UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.	)	Docket No. ER13-1654-001

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 for PJM ("Market Monitor"),[2] submits these comments on the filing submitted in the above captioned proceeding by PJM Interconnection, L.L.C. ("PJM") on September 6, 2013 ("September 6th Filing") in compliance with the order issued in this proceeding August 9, 2013 ("August 9th Order").[3]

I. COMMENTS

A. PJM's Proposed Application of the FTR Forfeiture Rule to Up To Congestion Transactions is Flawed and Inconsistent with the Application of the Rule to INCs and DECs, and It Should Be Rejected in Favor of the Approach Defined in the FTR Forfeiture Rule.

The Market Monitor agrees that up to congestion transactions (UTCs) should be subject to the FTR forfeiture rule. The forfeiture rule is designed so that an FTR holder forfeits profits from an FTR if the criteria defined in Section 5.2.1(b) of the PJM Operating

---

1 18 CFR § 385.211 (2013).

2 Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff ("OATT") and/or PJM Operating Agreement ("OA")(collectively, "PJM Tariff"). Citations to sections of the PJM Tariff can be found in both the OATT Attachment K–Appendix and the OA Schedule 1.

3 *PJM Interconnection, L.L.C.*, 144 FERC ¶ 61,121 (2013).

Agreement are met. The intent of this rule is to ensure that market participants do not have an incentive to and cannot successfully use losing virtual positions in order to make a related FTR position more valuable. Specifically, if a participant increases flow on a constraint that affects the value of that participant's FTR by using an INC offer and/or a DEC bid, that participant is subject to forfeiture of their FTR profits. An INC or a DEC is defined to increase flow on a constraint if 75 percent of the energy from either flows on the constraint. Comparing the distribution factor (dfax) of an INC or a DEC to a withdrawal or injection point on a constraint measures the effect that the INC or DEC has on the constraint. If the absolute value of the difference between the INC or DEC dfax and the maximum or minimum withdrawal or injection dfax is 75 percent or more, then 75 percent of the INC offer or DEC bid is defined to flow on the constraint.

The rule is an efficient way to address the incentives to use virtual transactions to affect the value of related FTR positions. It would not be possible to prosecute all the cases of potential manipulation that would result from a case by case application of the concepts embedded in the rule. The rule has provided the correct incentives to participants without being punitive. The dollar value of forfeited profits is relatively low on a monthly basis, reflecting the fact that market participants have avoided the behavior the rule targets.

But the rule as currently applied entirely ignores UTC transactions despite the fact that such transactions have substantially displaced INCs and DECs as the predominant form of virtual transaction.

UTC transactions, like INCs and DECs, can increase the flow on a constraint that affects the value of a participant's FTR. The FTR Forfeiture Rule should operate in exactly the same fundamental way for both UTC transactions and an INC or DEC transaction. UTC transactions should have been subject to this rule from their inception. In addition, virtual transactions affecting related counterflow FTR positions should be but are not currently subject to this rule.

The language filed by PJM, which referenced a path rather than a bus was broad enough to allow PJM to apply the FTR forfeiture rule to UTCs correctly, although path was

not clearly defined.[4] Unfortunately, in response to the Commission's directives in the August 9th Order, PJM explains on compliance that it intends to apply the FTR forfeiture rule to UTC transactions using a flawed and inconsistent approach.[5] PJM should be directed to include revisions on compliance that would ensure implementation of a correct and consistent application of the FTR forfeiture rule to UTC transactions.

1. The August 9th Proposal Relies on the Contract Path Fiction Rather Than Modeled Flows.

UTC transactions, like other virtual transactions, exist solely in the day-ahead energy market. The day-ahead energy market was designed to permit participants to hedge their nodal positions the day prior to the operating day. The day-ahead energy market is based on a complete model of the PJM system including all generator and transmission system attributes reflected in real time. The goal of the day-ahead energy market is to clear transactions and set nodal prices based on sell offers and demand bids based on the same transmission model used in the real time. Virtual transactions are treated like physical transactions in that the actual electrical impacts of all transactions (physical and virtual) are modeled in the same way. For example, the impact of an increment offer of 100 MW at $50 per MWh at a specific bus on the system will be treated just like a generator offer of 100 MW at $50 per MWh at that specific bus. The same flows across the same transmission lines, resulting from the same transmission line impedances and the same loads, will result from both supply offers. The outcomes of the day-ahead energy market will be referred to as the modeled outcomes.

If a UTC transaction designates its source as bus A and its sink as bus B, the designated path is from A to B. PJM explains (at 12 -16) that it intends to use the designated path between the source and sink of the UTC rather than the modeled path. This is

---

4 *See* September 9th Filing at 12–16.

5 *Id*.

equivalent to proposing the use of a contract path approach which assumes that power flows exactly where the contract, or in this case the UTC, specifies. This assumption is just as incorrect for UTC transactions as it is for any other transaction either within an RTO/ISO or between RTOs/ISOs. Under this contract path assumption for UTCs, power would flow across multiple transmission lines, including constraints that affect FTR positions, but 100 percent of all the UTC power would ultimately flow to the UTC sink. In fact, in a real network, the power does not all flow to the UTC sink.

Under PJM's proposed implementation of the FTR forfeiture rule to UTCs there would be no recognition of the fact that power from the UTC is withdrawn at buses other than the sink bus of the UTC. PJM's proposed implementation simply calculates the dfax difference between the source and sink bus of the UTC transaction. This means that PJM's proposed FTR forfeiture rule measures a UTC's impact on a constraint by assuming that all of the energy injected at the source of a UTC will flow across the system and be withdrawn at the sink of the UTC. This assumption is not valid. Although UTC transactions are paired, the power injected at the UTC source is not all withdrawn at the UTC sink. The power flows across the system based on the characteristics (impedances) of the lines and is withdrawn at multiple points. This is exactly the same as for an INC or a DEC. The difference between the designated power flows and the modeled power flows is as significant as the difference between the contract path scheduling model and the locational marginal pricing model that replaced it.

PJM's approach is inconsistent with the current INC/DEC forfeiture rule and inconsistent with PJM's nodal market design. PJM's proposed approach would substantially weaken the FTR forfeiture rule for UTCs compared to INCs and DECs and inappropriately discriminate in favor of UTC transactions.

2. PJM's Proposed Method Inappropriately Considers Only Positive Net Dfax Values

Under PJM's proposed method only positive net dfax values would be considered in the forfeiture process. This is not correct because the sign of the net dfax does not, by itself,

indicate whether a transaction helps or hurts a constraint. A positive net dfax value is not a reliable indicator that a UTC hurts a constraint. The direction of the constraint must be considered together with the direction of the UTC transaction in determining whether the UTC transaction hurts or helps the constraint.

3. The Application of the FTR Forfeiture Rule to INCs and DECs

As long as the topology and load weighted reference bus of the system do not change, dfax values do not change. The unconstrained (low) and constrained (high) side of any constraint are determined by the sign of the shadow price of that constraint and the sign of the dfax values on that side. For example, if the shadow price is negative and the dfax value is negative, the congestion component of the LMP is positive on that side of the constraint. A positive congestion component of the LMP defines the constrained side. If the shadow price is negative and the dfax is positive, the congestion component of the LMP is negative. A negative congestion component of the LMP defines the unconstrained side.

For the application of the FTR forfeiture rule to INCs, the impact of the INC is measured as the difference between the dfax of the INC and the maximum dfax of any withdrawal on the system. The explicit purpose of the rule has been, from its inception in 2001, to measure the maximum impact of INCS and/or DECs on the relevant constraints in order to ensure that the incentive to engage in this manipulative behavior is completely removed. If an average withdrawal dfax were used, the result would be to miss potential cases of manipulation. The goal of the rule is to be conservative in order to completely remove the incentive to use virtual transactions to manipulate the value of related FTRs. But this conservatism was significantly offset by using a very high threshold for the difference between injection and withdrawal dfaxes of 0.75 or 75 percent. The same logic applies, in reverse, to DECs. In that case, the impact of the DEC is measured as the difference between the dfax of the DEC and the maximum dfax of any injection on the system.

This is how the FTR rule has been applied, consistent with the tariff, since its inception. The FTR forfeiture rule in the tariff states "a bus shall be considered at or near the Financial Transmission Right delivery or receipt bus if seventy-five percent or more of the energy injected or withdrawn at that bus and which is withdrawn or injected at any other bus is reflected in the constrained path between the subject Financial Transmission Right delivery and receipt buses."[6]

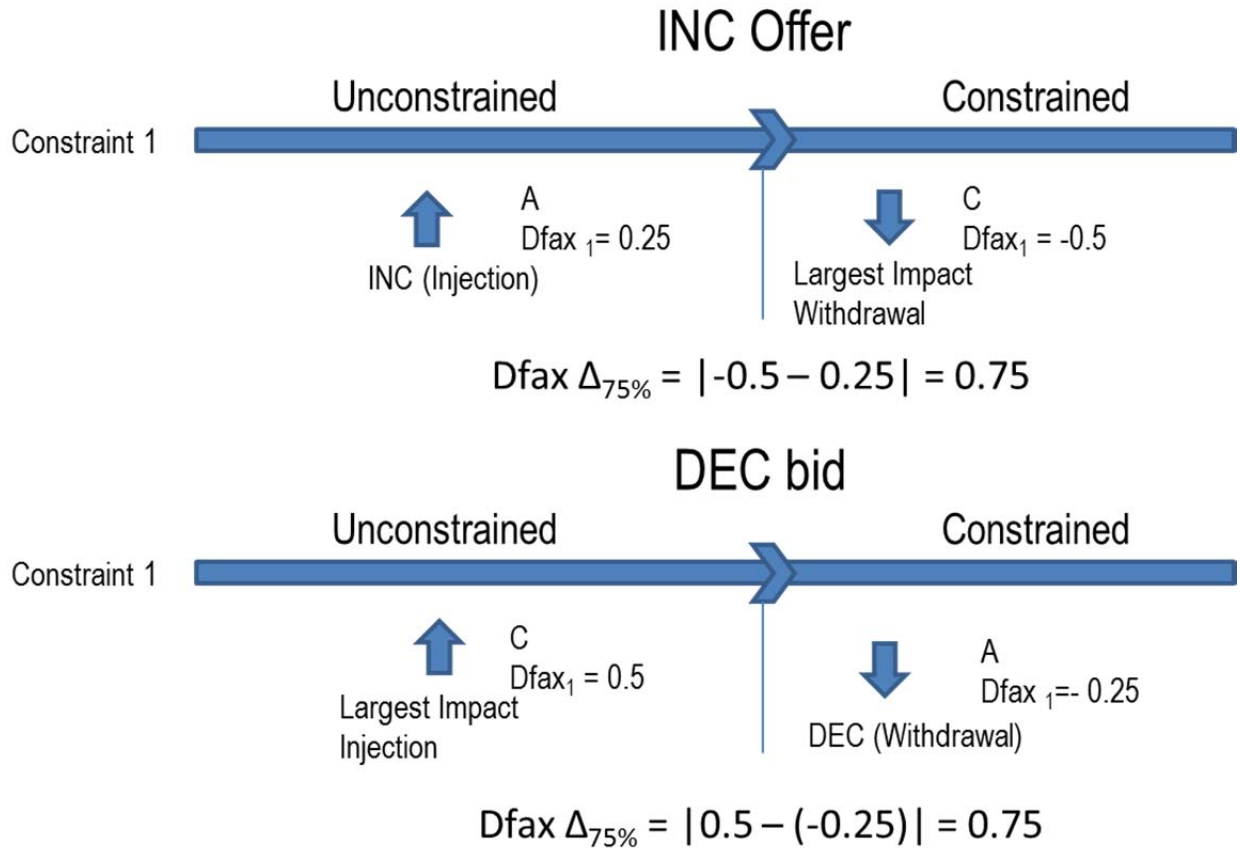
Figure I-1 shows how the INC/DEC FTR forfeiture rule is applied. If a participant increases flow on a constraint that affects the value of that participant's FTR by using an INC offer and/or a DEC bid, that participant is subject to forfeiture of their FTR profits. An INC or a DEC is defined to increase flow on a constraint if 75 percent of the energy from either flows on the constraint. Comparing the dfax of an INC or a DEC to any withdrawal or injection point on the constraint measures the effect that INC or DEC has on the constraint. The definition of "any other bus" has been the maximum or minimum withdrawal or injection dfax on the constraint in the application of the FTR forfeiture rule by PJM since its inception in 2001. If the absolute value of the difference between the INC or DEC dfax and the maximum or minimum withdrawal or injection dfax is 75 percent or more, then the INC offer or DEC bid is defined to increase flow on the constraint by 75 percent.

In the first part of the example in Figure I-1, the INC has a dfax of 0.25 and the maximum withdrawal dfax on the constraint is -0.5. The difference between the two dfaxes is -0.75 (0.25 minus -0.5). The absolute value is 0.75. In the second part of the example in Figure I-1, the DEC has dfax of 0.5 and the maximum injection dfax on the constraint is -0.25. The difference between the two dfaxes is 0.75 (-0.25 minus 0.5). The absolute value is also 0.75.

---

[6] OA Schedule 1 § 5.2.1.

Figure I-1 FTR forfeiture rule



4. The August 9th Proposal Proposed to Apply the FTR Forfeiture Rule to Up To Congestion Transactions Differently from the Way in Which the FTR Forfeiture Rule is Applied to INCs/DECs.

The first step of both the PJM and IMM proposed UTC FTR forfeiture rules is to calculate the net dfax of the tested UTC relative to the constraint that affects an FTR's value. The net dfax of a UTC is the difference in dfax values between the source and sink of the UTC. In all cases, the dfaxes are defined relative to the constraint that is being analyzed; the constraint that has an impact on the FTR value. If the source point of the UTC is closer to the constraint it is a net injection, and conversely if the sink point is closer to the constraint then the UTC is a net withdrawal.

The IMM and PJM disagree on the meaning of this net dfax value relative to the FTR forfeiture rule.

The IMM proposes to make the application and logic of the FTR forfeiture rule to UTCs the same as the application and logic of the FTR forfeiture rule to INCs and DECs. The IMM approach uses the net UTC dfax to define whether the UTC creates a net injection or a net withdrawal relative to the constraint. If the UTC is a net withdrawal with respect to the constraint, it is treated as a DEC. If the UTC is a net injection with respect to the constraint, it is treated as an INC. The IMM approach then treats UTCs that are net withdrawals relative to a constraint in the same way that DECs are treated in the INC/DEC forfeiture rule and treats UTCs that are net injections relative to a constraint in the same way that INCS are treated in the INC/DEC forfeiture rule.[7]

In contrast, PJM proposes an approach that differs from the application and logic of the INC/DEC forfeiture rule in two ways. The PJM approach assumes that 100 percent of the power from the injection point of the UTC is withdrawn at the withdrawal point of the UTC, thereby omitting an essential element of the FTR forfeiture rule and significantly understating the potential impact of UTCs on constraints that affect the value of FTRs. The PJM approach uses the net UTC dfax to define the entire impact of the UTC on the constraint, ignoring the aspect of the FTR forfeiture rule that requires a comparison with an injection or withdrawal at any other bus. In addition, the PJM approach considers only UTCs with positive net dfax values and excludes UTCs with negative net dfax values. The sign of the net dfax alone does not include any information about whether a UTC transaction helps or hurts a constraint.

---

[7] The IMM approach could have been more conservative and separately compared the injection point dfax of the UTC and the withdrawal point dfax of the UTC to the corresponding maximum dfax withdrawal and injection points on the constraint.

The INC/DEC FTR forfeiture rule determines whether an INC or DEC is a help or a hurt to a constraint. If an INC or a DEC helps a constraint it cannot trigger the rule because it does not increase the value of the affected FTR. If an INC is placed on the constrained side of a constraint, or a DEC is placed on the unconstrained side of a constraint, it passes the forfeiture rule because it helps relieve, rather than exacerbate the constraint.

a. Example of a UTC Transaction That Fails the FTR Forfeiture Rule

Figure I-2 shows a UTC transaction and how it would be evaluated under the PJM approach and how it would be evaluated under the FTR forfeiture rule. The UTC is from B to A. The separate impacts of the UTC source (B) and the UTC sink (A) on the constraint that affects the participant's FTR are shown. The largest impact withdrawal point (C) is also shown. The UTC source and sink are both on the unconstrained side of the constraint.

Figure I-2 illustrates a UTC transaction that fails the test under the existing FTR forfeiture rule but passes PJM's proposed UTC FTR forfeiture test.

In the PJM proposed application of the FTR forfeiture rule to UTCs, the net dfax of the UTC source at B and the UTC sink at A are calculated. In this case, the dfax of the UTC source (0.5) minus the dfax of the UTC sink (0.2) equals the net dfax (0.3). Under the PJM approach, if the net dfax is greater than or equal to .75, the test is failed. In this case, this UTC would pass PJM's proposed UTC FTR forfeiture rule because 0.3 is less than 0.75.

PJM's approach is not consistent with the FTR forfeiture rule because it relies solely on designated flows. PJM's approach ignores the withdrawal with a 0.5 dfax on the far side of the constraint (point C) which is part of the FTR forfeiture rule in the PJM tariff.[8]

Under the IMM's proposal to apply the existing FTR forfeiture rule, the net dfax of the UTC's indicates the net impact of the UTC on the constraint. The net dfax is calculated by subtracting the smaller dfax, measured using the absolute value, (bus farther from the

---

[8] If PJM wanted to apply their proposed approach, which ignores the withdrawal or injection on the other side of the constraint, in order to achieve approximately the same objective as the FTR forfeiture rule, PJM should have proposed to significantly reduce the trigger threshold from 0.75.

constraint) from the larger dfax, measured using the absolute value, (bus closer to the constraint). The net UTC is an injection if the UTC injection point is closer to the constraint and a withdrawal if the UTC withdrawal point is closer to the constraint. Based on that result, the UTC is treated as an INC or a DEC in the FTR forfeiture rule in exactly the same way as in Figure I-1. The net dfax of the UTC is compared to the largest corresponding injection (if the net impact of the UTC is equivalent to a DEC) or the largest corresponding withdrawal (if the net impact of the UTC is equivalent to an INC) on the far side of the constraint. The IMM approach is therefore the same as the FTR forfeiture rule.

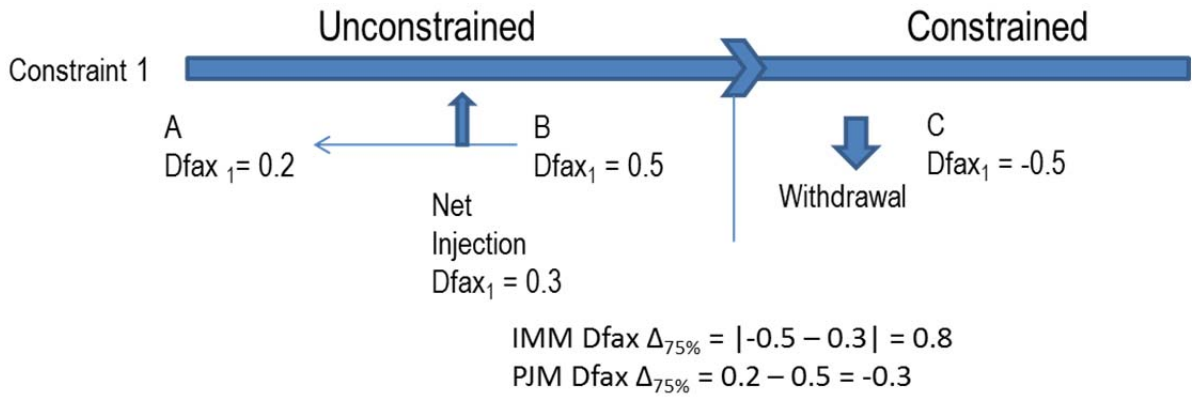
The IMM uses the net impact of the UTC transaction on the constraint that affects the FTR value because the net impact measures whether the impact of the UTC on the constraint as it occurs in the day ahead model is a net injection or a net withdrawal, reflecting all the associated power flows. PJM's approach stops there and ignores the fact that the FTR forfeiture rule requires recognition of the fact that the net injection, just like an INC, will be associated with multiple withdrawal points including the maximum impact withdrawal point. PJM's approach also ignores the fact that the FTR forfeiture rule requires recognition of the fact that the net withdrawal, just like a DEC, will be associated with multiple injection points including the maximum impact injection point. PJM's approach is equivalent, in the existing FTR forfeiture rule in Figure I-1, to calculating the dfax of the INC as 0.3 and concluding that the impact is less than 0.75. That approach is inconsistent with the FTR forfeiture rule and therefore that approach should not be used for UTCs.

In the example in Figure I-2 the UTC is a net injection (INC) relative to the constraint, since the source (dfax is 0.5) has a greater impact on the constraint than the sink (dfax is 0.2).

To measure the impact of the UTC on the constraint, the UTC, as a net injection (INC), is compared to the withdrawal with the largest dfax impact on the constraint. The absolute difference of the net UTC (dfax is 0.3) (calculated by taking the larger UTC dfax (0.5) minus the smaller UTC dfax (0.2), measured by absolute values) and the largest impact withdrawal (dfax is 0.5) is 0.80, or 80 percent.

Under the FTR forfeiture rule, if the absolute value of the difference between the net UTC transaction (an injection in this case) and the largest impact withdrawal on of the constraint is greater than or equal to 75 percent, the UTC transaction is subject to forfeiture. In this example the absolute value of the difference between the dfax of the net UTC injection and the dfax of the maximum impact withdrawal is 0.8, so the UTC fails this part of the FTR forfeiture test under the IMM's proposed methodology, consistent with the FTR forfeiture rule.

Figure I-2 FTR forfeiture rule and a UTC transaction that fails the test



b. Example of a UTC Transaction That Passes the FTR Forfeiture Rule Test

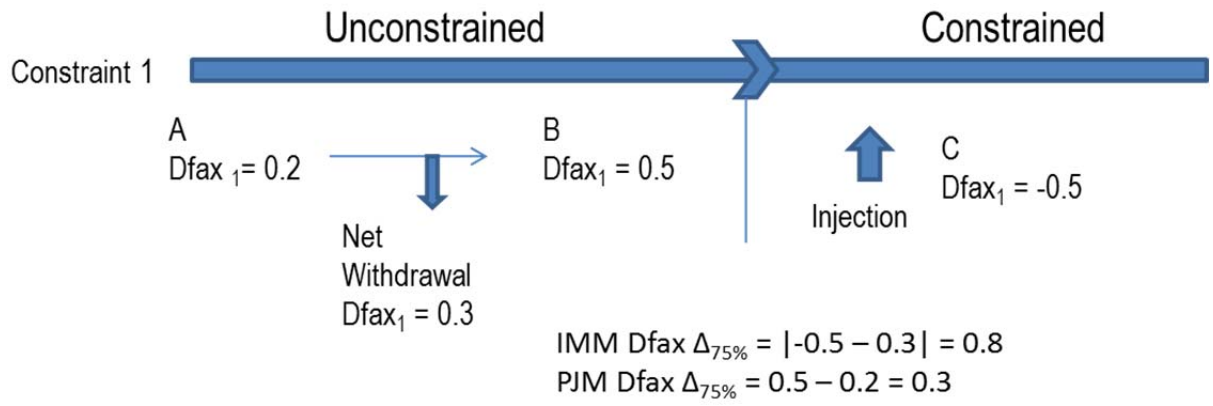
Figure I-3 shows a different UTC transaction and how it would be evaluated under the PJM approach and under the approach used in the FTR forfeiture rule. The UTC is from A to B. The separate impacts of the UTC source (A) and the UTC sink (B) on the constraint that affects the participant's FTR are shown. The largest impact withdrawal point (C) is also shown. The UTC source and sink are both on the unconstrained side of the constraint.

The dfax of the UTC sink (0.5) minus the dfax of the UTC source (0.2) equals the net dfax (0.3).

In the example in Figure I-3 the UTC is a net withdrawal (DEC) relative to the constraint, since the sink point (dfax is 0.5) has a greater impact on the constraint than the source (dfax is 0.2). Based on the fact that the UTC is a net withdrawal (DEC) on the unconstrained side of the constraint, this UTC would pass the FTR forfeiture rule because it helps relieve the constraint rather than hurting the constraint.

In this example, the IMM conclusion is the same as the PJM conclusion.

Figure I-3 FTR forfeiture rule and a UTC transaction forfeiture[9]



c. Example of a UTC That Fails IMM Rules and Passes PJM

Under PJM's proposed method only positive net dfax values would be considered in the forfeiture process. This is not correct because the sign of the net dfax does not, by itself, indicate whether a transaction helps or hurts a constraint. A positive net dfax value is not a reliable indicator that a UTC hurts a constraint. The direction of the constraint must be considered together with the direction of the UTC transaction in determining whether the UTC transaction hurts or helps the constraint.

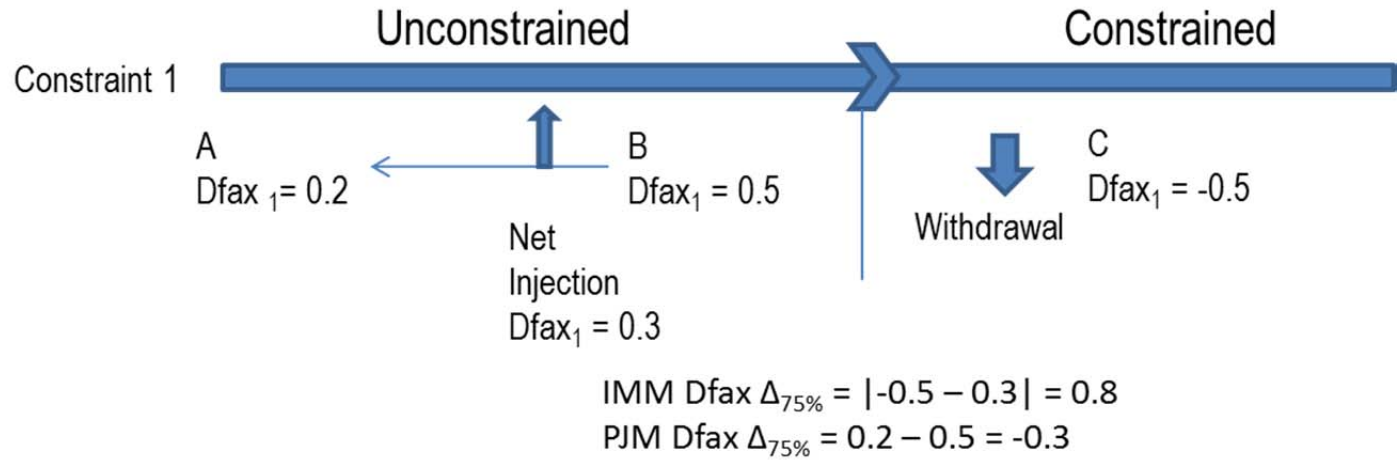
---

[9] The low (unconstrained) and high (constrained) sides of a constraint are indicated by CLMP. A negative CLMP is the low side and a positive CLMP is the high side. The sign of the CLMP relative to a constraint for a bus is equal to the constraint shadow price multiplied by the dfax of the bus dfax value for that constraint.

In the example in Figure I-4, under the IMM's method, the UTC nets to a net injection on the unconstrained side which hurts the constraint and fails the forfeiture test when combined with the withdrawal bus dfax. Under the PJM method the net dfax of this UTC is calculated by subtracting the dfax of the sink bus A (0.2) from the dfax of the source bus B (0.5) to get a net dfax of -0.3. Under the PJM method this would pass the FTR forfeiture test simply because it has a negative net dfax value.

Under the IMM method, the net dfax is calculated by subtracting the dfax of sink bus A (0.2) from the dfax of source bus B (0.5) to get a net dfax of 0.3. This net dfax is then compared to the withdrawal point with the largest impact on the constraint. The IMM method compares the net UTC dfax to a withdrawal because the UTC is a net injection. In this example, the net dfax is 0.3 and it is compared to the largest withdrawal dfax at C (-0.5). The absolute value of the difference is calculated from these two points to determine if the UTC fails the FTR forfeiture rule. In this case the absolute value of the difference is the dfax of bus C dfax (-0.5) minus the net UTC dfax (0.3) for a total impact of 0.8, which is over the 0.75 threshold for the FTR forfeiture rule. The result is that this UTC fails the FTR forfeiture rule.

Figure I-4 UTC that fails IMM test but passes PJM



d. Example of a UTC Transaction That Crosses a Constraint

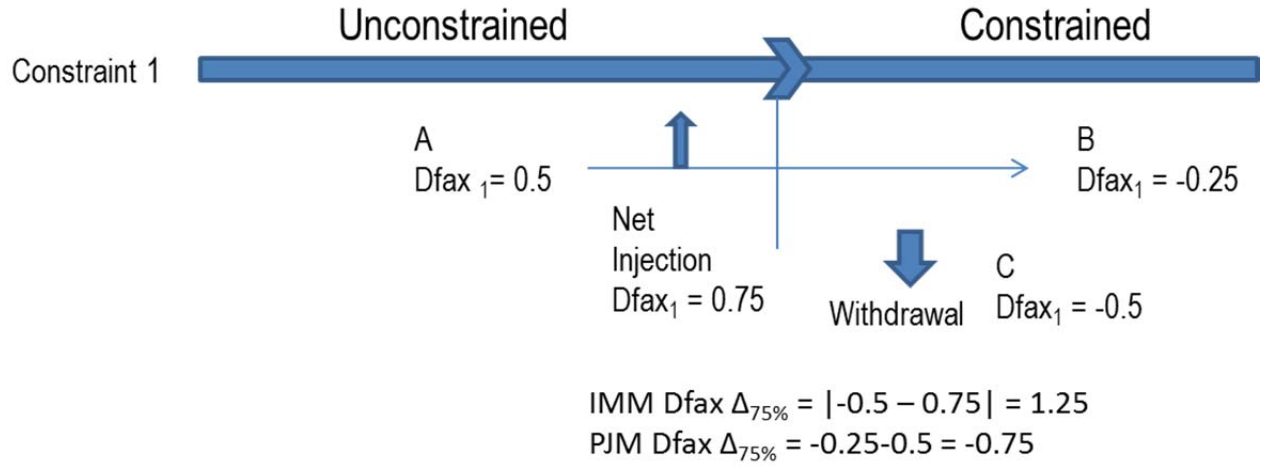
Figure I-5 is an example in which the source of the UTC is on one side of a constraint and the sink of the UTC is on the other side. In this example the UTC is flowing in the same direction as the constraint.

Under the PJM proposed UTC FTR forfeiture rule, however, the UTC transaction is only considered based on its net dfax value of -0.75. In this case, since the dfax value is negative, PJM's proposed rule would inappropriately remove the UTC transaction from consideration for the forfeiture process, despite the fact that this UTC transaction meets the 75 percent rule criteria and hurts the constraint.

The UTC is thereby exacerbating the constraint and would be included for further consideration as a trigger for a potential FTR forfeiture under the IMM's proposed UTC FTR forfeiture rule.

The net dfax of the UTC relative to the constraint indicates that the UTC source is electrically closer to the constraint and the UTC thereby has the net impact of an injection. Under the IMM's proposed UTC FTR forfeiture method, the UTC as a net injection is then compared to the largest impact withdrawal (dfax = -0.5) on the far side of the constraint to determine if it is eligible for forfeiture. In this example the UTC transaction would be included for forfeiture because of its overall net injection on the constraint and its greater than 75 percent impact on the constraint. The PJM proposed FTR forfeiture method would, however, ignore this UTC.

Figure I-5 UTC transaction crossing constraint



e. Example of a UTC Transaction With a Zero Dfax Sink

A crucial flaw in the PJM's assumption of contract path for UTCs in its implementation and logic of its proposed UTC forfeiture rule is particularly evident when either the source or sink of the UTC does not have any impact on the constraint being considered. In this case, either the source or the sink of the UTC, has no impact on the constraint. In this case, the UTC is effectively an INC or a DEC relative to the constraint, as the other end of the UTC has no impact on the constraint. However the PJM approach would not treat the UTC as an INC or DEC, despite the effective absence of the other end of the UTC. This is a flawed result.

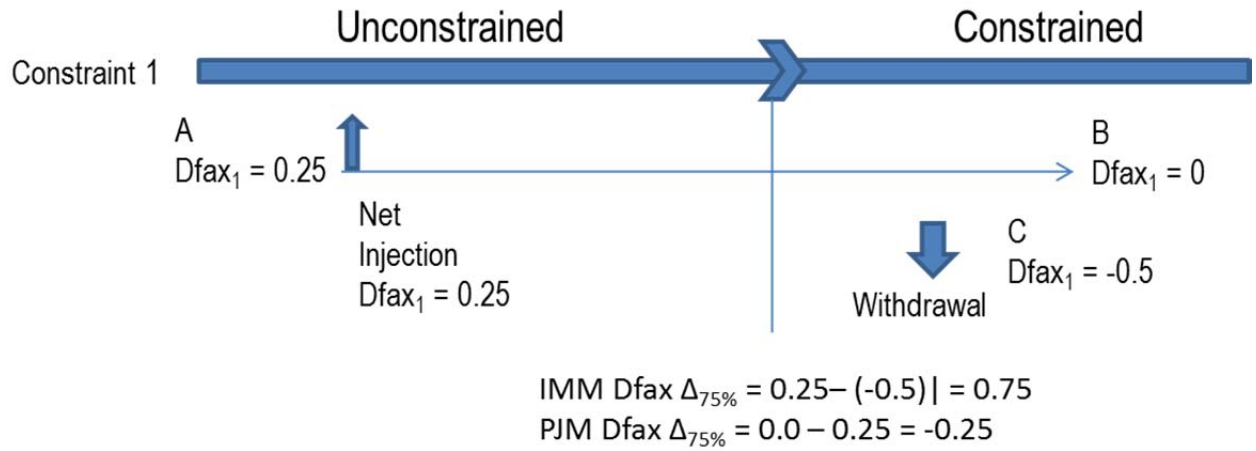
Figure I-6 is an example in which the sink of the UTC (B) has no impact on the constraint (dfax is zero). In this example the UTC transaction flows in the same direction as the constraint, meaning that it hurts the constraint.

In the PJM method this UTC would pass the FTR forfeiture rule. The net dfax would be calculated as the dfax of bus B (0) minus the dfax of bus A (0.25) for a net dfax of -0.25, with no comparison to any withdrawal bus. Since this dfax is negative, it would pass the PJM FTR forfeiture rule. Under the IMM's method, the net dfax is calculated as an injection with a dfax of 0.25, and then the absolute value of the difference is calculated between that injection and the dfax of the largest withdrawal on the constraint. In this example that is

bus C, with a dfax of -0.5. The result is an absolute value of the dfax difference of 0.75 meaning that this UTC fails the FTR forfeiture test.

This example illustrates a flaw in PJM's logic. PJM asserts that power flows directly from A to B, but in this example bus B has no impact on this constraint, even though the source bus of the UTC does have an impact on the constraint. PJM's approach does not account of the withdrawal of this energy from the system.

Figure I-6 Illustration of UTC with sink point far from constraint



5. The FTR Forfeiture Rule Should be Applied to INCs/DECs and Up To Congestion Transactions in the Same Way.

The IMM's proposed method for applying the FTR forfeiture rule to UTC transactions is the same method that has been used by the IMM and PJM in applying the FTR forfeiture rule to INCs and DECs since 2001.

The FTR forfeiture rule in the tariff states "a bus shall be considered at or near the Financial Transmission Right delivery or receipt bus if seventy-five percent or more of the energy injected or withdrawn at that bus and which is withdrawn or injected at any other

bus is reflected in the constrained path between the subject Financial Transmission Right delivery and receipt buses."[10]

This is how the FTR forfeiture rule is applied to INCs and DECs and this is how the IMM's proposed method applies to UTCs.

B. PJM Should Not Proceed to Implement the FTR Forfeiture Rule Before It Has Been Fully Explained, Demonstrated to Be Workable, and Accepted by the Commission.

The August 9th Order did not accept the tariff provisions that PJM proposes for applying the FTR forfeiture rule to UTCs. The order instead required that PJM explain its proposal on compliance.[11] PJM has informed the Market Monitor that it intends to move forward with implementation of its proposed application of the FTR forfeiture rule immediately, without waiting for action on the September 9th Filing. The Market Monitor requests that the Commission clarify that PJM may not proceed with implementation before the Commission has considered and resolved the issues raised in this phase of the proceeding and accepted conforming tariff revisions.

No proposal should be accepted until the Commission understands and approves of "how PJM intends to apply Section 5.2.1 (b) and (c) to UTC transactions."[12] The Market Monitor has set forth here its recommended approach. The Market Monitor has compared its proposed approach with its best understanding of what PJM proposes. However, PJM's initial proposal was vague and appears unworkable, and it remains vague and appears

---

[10] OA Schedule 1 § 5.2.1.

[11] August 9th Order at P 27 ("It is unclear from the filing how PJM intends to apply the "at any other bus" requirement in Section 5.2.1(c) to UTC transactions.[footnote omitted] Therefore, our acceptance of PJM's proposal is conditioned on PJM including in its compliance filing an explanation of how PJM intends to apply Section 5.2.1 (b) and (c) to UTC transactions, including the "at any other bus" clause of Section 5.2.1(c). In addition, PJM must explain whether and how the calculations for UTC transactions would differ from the calculations for INCs and DECs, and, if so, explain the different approach for UTC transactions.").

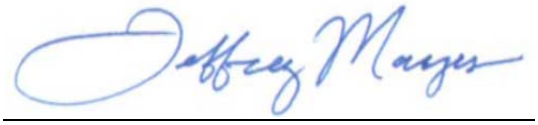
[12] *Id*.

unworkable after its September 9th Filing. It is essential that PJM fully explain its proposal, show that it can work and show that it is fully consistent with the existing FTR forfeiture rule before it becomes effective.

II. CONCLUSION

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

Respectfully submitted,



Joseph E. Bowring
Independent Market Monitor for PJM
President
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Valley Forge Corporate Center
Eagleville, Pennsylvania 19403
(610) 271-8051
joseph.bowring@monitoringanalytics.com

Jeffrey W. Mayes

General Counsel
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Valley Forge Corporate Center
Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@monitoringanalytics.com

Dated: September 30, 2013

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 30th day of September, 2013.

Jeffrey W. Mayes
General Counsel
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Valley Forge Corporate Center
Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@monitoringanalytics.com