

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

FirstEnergy Solutions Corp.)	
Allegheny Energy Supply Company, LLC,)	
)	Docket No. EL13-47-001
v.)	
)	
PJM Interconnection, L.L.C.)	
)	

**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 for PJM (“Market Monitor”), submits this answer and motion for leave to answer to the requests for rehearing of the order in this proceeding issued June 5, 2013 (“June 5th Order”),¹ submitted by FirstEnergy Solutions Corp., et al. (“FirstEnergy”), DC Energy, LLC and Vitol, Inc. (“DC Energy”), J. Aron & Company (“J. Aron”), and the PSEG Companies (“PSEG”) on July 5, 2013. The June 5th Order finds (at P 40) that “FirstEnergy has not demonstrated that the existing Tariff is unjust and unreasonable,” and dismisses the complaint that PJM market rules require “FTR holders to bear the risks of FTR underfunding associated with real-time congestion.” The order appropriately denies the specific relief requested and clears the way to address the real issues behind FTR revenue inadequacy. On rehearing, these parties raise the same arguments considered and rejected in the June 5th Order. Those arguments continue to rest on false conceptions about the

¹ *FirstEnergy Solutions Corp., et al. v. PJM Interconnection, L.L.C.*, 143 FERC ¶ 61,209 (2013).

nature and purpose of FTRs and the FTR revenue inadequacy problem. Accordingly, rehearing should be denied.

I. ANSWER

In the June 5th Order, the Commission rejected FirstEnergy's request "that real-time congestion costs be allocated broadly to all transmission users" as a means to address the FTR revenue adequacy issue. As the Commission explains in the June 5th Order, and as the Market Monitor detailed in prior pleadings, granting the requested relief would have meant imposing an unjust, unreasonable and illogical transfer of funds from all transmission customers to FTR holders.² There is nothing in the nature of the FTR revenue adequacy problem that justifies this proposal.

The Commission correctly found that FirstEnergy had failed to meet its burden on complaint, noting correctly that: "full funding of FTRs is a goal, but the PJM Tariff does not ensure full funding;" "the right to financially firm service is provided through the allocation of ARRs, which are directly allocated to loads to offset congestion;" and "the amount paid by FTR holders should reflect the expected value of a given FTR."³ These findings recognize the respective roles of ARRs and FTRs. The testimony offered by these parties to this proceeding on this subject was properly rejected by the Commission and the parties seeking rehearing have not offered any reason to reconsider this decision.

The Commission found (at P 43) that FirstEnergy "does not provide evidence demonstrating why all transmission customers, who already pay for access to the transmission system, should pay for the underfunding." This finding directly refutes the

² See June 5th Order at P 53; Comments of the Independent Market Monitor for PJM, Docket No. EL13-47-000 (March 18, 2013) at 4-11; *see also* PSEG at 7 ("we do agree that FirstEnergy failed to show that its proposed allocation methodology appropriately addresses the underlying causes of the FTR underfunding").

³ June 5th Order at PP 41-42.

other core argument of FirstEnergy and its supporters on cost causation and related precedent. FTR funding is not about “costs” or “allocating costs.” The cases on cost causation cited by FirstEnergy and its supporters have no relevance to the underfunding issue.

The Commission recognized (at P 43), “To the extent that PJM’s modeling is inaccurate, it is not unreasonable to allocate the results of that inaccuracy to the holders of the FTRs, as they are arguably in the best position to value this product.” The Commission found (*Id.*), “FirstEnergy has not shown that allocating these costs to other parties will create any better incentive to address the underlying causes of FTR underfunding.”⁴ The Commission recommends (at P 45) that “PJM and its stakeholders should consider whether adoption of these, or other proposals, would provide a better means of addressing the fundamental causes of underfunding.” The Market Monitor lists eight solutions in its April 18th answer for addressing the FTR revenue adequacy issue.⁵ All but one of the parties requesting rehearing of the June 5th Order support pursuing some or all of the approaches recommended by the Market Monitor.⁶ Whether through continued stakeholder process or on complaint, nothing prevents moving forward with real solutions. By taking FirstEnergy’s counterproductive proposal off the table, the June 5th Order opens the way for consideration of real solutions.⁷ The parties filing for rehearing have provided no reasons for the Commission to change course.

⁴ See June 5th Order at 45.

⁵ See Answer and Motion for Leave to Answer of the Independent Market Monitor for PJM, EL13-47-000 (April 18, 2013) at 7–11 (“April 18th Answer”).

⁶ See DC Energy at 3–4; J.Aron at 12–13; PSEG *passim*.

⁷ June 5th Order at PP 43 & 45.

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 request 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.⁸ 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.

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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⁸ See, e.g., *Cal. Indep. Sys. Operator Corp.*, 129 FERC ¶ 61,241 at P 16 (2009) (“[w]e will accept the answers and responses to the requests for rehearing because they provide information that assisted us in our decision-making process”); *KN Wattenberg Transmission LLC*, 94 FERC ¶ 61,189 at 61,671 (2001) (finding good cause to accept an answer to a request for rehearing “in order to insure a complete record in this proceeding”); *Tex. E. Transmission, LP*, 131 FERC ¶ 61,164 at P 1, n.3 (2010) (accepting answer to a request for rehearing that aided the Commission's decision-making); *Southwest Power Pool, Inc.*, 126 FERC ¶ 61,153, at P 18 (2009) (accepting answers that aided the Commission's decision-making).

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Dated: July 19, 2013

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 July, 2013.



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