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

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| Lackawanna Energy Center LLC | ) | Docket No. EL24-64-000 |
| v. | ) | |
| PJM Interconnection, L.L.C. | ) | |

**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 in support of the answer submitted by PJM on January 23, 2024 ("Answer"), in response to the complaint filed by Lackawanna Energy Center LLC ("Lackawanna") in this proceeding on January 25, 2024 ("Complaint").

Lackawanna alleges (at 2) that PJM has improperly denied Lackawanna lost opportunity cost ("LOC") payments to which it was entitled when Lackawanna's output was reduced at PJM's direction to maintain stability limits. In its Answer, PJM explains (at 2) that the market rules include an exception that explicitly prohibits LOC payments to a unit whose output is reduced at the direction of PJM in order to maintain stability limits.

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1 18 CFR §§ 385.212 & 385.213 (2023).

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").

The rules properly recognize that Lackawanna had no lost opportunity costs and is not entitled to payments from customers. Lackawanna fails to show that the market rules prohibiting LOC payments to maintain stability limits or PJM's implementation of those rules are unjust, unreasonable or unduly discriminatory. The Market Monitor supported PJM when it filed those rules and continues to support the rules. There cannot be lost opportunity costs when there is no denied opportunity. There was no opportunity to operate the unit as a result of stability issues. Operation of the unit would have created the risks of serious damage to the unit and its personnel. The Complaint should be denied.

## I. ANSWER

The Complaint requests (at 1): "Commission direct PJM to reimburse Lackawanna the lost opportunity costs Lackawanna was forced to incur as a result of PJM having inappropriately curtailed Lackawanna's output from May 19, 2023 through June 10, 2023 in connection with a long-planned outage of the Juniata-Sunbury 500 kV transmission line ('Juniata-Sunbury Outage')." The Complaint alleges a defect in the market rules, stating (*id*.): "To the extent the Commission construes PJM's Tariff as permitting it to withhold lost opportunity costs from generators that are curtailed to maintain system reliability, the Tariff is unjust, unreasonable, and unduly discriminatory."

### A. The Market Rules Correctly Prohibit LOC Payments to Maintain Stability Limits.

The PJM Market Rules provide LOC payments for generating units meeting certain criteria and "reduced or suspended at the request of the Office of the Interconnection due to a transmission constraint or other reliability issue."[3] The Market Rules also state: "A Market Seller of a unit defined in subsection (f-1), (f-2), (f-3), (f-4), or (f-5) that is reduced using a

[3] OA Schedule 1 § 3.2.3(f).

generator output constraint to honor a stability limitation is not eligible for credits under this section 3.2.3(f) for the MWh reduction associated with honoring the stability limit."[4]

The Commission approved the rule prohibiting LOC payments for actions taken to maintain stability limits by order issued February 17, 2022, in Docket No. ER21-1802-000.[5] The Commission determined in that order: "[W]hen a resource faces a stability constraint and thus the risk of harm to its equipment, its maximum possible output is the stability limit; there is no lost opportunity cost and operating above the stability limit to achieve higher energy market revenues does not constitute a legitimate opportunity."[6]

Moreover, the Stability Limits Order addresses and refutes one of Lackawanna's central arguments (at 18) that Lackawanna's installation of certain protective equipment should exempt it from the rule prohibiting LOC. The Commission determined (*id*.): "even for generators that are equipped with the relaying discussed herein, we remain unpersuaded that there is a legitimate opportunity to operate above stability limits that would obligate PJM to provide LOC payments."

PJM is correct (at 7) that Lackawanna's arguments against the rule prohibiting LOC payments for stability limits is a collateral attack on prior orders. Lackawanna provides no reason for the Commission to revisit those orders. The Complaint should be denied.

PJM does not have to justify its existing rules in this proceeding, but those rules are just and reasonable in not paying lost opportunity cost payments to resources that are backed down when PJM identifies a stability limit that requires backing down a unit. In Lackawanna's case, the dispatch instructions resulted from PJM's application of its Transitory Stability Assessment tool and the resulting generator output constraint.

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4 *Id*.

5 *PJM Interconnection, L.L.C.*, 178 FERC ¶ 61,111 ("Stability Limits Order").

6 *Id*. at P 31.

Lackawanna's filing introduces no facts that indicate that an uplift payment for lost opportunity costs is due to Lackawanna. Lackawanna's facts show that no uplift payment is due. The Complaint should be denied.

**B. PJM Correctly Implemented Its Rules.**

Lackawanna raises a number of arguments complaining about how PJM implemented the market rules. Lackawanna fails the meet its burden to show that PJM's implementation was faulty. The Market Monitor specifically addresses two of Lackawanna's assertions.

Lackawanna claims (at 5–7) that it lacked notice that it would not receive LOC payments. The PJM market rules, including in Schedule 1 to the OA and the manual provisions cited by PJM clearly state the rules and clearly reveal how PJM would implement its rules. The rules prohibit LOC payments based on actions required to maintain stability limits because, as the Stability Limits Order explained, there exists no lost opportunity to compensate. Lackawanna is not eligible for LOC payments because it has no lost opportunity. The alleged lack of notice is not relevant to whether or not a lost opportunity exists.

Lackawanna also claims (at 5–6) that there is no N-1 contingency sufficient to justify a directive based on the need to maintain stability limits. PJM Witness Matthew Wharton, PE, explains that there was an N-1 contingency under the facts of the Complaint because the Juniata-Sunbury Outage changed the base status of the system during the relevant time period. The conditions at the time of PJM's direction are relevant to eligibility for LOC based on PJM's direction, not the conditions during the interconnection study process relied upon by Lackawanna (at 17–22). Witness Wharton reasonably concludes (at para. 23): "Lackawanna's assertion that the outage itself constitutes the N-1 and any newly identify potential SOL or Interconnected Reliability Operating Limits ('IROL') violations as a result of a subsequent contingency analysis is an N-2 would be nonsensical and antithetical to reliable operations."

Lackawanna has not met its burden to show that the PJM did not implement the market rules in a just, reasonable, and not unduly discriminatory manner. On the contrary, PJM has reasonably explained the basis for its actions. The Complaint should be denied.

## 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.[7] 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.

Respectfully submitted,

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7 *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).

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Dated: March 11, 2024

## 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 11th day of March, 2024.

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