

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

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

COMMENTS OF THE INDEPENDENT MARKET MONITOR FOR PJM

Pursuant to Rule 211 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 these comments responding to the filing submitted in this proceeding by PJM Interconnection, L.L.C. (“PJM”) on March 31, 2023 (“March 31st Filing”). The March 31st Filing was submitted in compliance with the Commission’s Order issued on March 1, 2023 (“March 1st Order”).

The March 1st Order directed PJM to, within 30 days and 60 days, revise and/or reconsider parts of PJM’s Compliance filing³ with Order No. 2222.⁴ In the March 1st Order, the Commission directed PJM to file (at P 1), within 30 days of the date of issuance of the order, a further compliance filing that removes its proposed language exempting DER Capacity Aggregation Resources that include Component DERs that are co-located with

¹ 18 CFR § 385.211 (2022).

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 PJM Compliance Filing, Docket No. ER22-962-000 (February 1, 2022) (“February 1st Filing”).

⁴ See *PJM Interconnection, L.L.C.*, 182 FERC ¶ 61,143 (2023). The deadline for the second compliance was extended approximately 120 days, to September 1, 2023, by order issued April 11, 2023.

retail end use load from capacity market power mitigation rules.⁵ The remaining directives are required to be filed (*id.*) by September 1, 2023. PJM subsequently requested and was granted a deadline of September 1, 2023, to address other aspects of the March 1st Order.

The March 1st Order states (at P 87) that PJM must remove “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.”

The March 31st Filing does not comply with the order. In direct contradiction to the March 1st Order, the March 31st Filing retains PJM’s previously proposed exemption from market power mitigation rules for any Component DER co-located with retail end-use load.

The March 31st Filing should be rejected because it does not comply with the March 1st Order.

I. COMMENTS

A. Component DER Co-Located with Retail End Use Load Should Be Subject to the Capacity Market Power Mitigation Rules.

PJM’s February 1st Filing created an exemption from existing capacity market power mitigation rules for DER resources if any component of a DER Capacity Aggregation Resource is co-located with retail load. In the March 1st Order, the Commission rejected that proposed exemption and directed PJM to ensure that the capacity market power mitigation rules are applied to DER based on the resource types in the DER aggregation, without exception. The only existing exemptions from the capacity market power mitigation rules are for demand response (“DR”) and energy efficiency (“EE”) resources.

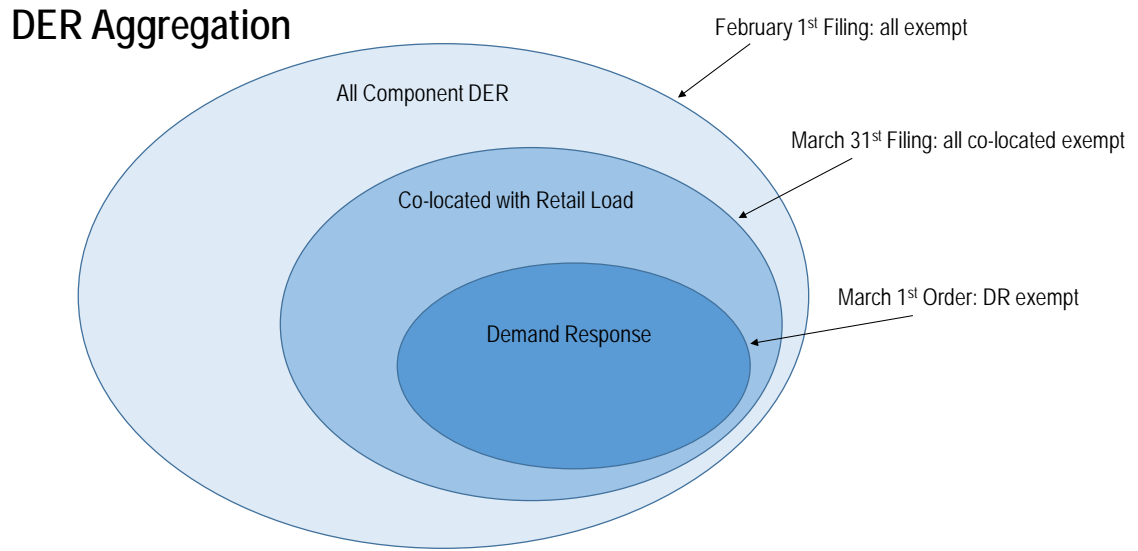
But the March 31st Filing ignored that explicit direction and proposes (at 4–5) to exempt a DER Capacity Aggregation Resource or a part of a DER Capacity Aggregation

⁵ Component DERs are simply components of DER Capacity Aggregation Resources. DER Capacity Aggregation Resources may include one or more Component DERs.

Resource that consists solely of Component DER co-located with retail end-use load, from the capacity market power mitigation rules (MSOC and MOPR). The March 31st Filing argues (at 2) that the exemption is consistent with the current demand response rules for retail load participation. That statement is correct but irrelevant. The exemption is consistent with the current demand response rules, but PJM was explicitly directed not to extend the exemption to resources that are not demand response. Component DERs are not currently exempt, even if they are co-located with retail load if they are not DR or EE. (A resource that can inject power to the grid is not DR or EE.) If a resource wishes to inject power to the grid, it must follow the capacity market rules that apply to all generation resources, including the market power mitigation rules in the capacity market.

Figure 1 is a Venn diagram that shows the relationships among the types of DER aggregations. The largest area represents the broadest definition of a DER Aggregation that includes three elements of a DER Aggregation: Component DER that are not co-located with retail load; Component DER that are co-located with retail load but are not DR; and Component DER that are DR. The February 1st Filing incorrectly proposed to exempt all Component DER from market power mitigation rules. The March 31st Filing narrowed the exemption, but incorrectly proposed to exempt all Component DER that are co-located with retail load from market power mitigation rules. The March 1st Order directed PJM to exempt, consistent with Order 2222 and the current capacity market power mitigation rules, only Component DER co-located with retail load that are demand resources.

Figure 1 Capacity Market Power Mitigation Exemption for Different Types of Resources in an Aggregation



B. Market Power

As apparent justification for not following the March 1st Order, the March 31st Filing states (at 2–3) that the identified DER resources are “multi-use installations, developed with a purpose to serve retail load, and will have inherent size restrictions due to site loads and distribution interconnection processes.” But neither the purpose nor the size makes a Component DER a demand response resource or makes a Component DER exempt from market power mitigation rules.

Small resources can and do have market power, and that is why all DER Aggregation Resources, including those that include DERs co-located with retail load, have a must offer requirement in the energy market, and a cost-based offer requirement in the energy market.⁶ The March 1st Order consistently applies market power mitigation rules to the energy market and the capacity market.

⁶ March 1st Order at P 89.

Participating in the wholesale power market, subject to the same rules as other market participants, is essential to successful integration of DER Aggregation Resources. The absence of consistently applied market power mitigation rules across resource types would create the potential for the exercise of market power and noncompetitive market outcomes.⁷

The Commission should direct PJM to eliminate the exemption from the capacity market power mitigation rules of DER Capacity Aggregation Resources containing Component DER that are co-located with retail end use load.

C. The Proposed July 1, 2023, Effective Date Should Be Postponed Until the Full Compliance Filing Is Accepted.

The Commission's directives in the March 1st Order include clarifying rules around the resources that both curtail load and inject energy, removing automatic approval for net energy metering resources' participation in the ancillary services market, clarifying the definition of double counting, reconsidering single node aggregation in the energy market, removing the pre-registration process and clarifying utility review criteria, all of which are essential factors for market participants' decisions on how they would offer in the capacity market. Until clear rules are established addressing all for these issues, Planned DER Capacity Aggregation Resources should not be allowed to participate in the capacity market.⁸ Without a complete and clear set of rules, Planned DER Capacity Aggregation Resources' participation in the capacity market will result in inefficient market outcomes. The PJM Tariff should define market rules for planned DER Capacity Aggregation Resources before such resources participate in PJM markets. PJM will not file significant revisions required for compliance until September 1, 2023. Accordingly, none of the revisions should become effective before a final Commission decision on all components of PJM's compliance filing.

⁷ July 28th Comments at 4.

⁸ PJM has filed to postpone the Base Residual Auction for the 2025/2026 Delivery Year (and subsequent auctions) in Docket No. ER23-1609.

II. CONCLUSION

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

Respectfully submitted,



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Dated: April 21, 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 21st day of April, 2023.



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