the energy market revenues available by producing at an output that exceeds the stability limit. That real risk of damage to the generating unit is why no lost opportunity cost exists. The outcome contrary to economic and reliability principles would be to pay uplift to the resource based on an alleged opportunity cost that does not exist. The April 30th Filing is neither discriminatory nor contrary to economic and reliability principles.

Power Providers' complaints (at 7–9) about the current process for managing the dispatch of stability limited resources are valid. As explained in the May 21st Comments, the Market Monitor supports a change to the practice of using a surrogate constraint to manage the dispatch of stability limited resources. Power Providers argue (at 10) that prices must be consistent with dispatch instructions and reliability, but prices are consistent with the dispatch instructions when any resource runs at its maximum possible output while the LMP exceeds its short run marginal cost. When a resource faces a stability constraint, its maximum possible output is the stability limit, because operating at a higher level places the resource at risk. The generator output constraint accurately models this scenario in both dispatch and pricing.

Power Providers request (at 14) that the generator output constraint be defined in the PJM Operating Agreement. The Market Monitor agrees that the Operating Agreement should include more details about the PJM dispatch process under this and other conditions. Section 1.1 of Schedule 1 to the OA includes scant details regarding the real-time economic dispatch of PJM's energy market. That the April 30th Filing did not include this addition to the dispatch process does not invalidate the legitimate clarification of the uplift rules provided by the April 30th Filing.

Power Providers make two arguments about the relationship between generation and transmission. Power Providers assert (at 19) that PJM does not study transient stability conditions in the interconnection process. While this broad assertion is not supported, it does appear to be the case that transient stability conditions are not fully studied in every interconnection case. The Market Monitor agrees that such impacts should be studied and the interconnecting generator should be provided the information and the option to pay for upgrades to resolve the impacts. Generators have the option to request such study. That does happen in some cases. The fact that it did not happen in a particular case does not mean that generators now have the right to uplift when redispatched and when there is no associated lost opportunity. Power Providers accept the fact that it is appropriate to be redispatched without opportunity costs for stability limits when a generator has made the explicit choice not to pay for upgrades.[3]

Presumably, the affected generators still have the option to pay for transmission upgrades to address the issues or to decide to accept redispatch as a lower cost alternative. If not, that option should be available. Power Providers do not mention that option.

---

3 Power Providers at 20: "In effect, PJM Planning is making clear that re-dispatch is preferable and implies that it is lower cost than the upgrade. In such a case in the interconnection process, at least the interconnecting generator can make an informed decision about how to proceed, and if it accepts such terms that it will dispatch downward in lieu of additional upgrades, that can be memorialized in the Interconnection Service Agreement ("ISA")."

Power Providers' argument about the interconnection process is that more complete information should be provided in order to permit a choice. The Market Monitor agrees that providing that information is appropriate. Generators may request such information. But the lack of that information at the time of interconnection does not entitle a generator to be paid for a nonexistent opportunity cost and thereby penalize customers.

Power Providers assert (at 20) that the broader transmission planning process (RTEP) does study transient stability conditions and may conclude that redispatch in the energy market is the most economic option for managing the conditions. Power Providers (at 22) make the illogical leap from that point to the conclusion that generators are providing a transmission service and should be compensated for that service. The argument proves too much. That argument has potentially far reaching implications for the boundary between transmission and generation.[4] Redispatch for economics is standard practice in PJM's locational energy market. There is nothing about redispatch for a stability limit that makes redispatched generators the providers of transmission service. There is a symbiotic relationship between transmission and generation in LMP markets. But there is a clear distinction between transmission and generation and that distinction should not be muddied, contrary to Power Providers.

There is nothing about the interconnection process or transmission planning process that entitles generators to opportunity cost payments when there is no lost opportunity.

4 The Market Monitor has long pointed out that the wholesale power markets fail to define a mechanism for permitting competition between transmission and generation. See the *2021 Quarterly State of the Market Report for PJM: January through March*, Volume 2, Section 12: Generation and Transmission Planning found at: <https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2021.shtml>.

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.[5] 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.

---

[5] *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).

III. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to this answer 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
Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@monitoringanalytics.com

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

Catherine A. Tyler
Deputy Market Monitor
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8050
catherine.tyler@monitoringanalytics.com

Dated: June 7, 2021

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 7th day of June, 2021.

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