

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

PJM Interconnection, L.L.C.)
) Docket No. ER17-1567-001
)

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 PJM² (“Market Monitor”), submits these comments responding to the second compliance filing submitted December 11, 2017, in this proceeding by PJM Interconnection, L.L.C. (“PJM”) (“December 11th Filing”).³

I. COMMENTS

A. Ten Percent Adder Included in Maximum Allowable Operating Rate.

The Commission directed PJM to limit the section 6.4.2 ten percent adder to \$100 per MWh.⁴ PJM made that correction in section 6.4.2 of Schedule 1 of the Operating Agreement but failed to update the “A” factor in the Maximum Allowable Operating Rate calculation.

¹ 18 CFR § 385.211 (2017).

² Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”).

³ See *PJM Interconnection, L.L.C.*, 161 FERC ¶ 61,153 (2017) (“November 9th Order”). The December 11th Filing and its predecessor are submitted in compliance with Order No. 831. *Offer Caps in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 157 FERC ¶ 61,115 (2016).

⁴ *Id.* at P 54.

The proposed “A” factor used in the calculation of the Maximum Allowable Incremental Cost allows “up to 10% cost adder,” contradicting the new section 6.4.2. The Commission should direct PJM to include language that limits the “A” factor in the Maximum Allowable Operating Rate calculation to \$100/MWh.

B. Heat Input Definition.

The Commission directed PJM to correct the units of measurement used to define Heat Input.⁵ PJM’s revisions failed to address the concerns raised by the Market Monitor. Heat input is an amount of fuel measured in MMBtu. Heat input is not a heat rate and is not a heat rate input curve. The Commission should direct PJM to correct the definition by requiring PJM to correctly define heat input.

C. First Incremental Energy Offer Segment Verification.

The Commission requested that PJM explain how the Maximum Allowable Incremental Cost would be calculated for a resource’s first incremental energy offer segment.⁶ The answer is that there is no special calculation for the first segment of an incremental offer curve. The basis for the Commission’s request appears to have been an erroneous calculation in PJM’s filing.⁷ PJM did not correctly address no load costs in the calculation of the first incremental energy offer segment. One solution is to use the incremental heat rate for the first segment.

PJM proposed three methods to verify the first incremental energy offer segment. Method (i) correctly addresses the identified issue by subtracting the no load costs from the total costs of the first segment. Method (ii) applies only when the first incremental energy offer segment is at zero MW and that is the only segment. While this is unlikely to occur

⁵ *Id.* at P 57.

⁶ *Id.* at P 55.

⁷ *See* Comments of the Independent Market Monitor for PJM, Docket No. ER15-1567 (May 30, 2017) at 8–11.

and this method is not used currently, it is an appropriate method to mitigate any such offer behavior. Method (iii) does not address the identified issue since the first incremental energy offer segment is not verified under this method. Under the third method, PJM proposes to simply assume that the first segment is verified if the second segment is verified. This approach is illogical and simply avoids the problem. The Commission should direct PJM to not use the proposed Method (iii) as it does not verify the first incremental energy offer segment.⁸

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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⁸ See *PJM Interconnection, L.L.C.*, 161 FERC ¶ 61,295 (2017).

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Dated: January 4, 2018

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 4th day of January, 2018.



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