

The February 6th Filing proposes to add a list of criteria to both Section IX and Section 15.1.5 that permit defaulting participants that meet the criteria to continue to participate in its markets. Section IX and Section 15.1.5 have different wording and both approaches continue to apply concurrently to defaults. Having two different provisions addressing issues related to defaults raises needless potential for conflict and confusion. The rules should be consolidated in a single clear provision that addresses defaults.

The February 6th Filing proposed a list of criteria for both Section IX and Section 15.1.5:

PJM may permit a defaulting Market Participant to continue to participate in PJM Markets: (a) in support of grid reliability, (b) when such Market Participant is a net market seller, (c) when such Market Participant has the ability to post collateral, or (d) to enable certain customers to continue to receive service prior to PJM receiving regulatory and or legal approval to terminate.

The Market Monitor supports PJM's goal of clarifying that there are conditions under which physical participants in default should not be immediately barred from market participation. But the criteria in the February 6th Filing are not well tailored to PJM's intended purpose of identifying conditions under which PJM would want the ability to allow defaulting participant to continue to participate in its markets.

The first and fourth criteria regarding need for grid reliability and the need for legal approval where applicable should be retained. An additional criterion should apply to all circumstances under which physical participants have the ability to resolve the short term issues that led to the default. As part of that process, PJM should identify and explain to the Members in writing why allowing a defaulting participant to continue to participate in the markets is appropriate. Allowing the Members to see the explanation would permit those who would assume the financial risks associated with market participation to raise objections.

If the February 6th Filing were accepted and approved, Section 15.1.5 would contain the proposed criteria (§ 15.1.5(vi)) and, in addition, a separate criterion (§ 15.1.5(i)), including the proposed modification to change "shall" to "may," that states: "A defaulting Market

Participant may be precluded from buying or selling in any market operated by PJM until the default is remedied as set forth above.” The revisions in the February 6th Filing would create new conflicts. The rules as revised would include one provision that affords unlimited discretion to PJM to allow defaulting participants to continue to participate in its markets and, at the same time, another provision that affords limited discretion based on certain criteria. The result would be conflict and confusion within Section 15.1.5 and, because Section IX does not include the same provision for unlimited discretion included in Section 15.1.5 (§ 15.1.5(vi)), conflict and confusion would continue to exist between these redundant provisions.

In addition to Section IX and Section 15.1.5, PJM’s review should also address other provisions in its market design that apply to defaults and may apply to defaulting participants continued participation in PJM markets. Section 7.3 of the OATT addresses defaults by Transmission Customers, but it is worded broadly enough to create confusion on the scope of its applicability. The market rules contain separate provisions for defaults by participants in FTR markets (e.g., OA Schedule § 7.3.9), by parties to interconnection service agreements (e.g., Attachment O Appendix § 15.1), and by transmissions owners (TOA § 9.7.1). Section 1.7.19B(e) of Schedule 1 to the OA addresses defaults in bilateral contracts for ancillary services. A review is needed to ensure that all of the provisions in the market rules that address defaults are properly coordinated.

Rejecting the February 6th Filing would afford PJM an opportunity to make a new filing that fully meets its appropriate objective to clarify PJM’s options in the event of a default.

The Market Monitor appreciates that stakeholders supported the substance of this filing in the stakeholder process. But PJM should be required to implement the stakeholder support of the substantive objective in a comprehensive manner that would simplify and clarify the governing documents.

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,



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Dated: March 1, 2023

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 1st day of March, 2023.



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