

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

PJM Interconnection, L.L.C.

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Docket No. ER21-520-000

**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,<sup>1</sup> 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 January 11, 2021 (“January 11<sup>th</sup> Answer”).<sup>2</sup> In its answer, PJM attempts to defend its proposed approach for addressing defaults in the FTR Market (“FTR Default Proposal”). In comments filed December 21, 2020, the Market Monitor explained that the FTR Default Proposal should be rejected because it affords excessive discretion to PJM. The January 11<sup>th</sup> Answer asserts, incorrectly, that the Market Monitor’s response proposes to substitute a specific alternative approach. But the Market Monitor has not advocated a specific, different approach. The Market Monitor has explained that PJM’s proposal should be rejected because it is unreasonable, because it provides excessive discretion to PJM, and because it is an improper subdelegation of the Commission’s ratemaking authority.

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<sup>1</sup> 18 CFR §§ 385.212 & 385.213 (2019).

<sup>2</sup> 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”).

## I. ANSWER

The current record provides sufficient basis for a determination of whether the FTR Default Proposal is lawful. This answer primarily responds to the January 11<sup>th</sup> Answer's mischaracterization of the Market Monitor's position as a matter of its preferences.<sup>3</sup> No decision among competing proposals is required. The Market Monitor does not base its objections to PJM's FTR Default Proposal on a preference for a specific proposal. Similarly, the Market Monitor does not seek to preserve the status quo.

The January 11<sup>th</sup> Answer asserts that the FTR Default Proposal is flexible. While it is correct that complete discretion provides flexibility, the proposal is flawed and should be rejected precisely because it provides excessive discretion to PJM. Complete discretion does provide flexibility, but flexibility does not require complete discretion. The FTR Default Proposal would provide unlimited PJM discretion to take actions to address FTR defaults. Clear rules, a clearly defined decision making process, clear metrics, and clear reporting requirements are needed in order to protect members and PJM and ultimately the customers who pay for defaults.

The Market Monitor appreciates the fact that PJM has learned significant lessons from FTR defaults, including the lesson that an extremely narrow requirement to liquidate positions immediately is not appropriate. The Market Monitor does not and has not advocated that PJM adopt that approach or any other rigid approach, as the January 11<sup>th</sup> Answer claims (at 10). The Market Monitor does not oppose a flexible approach. A reasonable flexible approach needs to be explained and defined. Rigidity is not the opposite of absolute discretion. PJM confuses discretion and flexibility.

The Market Monitor appreciates and supports PJM's goal of improving on the prior inflexible and narrowly defined approach to defaults in the FTR market. The Market

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<sup>3</sup> See January 11<sup>th</sup> Answer at 2, 10.

Monitor appreciates that it will be difficult to craft a transparent, defined, verifiable, systematic and flexible method.

But a transparent, defined, verifiable and systematic method can also be flexible. There is no reason why PJM cannot develop a defined, flexible and transparent process for allocating defaults.

## 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.<sup>4</sup> 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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<sup>4</sup> 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: January 26, 2021

## 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 26<sup>th</sup> day of January, 2021.



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