UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Big Sandy Peaker Plant, LLC, Wolf Hills Energy, LLC, Crete Energy Venture, LLC, Lincoln Generating Facility, LLC, and Rolling Hills Generating, L.L.C.	)	Docket No. EL16-9-000
v.	)	
PJM Interconnection, L.L.C.	)	

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[2] ("Market Monitor"), submits these comments responding to the complaint filed by the Tenaska Fund I Entities (Big Sandy Peaker Plant, LLC, and Wolf Hills Energy, LLC) and the Tenaska Fund II Entities (Crete Energy Venture, LLC, Lincoln Generating Facility, LLC, and Rolling Hills Generating, L.L.C.) (collectively, "Tenaska") on November 3, 2015. Tenaska asserts (at 11) that, as a result of the categorical deselection of all combustion turbines ("CTs"), Tenaska has been asked to return payments made for Tier 1 Synchronized Reserve provided during the period October 1, 2013–July 1, 2014, totaling $1,867,423.

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1 18 CFR § 385.211 (2011).

2 Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff ("OATT") or the PJM Operating Agreement ("OA").

Tenaska claims (at 14) that PJM has engaged in an "arbitrary and retroactive deselection of entire categories of the resources," and, further, that PJM applied an "absurd–manifestly unlawful–rule under which exceptions from ***retroactive*** deselection are only available ***prospectively***" [emphasis in original]. Tenaska claims (*id*.) that "ambiguous as some of the Tariff language may be, there is no reasonable reading of that language that justifies PJM's actions here."

Tenaska claims are based on the false premise that PJM has retroactively deselected its units. Tenaska's other arguments are irrelevant. Tenaska's arguments do not change the fact that because Tenaska's units were deselected, PJM did not obtain reserves from Tenaska's units and therefore did obtain reserves from other units. PJM's payments to Tenaska for reserves that Tenaska did not provide were plainly in error; PJM is right to correct that error. All of Tenaska's arguments are unsupported in fact and in law. Tenaska's complaint has no merit and should be denied.

I. COMMENTS

A. Contrary to the Core Premise of Tenaska's Argument, No Retroactive Deselection Has Occurred.

The core premise of Tenaska's claim is its argument (at 19–23) that PJM deselected its units retroactively. The premise is false. PJM did not retroactively deselect any of Tenaska's units, any class of units, or any unit. PJM did deselect units in real time including Tenaska's units because PJM determined that they were ineligible to provide reserves. The decisions on deselections have not changed. What has changed is that PJM now realizes that it mistakenly paid for reserves from units that were deselected. As a consequence of the deselection decisions, PJM obtained reserves from other sources. PJM's determination that it should not have paid deselected units is correct. Rebilling to correct the error is the only appropriate response.

Rebilling is necessary to avoid charging customers twice for the same MW of reserves. The deselection of currently operating units reduces the supply of Tier 1

Synchronized Reserves and increases the likelihood that Tier 2 Synchronized Reserves will be needed. It is plainly illogical to pay deselected units for Tier 1 Synchronized Reserves when the inability of such units to actually provide reserves contributed to the need to buy Tier 2 Synchronized Reserves. It is necessary to recoup the payments made to Tenaska because PJM did not buy the MW reserves attributed to Tenaska, it bought those reserves from others.

Tenaska's complaint is based on a false premise and should be denied.

B. PJM's Formalization in 2014 of the Process for Exemptions from Deselection Has No Relevance to This Dispute.

Tenaska's argument that it had no opportunity to obtain an exemption from PJM's decision to deselect its unit, prior to the implementation of rules that established a formal exemption process, is a red herring. There was no process to obtain an exemption and Tenaska did not attempt to seek an exemption. The establishment of a formal exemption process in PJM Manual 11 (Energy & Ancillary Services) on October 30, 2014, has no bearing on the deselection of Tenaska's units identified in this matter. Tenaska has not shown that PJM's decision to deselect its units was out of compliance with the prevailing rules or that it was singled out for unfavorable treatment relative to any other unit owner. Tenaska's arguments about the exemption process are irrelevant, unsupported and should be accorded no weight.

C. Tenaska Provides No Reason to Second Guess PJM's Decisions on Deselection.

Because Tenaska units were deselected, PJM should not have paid them for Tier 1 Synchronized Reserves. It is not useful at this point to second guess PJM dispatch about its decisions on which units were capable of providing reserves which units were not. Tenaska's units did not provide reserves to PJM, so PJM should not have paid Tenaska for reserves.

Tenaska states, based on communications with a PJM staff member, that deselection of Tenaska's units occurred because the units were combustion turbine units (CTs) rather

than based on the operating characteristics of its units.[3] Regardless of whatever representations were made to Tenaska, PJM did not categorically deselect all CTs in all hours during the relevant period. PJM did not deselect the Tenaksa units in all hours during the relevant period.

Tenaska's claim that PJM's decision on deselection was not based on any consideration of how its units performed is not consistent with how CTs, including Tenaska's CTs were treated during the relevant period; and is not consistent with the Market Monitor's analysis of the performance history of the Tenaska units involved.

The argument that PJM did not make correct decisions on deselection is irrelevant, unsupported by the facts about which units were deselected, and should be accorded no weight.

D. The Tariff Affords PJM Discretion to Determine Whether a Unit Is Capable of Providing Tier 1 Synchronized Reserves.

Tenaska argues (at 15–18) that Section 1.7.19 of Schedule 1 to the OA accords no authority for PJM to determine which on-line resources are providing Tier 1 Synchronized Reserves. Contrary to Tenaska's argument, Section 1.7.19 conditions eligibility to provide Synchronized Reserves on "the capacity resources' capability to provide these services." PJM's determination on deselection is the determination on capability provided for in the tariff. It would be surprising if the tariff did not authorize PJM to make this determination as the lack of such a rule could create an emergency. PJM needs the authority to procure the level of reserves it needs only from units capable of providing reserves or reliability would be compromised. Tenaska's assertion that the tariff does not authorize PJM to make decisions on deselection is incorrect and should be accorded no weight.

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[3] Tenaska, Affidavit of Jason Behrens at paras. 13–14.

II. CONCLUSION

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: December 3, 2015

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 3rd day of December, 2015.

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