UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

	)	
Talen Energy Marketing, LLC	)	Docket No. ER16-1456-000, -005
	)	

NOTICE OF CONDITIONAL OBJECTION
OF THE INDEPENDENT MARKET MONITOR FOR PJM

Pursuant to Paragraph 27 of the offer settlement now pending before the Commission in this proceeding, Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM ("Market Monitor"), submits this conditional objection to any approval of such offer that includes a material modification to Paragraph 14 of such offer. Thes offer of settlement was certified as uncontested by the presiding officer in an issuance dated May 21, 2017.

The objection is conditional because the Market Monitor has no objection to the offer of settlement as certified. The Market Monitor would only object if the settlement were modified in the manner proposed by Talen, namely, by removing Paragraph 14.

The proposal to remove Paragraph 14 was included in reply comments filed by Talen Energy Marketing, LLC ("Talen") on March 17, 2017, the last day that reply comments were permitted under Rule 602(f)(2), on the offer of settlement filed by Talen on February 15, 2017.[1] The reply comments were in response to comments filed by Commission Trial Staff on March 7, 2017. Talen's reply comments are based on a misreading of Staff's comments.

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[1]   18 CFR §§ 385.602(f) (2016).

Paragraph 27 of the settlement provides that a party to the proceeding must file a written notice of objection within 15 days of an order approving such settlement subject to a condition or modification to which such party objects. Otherwise the condition or modification is deemed accepted.

Because Rule 602(f) did not afford a reasonable opportunity for the Market Monitor to respond to Talen's reply comments, and such reply comments create confusion about Paragraph 14, the Market Monitor is raising its objection on a conditional basis to provide a more complete record and to facilitate the decisionmaking process.

If the settlement is determined to be an uncontested settlement and is approved as certified, the Makret Monitor has no objection.

If the settlement is determined to be a contested settlement (in this case, by Talen, the offering party), and an order issues approving the settlement (i) as filed, (ii) with ordering language endorsing the interpretation that Staff proposes (and no other change), or (iii) subject to a condition that the language of the settlement be modified to explicitly state the interpretation that Staff proposes (and no other change), then the Market Monitor has no objection concerning Paragraph 14.

The Market Monitor objects if Paragraph 14 is removed as Talen has proposed.

Paragraph 14 of the offer of settlement states:

> Avoidable Cost Rate-based offers submitted in the PJM Reliability Pricing Model Auctions shall comply with the PJM Market Rules as applied in Attachment DD of the PJM Open Access Transmission Tariff including Section 6.4(a) and Section 6.8(d) by using the unit-specific settlement annual reactive revenue requirements set forth in the above table in the calculation of the Projected PJM Market Revenues, until any replacement rates are made effective. The Parties further agree that the failure to abide by the preceding obligation shall not be considered a violation of the Settlement.

Paragraph 14 of the offer of settlement is essential to the settlement because it identifies the unit-specific reactive revenues that would be used to calculate cost-based offer caps (if a participant selects that option) in RPM Auctions. Submittal of cost-based offers in

full compliance with the OATT is not possible without the idenfication of unit specific reactive revenues that are among the bases for such calculation.[2] Identification of such revenues should occur in this proceeding, and Paragraph 14 provides for identification. Such identification should not be reserved to a complaint proceeding initated while PJM is attempting to clear an RPM auction, when such a situation can be avoided, because a proceeding at that time could result in unnecessary confusion and delay with a broad impact. The ability to resolve such issues after PJM posts clearing prices is limited.[3]

The Market Monitor agrees with Staff's understanding of Paragraph 14 (at 5) that the settlement does "not preclude the inclusion of actual unit-specific reactive power-related revenues received under Schedule 2." Staff's interpretation allows the provisions to coordinate with the tariff as intended.

The concern raised by Talen "that the type of revenues that Trial Staff is referring to are not known in advance so as to permit their inclusion as projected revenues" is not valid. All reactive revenues included in the calculation of Projected PJM Market Reveneus are known in advance because the calculation is based on a three year historical rolling average.[4] Staff's statement must be read as limited to revenues collected in past years and capable of inclusion in a three year historical rolling average. Talen's objection is illogical, assumes a false reading of Staff's comments, and should be accorded no weight in resolving this matter.

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[2]   OATT Attachment DD § 6.8(d).

[3]   OATT Attachment M § IV.E ("If, at the time of filing, market prices that have been settled and posted could be impacted by the subject of the complaint, the Market Monitoring Unit shall refrain from requesting relief from the Commission that would upset such market prices and shall limit the requested relief to appropriate restitution and/or penalties from the implicated market participant or participants.").

[4]   OATT Attachment DD § 6.8(d).

The phrasing currently included in the offer of settlement ("by using the unit-specific settlement annual reactive revenue requirements set forth in the above table in the calculation of the Projected PJM Market Revenues") is sufficient to account for Staff's concerns and is consistent with the OATT. The current language in the settlement offer does not need to be changed or removed, and Staff has not asked that it be changed or removed except only in circumstances that do not exist: The order certifying the offer of settlement includes no finding that "Trial Staff's understanding is not consistent with Paragraph 14."

There is no reason to remove Paragraph 14. There is no basis for a determination that "Trial Staff's understanding is not consistent with Paragraph 14." Accordingly, Paragraph 14 should be preserved and the uncontested offer of settlement should be approved as certified.

Respectfully submitted,

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Dated: March 21, 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 21st day of March, 2017.

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