

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

PJM Interconnection, L.L.C.

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Docket No. ER25-785-000

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 (“Market Monitor”) for PJM Interconnection, L.L.C. (“PJM”), submits this comment to the filing submitted by PJM on December 20, 2024 (“December 20th Filing”). PJM proposes revisions to its rules related to resources that are categorically exempt from the must offer obligation of capacity resources. The stated purpose of the December 20th Filing is to eliminate the exemption from the capacity market must offer rules that currently apply to intermittent and storage resources, termed categorically exempt resources. The must offer exemption is a design flaw that should be addressed immediately. The December 20th Filing packages elimination of the must offer exemption with a proposal to weaken and undermine the market power mitigation provisions of the tariff for all capacity resources. The inclusion of this poison pill makes PJM’s proposal unjust and unreasonable. PJM has not supported its combined proposal as just and reasonable and it should be rejected for that reason.

¹ 18 CFR § 385.211 (2024).

I. COMMENTS

PJM proposes to eliminate the capacity market must offer exemption for categorically exempt resources but not for demand response resources beginning with the 2026/2027 Delivery Year.² The elimination of the must offer exemption is long overdue.

While PJM's filing should be rejected based on its unsupported weakening of the market power mitigation rules in the capacity market, the pending complaint of the Joint Consumer Advocates v. PJM presents an alternative opportunity for the Commission to fully and timely address the must offer issue without PJM's poison pill.³

PJM's proposals to weaken market power mitigation rules in the capacity market include a proposal to arbitrarily increase the market seller offer cap ("MSOC") for all capacity resources to the larger of the resource's net Avoidable Cost Rate ("ACR") and the resource's Capacity Performance Quantifiable Risk ("CPQR").^{4 5 6} Net ACR is equal to ACR less net energy and ancillary service revenues ("EAS").⁷ Currently the MSOC is equal to the net ACR. ACR includes CPQR and there is no reason to increase the MSOC and to increase capacity market prices above the competitive level. This proposal has not been shown to be just and reasonable and is unjust and unreasonable and should be rejected for that reason.

² December 20th Filing, Attachment A (Redlines) at Attachment DD § 6.6A(c).

³ See *Joint Consumer Advocates v. PJM*, Docket No. EL25-18-000 (November 18, 2024). The JCA complaint (at 16) states: "the Commission should act promptly to adopt rules that address this artificial supply limitation and instead ensure that all existing resources are obligated to participate in PJM's capacity auction." Comments are due January 23, 2025.

⁴ These proposals are recycled from proposals made by PJM in Docket No. ER24-98. See *PJM Interconnection, L.L.C.*, 186 FERC ¶ 61,097 (2024), *reh'g denied*, 187 FERC ¶ 62,016 (2024).

⁵ December 20th Filing, Attachment A (Redlines) at Attachment DD § 6.4(a).

⁶ Avoidable Cost Rate (ACR) is defined in Attachment DD § 6.8(a) of the PJM OATT. CPQR is a component of ACR.

⁷ Attachment DD § 6.4(a) of the PJM OATT.

PJM also proposes to allow a resource to segment its offer curve into a first segment for which the MSOC would be the larger of net ACR or CPQR and then additional segments, up to nine additional segments, where the MSOC is equal to a CPQR value.⁸ Although the tariff is unclear the proposal would appear to allow assigning 100 percent of total ACR to the first segment of the offer only, thus inflating the offer compared to dividing by all the resource MW. The proposal is inconsistent with the definition of a capacity resource, inconsistent with PJM's ELCC resource performance definitions and so vague as to be impossible to implement based on the filing. This proposal has not been shown to be just and reasonable and is unjust and unreasonable and should be rejected for that reason.

A. The Proposed Revisions to the Must Offer Requirement Should Be Accepted.

The Reliability Pricing Model (RPM) Capacity Market is a forward looking, annual, locational market, with a must offer requirement for Existing Generation Capacity Resources and a must buy requirement for load, with performance incentives, that includes clear market power mitigation rules and that permits the direct participation of demand side resources. There is currently a significant gap in the market power rules for the PJM Capacity Market. The RPM must offer requirement is not applied uniformly to all capacity resources. Currently, existing generation that qualifies as a capacity resource must be offered into RPM auctions, except for categorically exempt intermittent and capacity storage resources including hydro and except for resources in a fixed resource requirement (FRR) plan.⁹ Capacity Storage Resources include hydroelectric, flywheel and battery storage. Intermittent Resources include wind, solar, landfill gas, run of river hydroelectric, and other renewable resources.

From the creation of the PJM Capacity Market, capacity resources have had a must-offer requirement, with the exception of demand resources (DR). PJM created the must offer

⁸ December 20th Filing, Attachment A (Redlines) at Attachment DD § 6.4(e).

⁹ OATT Attachment DD § 6.6A.

exemption in the December 12, 2014 Capacity Performance filing, Section 6.6A(a) of Attachment DD. When this categorical exemption was adopted in 2015, the quantity of these resource types in PJM was relatively small, and the Commission found that “they do not raise the same physical withholding concerns as do existing generation resources because their ownership is not concentrated.”¹⁰

The purpose of the RPM must offer rule is to ensure that the capacity market works based on the inclusion of all demand and all supply, to ensure equal access to the transmission system through capacity interconnection rights (CIRs), and to prevent the exercise of market power via withholding of supply.

At its most basic level, the capacity market is a must buy and must sell market. The capacity market can work only if that obligation continues on both sides without exception. If all load must buy but all capacity does not have to sell, the immediate result is an increase in capacity prices. Holding aside the market power issue, the capacity market can work only if both the must buy and must sell obligations are enforced.

The purpose of the must offer requirement is also to ensure equal access to the transmission system through capacity interconnection rights (CIRs). Access to the grid is a scarce resource. Capacity resources must go through a sometimes lengthy process in order to obtain CIRs. The value of CIRs is a result of the entire transmission system which has been paid for by customers and other generators. The value of CIRs is a result of the existence of a network and is not a result solely or even primarily of the investment that may or may not have been required in order to get CIRs. If a resource has CIRs but fails to use them by not offering in the capacity market, the resource is withholding and is also denying the opportunity to offer to other resources that would use the CIRs. For these reasons, existing

¹⁰ *PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,208, at P 355 (2015), *order on reh’g*, 155 FERC ¶ 61,157 (2016), *aff’d sub nom. Advanced Energy Mgmt. All. v. FERC*, 860 F.3d 656 (D.C. Cir. 2017).

resources are required to return CIRs to the market within one year after retirement.¹¹ That conclusion does not depend on whether withholding directly benefits those resources through a portfolio effect.

The purpose of the must offer requirement is also to prevent the exercise of market power via withholding of supply. If some resources have the option to withhold supply they will withhold so when it is in their interests to do so.

The exercise of market power is an issue but it is not the fundamental issue for the must offer requirement. The overall result of the failure to apply the must offer requirement to all capacity resources is indistinguishable from the exercise of market power. The failure to apply the must offer requirement comprehensively will create increasingly significant market design issues, artificially high capacity prices, and market power issues in the capacity market as the level of capacity from intermittent and capacity storage resources increases. The failure to apply the must offer requirement consistently could also result in very significant changes in supply from auction to auction that would create price volatility and uncertainty in the capacity market and put PJM's reliability margin at risk.

The most recent Quarterly State of the Market Report shows, based on current positions, total reserves on June 1, 2025, will be 21,015.2 MW, of which 870.9 MW (UCAP) are in excess of the required level of reserves, which is 20,144.3 MW (UCAP).¹² In the 2025/2026 BRA, 13,143.2 MW were considered categorically exempt from the must offer requirement based on intermittent and capacity storage classification. Some of these resources were offered as capacity in the BRA and as part of FRR plans. The result was that 3,745.8 MW of intermittent and storage resources (28.5 percent of the categorically exempt MW and 2.8 percent of total cleared MW) were not offered in the 2025/2026 BRA. In the 2025/2026 BRA,

¹¹ The Market Monitor's position is that CIRs should be returned to the pool of available transmission at the time of a resource's retirement and not held for one year.

¹² See Monitoring Analytics, LLC, *2024 Quarterly State of the Market Report for PJM: January through September* Section 5: Capacity Market, Table 5-7. (November 14, 2024).

the sum of cleared MW that were considered categorically exempt from the must offer requirement is 8,233.5 MW, or 40.9 percent of the required reserves and 39.2 percent of total reserves. The cleared MW of DR is 6,085.6 MW, or 30.2 percent of required reserves and 29.0 percent of total reserves. The sum of cleared MW that were categorically exempt from the must offer requirement and the cleared MW of DR is 14,319.1 MW, or 71.1 percent of required reserves and 68.1 percent of total reserves. The fact that more than two thirds (68.1 percent) of the PJM reserves depend on resources that are not subject to the RPM must offer requirement, a core part of the capacity market design, means that reliability is significantly less certain than the stated reserve margins indicate.

The Market Monitor analyzed the results of the 2025/2026 RPM Base Residual Auction, including the impact of capacity that was categorically exempt from the RPM must offer obligation and that did not offer.¹³ Capacity resources that were categorically exempt from the RPM must offer requirement and did not offer in the 2025/2026 RPM Base Residual Auction had a significant impact on the auction results. The results of the 2025/2026 RPM Base Residual Auction are demonstrative of the adverse outcomes, generally, resulting from the failure to extend the must offer requirement uniformly to all capacity resources.

Based on actual auction clearing prices and quantities and uplift MW, total RPM market revenues for the 2025/2026 RPM Base Residual Auction were \$14,687,047,358. If the capacity categorically exempt from the RPM must offer requirement that did not offer had been offered in the 2025/2026 RPM Base Residual Auction and everything else had remained the same, total RPM market revenues for the 2025/2026 RPM Base Residual Auction would

¹³ See Market Monitor reports analyzing the 2025/2026 RPM Base Residual Auction: “Analysis of the 2025/2026 RPM Base Residual Auction–Part A,” (September 20, 2024); “Analysis of the 2025/2026 RPM Base Residual Auction–Part B,” (October 15, 2024); “Analysis of the 2025/2026 RPM Base Residual Auction–Part C,” (November 6, 2024); and “Analysis of the 2025/2026 RPM Base Residual Auction–Part D,” (“BRA Reports”) (December 6, 2024). These reports are available at <https://www.monitoringanalytics.com/%E2%80%8CReports/Reports/2024.shtml> .

have been \$10,547,226,983, a decrease of \$4,139,820,375, or 28.2 percent, compared to the actual results.¹⁴ From another perspective, the failure to offer capacity that was categorically exempt from the RPM must offer requirement resulted in a 39.3 percent increase in RPM revenues for the 2025/2026 RPM Base Residual Auction compared to what RPM revenues would have been had the categorically exempt resources been subject to the RPM must offer requirement. If the capacity categorically exempt from the RPM must offer requirement that did not offer had been offered in the 2025/2026 RPM Base Residual Auction and everything else had remained the same, total cleared UCAP MW in the 2025/2026 RPM Base Residual Auction would have been 137,128.3 UCAP MW, an increase of 1,444.3 UCAP MW, or 1.1 percent, compared to the actual results.¹⁵

The Market Monitor agrees with PJM that the must offer requirement in the capacity market should be extended to all capacity resources. There is no reason to exempt intermittent and capacity storage resources, including hydro from the must offer requirement. The same rules should apply to all capacity resources in order to ensure that the must buy and must sell design is equitably enforced, to ensure open access to the transmission system and to prevent the exercise of market power through withholding. For these reasons, the Commission should accept PJM's proposal to extend the must offer requirement to intermittent and capacity storage resources without PJM's proposed condition to change market power mitigation rules for all resources.

B. The Proposed Revisions to Market Power Mitigation Rules Should Be Rejected.

PJM's proposed change to the generally applicable market power mitigation rules in the capacity market has nothing to do with the must offer rules and would result in inefficient and noncompetitive capacity market results. PJM's proposal to change the market seller offer cap (MSOC) to the greater of net ACR and CPQR would permit capacity offers in excess of

¹⁴ See the "Analysis of the 2025/2026 RPM Base Residual Auction–Part A," (September 20, 2024).

¹⁵ See *id.*

competitive levels. PJM's proposal is to change the definition of a competitive offer in the capacity market.

PJM's proposed changes to the MSOC do not correctly account for the clearly defined relationship between the energy and ancillary service markets and the capacity market.

There is an apparent temptation to redefine capacity as a standalone product. Most of PJM's logical errors related to the MSOC derive from this temptation. Capacity is not a standalone product. The capacity market has been in existence for long enough and subject to so many discussions since PJM markets were created in 1999 that PJM and PJM stakeholders have begun to discuss capacity as if it were a real, separable product. PJM's proposed change to the definition of the MSOC and the addition of segmented MSOCs are indications that PJM is now designing the capacity market as if capacity were a real, separable product. Capacity is not a thing. Capacity does not power light bulbs or refrigerators or air conditioners. It is not possible to buy just capacity. The only real product provided in wholesale power markets is energy. Capacity is a concept and an administrative mechanism designed to make the energy market work. The only reason for the capacity market is to provide for the missing money in the energy and ancillary services markets. If there is no missing money there is no reason for a positive capacity market price. That is the basic logic of the PJM markets. Capacity resource status is not required or mandatory. The incentive to be a capacity resource is the capacity market price. The capacity market price will equal the highest offer required to clear the market, including all components of ACR including CPQR net of net revenues from the energy market, or the maximum price on the VRR curve. The combination of energy market revenues and capacity market revenues will cover all the ACR costs, including CPQR costs, of the marginal resource and more than cover those costs for inframarginal resources.

PJM's proposal would raise the market price above the competitive level. The proposed MSOC changes enable the market seller to set prices above the competitive price level and provide the capacity market seller with PJM sanctioned market power. PJM fails to include this important result in their supporting documents, choosing instead to focus on the

incentives of a select group of resources for which the best alternative under the current rules may be to participate as an energy only resource.

There is no incentive issue. There is no incremental cost of selling capacity that is not about the actual product, the sale of energy. The performance penalties are about the failure to deliver energy. CPQR is a real cost of promising to deliver energy when it is needed. The CPQR cost is included in the definition of total ACR costs. All ACR costs are about the incremental cost of selling capacity. PJM's approach proves too much. If PJM's CPQR approach were extended to each of the other components of ACR, then there would be no EAS offset at all and the link between the energy and capacity markets would be fully broken.

PJM's argument for changing the MSOC definition focuses on capacity resources with net energy and ancillary service revenues (EAS) that are greater than going forward costs (ACR). For a specific delivery year, these resources are expected to earn sufficient revenue in the PJM energy and ancillary service markets to cover the resource's going forward cost and do not need capacity market revenue to remain economically viable. Going forward costs includes risk (CPQR) explicitly.¹⁶ If net revenues are greater than going forward costs, all going forward costs are covered, including CPQR. The risks addressed by CPQR are performance risks, the risk of incurring a PAI penalty.

PJM asserts that there is an incentive issue because if the unit were an energy only resource it would not face PAI risk.¹⁷ PJM's simple assertion is: why should a resource take on the PAI risk if it can earn more as an energy only resource without being a capacity resource. This is the same basic argument that PJM once made but no longer makes in support of unit specific offer caps of Net CONE. The answer is simple. Capacity market prices have never been zero and are not expected to be zero and are especially not expected to be zero for

¹⁶ OATT Attachment DD § 6.8(a).

¹⁷ Capacity performance penalties are called Non-Performance Charges in the PJM OATT. See Attachment DD § 10A(e). Non-Performance Charges are applicable when a capacity resource does not provide a defined level of capacity during a Performance Assessment Interval.

a sustained period. As a result, resources are better off receiving capacity market revenues than not at a clearing pricing greater than or equal to an offer from the marginal resource equal to net ACR, recognizing that ACR includes CPQR. The incentive to be a capacity market resource is the capacity market price. An offer of zero does not mean that the resource expects the clearing price to be zero. No resource is forced to be a capacity resource. Resources can choose to be energy only resources if they think it would be more profitable. That is a decision about the long term participation in the capacity market and includes the requirement to give back the unit's CIRs and means a long wait to return to capacity market status. The actual behavior of resources to date shows that resources expect higher profits from participating in the capacity market, with CPQR included in the definition of ACR and not, per PJM's proposal, as a standalone adder regardless of net revenues.

In the case that net revenue (EAS) is larger than ACR, the current MSOC is \$0 per MW-day.¹⁸ Capacity market offers are never required to be less than \$0 per MW-day.

PJM's proposal would permit offers greater than the competitive level by allowing resources with a competitive offer of \$0 per MW-day to make offers equal to one component of ACR, the gross CPQR component, ignoring EAS entirely. PJM's proposal would also permit offers greater than the competitive level by allowing resources with a competitive offer greater than \$0 per MW-day but less than gross CPQR to make offers equal to one component of ACR, the gross CPQR component, also ignoring EAS entirely.

There are three logical possibilities (Table 1).

1. The resource's EAS is not sufficient to cover the resource's going forward cost excluding CPQR (ACR – CPQR). In that case, PJM's proposal is the same as the status quo and the MSOC is ACR minus EAS. (First row.)

¹⁸ Attachment DD § 6.4(a) of the PJM OATT states that the MSOC rules are applicable to offers above \$0 per MW-day.

2. The resource's EAS is sufficient to cover ACR but covers only part of or none of the CPQR. In that case, PJM's proposed rule would set the MSOC at CPQR rather than ACR minus EAS which is the status quo. PJM's proposal MSOC is greater than the status quo. (Second row.)
3. The resource's EAS is sufficient cover all going forward costs including the CPQR. In that case, PJM's proposed rule would set the MSOC at CPQR rather than ACR minus EAS which is the status quo. PJM's proposal MSOC is greater than the status quo. (Third row.)

Table 1 Components of MSOC: Current vs PJM Proposed

Expected Revenue Category	Net Revenue from Energy and Ancillary Service Markets	Current MSOC	PJM Proposed MSOC
$EAS < (ACR - CPQR)$	EAS	$ACR - EAS$	$ACR - EAS$
$(ACR - CPQR) \leq EAS < ACR$	EAS	$ACR - EAS$	CPQR
$EAS \geq ACR$	EAS	\$0	CPQR

A numerical example is provided in Table 2. Table 2 shows the offer caps that would result under the current MSOC for each of the three resource revenue categories discussed above.

The first row of Table 2 shows the offer caps for the current rules and for PJM's proposed changes for a resource with EAS less than the ACR excluding CPQR. Such a resource needs capacity market revenue to remain economically viable. Under the current rules the MSOC is \$50 per MW-day and if this resource were marginal the capacity market clearing price would be set at \$50 per MW-day or the difference between the ACR (\$90 per MW-day) and the EAS (\$40 per MW-day). The same is true under PJM's proposed MSOC.

The second row of Table 2 shows the offer caps for the current rules and for PJM's proposed changes for a resource with net EAS greater than the ACR excluding CPQR but the net EAS is less than the ACR including CPQR. This is an important category as PJM expects intermittent resources to fall into this category. Under the current rules the MSOC is \$25 or

the difference between the ACR (\$90) and EAS (\$65). Under PJM proposal the MSOC is equal to the CPQR (\$40 per MW-day).

The third row of Table 2 shows the offer caps for the current rules and for PJM's proposed changes for a resource with EAS greater than the ACR including CPQR. Under the current rules the MSOC is \$0 because the EAS exceeds the ACR. Under the PJM proposal the MSOC is equal to the CPQR (\$40 per MW-day).

Table 2 Example: Components of MSOC: Current vs PJM Proposed Components of MSOC

	EAS	ACR including CPQR	CPQR	Current MSOC	PJM Proposed MSOC
Expected Revenue Category	(1)	(2)	(3)	Max{ (2) - (1) , \$0 }	Max{ (2) - (1) , (3) }
EAS < (ACR - CPQR)	\$40	\$90	\$40	\$50	\$50
(ACR - CPQR) ≤ EAS < ACR	\$65	\$90	\$40	\$25	\$40
EAS ≥ ACR	\$100	\$90	\$40	\$0	\$40

PJM's proposed rule change to fix the PJM asserted incentive problem results in prices above the competitive level. There is no supportable reason and there can be no supportable reason for an incentive that is greater than the competitive offer. PJM has failed to provide any such reason.

The fact that PJM wants to make it riskier to participate in PJM markets by imposing PAI risks has become a rationale for undercutting the basic rules of the PJM markets in PJMs' filing. The better approach is to remove unjust and unreasonable risks from the capacity market design.¹⁹ PJM's arguments for undercutting the existing MSOC appear motivated by the role of CPQR. CPQR has become an issue solely as a result of the Capacity Performance ("CP") design and its associated draconian penalties. As elsewhere in PJM's proposals, a bad design choice leads to a cascade of additional bad design choices. It would be preferable to recognize that CP was a failed experiment and eliminate the CP design and eliminate PAI risk. But even without CP, the CPQR calculation appropriately includes the cost to mitigate risk and the CPQR remains a cost of being a PJM resource that is appropriately offset by EAS

¹⁹ See *Independent Market Monitor for PJM v. PJM Interconnection, L.L.C.*, Docket No. EL24-12-000 (November 7, 2023).

revenues. Net ACR correctly reflects the competitive offer in the capacity market of a resource that supplies energy on a reliable basis to PJM markets.

Capacity performance penalties continue to lead to illogical outcomes. In Winter Storm Elliott, solar generators were assessed penalties for not generating in the middle of the night. Coal plants and steam gas plants with long start up times were penalized while never receiving a commitment or dispatch instruction from PJM.

C. Proposed Segmented MSOC Should Be Rejected.

The PJM proposal would allow segmented Market Seller Offer Caps “comprised of multiple Market Seller Offer Caps”.²⁰ This proposal is a radical change to market seller offer caps that could significantly increase capacity market prices above competitive levels for no reason. The tariff language is unclear and inadequate. PJM has failed to do any testing of the impacts of this change. The result is that market participants and the Commission have no basis for understanding the potentially extreme consequences of this proposal.

Under PJM’s segmented MSOC, the first segment is the only segment to which the net ACR offer cap is applicable and that is only if the market seller expects the resource’s net EAS to be less than the energy only going forward cost. PJM would apparently allow a generator to include 100 percent of going forward costs in the first segment, thus inflating the MSOC by dividing by an arbitrarily smaller number of MW. The applicable revenues are not defined. The tariff is not clear. Segment 2 up to segment 10 would have a MSOC equal to a segment specific CPQR.

The proposed redline in OATT Attachment DD § 6.4(e) includes:

Segmented Market Seller Offer Caps shall be comprised of multiple Market Seller Offer Caps, each calculated in accordance with Tariff, Attachment DD, sections 6.4(a) and 6.8. If elected by the Capacity Market Seller, the first segment shall have a Market Seller Offer Cap reflective of the resource-specific Avoidable Cost Rate, less the Projected PJM Market Revenues for such resource. All subsequent

²⁰ December 20th Filing, Attachment A (Redlines) at Attachment DD § 6.4(e).

offer segments (and in the first segment if solely requesting a Capacity Performance Quantifiable Risk for the Market Seller Offer Cap) shall include only incremental Capacity Performance Quantifiable Risk associated with the incremental capacity commitment in that offer segment to the extent such value has been supported and obtained approval pursuant to the requirements set forth in this Tariff, Attachment DD, section 6.8(b).²¹

The proposed tariff language on segmented offer caps is unacceptably vague, lacks essential details, and is therefore not enforceable.

PJM's proposal to allow segmented offer caps would allow the exercise of market power. If costs and revenues can be assigned to different self defined MW offer segments, MSOCs are meaningless. Assigning a disproportionately large share of costs and no net revenues to a MW tail block would permit offers that exceed the correctly calculated MSOC by multiples and would permit the exercise of market power. The problem is exacerbated by PJM's proposal to not use any net revenue offset for the CPQR segments. PJM's proposal to allow segmented offer caps would further undermine MSOCs, permit generation owners to offer at levels well in excess of competitive offers, and permit the exercise of market power. PJM's lack of clear, enforceable rules means that PJM has not shown that its proposed changes to the market rules are just and reasonable. PJM's creation of the opportunity to exercise market power demonstrates that PJM has not shown that its proposed changes to the market rules are just and reasonable.

PJM does not provide any details or examples of what would qualify as "adequate justification for the use of a segmented offer cap" or explain how the MW would be allocated to segments or supported.²² The proposed tariff language is too vague to enforce any reasonable standard of review. PJM has not shown that its proposed changes to the market rules are just and reasonable and, in fact, the proposed changes are unjust and unreasonable.

²¹ Id.

²² See proposed OATT Attachment DD § 6.4(e).

The proposed segmented MSOCs would allow the capacity clearing price to be set above the competitive level. All the arguments about standalone CPQR related to the definition of the MSOC apply to the segmented MSOC proposal as well.

The segmented MSOC proposal is ill conceived and entirely inconsistent with the PJM capacity accreditation method. PJM states that the reason for proposing the segmented offer caps is that the cost of capacity performance risk increases as more capacity is offered due to the operating characteristics of a resource. PJM appears to be trying to address an issue with unit specific capacity accreditation by undercutting the definition of MSOC. The current rules allow resources to offer different segments of capacity at different prices, all subject to the overall MSOC. PJM's capacity accreditation method, effective load carrying capability (ELCC), determines a single capacity value for the capacity resource. The whole idea behind ELCC is that it provides a uniform measurement of unforced capacity ("UCAP") that is available for every hour of the year. Under ELCC, one UCAP MW from a solar resource is equivalent to one UCAP MW from nuclear resource. The ELCC based accreditation approach is based on the premise that a UCAP MW from a resource does not provide any more or less reliability value than the next available UCAP MW from the same resource. In requesting a segmented MSOC, PJM is arguing that one UCAP MW from a single resource is less likely to be available than another UCAP MW from the same resource and therefore has a higher CPQR. This is not consistent with the ELCC capacity accreditation method.

PJM customers will pay more for capacity that is less reliable and less likely to be delivered. The increase in the proposed offers after the first segment is entirely attributable to the decrease in the reliability of the capacity from these segments. PJM proposes a higher price for the less reliable MW.

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.

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Respectfully submitted,



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Dated: January 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 January, 2025.



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