

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

PJM Interconnection, L.L.C.)
) Docket No. EL16-6-003
)
)

**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,¹ Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM² (“Market Monitor”), submits this answer to the Comment and Limited Protest of DC Energy, LLC; Saracen Energy East LP; and Vitol Inc., submitted on December 5, 2016 (“DC Energy et al.”) on the filing submitted by PJM Interconnection, L.L.C. on November 14, 2016 (“November 14th Filing”), in compliance with the order of September 15, 2016, in this proceeding (“September 15th Order”).³

I. ANSWER

**A. DC Energy et al. Correctly Identify Inconsistencies in the November 14th Filing
But Propose to Make Them Worse At the Expense of Load.**

DC Energy et al. argue (at 3–7) that any reallocation of funds outside of balancing congestion is outside the scope of the directives in the September 15th Order. DC Energy et

¹ 18 CFR §§ 385.212 & 385.213 (2016).

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 *PJM Interconnection, L.L.C., et al.*, 156 FERC ¶ 61,180 (2016).

al. note (at 6) that PJM's November 14th Filing proposes "to allocate surplus revenues of non-balancing congestion sources, including all Day-Ahead sources, to ARR holders (while continuing to require FTR holders to bear the risk of shortfalls or FTR underfunding due to non-balancing congestion sources)." DC Energy et al. argue (at 7) that "PJM's proposal to allocate only the surplus (i.e., credits) associated with the non-balancing congestion Day-Ahead sources of FTR funding to ARR holders, while allocating any shortfall (i.e., charges) associated with these same Day-Ahead related sources to FTR holders, does not result in an equitable and not unduly discriminatory outcome." DC Energy et al. are correct in identifying an issue.

DC Energy et al. argue (at 11) that a just and reasonable alternative to PJM's proposal "could require PJM to guarantee full funding for FTRs within a specific Planning Year, which would result in both congestion revenue surplus amounts as well as congestion revenue deficit amounts, from any source, being allocated to load." DC Energy et al. are not correct in identifying the solution.

The Market Monitor agrees that DC Energy et al. have identified a fundamental problem with PJM's compliance filing. The problem is that PJM's proposed revisions confuse FTR and ARR revenues. Unfortunately, DC Energy et al. propose to further confuse FTR and ARR revenues. DC Energy et al. like the sources of cross funding in PJM's proposal that are favorable to their financial positions and do not like any risk associated with FTR positions. The correct solution to the problem is to eliminate the confusion between FTR and ARR revenues and to assign the appropriate revenues and risks to FTRs and to ARRs.

It is essential to maintain complete separation between revenues appropriately assigned to ARR holders and revenues appropriately assigned to FTR holders. PJM's proposal mixes the two sources of revenue in confusing ways and in ways that are likely to require load to subsidize FTR holders even more than anticipated.

If the Commission's approved approach to FTRs is to be followed, it must be done consistently. Congestion revenues should flow to FTR holders and not to ARR holders. This

means that any excess or shortfall in day-ahead congestion revenues relative to FTR target allocations should be allocated to FTR holders.

The November 14th filing proposes to allocate day-ahead congestion in excess of FTR target allocations to load. Day-ahead congestion revenues in excess of FTR target allocations should be assigned to FTR holders. Day-ahead congestion revenues less than FTR target allocations should also be assigned to FTR holders.

The November 14th filing (at 44) proposes to allocate excess FTR auction revenue to load, but only after guaranteeing that FTR holders receive 100 percent of their target allocations, regardless of actual day-ahead congestion revenues. Thus, PJM's proposal would not assign all excess auction revenue to load.

All excess FTR auction revenues should be allocated to ARR holders. Any shortfalls in auction revenues relative to ARR target allocations should be allocated to ARR holders.

The November 14th Filing does not appropriately assign all day-ahead congestion revenues to FTR holders and all FTR auction revenues to ARR holders. The November 14th Filing confuses the distinction between FTR and ARR revenues. ARR holders who do not self schedule have given up their rights to congestion revenue, in exchange for auction revenues. As a result, ARR holders are entitled to any and all auction revenue, including the excess from the FTR auctions. FTR holders, including self scheduled FTRs, are purchasing the rights to congestion revenue. As a result, FTR holders are entitled to any and all congestion revenue, including any excess and any deficiencies that may occur.

The November 14th Filing obscures the differences between FTRs and ARRs and the appropriate assignment of revenues to each product. The Commission should direct PJM to correct these deficiencies.

B. DC Energy et al.'s Response Reveals the True Intent of Reallocating Balancing Congestion.

DC Energy et al. propose (at 11) that “the Commission could require PJM to guarantee full funding for FTRs within a specific Planning Year...”⁴ This proposal makes explicit the ultimate goal of these financial participants. DC Energy et al. apparently are not satisfied by the Commission’s requirement that load pay all balancing congestion, but continue to support a direct guarantee of FTR target allocations. This would be a dramatic distortion of the purpose of FTRs.

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 answers or protests 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.⁵ 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.

⁴ *Id.* at 11.

⁵ *See, e.g., PJM Interconnection, L.L.C., 119 FERC ¶61,318 at P 36 (2007) (accepted answer to answer that “provided information that assisted ... decision-making process”); California Independent System Operator Corporation, 110 FERC ¶ 61,007 (2005) (answer to answer permitted to assist Commission in decision-making process); New Power Company v. PJM Interconnection, L.L.C., 98 FERC ¶ 61,208 (2002) (answer accepted to provide new factual and legal material to assist the Commission in decision-making process); N.Y. Independent System Operator, Inc., 121 FERC ¶61,112 at P 4 (2007) (answer to protest accepted because it provided information that assisted the Commission in its decision-making process).*

III. CONCLUSION

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

Respectfully submitted,



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Dated: December 20, 2016

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 20th day of December, 2016.



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