

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

PJM Interconnection, L.L.C.)
) Docket No. ER21-2043-000
)

**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 by AES Solutions Management, LLC (“AES”), PJM Power Providers Group (“P3”), LS Power Development, LLC (“LS Power”), American Clean Power Association (“ACP”) and the joint submission by the Solar Energy Industries (“SEIA”) and Advanced Energy Economy (“AEE”), on June 22, 2021.

AES argues for changes to PJM’s new ELCC proposal that amount to a collateral attack on the Commission’s order rejecting PJM’s prior ELCC proposal.³ Other commenters point out the new proposal’s flaws but appear resigned to its approval as inevitable. Nothing prevents PJM from filing a corrected ELCC proposal. It will be easier to correct the

¹ 18 CFR §§ 385.212 & 385.213 (2020).

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”).

³ See *PJM Interconnection, LLC.*, 175 FERC ¶ 61,084 (2021) (“April 30th Order”).

flaws now than it will be later. Nothing will be gained by rushing to approve a flawed proposal that should be rejected, modified and resubmitted.

I. ANSWER

A. AES Requests Fixed Capacity Values or Capacity Value Floors for ELCC Resources

AES requests (at 18) that the Commission require PJM to resubmit a proposal that provides ELCC resources “with a guaranteed level of rights to bid in capacity” based on a historically achieved ELCC capacity value or that a capacity value floor be established. AES seeks to lock in ELCC values for extended periods in the same manner as the transition mechanism rejected by the Commission.

Setting capacity value floors would mean that some resources are paid for more than their contribution to reliability and some are paid less. The result would be unduly discriminatory because it treats similarly situated resources differently.

AES refers (at 3) to PJM’s annual calculation of ELCC values as an “annual redistribution of renewable resource capacity rights.” AES continues (at 4) that annual recalculation of a resource’s capacity value “creates unprecedented risks and an enormous market barrier to financing renewable resources, improperly accounts for renewable resources’ contribution to meeting PJM’s reliability needs, and masks the correct market entry and exit price signals for renewable resources.” The irony of this statement is that the only way to properly account for resources’ contributions to reliability and to properly signal entry and exit is to dynamically determine capacity values as the market is cleared and to do so using a marginal ELCC approach. A competitive market does not guarantee a fixed price or quantity to sellers.

B. Knowingly Implementing a Fundamentally Flawed Policy.

Several commenters request that the Commission accept PJM’s filing while acknowledging the proposal is incomplete or flawed. For example, P3 expects (at 4–5) “continued dialogue and efforts toward resolving several remaining issues in contention,

including those surrounding transmission constraint modeling consistent with the BRA procurement of capacity, necessary revisions to capacity interconnection rights (“CIRs”), which PJM has already commenced work on, and consideration of using a different ELCC methodology.” LS Power acknowledges (at 1) that “there are a number of important issues that PJM should consider and refinements that must be made in the near future.” SEIA and AEE admit (at 5–6) a lack of confidence in PJM’s ELCC values and note that “the information provided to stakeholders to date regarding PJM’s ELCC methodology (i.e., inputs and assumptions used in PJM’s model) has not been sufficient” and “has not allowed independent analysts to replicate PJM’s ELCC results.” SEIA and AEE specifically state (at 2) the inability to reproduce PJM’s projections for stand-alone solar.

Each of the identified flaws is significant and fundamental. Each of these flaws is a standalone reason to reject the proposal. It is well established that implementing flawed proposals leads to unintended consequences including creating winners and losers. Implementing a flawed proposal will make it harder rather than easier to have a meaningful stakeholder process. Particularly in light of likely modifications to MOPR and the increased penetration of intermittent resources, it is essential to take the time to get the basic design right. There is no evidence that delay would hurt renewable resources in any way.

There appears to be significant stakeholder support for an ELCC design of some type but no ELCC can or should be implemented without a clear, internally consistent design based on good economics and supported technological facts.

C. Transparency Should Be Required.

The Market Monitor supports the requirement for transparency and agrees with SEIA and AEE that the ability to replicate the PJM ELCC analysis is essential. The Market Monitor also supports the request by ACP (at 5) that “the Commission direct PJM to make available annual deployment figures in megawatts for every resource type, including non-ELCC Resources.” The Market Monitor supports the ACP request. The Market Monitor also

supports making the underlying data broadly available in order to permit all market participants to replicate the ELCC results and to understand them in detail. The Market Monitor has requested data on the ICAP forecast for the ELCC resources used to define the proposed ELCC levels from PJM but apparently confidentiality agreements prevent PJM from sharing the data. Better access to data and the underlying model will facilitate appropriate scrutiny and understanding by interested parties, allow market participants to have more confidence in the ELCC values, and lead to a more effective and efficient market design.

D. ELCC for All

The Market Monitor supports the comments that would require the application of ELCC to all resource types. If ELCC makes sense for intermittent resources it also makes sense for thermal resources, which should not be assumed to be uniformly perfect resources. No ELCC proposal, including the current PJM proposal, should be accepted if it does not apply to all resource types.⁴

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

⁴ Comments of the Independent Market Monitor for PJM, Docket ER21-2043-000 (June 22, 2021) at 18.

⁵ See, e.g., *PJM Interconnection, LLC*, 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, LLC*, 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).

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 answer as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: July 9, 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 9th day of July, 2021.



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