

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.)
) Docket No. ER23-1609-000
)

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 by PJM Interconnection, L.L.C. (“PJM”) on April 11, 2023 (“April 11th Filing”). The April 11th Filing proposes rules that would allow for rescheduling the four capacity market base residual auctions (BRA) for the 2025/2026 through 2028/2029 Delivery Years. Some limited and defined delay for the 2025/2026 BRA is appropriate, but the April 11th Filing proposes more than a “modest delay” for the 2025/2026 BRA and undefined delays for the remaining three auctions.³ If accepted as filed, the proposed language would allow PJM to schedule the indicated BRAs entirely at its discretion. The April 11th Filing should be rejected and PJM should be directed to file a modified proposal for auction delay.

PJM should include the proposed new auction date for the 2025/2026 BRA in the tariff. Six months is sufficient time to prepare the needed changes to the PAI definition and penalty rate rules and make any required changes to offers for the 2025/2026 auction. PJM

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 See April 11th Filing at 4.

should be directed to include a new schedule limited to postponement of the BRA for the 2025/2026 Delivery Year to start no later than December 1, 2023. The remaining auction dates cannot reasonably be determined at this time, pending PJM filing capacity market reforms and Commission actions on that filing(s).

I. COMMENTS

The April 11th Filing proposes to revise Section 5.4 of Attachment DD to the OATT to supersede the current auction deadlines with the following provision:

Notwithstanding, for Delivery Years 2025/2026 through 2028/2029, the Base Residual Auctions shall be conducted in accordance with the schedule posted on the PJM website.

This language affords PJM excessive and unnecessary discretion for the auction schedule for four delivery years. Under the rule of reason, the auction schedule should be included in the filed tariff, not left entirely to PJM's discretion.

The Market Monitor's position is that a delay to the 2025/2026 BRA is warranted, but only until specific changes to the rules that limit the most extreme negative impacts of the current design are filed and approved. That delay should be limited in order to provide needed certainty to market participants. PJM should include the proposed new auction date for the 2025/2026 BRA in the tariff. Six months is sufficient time to prepare the needed changes to the PAI definition and penalty rate rules and make any associated required changes to offers for the 2025/2026 auction. PJM should make a new filing in which PJM includes a new schedule limited to postponement of the BRA for the 2025/2026 Delivery Year to start no later than December 1, 2023. The remaining auction dates cannot reasonably be determined at this time, pending PJM filing capacity market reforms and Commission actions on that filing(s).

The Market Monitor agrees that the subsequent three auctions will need to be rescheduled. The Market Monitor agrees that the Capacity Performance market design needs significant changes, but does not agree with PJM about the nature of those changes. (PJM at 2-3)

The Market Monitor has proposed to the Members in a memorandum dated April 27, 2023, simple and limited revisions to the PAI definitions and penalty rate rules that would address the most extreme negative impacts of the current design. The proposal would limit penalties to the BRA clearing price and establish a stop loss provision at twice the clearing price. The proposal would create a precise, verifiable and enforceable definition of a PAI event. The proposal is included as an Attachment. The Market Monitor continues to discuss the proposal with PJM and market participants, which are expected to result in modifications to the detailed definition of a PAI event.

There is no reason why the Market Monitor's proposed revisions or similar reforms cannot be prepared and filed, and acted on by the Commission. The preparatory work for the 2025/2026 BRA has been largely completed. The CPQR component of MSOC values would have to be recalculated and agreed to in order to reflect the reduced risk and consequences of a PAI event that would result from the modified rules. The BRA for the 2025/2026 Delivery Year should be scheduled for no later than December 1, 2023. This would require a modification in the schedule approved by order issued in Docket No. ER19-58-010.⁴ The postponement of the 2025/2026 BRA could be accomplished relatively quickly through a motion to revise the schedule filed in Docket No. ER19-58.

The appropriate timing of the following three auctions cannot be known until the current PJM CIFP process is complete, PJM files a revised market design with the Commission, the Commission reviews the filing, the Commission acts on the filing, and any additional required filings are made by PJM and acted on by the Commission. The exact dates for the 2026/2027, 2027/2028 and 2028/2029 auctions cannot be reasonably be established until after that process is complete. The Market Monitor agrees that the 2026/2027, 2027/2028 and 2028/2029 auctions should be delayed until that process is

⁴ See Delegated Letter Order (February 22, 2022).

complete and the auctions can proceed under the new rules as approved by the Commission.

II. CONCLUSION

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

Respectfully submitted,



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Dated: May 2, 2023

Attachment



DATE: April 27, 2023
TO: PJM Members
FROM: IMM
SUBJECT: PAI definitions and penalty rate

This is the IMM's proposed approach to the definition of the nonperformance charge rate, the stop loss limit and the algorithmic definition of a PAI.

1. The nonperformance charge rate is the BRA clearing price
2. The stop loss is two times the BRA clearing price (2 * BRA clearing price)
3. The definition of a PAI for a reserve zone or reserve subzone is: a. and b., or c.
 - a. PJM is short primary reserves in a reserve zone or reserve subzone
 - i. The definition of primary reserves is 150 percent of the synchronized reserve requirement
 - ii. The definition of the synchronized reserve requirement is the largest contingency
 - b. PJM calls an emergency action for the same reserve zone or reserve subzone
 - i. The definition of an emergency action is any of the following actions when it encompasses a reserve zone or reserve sub-zone:
 - 1) Maximum Generation Emergency Action
 - 2) Voltage Reduction Warning and Reduction of Non-Critical Plant Load
 - 3) Curtailment of Non-Essential Business Load
 - 4) Manual Load Dump Warning
 - ii. This list of relevant emergency actions explicitly excludes:
 - 1) Pre-Emergency Load Management Reduction Action
 - 2) Emergency Load Management Reduction Action
 - 3) Emergency Voluntary Energy Only Demand Response Reduction Action
 - c. PJM calls one of the identified emergency actions in a reserve zone or reserve subzone:
 - 1) Deploy All Resources Action
 - 2) Voltage Reduction Action
 - 3) Manual Load Dump Action
 - 4) Load Shed Directive

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 2nd day of May, 2023.



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