

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

Illinois Municipal Electric Agency)	Docket No. EL21-79-000
)	
v.)	
)	
PJM Interconnection, L.L.C.)	
)	

**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”),² submits this answer to the answer of Illinois Municipal Electric Agency filed July 13, 2021 (“IMEA”). In its answer, IMEA attempts to respond to arguments raised in the Market Monitor’s comments filed July 14, 2021 (“IMM Comments”). IMEA argues on complaint that PJM did not properly implement the current tariff and seeks an order directing what IMEA believes is the correct implementation. The Market Monitor does not agree with IMEA. The Market Monitor agrees with PJM that PJM correctly implemented the current tariff. IMEA’s complaint should be denied.

The Market Monitor also believes that the current tariff rules should be revised. IMEA confuses the assertion that PJM is not correctly implementing the tariff with the

¹ 18 CFR §§ 385.212 & 385.213 (2021).

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”).

Market Monitor's position that the tariff should be modified. The Market Monitor's position on tariff modifications would require a filing at the Commission to change the rules. The complaint should be denied.

I. ANSWER

IMEA's complaint takes issue with PJM's implementation of the current tariff, but its answer focuses on an issue in the PJM capacity market design.

The total required capacity in an LDA is provided by a mix of internal capacity and imported capacity. The imported capacity equals the total required capacity minus the internal capacity. The value of CTRs is based on the fact that load in an LDA pays the clearing price for all cleared capacity but that generators who provide imported capacity are paid a lower price based on the LDA in which they are located. The value of CTRs equals the imported MW times the price difference. This excess is paid by load and is returned to load using CTRs.

The problem arises because PJM does not use the actual MW cleared in the auction, the actual internal MW and the actual imported MW when defining what customers pay and when defining the value of CTRs.

Under the current rules, PJM defines the total MW needed for reliability in an LDA when clearing the BRA based on forecast demand at the time of the BRA. But PJM actually charges customers for the total MW needed for reliability based on forecast demand three years later, prior to the actual delivery year, and applies a zonal allocation. PJM also defines the internal capacity as the internal capacity three years after the BRA. The difference between the updated MW needed for reliability and the updated internal capacity is the updated imported MW, adjusted for the final zonal allocation.

IMEA points out that in cases where the updated imported MW are smaller than the imported MW from the actual auction clearing, the total value of CTRs is lower. That is correct. The Market Monitor's position is that the total MW needed, the internal MW and the imported MW should all be defined by the market clearing and not redefined later. But that is not what the tariff says. The changes supported by the Market Monitor would

require tariff changes prior to the first BRA to which they applied. The Market Monitor's position that the rules should be changed does not support IMEA's claim that PJM is incorrectly implementing the current rules.

A. IMEA Misinterprets the Market Monitor's Statements.

IMEA claims (at 3) that the Market Monitor claimed that not all of the ICTR MW were actually used to import capacity. The Market Monitor statements were in the context of funding ICTRs following the rules defined in Attachment DD of the PJM tariff. The Market Monitor's statements were based on the final calculation of the required capacity and the internal capacity, consistent with the tariff. The final calculation of capacity imports meant that not all the ICTRs were recognized as used to import capacity.³

B. The Market Monitor Did Not Claim that PJM Does Not Allow Negative Capacity Transfer Rights

IMEA incorrectly extrapolates (at 7) the Market Monitor's statements. The Market Monitor correctly stated that PJM cannot create a new source of funding for ICTRs under the rules defined in the PJM tariff. The Market Monitor did not make any statements related to negative capacity transfer rights.

C. IMEA's Requested Relief Is Not Supported by the Current Market Rules

IMEA incorrectly claims (at 9) that its requested relief is supported by the existing market rules. In the Market Monitor's answer of July 13, 2021 (at 1–2), the Market Monitor explained that PJM properly applied the market rules as defined by the existing tariff and manual language when prorating IMEA's ICTRs. IMEA's interpretation of the tariff would require other customers to subsidize IMEA's asserted rights to nonexistent surplus revenue for unused import capability in the form of uplift payments. IMEA cites no market rules and no logical reasons under the current market rules that supports the suggestion that

³ Market Monitor, "Potential Impacts of the Creation of a ComEd FRR" (December 18, 2019), which can be accessed at: <<http://www.monitoringanalytics.com/reports/Reports/2019.shtml>>.

other load should pay a subsidy in excess of the actual capacity market revenues available to fund CTRs.

D. PJM's Existing Market Design Is Not Optimal.

While PJM correctly applied the existing market rules, the Market Monitor agrees that the current market rules should be revised. The Market Monitor agrees that the total MW needed should be defined by the market clearing and not redefined later, but that is not what the existing tariff or manual language says. The changes supported by the Market Monitor would require tariff changes prior to the first BRA to which they applied. The Market Monitor's supported modifications to PJM's market rules do not support IMEA's position on how the current rules should be implemented, or, if presented in a separate proceeding, IMEA's desired changes to the market rules.

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.⁴ 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.

⁴ 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: August 5, 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 5th day of August, 2021.



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