

Monitor”), submits this request for clarification of certain matters included in the order issued in this proceeding December 19, 2020 (“December 19th Order”).³

The December 19th Order defines a clear path for defending competitive wholesale power markets in PJM. The Order defines a clear, consistent and comprehensive approach to the PJM markets and to the role of subsidized resources in the markets.

The Market Monitor supports scheduling the next two Base Residual Auctions in 2020 in order to restore transparency and certainty to the PJM capacity markets. There is no reason to delay.

The Market Monitor’s position is that the inclusion of RGGI allowance values in unit offers is not, and does not create, a subsidy under the definition in the order. The Market Monitor’s position is that the BGS auction is not, and does not create, a subsidy under the definition in the order.

The Market Monitor requests clarification of some specific issues to ensure clarity for PJM, the Market Monitor and market participants in implementing the Order.

I. REQUEST FOR CLARIFICATION

1. Treatment of Current MOPR.⁴ The December 19th Order states (at P 42):

Finally, while this order largely focuses on the changes we are requiring to PJM’s MOPR, we clarify that the MOPR will continue to apply to new natural gas-fired combustion turbine and combined cycle resources. Although the June 2018 Order focused on State Subsidies, the order nonetheless recognized that new natural gas-fired resources remain able to suppress capacity prices.⁵ We find that this record has not demonstrated a need to eliminate the existing MOPR and so the MOPR should continue to

³ *PJM Interconnection, L.L.C. et al.*, 169 FERC ¶ 61,239.

⁴ PJM’s current MOPR refers to the MOPR reinstated in 2017 following the remand from the D.C. Circuit in *NRG Power Marketing, LLC v. FERC*. 862 F.3d 108 (D.C. Cir. 201) (*NRG*); see *PJM Interconnection, L.L.C.*, 161 FERC ¶ 61,252 (2017) (2017 MOPR Remand Order).

⁵ June 2018 Order, 163 FERC ¶ 61,236 at PP 151, 155.

apply to new natural gas-fired resources, regardless of whether they receive State Subsidies.

- a. The Market Monitor requests that the Commission clarify if it intends to apply the current MOPR (as defined in PJM OATT Attachment DD Section 5.14 (h)) only to new, including repowered, natural gas fired units, regardless of technology type.
 - b. The Market Monitor requests that the Commission clarify if it intends that the entire current MOPR (Attachment DD, Section 5.14 (h)) continue to apply to all resource types identified there. For example, under the current MOPR, new capacity from landfill gas units, cogeneration units, and fuel cells are subject to an offer price floor, and coal fired steam units that are repowered as oil and gas fired steam units are not subject to an offer price floor.
2. Definition of Clearing for Purposes of Determining Existing Status. The December 19th Order states at footnote 5:

Except as otherwise specified in this order, “existing” refers to resources that have previously cleared a PJM capacity auction. Repowered resources will be considered new.

The Market Monitor requests that the Commission clarify that if a unit clears only partially, only the cleared portion becomes existing capacity for purposes of MOPR application in the next auction.

3. Net Revenue Offsets. The Commission ordered (at P 154) PJM to calculate default offer price floors using average net energy and ancillary services revenues (net E&AS or net revenues) for each resource type by zone. The Commission stated (*id.*) that “energy revenue offsets should be zone-specific, rather than based on the lowest zonal value estimated for each resource type over the past three years.”

In its October 2, 2018, filing, PJM proposed to calculate net revenue offsets using zonal average net revenues only for new resources for determining default Net CONE offer floors.⁶ PJM proposed to continue to calculate net revenue offsets using actual unit specific net revenues for existing resources for determining default net ACR offer floors.⁷ PJM did not propose to use zonal average net revenues for default offer floors for existing resources.

The Market Monitor has used actual unit specific net revenues with default gross ACR values for calculating default net ACR values since the introduction of RPM for the 2007/2008 Delivery Year through the 2019/2020 Delivery Year, when Capacity Performance (CP) modified the definition of offer caps. This approach allows the use of actual, unit specific net revenues, which are a more accurate measure than average zonal net revenues. The Market Monitor calculates net revenues for every existing capacity resource for every auction and posts the values in the Member Information Reporting Application (MIRA) for market participants to use. For example, the Market Monitor has just posted the unit average actual net revenues for 2017, 2018, and 2019, in MIRA consistent with the requirements for any Base Residual Auction (BRA) run in 2020.⁸

The Market Monitor requests that the Commission clarify that, consistent with the logic of the Order, zonal net revenues should only be used for calculating default offer floors for new capacity, and that unit specific net revenues should be used for calculating default net ACR offer floors for existing resources.

⁶ See Initial Submission of PJM Interconnection, L.L.C., Docket No. EL18-178 et al., Attachment B, Affidavit of Adam J. Keech on Behalf of PJM Interconnection LLC, (October 2, 2018) at 21.

⁷ *Id* at 32.

⁸ See Monitoring Analytics, LLC “Net Revenues for PJM RPM Base Residual Auctions in 2020,” <http://www.monitoringanalytics.com/Reports/Market_Messages/RPM_Material/IMM_Net_Revenues_20232024_RPM_BRA_20200116.pdf>.

4. Default ACR and CONE Categories. The Market Monitor requests that the Commission clarify that, while the Commission listed less commonly used fuel types (at P 146 and P 150), it is appropriate to use unit specific ACR and CONE calculations for these unusual fuel types rather than attempting to calculate default ACR and CONE values for each individual category for these fuel types given that there is not adequate sample data to calculate a reasonable default ACR and CONE.
5. Intermittent Resources and Capacity Storage Resources That Skip Auctions. The Market Monitor requests that the Commission clarify whether a resource type that is not subject to the Capacity Performance (CP) must offer requirement will be treated as new/repowered for purposes of MOPR application if the resource does not offer in one year, and subsequently offers in the capacity market. Generation resources that are currently exempt from the CP must offer requirement include intermittent and capacity storage resources. The December 19th Order states (at P 209) that demand resources will be treated as new/repowered if they offer, skip a year and then subsequently offer in the capacity market.
6. Demand Resource (DR) Offer Rules. The December 19th Order states at footnote 297:

We understand that applying the MOPR to demand response resources in this manner may necessitate changes to how demand response resources participate in the capacity market, such as requiring demand response aggregators to contract with resources sooner. PJM should include in its compliance filing any additional changes to its Tariff that may be necessary in order to implement this MOPR directive.

The Market Monitor requests that the Commission clarify the DR offer rule changes that are necessary to implement the December 19th Order. Implementation of the December 19th Order, including determining new and existing status for DR, calculating default offer floors for DR, and processing

competitive exemption requests for DR, requires that the location and identity of the actual DR resources be identified prior to the auction. The Market Monitor requests that the Commission clarify that demand response aggregators are required to have a contract with actual resources before offering as demand response in the capacity market.

7. Definition of Renewable Resources Eligible for Renewable Portfolio Standards (RPS) Exemption. Footnote 340 of the December 19th Order states: Renewable resource as used in the RPS Exemption means Intermittent Resource as defined in the PJM Tariff as “a Generation Capacity Resource with output that can vary as a function of its energy source, such as wind, solar, run of river hydroelectric power and other renewable resources.” PJM Tariff, Art. 1. The PJM Tariff defines intermittent resources as “a Generation Capacity Resource with output that can vary as a function of its energy source, such as wind, solar, run of river hydroelectric power and other renewable resources.”⁹ PJM Manual 18 identifies landfill gas units as intermittent resources.¹⁰ The Market Monitor requests that the Commission clarify if the RPS exemption would apply to landfill gas resources, provided they satisfy the conditions specified in P 173 of the December 19th Order.
8. Verifiable Level of Savings for Energy Efficiency (EE) Resources. The December 19th Order states (at P 147):

Instead, on compliance, we direct PJM to establish objective measurement and verification requirements for new energy efficiency offers and to limit such offers to the verifiable level of savings.

⁹ OATT § I.1. Definitions.

¹⁰ PJM Manual 18: PJM Capacity Market, Rev. 44 (Dec. 5, 2019) Section 5.4.1 Resource-Specific Sell Offer Requirements.

More than 87 percent of energy efficiency resources in the capacity market use assumed savings as the measurement and verification method. Assumed savings rely on estimates of the energy usage of the device being replaced, estimates of the energy usage of the new device and estimates of new installation rates. Assumed savings are not based on actual measurement and are not verified or verifiable. The Market Monitor requests that the Commission clarify that the assumed savings approach is not an objective measurement and verification method and is not the basis for a verifiable level of savings.

9. Definition of Owned in Self Supply Exemption. The Commission directed PJM (at P 202) to include a self-supply exemption for resources “owned” by self-supply entities that satisfy certain criteria. The Market Monitor requests that the Commission clarify that owned means the physical asset is owned or bilaterally contracted for by the self supply entity. The Market Monitor also requests that the auction clearing criteria used in qualifying for the Self Supply Exemption and in determining existing status for the application of MOPR offer floors be based on clearing the auction when offered by the self supply entity. For example, if a self supply entity builds a resource and sells it for three years to a non self supply entity who offers it into auctions for three years, the resource would be a new self supply resource for the application of MOPR until the resource is cleared by the self supply entity. For example, if a self supply entity purchases an existing resource from a non self supply entity, the resource would be a new self supply resource for the application of MOPR until the resource is cleared by the self supply entity.

II. CONCLUSION

For the reasons provided above, the Market Monitor respectfully requests that the Commission provide the requested clarification.

Respectfully submitted,



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Dated: January 17, 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 17th day of January, 2020.



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