

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

PJM Interconnection, L.L.C.)
) Docket No. ER14-1145-000
)

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 PJM² (“Market Monitor”), submits these comments responding to the request for waiver of the PJM energy offer cap filed by PJM Interconnection, L.L.C. (“PJM”) in the above captioned proceeding on January 23, 2014. The Market Monitor supports the request for waiver, but recommends that an order approving the waiver request make the following determination or clarification.

The Market Monitor agrees that when increases in fuel costs (natural gas) cause the marginal cost of generating power to exceed the offer cap of \$1,000 per MWh, generating units should be permitted to increase their cost-based offers above \$1,000 to the extent that the change in the cost of fuel, converted to a cost per MWh, resulted in short run marginal cost in excess of \$1,000 per MWh. Price-based offers should be permitted to exceed \$1,000 per MWh only if they equal the cost-based offer. Accurately reflecting short run marginal cost in cost-based offers is essential to the efficient functioning of the energy market and appropriate incentives for generating units. Permitting short run marginal costs to set market clearing prices is also essential to the efficient functioning of the energy market.

¹ 18 CFR § 385.211 (2013).

² Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”).

The Market Monitor respectfully requests that the Commission afford due consideration to these comments as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: January 29, 2014

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 29th day of January, 2014.



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