

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

PJM Interconnection, L.L.C.

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Docket No. ER25-2123-001

**COMMENTS OF THE INDEPENDENT MARKET MONITOR FOR PJM**

Pursuant to Rule 211 of the Commission’s Rules and Regulations<sup>1</sup> and the Deficiency Letter issued May 30, 2025, Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor (“Market Monitor”) for PJM Interconnection, L.L.C. (“PJM”),<sup>2</sup> submits these comments on PJM’s response to the Deficiency Letter submitted on June 30, 2025 (“June 30<sup>th</sup> Response”). PJM initiated this proceeding on April 30, 2025, proposing revisions to the base formula rate, one element of the defined black start service revenue requirement.<sup>3</sup>

The June 30<sup>th</sup> Response does not address the deficiencies identified by the Commission. The June 30<sup>th</sup> Response fails to show that PJM’s proposal reasonably approximates black start service costs and fails to even attempt to demonstrate any relationship to black start service costs. Under an approach that uses Net CONE, the June 30<sup>th</sup> Response does not justify using system wide Net CONE rather than locational Net CONE. Rather than provide support for its proposal, PJM devotes more attention to criticizing the current rules. Flaws in the current rules, even if demonstrated, do not support the revisions.

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<sup>1</sup> 18 CFR § 385.211 (2024).

<sup>2</sup> 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”).

<sup>3</sup> See OATT Schedule 6A para. 18.

If PJM wants to improve the black start rate and to ensure that black start resources are being paid their costs plus an incentive, including any locational variation, PJM should propose to do that. PJM's filing does not do that. PJM's filing does not pretend to do that. PJM's proposed revisions have not been shown to be just and reasonable, and should not be approved.

## **I. COMMENTS**

### **A. PJM Does Not and Cannot Explain How Its Proposed Five Year Average of System Wide Net CONE Reasonably Approximates Black Start Service Costs.**

The Deficiency Letter asked (at 2): "Please explain how: (a) the proposed fixed past 5-year average of overall system-wide Net CONE will reasonably approximate the costs incurred by unit owners to maintain and provide Black Start Service." PJM does not attempt to answer this question. PJM cannot answer this question because there is no defined relationship between the actual costs of providing black start service and the fixed past five year average of overall system wide Net CONE.

PJM instead responds (at 8–14) that its proposal provides an incentive for existing Black Start units to provide Black Start service. PJM proposes to replace the current Net CONE value for the Net CONE Area where the Black Start unit is located with a fixed cost equal to the average five year Net CONE for the entire RTO for the 2020/2021 through 2024/2025 Delivery Years and then to increase this value by inflation measured by the Handy Whitman Index each year thereafter.

PJM asserts (at 5–6) that this approach approximates the costs that unit owners incurred to maintain their units and saves costs for customers, but nowhere supports this position. PJM cannot support this position because it is not correct. Net CONE is the gross cost of new entry, historically for a combustion turbine, net of energy and ancillary service revenues expected to be earned by that resource. Net CONE has nothing to do with the cost incurred to maintain and provide black start service. PJM does not know the extent of the asserted incentive because PJM does not know the difference between the cost to maintain and provide black start service and Net CONE.

PJM states concerns over the volatility, the decreasing values, and the possibility of Net CONE values going to zero as a reason to change to a fixed value, but fails to support the fixed values it proposes.<sup>4</sup> PJM fails to explain why fixed values that have no demonstrable or asserted relationship to actual costs are just and reasonable.

PJM does not explain why selecting an arbitrary five year time period and escalating Net CONE reflects black start costs. Escalating Net CONE is mathematically identical to separately escalating Gross CONE and net energy and ancillary service revenues. PJM does not, and cannot, explain why it is reasonable to adjust net revenues by inflation. Net revenues are the result of the energy and ancillary services markets and do not track inflation. Net revenues can be directly determined and do not need to be escalated.

The Deficiency Letter asks for support showing that the proposed revisions reasonably approximate the costs incurred by unit owners to maintain and provide Black Start Service. The June 30<sup>th</sup> Response fails to provide that support. The proposal has not been shown to be just and reasonable, and it should not be approved.

#### **B. PJM Fails to Justify Using RTO-Wide Net CONE.**

The Deficiency Letter asked (at 1–2): “Please explain how: ... the use of an RTO-wide historic Net CONE calculation regardless of the location of a Black Start Unit is just and reasonable.” The June 30<sup>th</sup> Response states: “The use of an RTO-Wide historic Net CONE calculation regardless of the location of the resource is just and reasonable because the locational aspects of Net CONE do not correspond to either the locational need for Black Start Service or the actual locational costs of providing that service.”<sup>5</sup>

PJM does not explain how Net CONE can be a reasonable approximation of the costs to maintain and provide black start service in general, but that the locational differences among Net CONE values are not relevant. The two PJM positions are not consistent. The

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<sup>4</sup> *Id.* at 2, 7–8.

<sup>5</sup> June 30<sup>th</sup> Response at 14.

proposed fixed values would be based on Net CONE values, and those values vary by location. The change to five years of Net CONE is not a reason to ignore differences in Net CONE values by location. The June 30<sup>th</sup> Response is an unsupported assertion that a five year average of overall system wide Net CONE that ignores locational differences in Net CONE will serve as a “reasonable proxy.” If PJM is going to continue to rely on Net CONE as a basis for black start payments, then PJM should justify the proposal to terminate the use of actual Net CONE and to terminate the use of actual locational Net CONE. The June 30<sup>th</sup> Response fails to do so. The proposal has not been shown to be just and reasonable, and it should not be approved.

## II. CONCLUSION

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

Respectfully submitted,



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Dated: July 21, 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 21<sup>st</sup> day of July, 2025.



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