

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

Whitetail Solar 1, LLC	)	Docket Nos. ER20-714-004
	)	EL20-23-002
	)	
	)	
Whitetail Solar 2, LLC	)	Docket No. ER21-936-001
	)	
	)	
Whitetail Solar 3, LLC	)	Docket Nos. ER20-1851-004
	)	EL21-27-001
	)	
Elk Hill Solar 2, LLC	)	Docket No. ER21-1633-001
	)	(Consolidated)
	)	
	)	

To: The Honorable Matthew Vlissides  
Presiding Administrative Law Judge

**REPLY BRIEF OF THE  
INDEPENDENT MARKET MONITOR FOR PJM**

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Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM Interconnection, L.L.C. (“PJM”) (“Market Monitor”), submits this reply brief. This reply brief addresses the sole issue set for hearing in this consolidated proceeding: eligibility to collect reactive power compensation under Schedule 2 of the PJM Tariff.<sup>1</sup> The record in this proceeding fails to establish the eligibility of any of the identified Generating Facilities to receive compensation for reactive supply capability under the applicable criteria in Schedule 2 to the OATT (“Schedule 2”).<sup>2</sup> Nothing in the Owners’ briefs or in the record demonstrates that the facilities are eligible under Schedule 2.<sup>3</sup> The record demonstrates that the Generating Facilities are not eligible.

The Market Monitor filed the testimony of Dr. Joseph Bowring explaining that the identified Generating Facilities do not directly enable PJM to provide Reactive Supply and Voltage Control “for each transaction on the Transmission Provider’s transmission facilities.” PJM’s criteria for defining Monitored Transmission Facilities and PJM’s criteria for defining Reportable Transmission Facilities determine which power lines

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<sup>1</sup> See Joint Statement of Issues, Docket Nos. ER20-714-004 et al. (April 7, 2022), citing *Whitetail Solar 2, LLC, et al.*, 176 FERC ¶ 63,023 at P 9 (2021); *Whitetail Solar 3, LLC, et al.*, 177 FERC ¶ 63,001 at P 8 (2021).

<sup>2</sup> The “Generating Facilities” include: (i) The Whitetail Solar 1 generating facility, interconnected at the Roxbury–Blain 23 kV Line, which is owned and operated by Mid-Atlantic Interstate Transmission, LLC (“MAIT”), a subsidiary of FirstEnergy Corp; (ii) The Whitetail Solar 2 generating facility, interconnected at the McConnellsburg/Mercersburg–Guilford 34.5 kV Line, which is owned and operated by West Penn Power, LLC (“West Penn”), a subsidiary of FirstEnergy Corp; (iii) The Whitetail Solar 3 generating facility, interconnected at the McConnellsburg/Mercersburg–Guilford 34.5 kV Line, which is owned and operated by MAIT, a subsidiary of FirstEnergy Corp; (iv) The Elk Hill Solar 2 generating facility, interconnected at the Mercersburg–Milnor 34.5kV Line, which is owned and operated by West Penn, a subsidiary of FirstEnergy Corp.

<sup>3</sup> The “Owners” include Whitetail Solar 1, LLC; Whitetail Solar 2, LLC; Whitetail Solar 3, LLC; and Elk Hill Solar 2, LLC.

constitute the PJM transmission system and which do not. Dr. Bowring concludes that the resources are ineligible to receive compensation under Schedule 2 when PJM cannot rely on the Generating Facilities to provide Reactive Supply and Voltage Control Service. The facts relied on by Dr. Bowring are undisputed. Facts in the proceeding that are disputed are not relevant to his testimony.<sup>4</sup>

Commission Trial Staff (“Staff”) filed testimony concerning the capability of the Generating Facilities to provide reactive power on PJM’s transmission facilities. Staff’s testimony was based on the responses by PJM and FirstEnergy to Staff’s extensive discovery questions.

Staff and the Market Monitor agree that the Generating Facilities cannot provide reactive power on PJM’s transmission facilities. None of the identified Generating Facilities meet the criteria in fact or in law under Schedule 2 for eligibility to receive compensation for reactive supply capability. The rate schedules should be rejected.

On May 19, 2022, the Owners filed an initial post-hearing brief in this proceeding attempting to address the arguments against eligibility. The owners’ arguments rest in part upon disputed issues of PJM’s legal authority to dispatch the Generating Facilities, but do not show that PJM actually exercises such authority. The Owners’ arguments rest in part on studies purporting to show that the reactive output from the Generating Facilities could reach the PJM grid. Staff has refuted these studies. The Owners have not, even if the studies were reliable, demonstrated that PJM can use or does use the Generating Facilities output to directly provide Reactive Supply and Voltage Control Service on its system when PJM does not monitor the power lines where the Generating Facilities interconnect to the grid. The record shows that PJM cannot use the Generating Facilities to provide Reactive Supply

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<sup>4</sup> On April 5, 2022, the Market Monitor filed a Motion for Summary Disposition under Rule 217. 18 CFR § 385.217 (2021). On April 14, 2022, an order issued deferring consideration of the motion. Under Rule 217, the Commission has discretion to grant summary disposition as a matter of law, to find that the resources in this case are not eligible under Schedule 2, and to avoid the need for further hearing.

and Voltage Control Service. The Generating Facilities should be found ineligible for reactive capability compensation under Schedule 2.

## **I. ARGUMENT**

### **A. There Is No Conflict or Divergence between the Market Monitor’s and Staff’s Positions in this Case.**

The Owners allege (at 22–23) a conflict or divergence between the Market Monitor’s and Staff’s position that does not exist. Staff argues and provides evidence, much of it obtained from PJM and FirstEnergy, showing that the Generating Facilities are not capable of providing supply capability on the PJM system. Staff refutes the Owners’ attempt to demonstrate such capability through misuse of certain power flow study tools. The Market Monitor agrees with Staff and supports Staff’s interpretation of Schedule 2 with respect to this prong of analysis.

Unlike the Market Monitor, Staff does not have direct access to information about the facilities that PJM monitors. If Schedule 2 is properly administered under the bright line legal test explained by the Market Monitor for determining whether the Generating Facilities enable PJM to “directly” provide Reactive Supply and Voltage Control Service “for each transaction on the Transmission Provider’s transmission facilities,” then the OATT can be more efficiently administered because there is no need for additional studies. There is no conflict between the Market Monitor’s position and Staff’s position, and the Owners should not be permitted to manufacture one in order to divert attention from the fundamental weakness of their position.

### **B. The Market Monitor Provides a Logical and Reasonable Interpretation of Schedule 2, while the Owners Do Not.**

The Owners dismiss (at 21–22, 105–106) but do not address the Market Monitor’s argument that Schedule 2 provides, “Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided *directly* by the Transmission Provider [emphasis added],” and, therefore, PJM cannot rely on resources on an adjacent unmonitored system to directly provide reactive capability because the adjacent

unmonitored system is under the control of another entity and PJM does not know the voltage conditions on that system. The Market Monitor explained in its filed testimony and on brief how the language in Schedule 2 supports its position. The key phrase, “provided directly by the Transmission Provider” cannot be ignored; it is critical to understanding what Schedule 2 requires. The Owners offer no interpretation of what the indicated language means. More fundamentally, the Owners ignore the purpose of Schedule 2, which is to ensure that PJM has the resources needed to provide Reactive Supply and Voltage Control Service.

Generating Facilities are not entitled to payments under Schedule 2 because generators produce reactive output and have reactive output associated obligations if PJM cannot use their reactive capability to provide Reactive Supply and Voltage Control Service. There is no general policy that requires such compensation, or any special out of market compensation, even if the capability can be used. As the California Independent System Operator Corporation recently (“CAISO”) explained, under the CAISO rules “the reactive power ranges called for in each interconnection agreement represent a reasonable range of what a generator is expected to provide the CAISO without additional compensation in accordance with good utility practice and as a condition of being part of the CAISO markets and CAISO grid.”<sup>5</sup>

The Owners cannot explain PJM and PJM customers’ obligation to pay them when PJM does not rely on the Generating Facilities to provide Reactive Supply and Voltage Control Service to PJM customers. Providing such service is the point of Schedule 2. If PJM cannot rely on resources to provide Reactive Supply and Voltage Control Service, then PJM should not require PJM customers to pay for those resources. In addition to the fact that this is basic logic and common sense, it is supported by the language of Schedule 2, which provides for PJM to “directly” provide Reactive Supply and Voltage Control

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<sup>5</sup> Comments of the California Independent System Operator Corporation, *Reactive Power Capability Compensation*, Docket No. RM22-2-000 (February 22, 2022) at 3.

Service “for each transaction on the Transmission Provider’s transmission facilities.” The Owners do not address the plain meaning of this language.

Owners assert (at 100–101): “...[W]hether or not PJM has visibility into a particular distribution, sub-transmission or transmission line and whether that line is a Reportable Transmission Facility or a Monitored Transmission Facility is irrelevant for Schedule 2 purposes.” The assertion is clearly not correct.

The Owners do not argue or provide any factual evidence showing that PJM operates or monitors the power lines where the Generating Facilities interconnect. The Owners rely on an unfounded, illogical and untenable assertion that PJM’s role is irrelevant to Schedule 2. The Market Monitor provides as evidence information in PJM’s databases that indicate whether or not PJM operates or monitors the relevant power lines. The record shows that PJM does not and cannot rely on the Generating Facilities to provide Reactive Power and Voltage Control Service. The Generating Facilities are not eligible to receive reactive capability compensation under Schedule 2, and the rate schedules filed under Schedule 2 should be rejected.

Owners attempt to make their case based on legal dispatch authority, while ignoring actual dispatch authority and failing to provide any evidence that the legal dispatch authority has anything to do with reactive power or is exercised on the regular basis that would be required to provide reactive service. If PJM is not operating or even monitoring the power lines where the Generating Facilities interconnect, then PJM does not have the actual direct dispatch authority required to provide service under Schedule 2. Dispatching a generating facility’s reactive output will have significant, immediate and potentially disruptive impacts on the system where the facilities are interconnected. If PJM is not operating or even monitoring the local power lines, PJM has no way to evaluate how the local system would be affected by the desired adjustments to reactive output. PJM has no way to calibrate the dispatch of the Generating Facilities in order to obtain the desired impact on the PJM system.

Because PJM does not operate or monitor the power lines where the Generating Facilities interconnect, it cannot directly dispatch them to provide Reactive Supply and

Voltage Control Service to PJM customers. PJM could not dispatch the Generating Facilities even if, contrary to the evidence, the facilities had the capability to keep voltage conditions on the PJM system within acceptable limits. The Generating Facilities are therefore ineligible to receive reactive capability compensation under Schedule 2.

**C. Eligibility Depends on Whether PJM Operates or Monitors a Power Line where a Generating Facility Interconnects, Not Whether the Power Line Is Characterized as “Transmission” or “Distribution.”**

The Owners allege (at 101–103) that the Market Monitor’s reference to PJM databases that identify power lines that PJM operates and monitors results in the discriminatory treatment of generators. The Owners mischaracterize the Market Monitor’s position as one based on the designation of a power line as “transmission” or “distribution.” The Market Monitor’s position does not depend on how a power line is characterized. The position does not change if the designation of a power lines as “transmission” or “distribution” changes.

The PJM databases show whether PJM operates or monitors a power line without regard to its designation as “transmission” or “distribution.” If PJM does not operate or monitor a power line, PJM cannot dispatch resources on that power line to provide Reactive Supply and Voltage Control Service. The Market Monitor simply identifies the PJM databases that show whether PJM operates or monitors a particular power line. The approach is logical, nondiscriminatory and properly implements Schedule 2.

The PJM databases do not determine whether the facilities are operated by PJM, but they reveal whether the facilities are operated by PJM. PJM as the grid operator is in a unique position to know whether they operate a facility.

**D. The Commission Is Actively Considering the Eligibility Issue.**

This hearing is the first opportunity that the Commission will have to determine how the language in Schedule 2 concerning the eligibility of resources for reactive capability compensation should be interpreted and applied. The Commission has also inquired into



the issue of eligibility in its rulemaking proceeding on reactive capability compensation.<sup>6</sup> It is presumptuous for the Owners to claim, as they do (at 104–105), that an inquiry into an unresolved issue somehow supports their position. The arguments raised in this hearing should be considered and resolved on the merits.

## II. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to these arguments on reply brief as the Commission resolves the issues in this proceeding.

Respectfully submitted,



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Dated: June 9, 2022

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<sup>6</sup> See *Reactive Power Capability Compensation*, Notice of Inquiry, 177 FERC ¶ 61,118 (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 9<sup>th</sup> day of June, 2022.



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