

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

Joint Consumer Advocates)	Docket No. EL24-118-000
)	
v.)	
)	
PJM Interconnection, L.L.C.)	
)	

COMMENTS OF THE INDEPENDENT MARKET MONITOR FOR PJM

Pursuant to Rule 211 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 these comments responding to complaint filed on June 20, 2024, by the Joint Consumer Advocates³ (“Complaint”).

The Complaint alleges (at 1–2) that the addback mechanism implemented by PJM related to the out of market payment of a form of uplift or subsidy to energy efficiency (“EE”) resources⁴ is “unjust, unreasonable, and unduly discriminatory and preferential in

¹ 18 CFR § 385.211 (2024).

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”).

³ The Joint Consumer Advocates include: the New Jersey Division of Rate Counsel, the Maryland Office of People’s Counsel, and the Illinois Citizens Utility Board.

⁴ “Energy Efficiency Resources” or “EE Resources,” when capitalized, means Energy Efficiency Resources as defined in the OATT Attachment DD-1 § L.1 and RAA Schedule 6 § L.1. When not capitalized, “energy efficiency resources” or “EE resources” means resources that are referred to or treated as energy efficiency resources even though they do not satisfy the definition included in the filed tariff.

violation of the [Federal Power Act].” The addback mechanism is a provision in PJM Manual 18 (§ 2.4.5) (“Addback Rule”) intended to facilitate paying EE resources the capacity market clearing price while recognizing that EE resources are not capacity resources and ensuring that EE resources do not affect capacity market clearing prices or quantities.⁵ The Complaint alleges that PJM’s implementation of the Addback Rule without including the provision in its filed tariff violates the Federal Power Act.

The Complaint states that the addback “is a problem for PJM to grapple with.” The Complaint requests (at 19) that that the “Commission ... host a technical conference focusing on how to best ensure robust participation of energy efficiency in the wholesale markets.”

The goal of the addback mechanism is to ensure that EE resources do not directly affect the price for capacity in the capacity markets. Payments to EE resources are a subsidy paid directly by load via an uplift charge, through the capacity market mechanism. The addback violates the Federal Power Act and is inconsistent with the tariff definition of EE Resources. Nonetheless and contrary to the Complaint, PJM has explained the addback rule and the detailed reasoning for the addback rule. Contrary to the Complaint, the addback rule was designed to ensure that EE resources did not clear as capacity resources and did not affect capacity market prices. EE resources are not capacity resources and are not treated as capacity resources in the capacity market. EE resources do not contribute to meeting the RPM Reliability Requirement. EE resources are not fungible and may not serve as a replacement for the commitment of any other RPM Capacity Resource type.⁶

⁵ Presentation to the MIC, “IMM EE Package Proposal,” July 10, 2024 <https://www.monitoringanalytics.com/reports/Presentations/2024/IMM_MIC_EE_Package_Proposal_2024_0710.pdf>.

⁶ See PJM Manual 18: PJM Capacity Market,” § 8.8, Rev. 59 (June 27, 2024).

PJM included the Addback Rule in Manual 18 on December 17, 2015, but has never filed that rule with the Commission even though it pays EE resources the capacity market clearing price and charges PJM customers, despite the fact that EE resources do not meet the filed tariff definition of an EE Resource.

The Market Monitor agrees that the Addback Rule is unjust and unreasonable. Because the Addback Rule creates a charge to customers and a payment to the providers of resources that purport to be EE resources but are not EE Resources as the tariff defines them, the Addback Rule is a rate or charge that Section 205 of the Federal Power Act requires that there be “no change shall be made by any public utility in any such rates, [etc.], except after sixty days’ notice to the Commission and to the public.”⁷ Such rates and charges cannot be included in the PJM manuals, which are not filed with the Commission under Section 205.

The Addback Rule, as unlawfully implemented by PJM, harms consumers because it requires consumers to pay for EE resources at the capacity market clearing prices despite the fact that PJM recognizes that EE resources are not capacity resources.

An order on the Complaint should find that the Addback Rule cannot be implemented because it was not filed with Commission as required under Section 205 of the Federal Power Act. The Addback Rule would be unjust and unreasonable even if it had been properly filed. All payments for EE based on the Addback Rule should cease, and unlawfully imposed charges based on the Addback Rule should be disgorged and returned to customers. In order to ensure that the Commission has the opportunity to act on a complaint with the appropriate scope, the Market Monitor is filing a separate complaint. Action on the Market Monitor’s complaint, alone or in conjunction with this Complaint, is intended to ensure sufficient basis for the Commission to order appropriate relief.

⁷ 16 U.S.C. § 824d(d).

There is no need for a technical conference on this matter. The facts are clear and straightforward and have been presented to the Commission.

If the Commission determines to set this Complaint for hearing, the Market Monitor intends to move for consolidation of the proceedings.

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

Respectfully submitted,



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Dated: July 10, 2024

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 10th day of July, 2024.



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