

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

PJM Interconnection, L.L.C.)
) Docket No. ER24-461-000
)

**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, Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor (“Market Monitor”) for PJM Interconnection, L.L.C. (“PJM”), submits this answer to the answer submitted by East Kentucky Power Cooperative, Inc. (“EKPC”) and Dominion Energy Services, Inc. on behalf of Virginia Electric and Power Company d/b/a Dominion Energy Virginia (“Dominion”) (together the “Joint Parties”) on January 18, 2024 (“January 18th Answer”), to the Comments and Answer filed by the Market Monitor on December 12, 2023 (“Market Monitor Comments”), and January 8, 2024 (“Market Monitor Answer”).

PJM initiated this proceeding when it filed revisions to the calculation of the Peak Market Activity collateral requirement on November 21, 2023, (“November 21st Filing”).

In its Comments, the Market Monitor recommended that that Commission accept PJM’s proposed changes regarding the calculation of the Peak Market Activity collateral requirement, but only on the condition that the Commission reject the component of the filing that would allow participants to reduce collateral obligations by prepaying obligations, because that component is not supported as just and reasonable and is, in fact, not supported at all in the November 21st Filing.

I. COMMENTS

A. Early Payment Provisions Are Not a Fundamental Feature of the Existing Peak Market Activity Collateral Calculation.

The Joint Parties state (at 4) that “[t]he early payment provision is a fundamental feature that existed before the changes filed by PJM in this proceeding.”

This assertion by the Joint Parties is incorrect. While the early payments provisions exist now, the early payment provisions are in no way a fundamental feature of the current Peak Market Activity collateral calculation. As noted by the Joint Parties (at 5) not all Market Participants may make early payments for the purpose of adjusting their Peak Market Activity. The Joint Parties state (at 5) “[o]nly entities like the Joint Parties, with the ability to use unsecured credit to satisfy PJM’s credit requirements, may use early payments for the purpose of adjusting their Peak Market Activity calculation.” PJM states in its answer in this proceeding filed December 22, 2023 (at 6), that few participants use early payments under the current market rules.

The use of prepayments under the current rules allows a small group of participants to reduce a fixed collateral requirement by artificially reducing their apparent market activity. PJM’s primary proposal to adjust the Peak Market Activity collateral calculation on a weekly basis addresses the issue of fixed collateral requirements that are out of line with market activity. PJM stated in its November 21st Filing (at 8) that the proposed changes to the Peak Market Activity collateral requirement “will increase Collateral requirements during periods of heightened market activity but, in contrast with the current Peak Market Activity provisions, Collateral requirements will decrease more quickly as market activity decreases.” There is no basis for the argument that the ability to make early payments to reduce weekly collateral requirements is justified or a fundamental part of PJM’s proposal to adjust the collateral requirement on a weekly basis. It is not.

Although the Market Monitor believes there is no justification for allowing early payments to reduce collateral requirements under PJM’s proposed rules, and no justification for allowing unsecured credit or for facilitating reliance on unsecured credit, the Market

Monitor recommends only that the Commission reject the increase in the number of early payments that can be used to reduce collateral requirements in a period from 10 to 13. There is no demonstrated need for the existence of the current ability to reduce collateral requirements via early payments under the proposed rules, let alone an increase in the number of such payments. There is no reason to increase the number of allowed weeks from 10 to 13 under the proposed rules and no justification has been provided.

B. Early Payment Provisions Do Not Ensure that the PJM Market Is Protected.

The Joint Parties state (at 5) that “[e]liminating early payments reduces the flexibility that Market Participants like the Joint Parties have in managing the collateral requirements while ensuring the PJM marketplace is protected.”

The Market Monitor disagrees. While the proposal may be in the interests of the Joint Parties, neither PJM nor the Joint Parties have provided evidence that the early payment structure will contribute to the protection of the PJM market.

Instead of providing an argument that the proposed increase from 10 to 13 weeks of early payments will protect the market, the Joint Participants (at 6) indicate that PJM’s arbitrary ability to override any of the codified collateral calculations will provide any needed protections:

Ultimately, PJM retains the right to modify the Market Participant’s Unsecured Credit Allowance and/or to require additional collateral ‘as may be deemed reasonably necessary to support current market activity.’ In sum, early payment is a method by which a Market Participant can manage its collateral requirements, but PJM retains the authority to ensure that no unreasonable credit risk is imposed on the PJM Markets.

It does not make sense to add bad rules and rely on PJM discretion to fix negative outcomes. The goal should be to create clear and well designed rules. The November 21st Filing has not shown that reliance on PJM discretion to adjust the collateral requirements to correct for a flawed rule set is just and reasonable.

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 requests for rehearing 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.¹ 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.

¹ 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).

III. 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,



Jeffrey W. Mayes

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

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

Howard J. Haas
Chief Economist
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8054
howard.haas@monitoringanalytics.com

Dated: January 19, 2024

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 19th day of January, 2024.



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