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

)	
PJM Interconnection, L.L.C.)	Docket No. ER14-2940-000
)	

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 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 25, 2014 ("March 10th Filing"). In the March 10th Filing, PJM submits revisions to the OATT to revise certain elements of the Reliability Pricing Model ("RPM"), in fulfillment of PJM's tariff obligation to perform a triennial review of the shape and location of the Variable Resource Requirement ("VRR") Curve used to clear the RPM Auctions and inputs to that curve, specifically net Cost of New Entry ("CONE"). Net CONE includes the annualized gross costs of a new combustion turbine generating unit less such unit's expected Net Energy and Ancillary Services Revenues ("EA&S") from PJM markets.

The Market Monitor supports PJM's proposal in the March 10th Filing and recommends that it be approved as filed.

Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff ("OATT").

¹⁸ CFR § 385.211 (2014).

PJM has proposed to continue to use net EA&S calculated on the basis of an historical rolling three year average, which is consistent with the current approach. The Market Monitor views this approach as reasonable only because a reliable forward looking approach has not yet been fully reviewed by PJM members. A forward looking approach based on market data would be preferable because it would reflect market views of expected prices and revenues rather than historical values. Competitive sellers base their offers on expected prices and revenues.

PJM has proposed changes to the shape and location of the RPM demand curve, the VRR curve, based on appropriate principles, including system reliability incorporating the industry standard loss of load expectation of one in ten years. The full forecast demand should be included in the evaluation of reliability and in the VRR curve.

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,

Afrey Mayer

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Dated: October 16, 2014

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 16th day of October, 2014.

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