UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PPL Electric Utilities Corporation	)	Docket No. ER21-2282-000
PJM Interconnection, L.L.C.	)	ER21-2282-001

REPLY COMMMENTS OF THE INDEPENDENT MARKET MONITOR FOR PJM

Pursuant to the order issued in this proceeding on November 19, 2021, establishing paper hearing procedures ("Paper Hearing Order"),[1] Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor ("Market Monitor") for PJM Interconnection, L.L.C. ("PJM"),[2] submits these reply comments. On January 13, 2022, the PJM Transmission Owners ("TOs") and the Edison Electric Institute ("EEI"), filed comments supporting the filing submitted on June 30, 2021, that initiated this proceeding ("TO Filing"). The TO Filing proposed (at 3) to "to provide Transmission Owners with the option to elect to fund the capital cost of Network Upgrades [footnote omitted] necessary to accommodate generator interconnections." This proposal would remove the existing option for developers to finance the interconnections independently. The TOs argue (at 5), and EEI similarly argues (at 2), that without the proposed revisions, TOs "are compelled to own and operate Network Upgrades, which produce risk without the attendant increase in compensation." On January 13, 2022, Joint Protestors (including American Clean Power

1 *PPL Electric Utilities Corporation, PJM Interconnection, L.L.C.*, 177 FERC ¶ 61,123 ("Paper Hearing Order").

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").

Association, Advanced Energy Economy, Natural Resources Defense Council, Sustainable FERC Project, and Sierra Club) ("Joint Protestors") and Solar Energy Industries Association ("SEIA") filed initial briefs arguing that the TOs' vague and speculative assertions of risks did not support the TO Filing as just and reasonable.

The risk that TOs want to avoid is competition. Interconnection customers frequently choose to provide their own financing when competitive market financing is cheaper than the guaranteed regulated rate of return used by the TOs. TOs are requesting that the TOs be granted monopoly market power to impose above market costs on interconnection customers and on all transmission customers.

Aside from the risk posed by competition, TOs have not identified any other risks created by participant funding of interconnection service.

The TOs fail to explain why having new equipment provided by third parties does not improve the quality of the system and reduce the TOs' risks associated with the equipment that was upgraded and/or replaced.

The TO Filing has not been shown just and reasonable, should be rejected and the public interest in regulation through competition should be preserved.

I. REPLY COMMENTS

A. TOs Seek to Avoid Competition.

The TOs' response avoids the real issue in this proceeding. Should TOs be guaranteed the ability to exercise monopoly market power against interconnection customers or should interconnection customers continue to have competitive options?

Depriving interconnection customers of competitive options would be a significant and unsupported change to the status quo. The TOs are challenging the Commission's longstanding policy of relying on regulation through competition.

Under the current rules, interconnection customers have the option to rely on the TOs to finance their upgrades and allow the TOs to include the upgrades in rate base. But interconnection customers choose to obtain capital in competitive capital markets. The TOs do not explain why they cannot finance on equally competitive terms.

The TOs appear to have every competitive advantage. The TOs have large balance sheets, knowledge of transmission development, and access to the same capital markets as their interconnection customers.

While the TOs seek to preserve their monopoly status, their customers operate in competitive PJM power markets and face strong market incentives to cut costs, including the costs of network upgrades. This should be encouraged both because it is the lower cost option to the interconnection facility based on competition and because the additional benefit of that competition is that it reduces costs for all PJM customers.

If the TOs' argument that preventing competitive investment were to have been made in response to the introduction of competitive investment in generation, customers would have lost all the benefits of competitive power markets. Of course TOs would be better off if they could extend their monopoly. But everyone else is better off as a result of competition. The public interest in just and reasonable rates for transmission is best served by rejecting the TO Filing.

B. TOs Fail to Show Increased Risk.

TOs have failed to identify the risks that they assert are created by participant funding. Joint Protestors point out (at 2) that the TOs "failed to articulate any meaningful risk at all." SEIA argues (at 11) that the "TOs offer a purely speculative risk analysis." The Market Monitor agrees that the TO Filing does not identify any actual risks to the TOs. TOs' vague and speculative assertions of risk fail to support the TO Filing as just and reasonable.

Overall, the participant funding model should enhance reliability, reduce costs and reduce risk for the interconnecting facility and for all PJM customers. Operating and maintenance costs for new, state of the art equipment should be less. System transfer capability should be enhanced or preserved, protecting the TOs ability to avoid outages and sell more transmission service. The ability to earn revenues should be enhanced. The overall life of the system and its elements should be extended. Network upgrades should create a more capable system with less risk. TOs have not demonstrated either increased risk or a reduction in compensation or a reduction in the rate of return earned on investment.

The TOs have not accounted for the benefits of network upgrades. TOs have not demonstrated why the competitive solution is not better for customers and better for competitive power markets. The TO Filing should be rejected.

II. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to these reply comments as it resolves the issues raised in this proceeding.

Respectfully submitted,

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Dated: February 28, 2022

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 28th day of February, 2022.

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