

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

PJM Interconnection, L.L.C.	)	Docket No. ER23-918-000
	)	
	)	

**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,<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 comments submitted by DC Energy, LLC (“DCE”) on March 6, 2023, and the answer to DCE filed by PJM on March 13, 2023, concerning new rules that allow PJM to make more discretionary changes to Transmission Constraint Penalty Factors (“TCPF”), filed by PJM on January 20, 2023 (“January 20<sup>th</sup> Filing”). DCE correctly points out that the new TCPF rules do not provide sufficient transparency. PJM’s Answer, that it already posts data on changes to the TCPF, does not address the fact that the proposed rules would provide PJM with considerable discretion in changing the TCPF with little accountability. The proposed rules define situations in which transmission constraints would be routinely violated in the market model, based on artificially reduced line limits. If transmission constraints are modelled at their actual operating limits, routine violations should not occur. PJM should not be permitted discretionary price setting by using inaccurate line ratings modelled in the market.

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<sup>1</sup> 18 CFR §§ 385.212 & 385.213 (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”).

The Market Monitor recommends that the January 20<sup>th</sup> Filing be rejected and that PJM be directed to develop new rules and procedures to accurately reflect transmission operating limits in the market models and to implement look ahead dispatch tools instead of discretionary price setting as needed.

## **I. ANSWER**

### **A. PJM Data Posting Does Not Provide Sufficient Transparency.**

PJM currently posts changes to the default level of the TCPF in its DataMiner tool. It identifies the constraint, the TCPF value, and the effective dates and times for the change. DCE (at 4) argues that PJM should also “identify the specific outage causing it to reduce the TCPF.” DCE’s arguments highlight the fact that the January 20<sup>th</sup> Filing will provide PJM with considerable discretion to change the TCPF. The proposed rules include a variety of factors that PJM may consider in deciding to lower the TCPF, including the geographic and electrical conditions in the local area, the nature of the outage creating the congestion, the existing available resources in the market, and the resources in the interconnection queue. The January 20<sup>th</sup> Filing does not provide a verifiable or systematic process for PJM to follow in implementing the TCPF changes or whether to make any changes. There is no amount of data posting that can provide the transparency necessary to ensure consistent application of the proposed rules.

### **B. The Rules Should Not Permit Discretionary Price Setting.**

The practice of discretionary price setting by choosing a marginal unit and modifying constraints and/or TCPFs to force particular units to set LMP should be eliminated from the PJM markets. Closed loop interfaces, CT pricing logic, surrogate constraints, and setting the TCPF to the marginal cost of a unit are a set of practices PJM has used for discretionary price setting. Generally, the justification has been to force a unit to be marginal to increase its energy market revenues, thereby reducing uplift payments to the unit. These practices have been reduced with the elimination of CT pricing logic and the less frequent use of closed loop interfaces. The January 20<sup>th</sup> Filing is a change of direction back toward more discretionary

price setting. The situations where PJM uses these practices occur when there are localized reliability issues. These situations cannot be avoided and should not be an excuse for discretionary price setting. With the publicly posted unit specific uplift information that PJM provides, uplift payments are more transparent than forcing higher LMPs with no explicit market basis, using nontransparent market modelling practices.

**C. The Transmission Constraint Penalty Factor Rules Should Not Be Allowed to Conceal Inaccurate Definitions of Constraints.**

In the case of outages in isolated geographic areas, like the Northern Neck of Virginia, PJM and the transmission operator must establish operating practices to ensure reliability throughout the outage. These operating practices include adjustments to operating limits on transmission lines, operating certain generating units for reliability, and plans for load shedding if flows on transmission lines cannot be maintained below a reliable level based on posted line ratings. These operating practices must be followed regardless of market economics. Market modelling of constraints should reflect the operating practices in place. If the market can dispatch resources to support the reliability plan, prices should reflect that dispatch. However, when the market dispatch cannot be relied upon to commit and dispatch resources as needed, market prices should not be increased to an arbitrary level based on PJM's discretion.

Repeated, predictable violations of a transmission constraint without triggering further reliability actions, like load shedding, to prevent constraint overloads, indicate that the operating plan allows the constraint flows to exceed the constraint limit defined in the market. In such cases, the January 20<sup>th</sup> Filing proposes to allow the constraint to violate in the market and to lower the TCPF to a level that masks the constraint violations. Instead, PJM should raise the constraint limit defined in the market to the actual operating flow level that the transmission owner and PJM allow based on posted line ratings and therefore agree are consistent with reliability. This would mean that the constraint would not bind in the market.

PJM has stated reasons for choosing to model constraints in the market below their actual operating limit. These reasons should be addressed directly. If PJM's reason is to use

an artificially high price to dispatch resources to reduce market flows on a constraint before they reach the actual operating limit, PJM should work to create look ahead dispatch tools that would address the issue directly. Such direct look ahead dispatch instructions are a better solution than operating the transmission system at constraint limits that are less than the actual limits, which unnecessarily triggers \$2,000/MWh TCPFs and which is inefficient and costly to customers.

## 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>3</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.

## 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.

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<sup>3</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).

Respectfully submitted,



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Dated: March 15, 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 15<sup>th</sup> day of March, 2023.



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