

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

PJM Interconnection, L.L.C.)	Docket Nos. ER19-1486-000,
)	EL19-58-000
)	
)	

**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 (“Market Monitor”) for PJM Interconnection, L.L.C. (“PJM”), submits this answer to the answer submitted by PJM on August 21, 2020 (“August 21st Answer”).²

I. ANSWER

A. The Accurate Calculation of Reserves is Within the Scope of Compliance.

The proper scope of compliance with the May 21st Order is the correct calculation of reserves for determining energy and reserve prices resulting from the introduction of the extended Operating Reserve Demand Curve (“ORDC”). The August 21st Answer asserts an unreasonably limited scope of compliance. PJM’s modelling of resource capabilities and resource dispatch calculations are integral to the calculation of reserves. PJM has the nGEM project in progress, one of the goals of which is to resolve the generator transition

¹ 18 CFR §§ 385.212 & 385.213 (2019).

² Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”), the PJM Operating Agreement (“OA”) or the PJM Reliability Assurance Agreement (“RAA”).

modelling issues in 2023.³ PJM has a project in progress that will resolve the market dispatch issues by Q2 2021, referred to as the long term RT SCED changes.⁴ While recently approved enhancements allowing for hourly differentiated segmented ramp rates will also enhance generator modelling, they do not resolve the issues. PJM emphasizes that the Commission accepted PJM's condition of "given current software limitations" but failed to note that progress has continued and that PJM's plan is no longer consistent with current software limitations. Given that PJM does not plan to implement the extended ORDC until May 2022, there is no reason to make plans to implement it incorrectly when correct implementation is feasible. The costs to consumers of the higher prices associated with PJM's ORDC implementation are substantial, and those costs should not be defined or imposed based on inaccurate models and processes when better models and processes are available.

B. Reserve Eligibility and Obligations Should Be Clarified Under the New Rules.

The May 21st Order approves significant changes to the PJM reserve markets, including a strong must offer requirement for synchronized reserves. It is difficult to have a meaningful must offer requirement with a lack of clear rules about exceptions. Under the new rules, reserve eligibility and ineligibility should be clearly defined in the Operating Agreement to ensure accurate pricing and compliance. Neither the March 29, 2019, filing nor the July 6, 2020, compliance filing include or reference any additional rules for defining exceptions to the must offer rule for reserves. Clarity and transparency are needed for

³ While PJM has not been totally clear on the implementation date, 2023 appears to be the intended time. *See* PJM, Modelling Generation Senior Task Force (MGSTF), Final Report (May 28, 2020). <<https://pjm.com/-/media/committees-groups/committees/mrc/2020/20200528/20200528-item-10-2-mgstf-final-report.ashx>>.

⁴ *See* Five Minute Dispatch Long Term Evaluation, PJM Presentation to the Markets Implementation Committee (September 2, 2020). <<https://pjm.com/-/media/committees-groups/committees/mic/2020/20200902/20200902-item-10-five-minute-dispatch-long-term-evaluation.ashx>>

accurate and consistent implementation, for enforcement and to ensure that PJM is not exercising inappropriate discretion.

In defending the lack of clarity and transparency around the reserve eligibility rules, PJM references a 2016 order that appears to support PJM's position.⁵ The Market Monitor supported PJM's position in the cited case. But PJM's selective citation to the prior order misses the relevant point here.⁶ Clarity and transparency are possible and required here. This is not about specifying a large number of rules addressing specific circumstances of individual units. This is about defining clear and transparent rules that are generally applicable. The cited case was about units that did not want to be deselected from offering reserves. The issue here is about the must offer rule, any exemptions from the requirement to offer, and PJM's discretion to treat resources in an inconsistent and arbitrary manner for purposes of defining reserves. PJM should be required to treat resources in a consistent, transparent and predictable manner by including clear rules in the Operating Agreement rather than permitting loosely defined exceptions in the PJM Manuals. PJM's actions can have significant impacts on the defined level of reserves and market prices under the ORDC.

C. The Market Monitor's Functions are Performed Independently.

The Market Monitor's review of a resource's ability to provide reserves is appropriate, as is the Market Monitor's review of any technical capabilities or offer behavior of a resource. The Market Monitor's market review activities have been performed independently from PJM since 2008 and must continue to be performed independently.

⁵ August 21st Filing at 7, citing *Big Sandy Peaker Plant, LLC v. PJM Interconnection, L.L.C.*, 154 FERC ¶ 61,216 at P 50 (2016).

⁶ *Id.* at 50. As the courts have recognized, "there are an infinitude of practices affecting rates and services" but "only those practices that affect rates significantly, that are realistically susceptible of specification, and that are not so generally understood in any contractual arrangement as to render recitation superfluous" need be filed with the Commission. [fn omitted]

Requirements placed on the manner in which the Market Monitor performs its functions, regardless of intent, impede the independence of the market monitoring function and should not be permitted.⁷ The Market Monitor and PJM have communicated and continue to communicate effectively on technical issues. There is no reason to mandate a specific process for communicating and PJM offers no such reason. For these reasons, the July 6th Filing's proposed "open and transparent" manner of interaction among PJM, the Market Monitor, and market sellers should be rejected.⁸

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.⁹ In this answer, the Market Monitor provides the Commission with information useful to the Commission's decision making process and

⁷ See OATT Attachment M, Section III.C. "Independence: The Market Monitoring Unit shall be independent from, and not subject to, the direction or supervision of any person or entity, with the exception of the PJM Board as specified in Section III.D, and the Commission. No person or entity shall have the right to preview, screen, alter, delete, or otherwise exercise editorial control over or delay Market Monitoring Unit actions or investigations or the findings, conclusions, and recommendations developed by the Market Monitoring Unit that fall within the scope of market monitoring responsibilities contained in this Plan. Nothing in this section shall be interpreted to exempt the Market Monitoring Unit from any applicable provision of state or federal law."

⁸ See July 6 Compliance Filing at 6 & Attachment A at proposed OA Schedule 1 §§ 1.7.19A(a), 1.7.19A.01(a) & 1.7.19A.02(a).

⁹ 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).

which provides a more complete record. Accordingly, the Market Monitor respectfully requests that this answer be permitted.

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: September 8, 2020

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 8th day of September, 2020.



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