

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

Independent Market Monitor for PJM	)	Docket No. EL17-22-000
	)	
v.	)	
American Electric Power Service Corporation	)	
	)	

**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,<sup>1</sup> Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM<sup>2</sup> (“Market Monitor”), submits this answer to the comments submitted on October 20, 2017, by American Electric Power Service Corporation (“AEP”) on the response of the Market Monitor filed October 12, 2017, to the Commission’s request for information in this proceeding dated August 31, 2017.

**I. ANSWER**

On October 28, 2016, the Market Monitor made a reasonable request for basic information from AEP about a cost component used to develop a cost-based offer submitted by AEP in the PJM energy market on September 1, 2016. The requested information was required in order to evaluate the level of the cost-based offer and to determine whether it complied with the tariff. The Market Monitor supported its requests

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<sup>1</sup> 18 CFR §§ 385.212 & 385.213 (2017).

<sup>2</sup> Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”) or the PJM Operating Agreement (“OA”).

consistent with the tariff's requirements.<sup>3</sup> AEP refused to provide the information. The Market Monitor invoked the relief allowed in the PJM Market Monitoring Plan ("Plan"), "petitioning the Commission for an order" on November 22, 2016.<sup>4</sup>

In its October 20<sup>th</sup> comments, AEP raises a new argument (at 4–6), claiming that the fact that the PJM Market Implementation Committee (MIC) is planning to consider how maintenance costs should be treated in energy and capacity market offers means that the Market Monitor no longer needs the information requested. Regardless of any plans to consider rule changes, AEP is required to follow the existing rules. This is not a reason to fail to provide the requested information.

AEP asserts (at 4) that "VOM has always been an infinitesimal component of the Ceredo plant's cost-based energy offer." That assertion is not correct.

AEP continues to claim (at 5) that the Market Monitor seeks "new authority to review and analyze the contents of jurisdictional utilities' FERC accounts." The Market Monitor asked a simple question about the basis for a component of a cost-based offer in the PJM energy market. The fact that AEP does or does not use a FERC accounting method is irrelevant. The Market Monitor is not seeking new authority.<sup>5</sup>

AEP implies (at 3–4) that a potential disagreement with the Market Monitor on proper cost-based offer development constitutes a valid basis for its refusal to cooperate. It does not. AEP should provide the information, have a discussion based on that information, and if there is a disagreement, the Commission will resolve it.

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<sup>3</sup> See OATT Attachment M § V.B.1.

<sup>4</sup> See OATT Attachment M § V.B.2.

<sup>5</sup> See OATT § 1 ("Market Violation" means a tariff violation, violation of a Commission-approved order, rule or regulation, market manipulation, or inappropriate dispatch that creates substantial concerns regarding unnecessary market inefficiencies, as defined in 18 C.F.R. § 35.28(b)(8)."), Attachment M § IV.D-1 & I.1.

AEP alleges (at 5, 6) that the Market Monitor’s inquiry is not “routine,” and is, instead, “unprecedented.” AEP objects (at 3, 6) that the Market Monitor has not asserted that the inquiry concerns an investigation of AEP’s potential exercise of market power, characterizing it as a “fishing expedition.” AEP is in no position to know what requests are routine, what similar requests have been made to other market participants or how its confidential market behavior compares to others’ behavior. The request is not unprecedented. The Market Monitor routinely requests information similar in nature and scope to what has been requested from AEP. In fact, the request is specifically covered by Attachment M – Appendix Section II.A.2., which states:

The Market Monitoring Unit shall review upon request of a Market Seller, and *may review upon its own initiative at any time*, the incremental costs (defined in Section 6.4.2 of Schedule 1 of the Operating Agreement) included in the Offer Price Cap of a generating unit in order to ensure that the Market Seller has correctly applied the Cost Development Guidelines and that the level of the Offer Price Cap is otherwise acceptable [emphasis added].

The Market Monitoring Plan reserves the determination of what is required to the Market Monitor.<sup>6</sup> The “explanation of need” required by Plan does not call for disclosure of whether the investigation concerns the potential exercise of market power or wrongdoing.<sup>7</sup> The “explanation of need” concerns whether the information is properly within the scope of the monitoring function. Information related to inputs to cost-based offers is squarely within the definition of such scope.

Allowing participants to simply refuse to comply with routine requests for information burdens the administration of the market monitoring function. Whether the Market Monitor has satisfied the applicable tariff standards is all that should be considered.

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<sup>6</sup> See OATT Attachment M § V.B.

<sup>7</sup> See OATT Attachment M § V.B.1.

If the standards are met, then the information should be promptly provided, by order if necessary. The specification that the Market Monitor make “reasonable” requests should not excuse unreasonable refusal to cooperate or allow undue delay.

Participant cooperation with information requests by the Market Monitor has been the norm. AEP’s approach in this case is very unusual, almost unprecedented, and made more so by the routine nature of the request.

## 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.<sup>8</sup> 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.

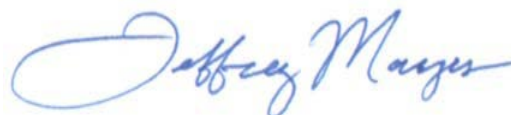
## III. CONCLUSION

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

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<sup>8</sup> 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).

Respectfully submitted,



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Dated: November 6, 2017

## 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 6<sup>th</sup> day of November, 2017.



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