

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

PJM Interconnection, L.L.C.,

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Docket No. ER25-682-000

**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,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 to PJM’s Supplemental Response filed on February 5, 2025 (“Supplemental Filing”) and PJM’s answer filed January 24, 2025 (“January 24th Answer”) to the Market Monitor’s comments in this proceeding filed January 6, 2025 (“January 6th Comments”).

This proceeding concerns a series of revisions to the PJM capacity market rules filed in this proceeding under Section 205 of the Federal Power Act on December 9, 2024 (“December 9th Filing”).

I. ANSWER

A. RMR Resource Inclusion in Capacity Market Supply.

PJM states in its Supplemental Filing (at 3):

Based on the Vickers Declaration, and because the RMR agreements filed as part of the offer of settlement in Docket Nos.

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”).

ER24-1787 and ER24-1790 allow PJM to schedule and dispatch the Brandon Shores and Wagner units to address, among other things, capacity emergencies,¹⁰ PJM again declares, in no uncertain terms, that, if the Commission accepts PJM's 205 filing in this proceeding, PJM intends to count the Brandon Shores units 1 and 2, as well as the Wagner units 3 and 4, toward meeting the reliability requirements for the 2026/2027 and 2027/2028 Base Residual Auctions by including them in the supply stack at \$0/MW-day.¹¹ These four units will receive compensation for their costs through capacity market revenues and the revenues established through the RMR agreements filed with the Commission in Docket Nos. ER24-1787 and ER24-1790.

PJM's statement appears to address the RMR issue but it fails to do so adequately because it is contingent on PJM's requirement that the Commission accept the December 9th Filing and also implies a contingent reliance on the offer of settlement in the Talen RMR matter.³ In addition to the fact that the December 9th Filing has components that are unrelated to this issue, there is no reason for this proposal in the Supplemental Filing to be contingent on the December 9th Filing. It appears that PJM is referring to the proposed tariff language that would permit the inclusion of the RMR capacity in the auction supply curve. The proposed new tariff language in the December 9th Filing provides too much discretion to PJM in determining whether to include RMR capacity in the supply curve. In addition, it is inappropriate to link the Talen offer of settlement in its RMR case to the inclusion of RMR resources in the capacity market supply curve. That offer of settlement is objectionable, will be contested, does not need to be and should not be litigated here. If the Talen resources are RMR resources they should be included in the supply of capacity for the relevant capacity auctions, regardless of how the Talen RMR case is resolved.

The December 9th Filing addresses a range of issues most of which are not directly related to the RMR issues: the RMR issue; use of a combustion turbine ("CT") as the reference resource for the VRR curve; breaking the link between Net Cost of Net Entry ("CONE") and

³ See Docket Nos. ER24-1787-000, ER25-1790-000.

the Performance Assessment Interval (“PAI”) charge; the must offer exemption no safe harbor language; BRA deadlines and the treatment of reactive power revenue in the VRR curve.

PJM’s statement in the Supplemental Filing is clear and in fact much more clear than the vague statements on this topic in the December 9th Filing initiating this proceeding. In the Supplemental Filing, PJM agrees to include the capacity of the RMR units in the supply curve at a price of \$0 per MW-day. That is the right approach and the Market Monitor supports that approach.⁴ As a result of the fact that PJM agrees with the inclusion of the RMR capacity in the next two capacity auctions, there is no need to respond to PJM’s inapposite responses to the Market Monitor’s prior filing.

In its January 24th Answer, PJM emphasizes (at 6) its own confusion about the asserted differences among reliability, transmission reliability and resource adequacy. PJM asserts that is acceptable to pay an RMR resource its full cost of service when it does not provide the reliability benefits associated with a capacity resource. It is not acceptable. PJM would create an artificial distinction between transmission reliability and reliability. While this reflects PJM’s internal failure to adequately coordinate transmission planning and markets, reliability is reliability. Does a unit contribute to transmission reliability, or resource adequacy, or just reliability when it operates to provide needed voltage support? Customers do not care if there is a blackout due to voltage issues or to resource adequacy or some combination. It is this focus on this artificial distinction that has for years permitted PJM to include RMR resources in its own CETO/CETL analysis, done by the transmission planning department while not including such RMR resources in the supply of capacity in the capacity market under the PJM markets department. The reliability benefits of Brandon Shores will not change on the day it becomes an RMR resource. PJM will continue to operate Brandon

⁴ See Comments of the Independent Market Monitor for PJM, Docket No. ER24-682 (January 6, 2025) at 7–18; Comments of the Independent Market Monitor for PJM, Docket No. EL24-148-000 (October 10, 2024) at 5–8.

Shores for voltage support. If Brandon Shores has been functioning for many years, as PJM appears to assert, as a transmission reliability resource but not a capacity resource, why has PJM been including it as a capacity resource in the capacity market?

“Yet, the Market Monitor alleges that PJM has not demonstrated that the proposed criteria for when an RMR resource can reasonably be relied on are just and reasonable, because it is possible that some RMR resources may not meet such criteria and customers may pay for an RMR resource that is not counted towards resource adequacy requirements.[footnote omitted] The Market Monitor is improperly conflating the transmission reliability purpose for which a resource is retained through an RMR agreement with resource adequacy. These are distinct concepts.”

It is astonishing and unacceptable that PJM could state so clearly that PJM would agree that an RMR resource should be paid but not contribute towards resource adequacy requirements.

No such contingent requirement should attach to a Commission decision to include the capacity of the referenced resources in the capacity market supply curve at \$0 per MW-day for the 2026/2027 and the 2027/2028 capacity auctions.

B. CT Reference Resource.

The Market Monitor continues to support PJM’s position that the reference resource should be a dual fuel combustion turbine generator.

C. Uniform PAI Penalty.

The Market Monitor continues to oppose PJM’s position that a uniform PAI penalty is needed or appropriate. PJM made the initial request based on PJM’s use of a combined cycle (“CC”) as the reference resource. Use of a CC could have resulted in Net CONE values of zero in some Locational Deliverability Areas (“LDAs”). That is not true under use of a CT as the reference resource and PJM has not demonstrated that it is true for a CT. PJM has used a CT as the reference resource since 2007 and has included Net CONE as the basis for the PAI penalty since the introduction of the Capacity Performance design in 2015. Given that PJM no longer supports use of a CC as the reference resource, its proposal to abandon locational

Net CONE as part of the PAI penalty should be rejected as unsupported and therefore not just and reasonable. In addition, PJM's proposal to use a nonlocational PAI penalty is not consistent with PJM's continued use of a locational LDA specific stop loss (non-performance charge limit). PJM's proposal to have inconsistent penalty provisions should be rejected as unsupported and therefore not just and reasonable.

D. No Market Power Safe Harbor.

PJM is uniquely willing to request that the Commission separate this item from the contingent approval of the December 9th Filing based on the objections of generators but will not request separation of the other elements of the December 9th Filing. Either each element should be evaluated separately, as the Market Monitor prefers, or all elements should be evaluated together.

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.⁵ 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.

⁵ 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 answer as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: February 10, 2025

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 10th day of February, 2025.



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