

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

PJM Interconnection, L.L.C.	)	
	)	Docket Nos. ER22-962-001
	)	ER22-962-002

**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,<sup>1</sup> Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor (“Market Monitor”) for PJM Interconnection, L.L.C. (“PJM”),<sup>2</sup> submits this answer to the answer filed by PJM on May 12, 2023 (“May 12<sup>th</sup> Answer”). The May 12<sup>th</sup> Answer responds to the Market Monitor’s comments filed April 21, 2023 (“April 21<sup>st</sup> Comments”) on PJM’s compliance filing submitted March 31, 2023 (“March 31<sup>st</sup> Filing”). The March 31<sup>st</sup> Filing was submitted in compliance with the Commission’s Order issued on March 1, 2023 (“March 1<sup>st</sup> Order”).

The May 12<sup>th</sup> Answer incorrectly claims that the March 1<sup>st</sup> Order approves an exemption from the capacity market power mitigation rules for Component DERs that inject power onto the grid and are co-located with retail load. On the contrary, the March 1<sup>st</sup> Order (at P 87) requires that PJM “apply its existing capacity market mitigation rules.” The existing

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<sup>1</sup> 18 CFR § 385.212 & 213 (2022).

<sup>2</sup> 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”).

rules apply market power mitigation to resources injecting power onto the grid, and changes to those rules are outside of the scope of this proceeding.<sup>3</sup>

In order to provide a new exemption for such injecting resources, PJM proposes to distort the definition of demand resources.<sup>4</sup> The May 12<sup>th</sup> Answer proposes to change the definition of demand response resources to include resources that inject power onto the grid, if they are co-located with retail load. This is a transparent attempt to evade the compliance directive in the March 1<sup>st</sup> Order (at P 87). The March 31<sup>st</sup> Filing should be rejected.

## I. ANSWER

### A. PJM Fails to Follow the Commission's Explicit Instructions in the March 1<sup>st</sup> Order.

Resources that inject power onto the grid are generation, and resources that curtail their withdrawals from the grid are demand resources. Demand resources are exempt from capacity market power mitigation rules. Generation resources are not exempt. Surprisingly, the March 31<sup>st</sup> Filing attempts to change this longstanding and logical distinction. PJM's underlying purpose is unclear. The May 12<sup>th</sup> Answer claims (at 5–6) that the March 1<sup>st</sup> Order “specifically approved” PJM's proposal to change the definition of demand response resources to include resources that inject power, if they are co-located with retail end-use load, thereby exempting them from capacity market power mitigation. This is a plainly incorrect reading of the March 1<sup>st</sup> Order.

The March 1<sup>st</sup> Order states (at P 87):

[W]e find that PJM's proposed tariff revisions relating to capacity market power mitigation of DER Capacity Aggregation Resources containing Component DER directly connected to distribution facilities co-located with retail end-use load do not comply with

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<sup>3</sup> See RAA, Article 1: Definitions, Existing Generation Capacity Resource, Demand Resources; March 1<sup>st</sup> Order at P 86.

<sup>4</sup> See PJM RAA, Article 1: Definitions, Demand Resource.

Order No. 2222 because they constitute reforms to PJM's capacity market mitigation rules, which are outside the scope of this proceeding, as discussed above.[footnote omitted] Under PJM's existing capacity market mitigation rules, resources are subject to the MOPR and MSOC based on their resource type.<sup>5</sup> However, PJM proposes to revise its existing capacity market power mitigation rules as applied to such DER Capacity Aggregation Resources by categorically exempting them from mitigation if any of the constituent Component DER in the aggregation are co-located with retail end-use load, rather than applying PJM's existing capacity market mitigation rules to them based on the resource types in the aggregation.[footnote omitted] Therefore, we reject PJM's proposed capacity market power mitigation rules for such DER Capacity Aggregation Resources. Accordingly, we direct PJM to file, within 30 days of the date of issuance of this order, a further compliance filing that removes its proposed tariff language that exempts DER Capacity Aggregation Resources containing Component DER directly connected to distribution facilities co-located with retail end-use load from capacity market power mitigation rules. However, given that capacity market power mitigation rules are necessary to allow DER Capacity Aggregation Resources to participate directly in PJM's markets, *we also require PJM, as part of its compliance filing, to revise its tariff to apply its existing capacity market mitigation rules to DER Capacity Aggregation Resources based on the composition of the DER Capacity Aggregation Resource and consistent with such requirements applied to all resources in PJM* [emphasis added].

The March 1<sup>st</sup> Order further explains (at P 87 n.138):

Proposed Tariff sections 1.4B(k) and 1.4B(l) provide that DER Capacity Aggregation Resources containing Component DER directly connected to distribution facilities *not* co-located with retail end-use load other than Station Power may be subject to a MOPR Floor Offer Price and a Market Seller Offer Cap, respectively. However, as PJM explains in the Data Request Response, these provisions effectuate an exemption from the Minimum Offer Price Rule and Market Seller Offer Cap for DER Aggregation Resources that include Component DER that inject onto the grid and *are co-*

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<sup>5</sup> See Tariff, PJM, Tariff, attach. DD, § 5.14 (33.0.0), § 5.14(h-2); PJM, Tariff, attach. DD, § 6.6A (1.0.0); PJM, Tariff, attach. M-app. (23.0.0), §II.E.

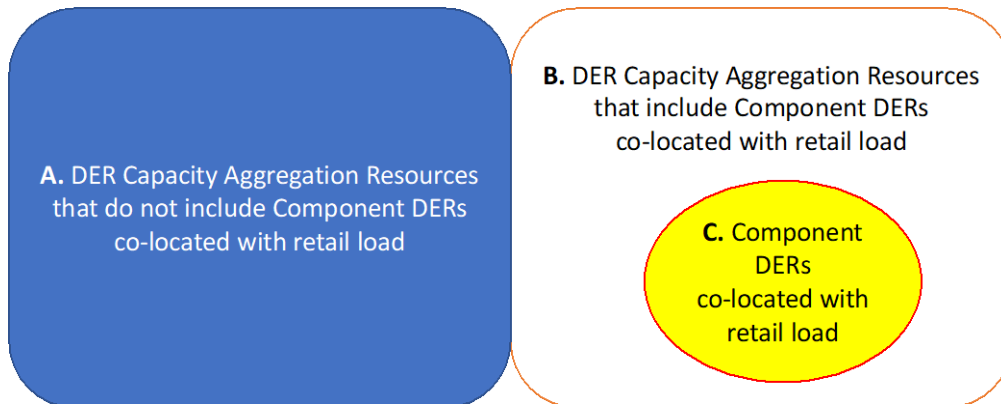
*located* with retail load. Data Request Response at 11 (“DER Aggregation Resources that include Component DER[] that inject onto the grid and are co-located with retail load will not be subject to the Minimum Offer Price Rule and Market Seller Offer Cap.”).

The March 1<sup>st</sup> Order (at P 87) accepted PJM’s proposed capacity market power mitigation rules *except* for the exemption of DER Capacity Aggregation Resources that include Component DERs co-located with retail load. The reason the March 1<sup>st</sup> Order denies the proposed rules for Component DERs co-located with retail load is because the proposed rules include a change to existing capacity market power mitigation rules for generation (injecting) resources included in DER aggregation. The basis for the Commission’s rejection of PJM’s earlier compliance proposal also applies to the compliance proposal in the March 31<sup>st</sup> Filing.

Figure 1 clarifies what the March 1<sup>st</sup> Order approves and what it does not approve. The March 1<sup>st</sup> Order approves the proposed capacity market power mitigation rules for group A, DER Capacity Aggregation Resources that do not include Component DERs co-located with retail load. Group A may include curtailable wholesale loads and/or generation directly connected to the distribution system. The rules for group A are fully consistent with the rules for all generation and demand side resources in PJM. The March 1<sup>st</sup> Order rejects the exemption from capacity market power mitigation for group B, DER Capacity Aggregation Resources that include Component DERs co-located with retail load. Group B includes curtailable retail load and/or retail load with onsite generation. Some resources in group B may only be capable of curtailing load and therefore meet the definition of demand resources, while others may be capable of injecting power to the grid and therefore meet the definition of generation. The March 1<sup>st</sup> Order rejects the exemption from capacity market power mitigation for group B, aggregations that include Component DERs co-located with retail load, because Group C is part of Group B. Group C is the subset of group B that consists only of component DERs co-located with retail load. Group C includes both demand resources and generation resources. The May 12<sup>th</sup> Answer claims that the March 1<sup>st</sup> Order approves the capacity market power mitigation exemption for all of group C. Some resources

in group C may only be capable of curtailing load, while others may be capable of injecting power to the grid. The March 1<sup>st</sup> Order does not approve an exemption for all Component DERs with co-located retail load and explicitly rejects the proposed exemption for Component DERs with co-located retail load that inject power and are therefore generation.

**Figure 1 DER Capacity Aggregation Resources with and without Component DERs co-located with retail load.**



The May 12<sup>th</sup> Answer does not comply with the March 1<sup>st</sup> Order. The May 12<sup>th</sup> Answer proposes that PJM reclassify a set of generation resources as demand response in order to apply weakened market power mitigation rules to them.

Instead of following the March 1<sup>st</sup> Order that directs PJM to apply the existing capacity market power mitigation rules based on existing resource types, PJM attempts, in a transparent attempt to ignore the order, to define a new resource type, demand response with injection and to apply the existing demand response (load curtailment only) rules to the new resource type.

**B. Redefining All Component DER Co-Located with Retail End Use Load as Demand Response Is Outside the Scope of This Proceeding.**

The May 12<sup>th</sup> Answer (at 4-7) proposes to treat Component DERs that can reduce load and inject power as demand response resources. The proposal would change existing rules in direct contradiction to the March 1<sup>st</sup> Order. The March 1<sup>st</sup> Order rejects PJM's proposed exemption of DER Capacity Aggregation Resources that include Component DERs co-located with retail load from the capacity market power mitigation rules because it requires

changes to the existing market power mitigation rules. As the March 1<sup>st</sup> Order (at P 86) clearly states, reforms to existing rules are outside the scope of this proceeding.

The Commission should reject PJM's proposal to classify resources that can inject power as demand response resources.

## 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.<sup>6</sup> 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.

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<sup>6</sup> 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 it resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: May 30, 2023

## 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 30<sup>th</sup> day of May, 2023.



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