

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

New Jersey Energy Associates,
a Limited Partnership

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Docket No. ER15-952-000, -001

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 complaint filed by New Jersey Energy Associates (“NJEA”), on October 5, 2015, in the guise of a request for clarification/rehearing. NJEA improperly raises on rehearing a new issue in its pleading that is outside the scope of the Commission’s rejection of NJEA’s original waiver request.³ The Commission rejected NJEA’s waiver request. Rather than addressing the rejection of its waiver request, NJEA now complains that PJM is not correctly interpreting Section 1.10.2(d) of Schedule 1 of the OA. PJM has correctly interpreted and applied Section 1.10.2(d), and the rule is working exactly as it intended. Accordingly, the request for rehearing/complaint

¹ 18 CFR § 385.211 (2015).

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”).

³ New Jersey Energy Associates, 152 FERC ¶ 61,181 (September 4, 2015) (“September 4th Order”).

should be rejected because it is improperly filed, and, if not rejected, it should be denied for lack of relevance to this proceeding and for lack of merit.⁴

I. BACKGROUND

NJEA states (at 2) that NextEra Energy Power Marketing, LLC, in its capacity as agent for NJEA with respect to participation in the PJM energy markets (also “NJEA”), incurred \$1,334,280 in losses when it sold gas that it purchased but did not take and did not burn in order to start its units or to provide electric power. PJM called NJEA on January 23, 2015, to request that NJEA’s South River combined cycle plant (“South River”) be available on January 27, 2015, but delayed the requested start time on January 26, 2015, and further postponed the operation on the morning of January 27, 2015. South River did not operate on January 27, 2015, and did not incur any start costs or operating costs, including fuel. NJEA may have incurred losses when it chose to sell the fuel rather than self schedule and operate the unit. NJEA complains that those losses constitute “actual costs incurred” as that term is used in section 1.10.2(d) of Schedule 1 to the OA, “in lieu of start-up and no-load fees.”

Section 1.10.2(d) reads:

The Market Seller of a resource selected as a pool-scheduled resource shall receive payments or credits for energy, demand reductions or related services, or for start-up and no-load fees, from the Office of the Interconnection on behalf of the Market Buyers in accordance with Section 3 of this Schedule 1. Alternatively, the Market Seller shall receive, in lieu of start-up and no-load fees, its actual costs incurred, if any, up to a cap of the resource’s start-up cost, if the Office of the Interconnection cancels its selection of the resource as a pool-scheduled resource and so notifies the Market Seller before the resource is synchronized.

⁴ Complaints must be filed under section 206 of the Commission’s Rules and meet the criteria specified in that rule. 18 CFR § 206.

PJM denied recovery of the asserted losses on the resale of the gas, explaining that section 1.10.2(d) only authorizes the recovery of costs that would have been start-up costs if the unit had completed the start-up sequence and the unit had synchronized to the grid. The unit did not start and therefore did not incur any start costs. The unit did not begin the start sequence and therefore did not incur any costs related to starting the unit, the in lieu of costs referenced in Section 1.10.2(d).

II. COMMENTS

A. PJM Has Applied Section 1.10.2(d) Consistent with Its Plain Wording and Consistent with the Logic and Purpose of the Rule.

It is undisputed that losses associated with the sale of unburned fuel are not start-up costs. The sole issue is PJM's interpretation of the alternative basis for recovery specified in Section 1.10.2(d), namely that "the Market Seller shall receive, in lieu of start-up and no-load fees, its actual costs incurred, if any, up to a cap of the resource's start-up cost, if the Office of the Interconnection cancels its selection of the resource as a pool-scheduled resource and so notifies the Market Seller before the resource is synchronized." PJM explains that it allows recovery of the costs of beginning but not completing the process of starting a unit, when such costs are actually incurred, even when the start sequence is not completed and the unit is never synchronized to the grid. PJM's interpretation is logical and consistent with the cap on the recovery of such costs at the level of start costs that would have applied if the unit had completed the start sequence, actually started and synchronized to the grid. NJEA provides no basis for reversing PJM's interpretation or for changing the rule, which works exactly as it is intended.

NJEA never attempted to start South River. Therefore, NJEA did not incur startup costs and did not incur costs for an incomplete startup. In addition, any losses that NJEA may have incurred did not occur until NJEA chose to dispose of the gas after NJEA

received notice that it would not be needed. NJEA's argument that "actual costs" includes its gas sale losses is unavailing because these costs were not incurred prior to PJM's notice.⁵

Not only is PJM's interpretation correct, the rule itself is correct, and works exactly as intended. Suppliers should manage their own costs of fuel procurement and those costs should not be shifted to customers just because PJM provides notice to suppliers of PJM's anticipated supply needs.

The responsibility for managing all aspects of fuel related risk is assigned to suppliers because suppliers are in the best position to make choices about how to manage that risk. Fuel related risks, while they may appear to be the result of short run market conditions, are the result of long term decisions that have been made by generation owners. These decisions include the availability of back up fuel and the level of firmness and the notice provisions associated with gas purchases and transportation. Procurement risks can also be managed by making arrangements to sell unneeded fuel or by burning it through self-scheduling their generator. PJM customers are not and should not be required to shoulder the consequences of unsuccessful risk management. PJM customers do not receive the benefits when risks are successfully managed and a profit is earned on the sale of unused gas.

It does not matter that fuel risk management can be challenging. High risk days are exactly the days when the incentives to manage fuel well matter. High risk days are the reasons the incentives exist. High risk days are exactly the days when market participants should be held to the market rules.

NJEA's argument that PJM has misapplied the tariff has no merit and should be rejected.

⁵ See Request for Leave to Reply and Reply of New Jersey Energy Associates, a Limited Partnership, Docket No. ER15-952-000, -001 (November 3, 2015) at 1-3.

B. NJEA Provides No Reason to Grant Rehearing.

NJEA's argument (at 8–9) for its request for rehearing of the Commission's September 4th Order fails to provide any reason why that request should be granted. Indeed, NJEA does not actually request rehearing of the decision against waiving otherwise applicable tariff rules for NJEA's special benefit. The Commission did not actually make the error specified (at NJEA 9): "finding that NJEA can *only* recover start-up costs under Section 1.10.2(d) of the Tariff" [emphasis added]. The Commission's statement is correct. Further, the alleged error was not the basis for the Commission's decision to deny the waiver in the September 4th Order (at P 19, not at P 23).

NJEA's problem is that PJM has correctly interpreted and implemented the rules. There is no rule that allows NJEA to recover its losses for fuel that it did not burn. The lack of such a rule is intentional. Suppliers and not customers should bear the risks associated with fuel procurement. If NJEA thinks that PJM has not correctly implemented the tariff or that the rule is itself unlawful, then it should file a complaint. NJEA cannot properly raise arguments about how PJM implements the rules and the merits of the rules in this proceeding, which concerns a waiver request that has been denied.

III. 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: November 18, 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 18th day of November, 2015.



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