

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

Big Plain Solar, LLC

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Docket Nos. ER23-78-000,  
ER23-1736-002

**COMMENTS OF  
THE INDEPENDENT MARKET MONITOR FOR PJM  
IN OPPOSITION TO OFFER OF SETTLEMENT**

Pursuant to Rule 602(f) of the Commission’s Rules and Regulations,<sup>1</sup> Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor (“Market Monitor”) for PJM Interconnection, L.L.C.<sup>2</sup> (“PJM”), submits this reply in opposition to the offer of settlement (“Offer”) filed in this proceeding on January 8, 2024, by Big Plain Solar, LLC (“Big Plain”).

Big Plain proposes on a black box basis an annual total revenue requirement for reactive capability of \$600,000.00, or \$3,061.22 per MW-year, or \$8.39 per MW-day for the 196 MW facility, on an ICAP basis. The proposed ARR for the Big Plain facility is significantly higher than the average rate paid for reactive power in PJM. The average revenue requirement for reactive capability in PJM was \$1,914 per MW-year in 2022. No justification has been provided for why customers should pay 1.60 times the average PJM price of reactive for reactive from Big Plain. There is no reasonable basis for the proposed disparity in cost for the same service. Reactive is a homogeneous product which should have the same price for all sellers. This result has not been explained or supported by Big Plain in their filing or their black box Offer. This disparity is inconsistent with competitive markets.

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<sup>1</sup> 18 CFR § 385.602(f) (2023).

<sup>2</sup> Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”).

The actual excess is larger than calculated based on the nameplate capacity of the resource. This type of resource, tracking solar, can sell only a derated level of MW in the PJM capacity auction to reflect the fact that it is not directly comparable to a thermal resource with higher availability. On an equivalent capacity basis using the class average 50.0 percent ELCC derating factor for tracking solar for the 2024/2025 Delivery Year, the Offer proposed ARR is \$6,122.45 per MW-year, \$16.77 per MW-day, or 58.0 percent of the \$28.92 per MW-day clearing price in the last PJM capacity market auction for the Rest of RTO LDA.<sup>3</sup> In effect, Big Plain is proposing that customers pay a price for the reactive ancillary service alone from Big Plain equal to 58.0 percent of the price that customers pay for the full capacity value from Big Plain in the PJM Capacity Market. That result would be unreasonable and excessive and inconsistent with a competitive market. Even this comparison understates the issue, given that PJM has proposed a much lower ELCC derating value for tracking solar in its recent filing with FERC.<sup>4 5</sup>

PJM has calculated that the ELCC for tracking solar for the 2024/2025 Delivery Year, using PJM's proposed marginal ELCC approach, is 20.0 percent. On an equivalent capacity basis using the updated class average 20.0 percent ELCC derating factor for tracking solar for the 2024/2025 Delivery Year, the Offer proposed ARR is \$15,306.12 per MW-year, \$41.93 per MW-day, or 145.0 percent of the \$28.92 per MW-day clearing price in the last PJM capacity market auction for the Rest of RTO LDA. In effect, based on PJM's marginal ELCC approach, Big Plain is proposing that customers pay a price for the reactive ancillary service alone from Big Plain equal to almost one and half times (145.0 percent) the price that customers pay for the full capacity value from Big Plain in the PJM Capacity Market.

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<sup>3</sup> This is the currently posted ELCC value for tracking solar, based on PJM's average ELCC approach. *ELCC Class Ratings for 2024-2025, PJM Interconnection, LLC, December 29, 2023* <<https://www.pjm.com/planning/resource-adequacy-planning/effective-load-carrying-capability>>.

<sup>4</sup> PJM estimated the ELCC derate value for tracking solar units to be 20 percent for the 2024/2025 delivery year under the proposed tariff revisions. *See* PJM Interconnection, L.L.C., Docket No. ER24-99-000 (October 13, 2023) Attachment E (Affidavit of Dr. Patricio Rocha-Garrido) at para. 43.

<sup>5</sup> PJM estimated the ELCC derate value for tracking solar units to be 25 percent for the 2025/2026 delivery year under the proposed tariff revisions. *See* PJM Responses to Deficiency Letter, Docket No. ER24-99-001 (December 1, 2023) at 26–28.

The actual excess could be even larger than calculated based on the class average derating factor of the resource. To the extent that the actual unit specific ELCC for Big Plain is below the class average, the proposed cost of reactive per MW of capacity would increase and the degree of excess would increase. The opposite would be true if the actual ELCC were greater than the class average. The actual ELCC derating factor and the actual CIR value are essential to an accurate evaluation of the actual cost per MW-day of the Big Plain proposal. The facts about the actual ELCC derating factor and the actual CIR value are confidential but can be established at hearing.

The facts relevant to whether the level of the rate proposed by Big Plain are appropriate should be established at hearing. The first issue that should be examined at hearing is why PJM customers should pay any revenue requirement to Big Plain under Schedule 2. In the recent *Midcontinent Independent System Operator, Inc. (MISO)* case, the Commission approved MISO's FPA § 205 filing revising the MISO Tariff Schedule 2 to eliminate all charges under Schedule 2 for the provision of reactive power within the standard power factor range.<sup>6</sup> The decision found "the provision of reactive power within the standard power factor range is, in the first instance, an obligation of the interconnecting generator and good utility practice," and there is, thus, no obligation to provide separate compensation for reactive capability.<sup>7</sup> The Commission explained that its holding reaffirms its policies stated, e.g., in Order No. 2003.<sup>8</sup> It is also consistent with the approach long used in other RTOs, including CAISO and SPP.<sup>9</sup> The Commission rejected arguments that reactive payments should be continued "because generators have come to rely on the compensation for Reactive Service in order for the generators to remain financially viable."<sup>10</sup> The Market

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<sup>6</sup> 182 FERC ¶ 61,033 (2023).

<sup>7</sup> *Id.* at P 53.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at PP 56–57.

<sup>10</sup> *Id.* at P 54.

Monitor has argued this position in the *Fern Solar* hearing, where its brief on exceptions to the initial decision is pending before the Commission.<sup>11</sup>

The Commission may approve a contested offer of settlement only based on its merits.<sup>12</sup> A contested settlement may be approved on its merits under one of the four approaches set forth in *Trailblazer Pipeline Company*.<sup>13</sup> None of the approaches under *Trailblazer Pipeline Company* can be relied on for approval of the Offer. The Offer does not resolve the issues raised in the order setting this matter for hearing.<sup>14</sup> There is no record supporting the revenue requirement as just and reasonable, including as a “package.” The Market Monitor represents the public interest in efficient and competitive markets. The settlement cannot be analyzed under the fair and reasonable standard applicable to uncontested settlements because the public interest in efficient and competitive markets is a central issue in this proceeding. There is no possibility of severing the issues in the manner contemplated under the *Trailblazer Pipeline Company* approaches.

Although the Commission encourages settlements, that policy is not a license to resolve cases at all costs.<sup>15</sup> An offer of settlement, as in this case, that is unfair, unreasonable,

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<sup>11</sup> See *Fern Solar LLC*, Docket No. ER20-2186, et al.

<sup>12</sup> 18 CFR § 385.602(h)(1) (“If the Commission determines that any offer of settlement is contested in whole or in part, by any party, the Commission may decide the merits of the contested settlement issues, if the record contains substantial evidence upon which to base a reasoned decision or the Commission determines there is no genuine issue of material fact.”).

<sup>13</sup> The four approaches for approving a settlement under *Trailblazer Pipeline Company* include: (i) addressing the contentions of the contesting party on the merits when there is any adequate record; (ii) approving a contested settlement as a package on the ground that the overall result of the settlement is just and reasonable; (iii) determining that the contesting party’s interest is sufficiently attenuated such that the settlement can be analyzed under the fair and reasonable standard applicable to uncontested settlements when the settlement benefits the directly affected settling parties; or (iv) preserving the settlement for the consenting parties while allowing contesting parties to obtain a litigated result on the merits. See *Trailblazer Pipeline Company*, 85 FERC ¶ 61,345 (1998).

<sup>14</sup> *Big Plain Solar, LLC*, 183 FERC ¶ 61,224 at PP 13–14 (2023).

<sup>15</sup> See, e.g., *Arkla Energy Resources*, 49 FERC ¶ 61,051, 61,217 (1989); *Transwestern Pipeline Co.*, 9 FERC ¶ 61,075, at 61,166 (1979).

or against the public interest must be rejected.<sup>16</sup> Instead, this case should proceed to hearing so that the record can be developed and issues of material fact and law can be resolved on the merits.

The offer of settlement is also defective because it is based on an incomplete record. The Commission has repeatedly determined that the following information must be included in a Schedule 2 filing, and has rejected filings that fail to include it:

1. the latest reactive power output test data and reports, including the PJM Reactive Capability Testing Form Sheet 1 and 2;
2. the NERC MOD-025-2 report; and
3. the PJM accepted eDART data and corresponding graph of MVAR output versus the time of the test for the facility.<sup>17</sup>

Big Plain did not submit the required information in support of its filing on April 27, 2023. The resulting record is deficient and does not provide a valid basis for the Commission to approve a proposed rate schedule, including a rate schedule proposed in an offer of

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<sup>16</sup> 496 F.3d at 701.

<sup>17</sup> See *Riverstart Solar Park LLC*, 185 FERC ¶ 61,101 at P 23 (2023); *Yellowbud Solar, LLC*, 185 FERC ¶ 61,216 at P 21 (2023); *Bishop Hill Energy LLC*, 181 FERC ¶ 61,003, at PP 11-14 (2022), *order on reh'g*, 185 FERC ¶ 61,056; *Covanta Del. Valley, L.P.*, 180 FERC ¶ 61,155 at PP 17, 22-24 (2022); *Blooming Grove Wind Energy Center LLC*, 181 FERC ¶ 61,109 (2022); *Flemington Solar, LLC*, 182 FERC ¶ 61,110, at P 21 (2023); *Skipjack Solar Center, LLC*, 182 FERC ¶ 61,146 at P 11 (2023); see also *Middletown Coke*, 178 FERC ¶ 61,183 at P 10 (2022); *Paulding Wind Farm IV LLC*, 173 FERC ¶ 61,172 at P 6 (2020); *NedPower Mount Storm, LLC*, 173 FERC ¶ 61,177 at PP 9-10 (2020); *Wabash Valley Power Ass'n, Inc.*, 154 FERC ¶ 61,245 at P 29 (2016).

settlement.<sup>18</sup> As the Commission explained in *Riverstart*, a proposed rate schedule not supported by the required information does not meet the burden of proof.<sup>19</sup>

Article 6.3 of the Offer's proposed settlement provides: "The Commission's approval of this Settlement shall not constitute precedent nor be used to prejudice any otherwise available rights or arguments of any party in a future proceeding." If the Offer is approved, it will unavoidably establish a benchmark rate level for facilities like the Big Plain facility. The public interest is better served by resolution of the issues raised in this proceeding on the basis of a full evidentiary record and reasoned analysis.

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<sup>18</sup> See 185 FERC ¶ 61,101 at PP 21–23 ("In *Wabash*, the Commission provided general guidance on establishing or revising cost-based rates for reactive service based on the AEP-methodology 'to ensure that the Commission has sufficient information to evaluate whether the reactive power rate is just and reasonable.' Among other things, the Commission explained that the revenue requirements established pursuant to Schedule 2 of the pro forma Open Access Transmission Tariff (OATT) 'are based on a particular level of reactive power capability for a particular generating unit or group of units.' The Commission also indicated that to satisfy its reactive filing requirements, applicants proposing a cost-based rate based on the AEP-methodology must include with their reactive power revenue requirement filings reactive power test reports to support the proposed reactive power allocator used in the AEP-methodology. Soon after *Wabash*, the Commission clarified that '[t]o support their capability figures, generator owners should provide the most recent Reactive Service test reports produced in compliance with Standard MOD-025-2 adopted by the North American Electric Reliability Corporation.'"[footnote omitted]

The reactive power allocator referred to in *Wabash* plays a significant role in determining a facility's overall reactive power compensation under the AEP-methodology. Under the AEP-methodology, the relevant groups of production power plant investment involve both reactive and real power, and so an allocation factor is developed to sort the annual revenue requirements of facility components between real and reactive power production.[footnote omitted] More specifically, the 'reactive power allocator'—based on the ratio of MVAR<sup>2</sup> to MVA<sup>2</sup>, which translates algebraically into  $1 - (\text{power factor})^2$ —is applied to the amount of generator-exciter investment, generator step up transformers investment, and accessory electric equipment investment,[footnote omitted] which for many facilities can be substantial.[footnote omitted] A facility's reactive power compensation therefore depends heavily on its reactive allocator, and thus, in turn, on its power factor, which is the revenue requirement calculation component that reactive power test information is used to support.[footnote omitted]

Also since *Wabash*, the Commission has continued to see an increasing number of filings by generators seeking reactive power compensation under the AEP-methodology. In its consideration of such cases, the Commission has applied its corresponding increased expertise in this area, such that it has identified particular data and test reports that are necessary to analyze and evaluate an applicant's reactive power revenue requirement, including proposed reactive power allocators.").

<sup>19</sup> 185 FERC ¶ 61,101 at P 23.

In the attached affidavit of Dr. Joseph E. Bowring (“Affidavit”), included pursuant to Rule 602(f)(4), Dr. Bowring explains why the requested revenue requirements are excessive and unsupported.<sup>20</sup>

The issues raised in this proceeding have significant cost implications going forward. Failing to resolve these issues means that customers must make payments to the facilities and similar facilities at levels exceeding the competitive and reasonable level for the facilities. Resolution of these issues should not be deferred. There is significantly greater administrative efficiency if new issues are resolved now, rather than after years of baseless and arbitrary settlements.

In the Affidavit, Dr. Bowring explains why the level of the annual revenue requirement is excessive. The issue of an appropriate rate level under Schedule 2 needs resolution on the merits in this case and for future cases. The Market Monitor opposes the Offer. The Offer should be rejected. Further, settlement discussions in the proceeding should be terminated, and the issues raised in this proceeding should be decided on the merits.

Respectfully submitted,



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<sup>20</sup> 18 CFR § 385.602(f)(4).

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Dated: January 29, 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 29<sup>th</sup> day of January, 2024.



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**Attachment**  
**Exhibit Nos. IMM-0001–0004**

**Bowring Affidavit**  
**and Supporting Exhibits**