

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

PJM Interconnection, L.L.C.)))	Docket No. ER24-2905-000
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**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,¹ Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor (“Market Monitor”) for PJM Interconnection, L.L.C. (“PJM”),² submits this answer in response to the answer submitted by PJM Interconnection, L.L.C. (“PJM”) on October 1, 2024 (“October 1st Answer”). This proceeding is the result of a filing submitted by PJM on August 28, 2024 (August 28th Filing”), in which PJM proposed revisions to Sections 6.4 and 6.6 of Schedule 1 to the OA concerning the market power mitigation rules and the offer schedule selection process for clearing the energy market. The Market Monitor explained in its comments filed September 18, 2024 (“September 18th Comments”), that it supports the revisions, which will protect the energy market from exercises of market power and shorten the solution time of the day-ahead market, subject to the correction of two identified flaws.

The August 28th Filing has two flaws that need to be corrected to ensure proper implementation. The first flaw is in the choice of schedules for units that submit multiple cost-based offers. The second flaw is the proposed implementation date, which has been set

¹ 18 CFR §§ 385.212 & 385.213 (2024).

² Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”), the PJM Operating Agreement (“OA”) or the PJM Reliability Assurance Agreement (“RAA”).

to 12/31/9998, almost 8,000 years in the future. The implementation date should be the earliest feasible implementation date and no more than six months. The Commission should accept the August 28th Filing, subject to requiring PJM to correct the two identified flaws.³

PJM's October 1st Answer argues that using the previously rejected day-ahead dispatch cost formula for choosing among multiple cost-based offers is not a flaw, even though it will result in errors. The October 1st Answer also explains that PJM plans to implement the August 28th Filing with the completion of the day-ahead and real-time market clearing engine updates in the nGEM project but does not provide that date. PJM has been incorrectly predicting the implementation date of nGEM for some time.⁴ PJM should be required to remove the use of the day-ahead dispatch cost formula and set the earliest possible effective date for the August 28th Filing. There is no reason to delay the benefits associated with immediate implementation of the PJM proposal, corrected as recommended by the Market Monitor.

I. ANSWER

A. The Implementation Date Should Be the Earliest Feasible Date.

There is no reason to delay implementation of the August 28th Filing given that it will increase the efficiency of the day-ahead market solution, increase the efficiency of the energy market, and protect the market from exercises of market power. It remains unclear why PJM

³ Conditional acceptance of PJM's filing would be consistent with the principles of *NRG Power Mktg., LLC v. FERC*, 862 F.3d 108, 116 (2017) ("A utility's consent is relevant when FERC proposes "minor" modifications to the utility's proposal. *Western Resources*, 9 F.3d at 1579. But when FERC proposes its 'own original notion of a new form of rate,' the utility's consent does not excuse a Section 205 violation. *City of Winnfield*, 744 F.2d at 875."). The proposed modifications correct flaws in PJM's proposal, but the conditions do not impose "a new form of rate." See *Constellation Mystic Power, LLC*, 172 FERC ¶ 61,043, 61379 (2020) (Allowed condition for a "true-up mechanism" because it "is intended to ensure that the rate proposal is properly implemented.").

⁴ PJM. "nGEM Project Overview," PJM presentation to AFMFTF Technical Workshop. (September 13, 2021)

would oppose earlier implementation. It remains unclear why PJM does not propose an immediate implementation date.

There are longstanding issues with PJM's status quo schedule selection process that allows generators to exercise market power.⁵⁵ PJM acknowledges the improvements included in the August 28th Filing. In describing the August 28th Filing, the October 1st Answer states:

[U]nder this proposal, a Market Seller cannot "shift the clearing price away from a competitive level" by submitting market-based offers that have a lower dispatch cost rather than their cost-based offer.

As explained, the August 28th Filing removes significant loopholes in the market power mitigation process in the energy market. There is no reason to allow these issues to persist.

The October 1st Answer (at 5) asserts that it would take vendor resources away from other projects to implement immediately. PJM fails to provide any evidence whatsoever to support the claim that this would require significant resources. PJM does not address the costs and benefits to markets of immediate implementation.

B. Immediate Implementation Will Improve the Efficiency of the Day-Ahead Market Clearing and Improve the Efficiency of the Energy Market

The proposed modification to the schedule selection process will make the operation of the day-ahead energy market more efficient. Immediate implementation of the proposed modifications will reduce the time it takes to run the day-ahead market by removing the schedule selection process from the market clearing engine. PJM explained how this improved efficiency was the reason that PJM proposed the new schedule selection process with the introduction of nGEM changes to the market clearing engine. The same efficiency improvements can be captured immediately in the current market clearing engine. PJM has not suggested any reason not to capture these efficiency gains immediately.

⁵⁵ See Protest of the Independent Market Monitor for PJM, Docket ER24-1387-000 (March 22, 2024) at 11-16.

The day-ahead market is a complex, multistage optimization problem. Enhancing the day-ahead market solution's computational performance has been and remains an ongoing objective for PJM. For example, there are currently days when PJM is not able to reach a day-ahead market solution before the deadline to post day-ahead market results.⁶ In addition, the day-ahead market model does not include the same number of modeled transmission constraints as the real-time market model because of limits on the day-ahead market solution time.⁷ In addition to running faster and including more transmission constraints, a more efficient day-ahead market solution would allow PJM to reduce the number of modelling differences between the day-ahead and real-time markets, improving the efficiency of the PJM energy market as a whole.

C. The Proposed Schedule Selection Process in the Case of Multiple Cost-Based Offers Is Flawed.

In the March 1st Filing, PJM proposed to use a formula based on the cost of operating a unit at its economic minimum output level to choose among offer schedules. The intended implementation for the day-ahead market would have evaluated only the number of hours included in the unit's minimum run time, but not by using the expected operating hours of the day. Instead, it would have only evaluated the hourly offers with the highest cost. In other words, it would have only evaluated the hours when the unit was least likely to operate.^{8 9}

Despite the fact that the Commission explicitly rejected this approach in the April 30th Order, the August 28th Filing relies on this same dispatch cost formula for cases where units

⁶⁶ For example, PJM delayed posting of the day-ahead market results for March 21 and July 16, 2024.

⁷ See "Constraints in the Day-ahead and Real-time Markets," Monitoring Analytics presentation to the Energy Price Formation Senior Task Force (January 23, 2019), <https://www.monitoringanalytics.com/reports/Presentations/2019/IMM_EPFSTF_Constraints_in_the_DA_and_RT_Markets_20190123.pdf>.

⁸ See March 25th Protest at 6–7.

⁹ See Answer and Motion for Leave to Answer of the Independent Market Monitor for PJM, Docket No. ER24-1387-000 (April 23, 2024) at 3–5.

that fail the TPS test have multiple cost based offers. This situation can occur, for example, for dual fuel units that submit hourly offers on multiple fuels on cold weather days.

The October 1st Answer asserts (at 3) that Market Sellers with multiple cost-based offers may not know which of the cost-based offers is lower cost and that those market sellers need PJM to perform this simple calculation for them. The argument makes no sense. Market sellers can easily perform the same calculation proposed in the August 28th Filing. It is a simple calculation that can be done in a spreadsheet already posted online by PJM.¹⁰ The calculation requires no information proprietary to PJM. The only information used by the calculation is the data in the multiple cost-based offers provided by the market seller. The October 1st Answer even goes so far as to say (at 3) that the Market Seller would be guessing as to which cost-based offer is lower. There is no guesswork. The market seller and PJM have exactly the same offer data. The only difference is that PJM wants to make the decision for the generator based solely on the formula, which is known to be incorrect and has already been rejected by the Commission.¹¹ The market seller has the opportunity to make its own decision and, if it deems appropriate, to use PJM's dispatch cost formula.

The August 28th Filing's proposed use of the dispatch cost formula by PJM to choose among cost-based offers will result in errors. It is a flaw. It should be removed from the proposed tariff changes.

The October 1st Answer also asserts (at 3) that the Market Monitor's proposal is no better than PJM's proposal for handling the cases of multiple cost-based offers. In fact, the Market Monitor's proposal is objectively better. The dispatch cost formula is known to result in errors. The Market Monitor's proposal allows the market seller to use the dispatch cost

¹⁰ See "Comparison of Design Component 4 Options Offer Selection Approach," PJM spreadsheet presented to the MIC Special Session – Performance Impact of A Multi-Schedule Model on the Market Clearing Engine, <<https://pjm.com/-/media/committees-groups/committees/mic/2023/20230524-special/item-03---comparison-of-design-component-4-options-offer-selection-approach.ashx>>, (May 24, 2023).

¹¹ See 187 FERC ¶ 61,051 (2024) ("April 30th Order").

formula if it chooses, and it allows for other methods that would be more accurate for choosing among multiple cost-based offers. If the Market Monitor's proposal allows for PJM's proposal plus other more accurate options, it is a better proposal. PJM's proposal does not add a "safeguard" to the schedule selection process as the October 1st Answer states. It adds an error to the process.

The Commission should require PJM to eliminate the provision that requires PJM, rather than generation owners, to choose the appropriate cost-based offer as a condition of approving the August 28th Filing. If uncorrected, the schedule selection process will be flawed and will not work as intended. The required correction does not change the purpose of the August 28th Filing, it will facilitate its proper implementation.¹² The Commission should require PJM to implement this change as soon as possible because it improves market power mitigation and improves the efficiency of PJM markets.

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 protests, answers, or 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.¹³ In this answer, the Market

¹² Conditional acceptance of PJM's filing would be consistent with the principles of *NRG Power Mktg., LLC v. FERC*, 862 F.3d 108, 116 (2017) ("A utility's consent is relevant when FERC proposes "minor" modifications to the utility's proposal. *Western Resources*, 9 F.3d at 1579. But when FERC proposes its 'own original notion of a new form of rate,' the utility's consent does not excuse a Section 205 violation. *City of Winnfield*, 744 F.2d at 875."). The proposed modifications correct flaws in PJM's proposal, but the conditions do not impose "a new form of rate." See *Constellation Mystic Power, LLC*, 172 FERC ¶ 61,043, 61379 (2020) (Allowed condition for a "true-up mechanism" because it "is intended to ensure that the rate proposal is properly implemented.").

¹³ 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

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 pleading as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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protest accepted because it provided information that assisted the Commission in its decision-making process).

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, 2024.



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