UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.	)))	Docket No. ER25-1357-000

ANSWER AND MOTION FOR LEAVE TO ANSWER OF THE INDEPENDENT MARKET MONITOR FOR PJM

Pursuant to Rules 212 and 213 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 this answer to the answers submitted by PJM on April 2, 2025, and by Indicated Independent Power Producers on March 27, 2025 ("Indicated IPPs"),[3] to the Market Monitor's comments in this proceeding filed March 17, 2025 ("IMM Comments"). The Variable Resource Requirement ("VRR") curve has always had a maximum price that was set, in the initial design, at 1.5 times Net CONE. The VRR curve has always had a minimum price of zero. Neither PJM nor the Indicated IPPs provide any substantive support for adding a minimum price in the VRR curve for the first time or for introducing the distorted VRR curve shape in the PJM proposal filed February 20, 2025 ("February 20th Filing"). The maximum price on the VRR curve requested in the

---

1 18 CFR §§ 385.212 & 385.213 (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 Indicated IPPs include: Alpha Generation, LLC; Calpine Corporation; Constellation Energy Generation, LLC; and Vistra Corporation. The Indicated IPPs attach an affidavit from Zachary Ming to support their position. IPPs attach an affidavit in form of Testimony of Zachary Ming ("Ming Affidavit").

Commonwealth of Pennsylvania's complaint ("Complaint") is consistent with the theory and logic of the VRR curve.[4] The Market Monitor recommends that the Commission grant the Complaint in Docket No. EL25-46 and reject PJM's filing in this proceeding because it has not been shown to be just and reasonable. Upon granting the Complaint, the February 20th Filing would become moot and should be dismissed.

I. ANSWER

A. The Complaint Is Best Resolved by Granting It.

PJM's response to the Market Monitor incorrectly asserts that the Complaint would be best resolved by accepting PJM's filing. That is not correct. The Complaint would be best resolved by granting the Complaint as filed and reducing the maximum price on the VRR curve to 1.5 times Net CONE.

PJM's assertions about the reliability implications of PJM's filing also apply to the reliability implications of the Complaint. Setting the maximum price at 1.5 times Net CONE would result in a reliable system.

The notion that a high minimum price is somehow symmetrical with a maximum price and therefore reasonable is simply wrong. The VRR curve has always had a maximum price. The Complaint was about the appropriate level for that maximum price. The Complaint did not challenge the existing minimum price.

The VRR curve has always had a minimum price of zero. The VRR curve has always extended to a price of zero at point C on the VRR curve. PJM has not provided any support for setting a minimum price at any level that exceeds zero and definitely not for a specific minimum price of $175/MW-day that exceeds the average capacity market price since the introduction of the RPM design.

---

4 *See Governor Josh Shapiro and the Commonwealth of Pa. v. PJM Interconnection, L.L.C.*, Stipulation of Satisfaction and Joint Motion to Dismiss Complaint of PJM Interconnection, L.L.C., Governor Josh Shapiro, and the Commonwealth of Pennsylvania, Docket No. EL25-46-000 (February 14, 2025) ("Complaint").

PJM's assertion (at 9 –10) that the Market Monitor's analysis supports the PJM filing is incorrect. As stated clearly, the Market Monitor's analysis was based on offers in the 2025/2026 BRA and the minimum price of zero on the VRR curve in the 2025/2026 BRA. The proposed high minimum price was and is irrelevant in that analysis; it had no effect on the results. The supply curve intersected the demand curve at price levels in excess of the proposed high minimum price. The Market Monitor's analysis did show that reducing the maximum price from $499.32 per MW-day to $329.17 per MW-day would reduce the total payments for capacity.

PJM did not respond to the Market Monitor's point about the potential impact of the $175 minimum price on the ability of DR providers to add unlimited MW to the auction which would suppress capacity market prices and distort the auction results.

PJM asserts (at 13–14) that the Commission does not have to address the Market Monitor's proposal. By granting the Complaint, the Commission does not need to approve PJM's unsupported proposal either.

The Market Monitor explains exactly why PJM's inclusion of a distorted VRR curve, a maximum price that varies with PJM's ELCC calculations, and a high minimum price is not just and reasonable and why PJM has not supported it as just and reasonable. PJM attempts to dismiss the Market Monitor's position as just a "preference" for a better design. In fact, the Market Monitor's filing provides clear and unrebutted reasons for rejecting PJM's proposal and accepting the Complaint. The Commission has the authority to determine the best appropriate relief in response to a Complaint.

PJM "implores" the Commission not to reject its filing (at 15) because such rejection would imperil the tight schedule for the auctions. This argument has no merit. PJM has previously made its arguments for a very high maximum price and all the increased customer costs that would result. Given that PJM in this filing has supported a lower maximum price that is very close to the maximum price requested in the Complaint, no lengthy consideration is required by PJM or any other party to address implementation of the Complaint which is simply a maximum price of $325 per MW-day. The Market Monitor explained exactly what the corresponding VRR curve would be. PJM would use the red herring of a tight schedule to attempt to convince the Commission to implement PJM's unnecessarily complex proposal to distort the demand curve, with its potentially significant unintended consequences. Under that logic, a tight schedule could be used to justify almost any misguided proposal based solely on timing. Rushing to implement the wrong design is never the right answer. PJM has not supported its proposal as just and reasonable.

B. Indicated IPPs' Proposal is Anticompetitive.

The Indicated IPPs' response to the Market Monitor suggests (at 3) that using the term "price collar" somehow imbues the concept of a high minimum price in the PJM Capacity Market with a semblance of reasonableness. It does not. In the long history of the PJM RPM capacity market, the VRR curve has always had a maximum price and the VRR curve has always had a minimum price of zero.

Contrary to the Indicated IPPs' assertion, the maximum price of Gross CONE was not rigorously supported. The maximum price of Gross CONE was implemented based on the unsupported and unrealized concern that the Net CONE value for a CT could go to zero. The original capacity market design had a maximum price of 1.5 times Net CONE, the level requested in the Complaint. Regardless, a maximum price of Gross CONE is not at issue in this case as PJM supports a maximum price approximately equal to 1.5 times Net CONE. The assertion that there must be a very high minimum price is incorrect and unsupported and has never been part of the capacity market design.

The proposal for a high minimum price is illogical and internally inconsistent. Even if it were correct, as asserted, that new generation needs an even higher maximum price, the need for a high minimum price is unsupported and unexplained. The only reason a high minimum price would result in higher prices would be if competitive sellers offered at a price lower than the proposed minimum price. That is not something to prevent but to encourage. Preventing offers at lower prices from affecting the market price would be anticompetitive.

The filing speculates that the Reliability Resource Initiative (RRI) offers were based on the assumption of a high minimum price.[5] There is no support for that speculation. There is no reason to believe that the RRI resources would offer at anything other than their competitive levels. RRI resources do not need to be protected from competition. If RRI offer levels are below the high minimum price then they would affect the clearing price appropriately.

The Ming Affidavit argues (at 25:5–10) that a high minimum price is essential to prevent "downward pressure on prices" from competitive entry. In effect, the request for a high minimum price is a request that PJM exercise market power on behalf of all those competitive offers less than the high minimum price by setting their offer prices to the high minimum price level to the extent the clearing price would otherwise be less than the high minimum price. That is anticompetitive. That is not just and reasonable as a result.

The Ming Affidavit attempts and fails to support a high minimum price. The Ming Affidavit is essentially an argument for an engineered capacity market price rather than a competitive price (*see* 26:4–27:2). The Ming Affidavit is incorrect in its unsupported assertion (at 19:4–9) that the purpose of the capacity market demand curve is to provide a long term average price of Net CONE. The Ming Affidavit is mistaken in its unsupported assertion (*id*.) that the replacement of 1.5 times Net CONE that was the maximum price in the original capacity market design by Gross CONE as the maximum price was a result of rigorous analysis.

The purpose of the capacity market is not to provide a guaranteed price of Net CONE over many auctions. The purpose of the capacity market is to create a competitive mechanism that permits competitive offers to provide the opportunity for generation owners to recover the "missing money" which is the difference between net revenues from energy and ancillary

---

5 *See* PJM Filing re RRI, Docket No. ER25-712-000 (December 13, 2024). The RRI recently has attracted 94 applications totaling 26.6 GW of nameplate capacity. *See* PJM Insides Lines (March 21, 2005), which can be accessed at: <*Reliability Resource Initiative Draws 94 Applications | PJM Inside Lines*>.

services markets and avoidable costs. Investors enter the PJM markets based on an expectation of recovering all their fixed and variable costs from the combination of all PJM markets. Many have succeeded but it is not guaranteed. The assertion that a guaranteed capacity market price is required is antithetical to the competitive market design.

The affidavit also fails to address the fact that Net CONE as an auction parameter is an estimate that is not based in the reality of the actual PJM markets. Real world net revenues from the energy and ancillary services markets vary significantly across units based on their location, efficiency, access to fuel, access to transmission, unit size, unit design, and maintenance practices, for example. Gross CONE values significantly across units based on required returns, OEM costs, EPC costs, siting and other investor decisions.

PJM capacity market prices have fluctuated significantly since the introduction of the RPM capacity market design in 2007. The goal of the capacity market design, or any market design, is not to eliminate volatility. The goal of the PJM markets together is to provide an opportunity for investors to invest in capacity and to earn returns based on competition across all PJM markets. The PJM average capacity market price has never been Net CONE. Nonetheless, more than 50,000 MW of capacity have been added to the PJM markets since 2007.[6]

Capacity market prices are not the reason that PJM capacity market conditions are tight. The combination of queue issues, volatility of the capacity market design, uncertainty about the capacity market design, the introduction of PJM's version of ELCC, the volatility of and uncertainty about PJM's ELCC ratings, federal and state environmental regulations, access to firm fuel supply, and unprecedented increases in demand related to data centers have all contributed to the current capacity market supply/demand balance. Prices will appropriately be higher to reflect those conditions.

---

6 *See* Monitoring Analytics, LLC, *2024 State of the Market Report for PJM*, Vol. II (March 13, 2025) at 297 (Table 5-6).

The suggestion that those higher prices will result in new entry is reasonable. The suggestion that the market design should be modified to limit the impact of that competitive new entry in reducing prices is anticompetitive.

The Ming Affidavit fails to address the point made in the Market Monitor's initial filing about the distorted incentives for demand side resources that result from a high minimum price and the potential for the unintended consequence of price suppression. The Ming Affidavit supports the significance of this point by stating that significant new entry from demand side resources could result from the proposed high minimum price.

The assertion that a high minimum price is essential for reliability is unsupported. Competitive markets in PJM have resulted in a reliable grid. There is no evidence that competitive markets must be distorted by preventing the impact of competitive entry in order to provide reliability.

II. MOTION FOR LEAVE TO ANSWER

The Commission's Rules of Practice and Procedure, 18 CFR § 385.213(a)(2), do not permit answers to protests, answers, or requests for rehearing unless otherwise ordered by the decisional authority. The Commission has made exceptions, however, where an answer clarifies the issues or assists in creating a complete record.[7] In this answer, the Market Monitor provides the Commission with information useful to the Commission's decision making process and which provides a more complete record. Accordingly, the Market Monitor respectfully requests that this answer be permitted.

---

[7] *See*, *e.g.*, *PJM Interconnection, L.L.C.*, 119 FERC ¶61,318 at P 36 (2007) (accepted answer to answer that "provided information that assisted … decision-making process"); *California Independent System Operator Corporation*, 110 FERC ¶ 61,007 (2005) (answer to answer permitted to assist Commission in decision-making process); *New Power Company v. PJM Interconnection, L.L.C.*, 98 FERC ¶ 61,208 (2002) (answer accepted to provide new factual and legal material to assist the Commission in decision-making process); *N.Y. Independent System Operator, Inc.*, 121 FERC ¶61,112 at P 4 (2007) (answer to protest accepted because it provided information that assisted the Commission in its decision-making process).

III. CONCLUSION

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

Respectfully submitted,

Jeffrey W. Mayes

General Counsel
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@monitoringanalytics.com

Joseph E. Bowring
Independent Market Monitor for PJM
President
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8051
joseph.bowring@monitoringanalytics.com

Dated: April 16, 2025

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 16th day of April, 2025.

Jeffrey W. Mayes
General Counsel
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@monitoringanalytics.com