UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.	)	Docket No. EL17-84-000
Linden VFT, LLC, v. Public Service Electric and Gas Company, PJM Interconnection, L.L.C.	)	Docket No. EL17-90-000 (not consolidated)

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 PJM Interconnection, L.L.C. ("PJM")[2] ("Market Monitor"), submits this answer to the answer of Linden VFT, LLC ("Linden") and the New York Power Authority ("NYPA"), submitted on November 13 and 14, 2017, to the Market Monitor's answer filed in the above referenced proceeding on November 10, 2017.

I. ANSWER

Linden and NYPA continue to argue that the comments provided by the Market Monitor are either irrelevant or out of the scope of this proceeding and should be ignored

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1 18 CFR §§ 385.212 & 385.213 (2017).

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").

by the Commission. The Market Monitor disagrees. These issues are central to the proceeding and ensure the Commission has a complete and accurate record on which to base its determination in this proceeding. It is not the Market Monitor's intention to interfere with HTP's and Linden's ability to reduce the service level of their FTWRs to NFTWRs. The Market Monitor provides its comments to allow for a complete assessment of the consequences of converting Firm Transmission Withdrawal Rights (FTWR) to Non Firm Transmission Withdrawal Rights (NFTWR). The Commission's ruling on the issues raised by the Market Monitor will clarify the implications of using NFTWRs and may lead the companies to reconsider their decision to convert FTWRs to NFTWRs, which would be an efficient result that could prevent further litigation.

Linden and NYPA's responses have not supported their claim that the Market Monitor made erroneous statements about Section 232.2 and its implications for future RTEP cost allocations if firm point to point transmission reservations are made with a point of delivery at the border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities. Section 232.2 is clear that such firm point to point transmission reservations may be subject to RTEP cost allocations.

Linden also stated (at 4):

> There is no provision in the PJM Tariff that actually allocates RTEP costs to long-term firm transmission customers.… The IMM admits as much by stating that RTEP costs may not be allocated to someone with long-term firm transmission service "unless and until Schedule 12 is modified." Thus, the IMM recognizes that a Tariff amendment would be needed to allocate RTEP costs to a long-term firm transmission customer.

Contrary to Linden's response (at 4), the Market Monitor does not suggest, nor has the Market Monitor ever suggested, that "RTEP costs may not be allocated to someone with long-term firm transmission service unless and until Schedule 12 is modified." The Market Monitor's complete statement was, "No conversion of FTWRs to NFWRs in conjunction with transmission service can be accommodated unless and until Schedule 12 is modified to provide for this option."[3]

The Market Monitor's statement was intended to provide clarity so that holders of FTWRs would understand their options and consequences prior to relinquishing their FTWRs. The Market Monitor believes it would be preferable to modify Section 12 for clarity prior to permitting the conversion of FTWRs to NFTWRs, but it is not necessary as section 232.2 already provides for the allocation of RTEP costs to long-term firm transmission customers.

Section 232.2 of the PJM Tariff was drafted under the direction of the Commission with the clarification that "to the extent that a customer of Neptune [or any merchant transmission facility] requests network or firm point to point transmission service on PJM beyond the firm withdrawal rights already accorded by PJM to Neptune, that customer may be responsible for additional upgrade costs under the PJM tariff that are required to meet its specific needs."[4]

Linden and NYPA also dispute the relevance of the Market Monitor's comments regarding capacity exports from PJM to the NYISO. Linden stated (at 5): "… it is simply not relevant to this proceeding whether NYISO decides to grant capacity rights to Linden VFT's customers or not. That is a matter for NYISO to decide based upon its own reading of its own tariff and rules and is not an issue the Commission needs to resolve in this proceeding." The Market Monitor disagrees. The Market Monitor has a responsibility to ensure that the Tariff is appropriately enforced.[5] The definitions of Firm and Non Firm Transmission Withdrawal Rights include the provisions for whether capacity withdrawals

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3 Comments of the Independent Market Monitor for PJM, Docket No. EL17-84-000 (Nov. 1, 2017) at 5-6.

4 111 FERC ¶ 61,455 at P 27.

5 *See* OATT Attachment M § IV.

from the PJM system will be permitted using such service. The definition of FTWRs is (emphasis added):

> 1.13A Firm Transmission Withdrawal Rights: **The rights to schedule energy <u>and capacity</u> withdrawals** from a Point of Interconnection (as defined in Section 1.33A) of a Merchant Transmission Facility with the Transmission System. Firm Transmission Withdrawal Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System with another control area. Withdrawals scheduled using Firm Transmission Withdrawal Rights have rights similar to those under Firm Point-to-Point Transmission Service.

Whereas the definition of NFTWRs is (emphasis added):

> 1.27A Non-Firm Transmission Withdrawal Rights: **The rights to schedule energy withdrawals** from a specified point on the Transmission System. Non-Firm Transmission Withdrawal Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System to another control area. Withdrawals scheduled using Non-Firm Transmission Withdrawal Rights have rights similar to those under Non-Firm Point-to-Point Transmission Service.

It is very clear that FTWRs include the right to export capacity and that NFTRWs do not. That distinction is core to this proceeding.

Further, in its Order Rejecting Unexecuted Amendment to Interconnection Service Agreement, the Commission has also clarified this distinction. The Commission stated (emphasis added):

> Firm Transmission Withdrawal Rights include the right to schedule energy and capacity withdrawals from the PJM system, whereas **Non-Firm Transmission Withdrawal Rights only include the right to schedule energy** and are similar to Non-Firm Point-to-Point Transmission Service in that they are scheduled on an as-available basis and subject to curtailment.[6]

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[6] 161 FERC ¶ 61,021 at 2.

The NYISO may make a determination to permit capacity imports based upon its own reading of the NYISO tariff, but PJM and the Market Monitor must also simultaneously base the ability to export capacity based upon the PJM tariff. In this case, capacity exports will no longer be permitted to be scheduled across a merchant transmission facility that only owns NFTWRs. This is a direct consequence of relinquishing FTWRs that is relevant and must be considered.

Capacity exports have an impact on PJM capacity markets. Sellers may offer capacity exports in the PJM capacity market based on the opportunity cost of such sellers. Such exports may increase or decrease the price of capacity in the PJM market and therefore have a significant impact on other sellers and buyers of capacity in PJM. It is not consistent with economic logic to permit capacity exports from the PJM market using non-firm transmission in PJM.

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.[7] 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.

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[7] *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: November 29, 2017

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 November, 2017.

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