

generators such as Panda Stonewall. The Market Monitor argues that Panda Stonewall's 0.85 power factor should be rejected because it would require wholesale power customers to pay for more reactive capability than PJM requires from this generator. Panda Stonewall's assertions should not supersede PJM's determination of the power factor needed. Panda Stonewall is not the Transmission Provider and does not have the responsibility to ensure that the PJM transmission system has sufficient reactive capability. Panda Stonewall provided testimony that it unilaterally decided to incur costs in order to provide a 0.85 power factor rather than the 0.90 power factor required.⁴

The March 31st Order relies on the determination in *ATSI*, specifically, the determination that "generators are compensated for providing reactive service based on a unit's capability of providing that service."⁵ The authority relied upon does not address the Market Monitor's argument. Under Schedule 2 of the OATT, PJM and not the seller should determine the level of reactive capability needed and thus procured. The service required by PJM is to meet the 0.90 power factor. The seller cannot and should not perform this planning and procurement function. This is standard logic in the PJM design. For example, PJM is not required to buy more capacity than needed to meet its reliability obligations even though units have the capability to provide more capacity than needed. The March 31st Order ignores the Market Monitor's argument. The rationale for rejecting the Market

⁴ March 31st Order at P 98 ("At hearing, the Market Monitor argued that Panda unilaterally decided to build a facility that exceeds the Tariff's requirements and that, consistent with the PJM Tariff, 0.90 should be used as the power factor."). The March 31st Order fails to note that the Market Monitor's argument is backed by record evidence. Panda Stonewall witnesses testified that Panda Stonewall deliberately and unilaterally designed and constructed a generating unit with a 0.85 power factor, and that by doing so, Panda Stonewall incurred increased costs compared to what it would have incurred if it had instead opted for a 0.90 power factor. *See* Exh. PS-034 at 21 n.1; Exh. IMM-004 at 50:7-11.

⁵ March 31st Order at P 108, citing, e.g., *American Transmission Systems, Inc.*, 119 FERC ¶ 61,020, at P 27 (2007).

Monitor's argument remains unexplained. The decision of the Market 31st Order is arbitrary and capricious and should be reversed on rehearing.

B. Schedule 2 of the OATT Should Be Applied Consistent with the Rest of the PJM Market Design.

The March 31st summarizes the Market Monitor's position:

Attachment DD of the PJM Tariff provides for a Net Energy and Ancillary Service Revenue Offset (EAS Offset) in the amount of \$2,199/MW-year. At hearing, the Market Monitor argued that a merchant generator's receipt of a reactive revenue requirement in excess of such amount constitutes impermissible double recovery. According to the Market Monitor, a reactive revenue requirement "cap" should be calculated by multiplying \$2,199 by the Facility's nameplate MW.

The March 31st Order (at P 218) determined that the issue is out of the scope of the proceeding:

The Commission finds that the issue of double recovery raised by the Market Monitor is a problem the Market Monitor perceives in the methodology for determining the EAS Offset [footnote omitted] in PJM's capacity market. The Market Monitor's issue therefore is outside the scope of this proceeding.

The March 31st Orders errs in deciding the issue based on the position incorrectly imputed to the Market Monitor and ignoring the actual issue briefed in the record.

The Market Monitor does not perceive a problem in the method for determining the EAS Offset. The Market Monitor did not raise that issue in this proceeding because it is not within the scope of this proceeding.

The Market Monitor has explained its position on how reactive capability should be addressed in the PJM market design in Docket No. AD16-17-000.⁶ In that docket, the

⁶ See Comments of the Independent Market Monitor for PJM, Docket No. AD16-17-000 (July 27, 2016); Comments of the Independent Market Monitor for PJM [re workshop convened June 30, 2016], Docket No. AD16-17-000 (July 29, 2016).

Commission initiated a comprehensive review of reactive policy. The Market Monitor has explained in that proceeding its position that Schedule 2 should be eliminated from the tariff and PJM should rely on the capacity markets to ensure resource adequacy for real power and reactive power.⁷

The Market Monitor's argument entirely concerns issues raised in this proceeding about rates recovered under Schedule 2 to the OATT. Rates determined under Schedule 2 should be based on the facts and the law. The March 31st Order errs by avoiding that issue that is within the scope of this proceeding and fully briefed, by incorrectly imputing positions to the Market Monitor that are not within the scope of this proceeding and not briefed. The issue should be resolved based on the record.

The \$2,199/MW-year EAS Offset exists as a matter of fact and law.⁸ It sets a parameter that must be respected in decisions in proceedings filed under Schedule 2 to the OATT that are also affected by Attachment DD to the OATT. The affected rules are all part of a single market design. The record demonstrates that the level of the rate sought by Panda Stonewall is incompatible with the level of the EAS Offset. The record demonstrates how both provisions of the OATT can be properly implemented without change to either. The March 31st Order errs in ignoring the Market Monitor's argument and deciding against the solution proposed by the Market Monitor without explanation. The problem identified in the record remains unaddressed. The March 31st Order should be reversed, and the issue raised by the Market Monitor should be properly resolved.

II. STATEMENT OF ISSUES

The March 31st Order errs by failing to address issues raised by the Market Monitor concerning (i) who decides the level of reactive capability that PJM procures and (ii)

⁷ *Id.*

⁸ OATT Attachment DD § 5.10(a)(v)(A) of the OATT

whether the proposed rate addresses and accounts for the actual EAS Offset that is in the OATT and avoids an unjust and unreasonable double recovery. The determinations on each of these issues is unexplained and no supporting logic or rationale can be discerned. The March 31st Order is arbitrary and capricious and should be reversed.

III. CONCLUSION

For the reasons provided above, the Market Monitor respectfully requests that the Commission grant rehearing.

Respectfully submitted,



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Dated: April 30, 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 30th day of April, 2021.



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