

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

PJM Interconnection, L.L.C.

)
)
)

Docket No. ER25-712-000

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 PJM (“Market Monitor”), submits these comments responding to the filing submitted by PJM Interconnection, L.L.C. (“PJM”) on December 13, 2024 (“December 13th Filing”) concerning modifications to Part VII of its Open Access Transmission Tariff (“Tariff”) to “add provisions enabling a one-time reliability-based expansion of the eligibility criteria for Transition Cycle #2 so that a very limited number of additional resources needed to rapidly address PJM’s near-term reliability challenge may be considered in that Cycle while still keeping Transition Cycle #2 on track for timely completion.”

The Market Monitor agrees that time is of the essence, supports the stated goals of the December 13th Filing, and supports approval of the December 13th Filing, but also identifies significant flaws that compromise the ability of the proposal to achieve its stated goals. The Market Monitor requests that approval be conditioned on identified modifications that would correct its shortcomings and thereby ensure that PJM is able to achieve its objectives. The intent of the modifications is to strengthen PJM’s ability to act to ensure reliability.

¹ 18 CFR § 385.211 (2024).

I. COMMENTS

A. The Goals of the December 13th Filing Are Good, But the Filing Contains Significant Flaws.

The Market Monitor supports approval of PJM's Reliability Resource Initiative (RRI) filing, with proposed modifications that are intended to strengthen the PJM proposal and provide more discretion to PJM. The proposed changes address significant flaws, but they are entirely consistent with the goals of the filing. The proposed changes would enhance PJM's ability to administer the OATT. The changes do not require PJM's adoption of an "entirely different rate design."² Approving the December 13th Filing with conditions is the best way to put effective rules in place as soon as possible.³

PJM proposes to identify RRI resources to add to Transition Cycle #2 ("TC2") and to accelerate the in service dates of RRI resources to address specific reliability issues. Regardless of the exact reasons and regardless of the exact numbers, supply and demand conditions in PJM are significantly tighter currently than in recent PJM history and expected to be even tighter in the future.

While PJM's overall goal of advancing resources more quickly through the queue process that can contribute to identified reliability issues is a good one, the details of PJM's approach to identifying the RRI resources to help ensure reliability are flawed. The PJM proposal does not go far enough given the reliability issues cited at length by PJM.

PJM's RRI scoring criteria place undue emphasis on ELCC values rather than on dispatchability. PJM (at 16) cites Ohio Lieutenant Governor Jon Husted's statement at the Organization of PJM States annual meeting on October 21, 2024, that PJM needs dispatchable

² See *NRG Power Mktg., LLC v. FERC*, 862 F.3d 108, 114 (2017) (An order cannot be conditioned on the adoption of an "entirely different rate design," even if the utility agrees, but "FERC has some authority to propose modifications to a utility's proposal if the utility consents to the modifications").

³ See "CIR Transfer Efficiency IMM Package," multiple presentations to the PJM Planning Committee (PC) (2024).

resources. Yet PJM's ELCC ratings could select a battery over a CC or a CT. ELCC values are not adequately linked to dispatchability. PJM's RRI scoring criteria are not adequately linked to dispatchability.

The current ELCC ratings have been volatile for some resource classes, remain controversial and are subject to change. The ELCC ratings for batteries are based on assumed behavior rather than actual data. Batteries are a net load and not generation. The assertion that PJM "needs UCAP" does not focus on the relevant attributes of the UCAP of new resources. Not all UCAP MW are created equal. Availability and dispatchability over all 8,760 hours per year are core to reliability and are only partially correlated with ELCC. ELCC does not make UCAP MW comparable across unit types. Intermittent resources will never be dispatchable. Solar resources will never run at night or whenever the sun is not shining. Wind resources will never run when the wind is not blowing, regardless of system demand. The ELCC values of thermal resources are understated because they are based on summer ratings to meet winter reliability targets.⁴

Although not explained, PJM proposes to use the fixed ELCC values included in the draft tariff rather than using the most current and accurate ELCC values as they evolve. As stated in the draft proposed revisions at section 4.a.ii:

The RRI ELCC Class Rating values set forth in the table above will be used only for purposes of the RRI scoring mechanism and may not be reflective of actual ELCC values developed prior to the Base Residual Auction for the relevant Delivery Year in accordance with the Reliability Assurance Agreement.

⁴ See the Analysis of the 2025/2026 RPM Base Residual Auction reports, Part A through Part D available on the Market Monitor's website at <<https://www.monitoringanalytics.com/reports/Reports/2024.shtml>>.

For example, the ELCC values for batteries declined significantly in PJM's latest ELCC calculations.⁵ PJM should not use outdated and overstated or understated ELCC values in the proposed process.

PJM states that the goal is to be fuel and technology neutral. That is not the appropriate objective when there are defined differences in reliability and dispatchability across resource types, by fuel and technology. The goal of the December 13th Filing should be to select the most reliable fuel and technology combinations. The ELCC data provide some relevant insights although PJM's final ELCC values are incorrect and misleading in significant instances.

As an example of PJM's approach to reliability and dispatchability, PJM states (at 43):

The RRI scoring criteria also achieve a balance and allow establishment of a level playing field among different types of resources—for example, a large gas-fired generation project might have a higher Unforced Capacity Factor score than other types of projects, while battery storage projects may have a high ELCC score and be able to be constructed and achieve commercial operation sooner than a large gas-fired generation project, receiving a greater number of points than the gas-fired resource based on their ELCC ratings and in-service dates.

The fact that PJM could reach that conclusion, even hypothetically, means that the December 13th Filing is not clearly and adequately focused on a meaningful and operational definition of reliability. A battery is not a substitute for a gas fired combined cycle or CT, regardless of the comparative ELCC values and regardless of the speed to market. PJM publicly rejected the assertion that a battery could replace Brandon Shores for good reason.⁶

⁵ See PJM's "ELCC Class Ratings for the 2025/2026 Third Incremental Auction," (January 2, 2025) found at <<https://www.pjm.com/planning/resource-adequacy-planning/effective-load-carrying-capability>>.

⁶ Letter from the President and CEO of PJM, Manu Asthana to Paul G. Pinsky, Director of the Maryland Energy Administration regarding an alternative to a RMR agreement with Brandon Shores generating station (May 3, 2024).

PJM needs to apply the same type of real world operational analysis to defining reliability rather than the abstract transmission planning definition of reliability included in the December 13th Filing. The goal is reliability and not a level playing field. Correctly evaluated, the goal of reliability will result in a level playing field. PJM market rules require an approach to reliability that includes essential conditions from all three major subdivisions within PJM: transmission planning, markets and operations.

PJM focuses for unknown reasons on an arbitrary number of projects (50) that could qualify as RRI projects rather than on a target level of MW needed for reliability. PJM should identify the number of MW, with the required reliability characteristics, that it believes are needed to address PJM's identified reliability shortfall and use the RRI process to obtain those MW. That number could change based on real world events.

PJM's RRI scoring criteria should be a series of thresholds that must be met in sequence rather than a single formula that considers all elements simultaneously and assumes that the criteria are comparable through relative weights. The assumption that the criteria are comparable is not correct. If the resource is in the wrong location to address the identified reliability issue, rather than getting zero out of ten location points, the resource should be rejected. For example, the first threshold would be that the resource is in the right location to address the identified locational reliability issue. The second threshold would be that the operational characteristics of the resource fully address the identified reliability issue including technology and fuel source(s). The third threshold would be commercial viability within a defined time period with detailed tracking and strong financial incentives. No RRI resource would be approved unless it met all three thresholds.

As an example of why the criteria should be a series of thresholds, the December 13th Filing includes location as one of the scoring criteria, but gives it only 10 points out of 100 total possible points. Yet reliability is fundamentally locational, although it is of course possible to be short of capacity in the aggregate. The RPM capacity market construct was implemented in 2007 with locational capacity market prices precisely because, at the time of implementation, reliability was challenged in specific eastern PJM zones and not in western

zones. Having a very high ELCC value in a location, e.g. ComEd, where the resource does not address a specific issue, e.g. the locational results of the Brandon Shores retirement, is basically meaningless.

The Market Monitor recommends that PJM first apply these PJM identified three thresholds and only then apply the weighting criteria in the event that it is necessary to choose among resources that all meet the threshold criteria.

PJM includes a range of important enforceable provisions (sections E.5–8) that help ensure that the selected RRI resources will actually go online as promised. These provisions include a must offer obligation which is essential to the efficacy of the entire filing as capacity resources that do not offer do not help solve the identified problem. The Market Monitor supports these provisions.

B. The December 13th Filing Should Be Approved Subject to Inclusion of the Recommended Modifications.

PJM's RRI scoring criteria should be a series of thresholds that must be met in sequence rather than a single formula that considers all elements simultaneously and assumes that the criteria are comparable through relative weights. The first threshold would be that the resource is in the right area to address the identified locational reliability issue. The second threshold would be that the operational characteristics of the resource fully address the identified reliability issue including technology and fuel source(s). PJM's RRI scoring criteria should be based on availability and dispatchability over 8,760 hours per year. The third threshold would be commercial viability within a defined time period with detailed tracking and strong financial incentives. No RRI resource should be approved unless it met all three thresholds.

The Market Monitor recommends that PJM first apply these PJM identified three thresholds in sequence and only then apply the weighting criteria in the event that it is necessary to choose among resources that all meet the threshold criteria.

The Market Monitor recommends that to the extent ELCC values are used in the evaluation process, current ELCC values be used.

C. PJM Should Develop a Future Proposal Including Additional Recommended Modifications.

For the future, the Market Monitor recommends that PJM request the authority to advance projects at any time that can more effectively address immediate reliability issues, including the issues that result from resource retirement requests that result in RMR status.⁷ Similarly, the Market Monitor recommends that PJM request the authority to advance projects at any time that can more effectively address immediate reliability issues including the issues that result from requests to retire existing resources regardless of whether they qualify for RMR status. While it is important to respect the existing, improved PJM queue process, it is essential to provide strong and clear incentives for projects to actually resolve reliability issues and to actually guarantee timely in service dates in order to help ensure that the queue is not a mirage as it has been in significant part for its recent history. Recognizing that improved queue rules are being implemented, the history of queue projects becoming actual in service capacity resources suggests strongly that such incentives have not been provided by the queue process.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.

⁷ The Market Monitor has consistently supported a stronger role for PJM in addressing immediate reliability needs. As part of the CIR Transfer Efficiency initiative, the MMU proposed to allow PJM to initiate an expedited fast track process to address PJM identified reliability issues. The proposed expedited process would have allowed PJM to open a limited scope expedited reliability process to select projects that address the reliability issues. See “CIR Transfer Efficiency IMM Package,” MMU presentation to the PJM Planning Committee (October 8, 2024), <https://www.monitoringanalytics.com/reports/Presentations/2024/IMM_PC_CIR_Transfer_Efficiency_IMM_Package_20241008_v2.pdf>.

⁸ See Monitoring Analytics, LLC, *Quarterly State of the Market Report for PJM: January through September*, Section 12: Generation and Transmission Planning (November 14, 2024).

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

Dated: January 6, 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 6th day of January, 2025.



Jeffrey W. Mayes

General Counsel

Monitoring Analytics, LLC

2621 Van Buren Avenue, Suite 160

Eagleville, Pennsylvania 19403

(610) 271-8053

jeffrey.mayes@monitoringanalytics.com