UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.,	)))	Docket No. ER25-682-000

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 for PJM ("Market Monitor"), submits these comments in response to the filing submitted by PJM Interconnection, L.L.C. ("PJM") on December 9, 2024 ("December 9th Filing").

This filing is about the rules that will apply in the next capacity market Base Residual Auction for the 2026/2027 Delivery Year ("2026/2027 BRA"), currently scheduled to run in July 2025. Each proposed change in administrative rules has a significant impact on expected clearing prices and therefore on incentives to enter and exit the market and on total costs to customers. Each failure to propose changes to flawed administrative rules also has a significant impact on clearing prices and therefore on incentives to enter and exit the market and on total costs to customers.

The December 9th Filing includes a series of distinct proposals, some of which have been supported as just and reasonable, and should be accepted, and some of which have not been supported as just and reasonable, and should be rejected because they are unjust and unreasonable.

1 18 CFR § 385.211 (2024).

PJM used its discretion under its FPA Section 205 filing authority to ignore some important issues related to flawed administrative capacity market rules that were raised in the same stakeholder processes that led to the PJM filing.[2] As a result of the FPA 205 standards and the NRG ruling, intervenors cannot add significant additional issues to this case. The Market Monitor will point out those issues in this filing and address them in detail in other filings. While these issues are not within the technical scope of PJM's FPA 205 filing, these issues are very much within the actual scope of the capacity market issues facing PJM market participants.

PJM does not propose to include the capacity from all current RMR resources that will be active during the relevant delivery years in the next capacity auctions. PJM proposes to delay a decision on this matter and to make a judgmental decision based on unclear criteria that allow for an unjust and unreasonable result. This component of the December 9th Filing has not been supported as just and reasonable and should be rejected.

The December 9th Filing supports the use of a CT as the reference resource for defining key parameters on the VRR curve. The Market Monitor supports the use of a CT as the reference resource for defining key parameters on the VRR curve.

The December 9th Filing proposes to create a uniform PAI penalty rate. This component of the December 9th Filing has not been supported as just and reasonable and should be rejected.

The December 9th Filing proposes to add tariff language warning participants that exemption from the must offer obligation in the capacity market does not provide a defense against a claim of withholding, market manipulation, or the exercise of market power. PJM, in parallel, has made a separate filing to eliminate must offer exemptions but only on the condition that market power mitigation rules be weakened for all capacity resources and not just those currently exempt from offering. Rather than adding superfluous warnings to the

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2 Federal Power Act, 16 U.S.C. § 824d.

tariff, PJM should remove the must offer exemption for all capacity resources without any conditions. Such exemptions are inconsistent with the structure of PJM's markets and with open access requirements.

The Market Monitor agrees with this statement and with the intent of PJM's proposal. However, PJM's actual proposed tariff language is unclear and should be approved only with modifications that are consistent with PJM's stated intent. In addition, it is the Market Monitor's view that this statement is broadly applicable and therefore that this caveat does not need to be stated in the tariff on this one specific topic. A market message from PJM reminding market participants of this fact and this Commission policy would suffice.

The December 9th Filing proposes to remove reactive revenues from the Net CONE calculation for the reference resource for defining key parameters on the VRR curve. The Market Monitor supports removal of reactive revenues from the Net CONE calculation for the reference resource for defining key parameters on the VRR curve. The more complex unit specific issues related to the treatment of reactive revenues should be and will be addressed by PJM in a separate filing.

The December 9th Filing does not address three key market design elements that will have an impact at least as significant as the market design elements included in the December 9th Filing. PJM addresses one of these in a subsequent filing.[3] While those omissions are at the discretion of PJM under FPA Section 205, the omissions create the need for complaints to ensure that the Commission has a complete picture of the issues related to key market design elements that will help determine the justness and reasonableness of the results of the next two capacity market auctions.

The December 9th Filing does not address why the maximum price on the VRR curve should be the higher of Gross CONE and 1.75 times Net CONE. The Gross CONE element was added based on a 2011 filing by PJM that raised the specter of collapsing capacity market

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3 *See* PJM Filing, Docket No. ER25-785-000 (December 24, 2024).

prices as a result of the use of an historical net revenue offset. The basis for the inclusion of Gross CONE has not been supported by the facts, and PJM is replacing the historical net revenue calculation with a forward looking net revenue calculation for upcoming auctions.

PJM includes a 1.75 multiplier as the second term in the condition rather than a 1.5 multiplier. The 1.75 multiplier was added as a result of the switch to a CC as the reference resource in the last Quadrennial Review. That reason no longer exists because PJM now proposes to use a CT rather than a CC as the reference resource. It is not just and reasonable to ignore the fact that PJM fails to reconsider this definition of the maximum price despite the fact that it is not supported by the facts or by analysis and despite the demonstrated fact that this definition is highly likely to increase total customer payments by around $20 billion over two delivery years. If the capacity market clears at the maximum price, which has a significant probability of occurrence, this issue will have an inefficient and unsupported large impact on capacity market prices and total customer payments without a corresponding impact on actionable incentives. This issue has been raised in complaints against PJM filed with the Commission.[4] The Market Monitor will file comments in those complaints and may file a separate complaint under Section 206 of the Federal Power Act to address this issue of the definition of the maximum price in the capacity market.

The December 9th Filing does not address the use of summer ratings to define the contributions of thermal resources in the winter.[5] This issue will have a significant impact when the market does not clear at the maximum price. This issue was identified by the

4 *See Pennsylvania v. PJM Interconnection, L.L.C.*, Docket No. EL25-46-000 (December 30, 2024); Joint Consumer Advocates v. PJM, Docket No. EL25-18-000 (November 18, 2024) at 50–51 ("JCA Complaint") (requesting stakeholder process to consider alternative methods for determining CONE).

5 *See* JCA Complaint at 45.

Market Monitor in four reports on the 2025/2026 BRA and recognized by PJM as an issue that needs to be addressed.[6] [7] [8]

The December 9th Filing does not address the lack of a must offer obligation for all capacity resources in this filing. PJM does address this issue in a later filing.[9] This issue will have a significant impact when the market does not clear at the maximum price.

The Market Monitor's overall position on the capacity market issues is that prices should reflect actual supply and demand conditions in a competitive market. The Market Monitor demonstrated that prices in the 2025/2026 BRA were significantly inflated by incorrect decisions about key market design elements and therefore did not reflect actual supply and demand conditions. However, prices based on supply and demand fundamentals would have been significantly higher in the 2025/2026 BRA than in the 2024/2025 BRA even if PJM had adopted the corrections proposed by the Market Monitor, other than fixing the ELCC approach. Including the corrections proposed by the Market Monitor, prices in the 2025/2026 BRA would have been significantly higher, $134.83 per MW-day for the Rest of RTO or 366.2 percent higher than the Rest of the RTO clearing price in the 2024/2025 BRA,

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6 *See* reports analyzing the 2025/2026 RPM Base Residual Auction: "Analysis of the 2025/2026 RPM Base Residual Auction–Part A," (September 20, 2024); "Analysis of the 2025/2026 RPM Base Residual Auction–Part B," (October 15, 2024); "Analysis of the 2025/2026 RPM Base Residual Auction–Part C," (November 6, 2024); and "Analysis of the 2025/2026 RPM Base Residual Auction–Part D," ("BRA Reports") (December 6, 2024). These reports are available at <*https://www.monitoringanalytics.com/reports/Reports/2024.shtml*>.

7 *See* Consultation With Members Regarding Future 205 Filing on Capacity Market, presented by PJM at Special Markets and Reliability Committee (November 7, 2024) at 7 *https://www.pjm.com/-/media/DotCom/committees-groups/committees/mrc/2024/20241107-special/item-02---capacity-market-adjustments---presentation.pdf*.

8 *See* PJM's Effective Load Carrying Capability Senior Task Force ("ELCCSTF") which can be found at <*https://www.pjm.com/committees-and-groups/task-forces/elccstf*>.

9 *See PJM Interconnection, L.L.C.*, Docket No. ER25-785-000 (December 20, 2024).

directly as a result of tightening supply and demand conditions.[10] The same is true for the 2026/2027 BRA. Including the corrections proposed by the Market Monitor, the Market Monitor's simulations show that prices that reflect expected supply and demand conditions in the 2026/2027 BRA can be reasonably expected to be higher, $302.90 per MW-day for the rest of RTO or 12.2 percent higher than the actual Rest of RTO, inflated clearing price in the 2025/2026 BRA or 947 percent higher than the Rest of RTO clearing price in 2024/2025 BRA or 125 percent higher than prices should have been in the 2025/2026 BRA.[11] These prices are extraordinarily high given the history of PJM capacity prices and the entry that resulted from those prices. There is no support for the assertion that prices need to be even higher in order to incent new entry. Holding aside the artificially inflated price in the 2025/2026 BRA, the average of the annual weighted average capacity market prices since 2007 is $116.30 per MW-day. The highest such weighted average capacity market price since 2007 was $172.71 per MW-day. The Market Monitor has always and continues to support competitive markets with the explicit recognition that prices increase and decrease based on supply and demand conditions. Contrary to the hyperbolic and misinformed comments of some, the Market Monitor is not attempting to suppress prices.[12] That should also be clear from the results of the Market Monitor's simulations with all the proposed corrections in place. The Market

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10 *See* Scenario 7, "Analysis of the 2025/2026 RPM Base Residual Auction–Part B," (October 15, 2024). Market Monitor's analysis did not combine the impact of using prior EFORd approach rather the ELCC approach with the three critical market design choices: withholding by categorically exempt resources, exclusion of two reliability must run plants and using summer ratings rather than winter ratings for CC and CT resources. The analysis of joint impact would have required PJM to do an internally consistent EFORd analysis to include CETO and CETL.

11 *See* Scenario 54, "Analysis of the 2025/2026 RPM Base Residual Auction–Part D," (December 6, 2024). As noted in the analysis, this is not a prediction of prices in the next BRA. It is the result of a simulation with clearly defined assumptions.

12 *See* Comments and Request to Sever of the PJM Power Providers Group, Docket No. ER25-682-000 (January 6, 2025).

Monitor does oppose the use of incorrect market design elements that inflate or deflate prices compared to the competitive level.

I. COMMENTS

A. PJM's Proposed Criteria for Inclusion of RMR Resources in RPM Auctions Have Not Been Shown to Be Just and Reasonable and Should Be Rejected.

In the December 9th Filing, PJM proposes to add four criteria which must be met if the capacity of resources providing RMR service under Part V of the OATT is to be included in the supply of capacity for RPM Auctions. However, PJM also states that it is possible that some RMR resources might not meet these criteria.[13] Under PJM's proposal, that failure to meet PJM's own criteria could result from PJM's failure to include the required operating conditions in relevant RMR agreements.[14] That should be unacceptable for any RMR resource. PJM should add a corrected and clarified version of these four criteria to the RMR tariff so that every RMR resource that customers must pay for is on notice that it is explicitly required to meet the criteria. PJM should not agree that customers should pay for any RMR resource that does not provide the required reliability service and therefore does not meet these modified criteria. PJM has not shown that the proposed criteria are just and reasonable because the proposed criteria could require PJM customers to pay for RMR service without receiving the service they are paying for. PJM's proposed criteria are unjust and unreasonable. PJM's proposed criteria should be rejected.

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13 December 9th Filing, at 23.

14 Every RMR case to date has been resolved by settlement. PJM's role is frequently limited to defining the operating rules that the RMR resource must follow. *See* Monitoring Analytics, LLC, *2024 Quarterly State of the Market Report for PJM: January through September* (November 14, 2024), Section 5: Capacity, Table 5-30.

If the Commission determines that the issue cannot be resolved in this Section 205 proceeding,[15] and the Commission's only option is to reject the proposed criteria under the *NRG* decision, then this component of the December 9th Filing should be rejected and the appropriate relief can be provided in other pending proceedings. One proceeding where the matter can be addressed is in the pending complaint of the Joint Consumer Advocates v. PJM, Docket No. EL25-18.[16]

Despite the apparent meaning of PJM's headings I.A (at 6) and II.A (at 12) in the December 9th Filing, PJM is not actually proposing to include the capacity of the two defined RMR capacity resources (Brandon Shores and Wagner plants) in the capacity auction for the 2026/2027 BRA. PJM states (at 7–8) that the capacity of resources that meet PJM's proposed criteria will be included in capacity market auctions but PJM has not determined whether Brandon Shores meets those criteria.

Even after all the discussion about why it is logical and efficient to include RMR resources in the capacity market, PJM concludes (at 24):

> PJM will not make a final determination as to whether each existing RMR resource can reasonably be counted as capacity for the 2026/2027 and 2027/2028 Delivery Years until the planning parameters are posted.

Creating that level of uncertainty for market participants by failing to commit to including the Brandon Shores plant in the relevant capacity market auctions is unacceptable.

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15 *See NRG Power Mktg., LLC v. FERC*, 862 F.3d 108, 114 (2017) (An order on a Section 205 cannot be conditioned on the adoption of an "entirely different rate design," even if the utility agrees, but "FERC has some authority to propose modifications to a utility's proposal if the utility consents to the modifications").

16 The JCA Complaint raises (at 36–39) the following issue: "PJM should be directed to revise its rules so that all existing eligible capacity resources that contribute to resource adequacy must participate in the capacity auction." An order on complaint could address that issue for 2026/2027 BRA by ensuring that Brandon Shores and Wagner will be included with offers of zero dollars. Comments are due in that proceeding January 23, 2025.

This component of the December 9th Filing should be rejected because it is not just and reasonable to require customers to pay for RMR service that PJM is not willing to commit will be provided. PJM should be directed to refile the RMR provisions including a commitment that PJM will include the capacity of the Wagner and Brandon Shores plants in the capacity market at a zero price.

It is encouraging that PJM now recognizes that the capacity of RMR resources should be included in relevant capacity auctions in order to ensure efficient pricing.[17] PJM does not appear to explicitly recognize that PJM's inclusion of the RMR capacity in the PJM CETO/CETL analysis for capacity auctions as a source of reliability means that, regardless of all the PJM caveats, PJM has already decided that it does recognize that the RMR capacity provides reliability services. That recognition implies, unambiguously, that the RMR capacity should also be included in the capacity auctions in order to recognize its reliability contribution in a consistent manner. PJM has explained in multiple stakeholder meetings including multiple meetings of the Deactivation Enhancements Senior Task Force ("DESTF") that RMR resources must be included in PJM's CETO/CETL analysis because if they were excluded, the model would not solve and the system would not be reliable from a transmission planning perspective.[18]

Contrary to the ad hominem and misinformed comments of some, the Market Monitor did not change positions on the treatment of RMR resources in capacity auctions.[19] The Market Monitor's position has been that RMR resources should not be included in the CETO/CETL reliability analysis that defines the demand for capacity or in the auction. PJM

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17 *See* BRA Reports; see also PJM Response to Independent Market Monitor Report on 2025/2026 Base Residual Auction (October 11, 2024).

18 *See* Item 4 PJM CETO/CETL and Load Deliverability at 16, Deactivation Enhancements Senior Task Force Meeting (August 19, 2024) <*https://www.pjm.com/-/media/DotCom/committees-groups/task-forces/destf/2024/20240819/20240819-item-04---ceto-cetl-and-load-deliverability-test.pdf*>

19 *See* Comments and Request to Sever of the PJM Power Providers Group, Docket No. ER25-682-000 (January 6, 2025).

has insisted that the RMR resource continue to be included in the CETO/CETL analysis because they are essential for reliability. As a result of PJM's position, the Market Monitor concluded that the RMR resources should be treated consistently and included in the supply curve of the capacity auctions because they provide reliability. PJM currently includes RMR units in the reliability analysis for RPM auctions but does not include the RMR units in the supply curves. This approach is internally inconsistent. It would be internally consistent to leave the RMR units out of the CETO/CETL reliability analysis. It would also be internally consistent to include the RMR units in the supply of capacity and in the CETO/CETL analysis. Including RMR resources in the capacity supply curve does not mean forcing unit owners to offer or to take on PAI risk. It simply means that PJM would recognize the fact that PJM treats RMR resources as a source of reliability. The goal is to ensure that the underlying supply and demand fundamentals are included in the capacity market prices. These two options have very different implications for capacity market prices. There are times when a price signal for the entry of generation is appropriate, e.g. when the goal is to allow generation to compete with transmission to address the reliability need, in whole or in part. There are times when a price signal for the entry of generation is not needed or appropriate, e.g. when PJM has committed to the construction of new transmission that will eliminate the price signal when complete. This is the current situation for the RMR units in Maryland. The relevant rules can and should be changed. The Market Monitor has explained this approach in the stakeholder process and in writing.[20]

There are multiple longstanding issues with PJM's approach to RMR resources. The existence of resources with RMR status means that there are one or more market failures in PJM that have gone unaddressed for a long time and that were not part of the discussion at the DESTF. Without addressing all of the RMR issues, PJM misstates the current situation

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20 *See* PJM's Deactivation Enhancements Senior Task Force ("DESTF") which can be found at <https://www.pjm.com/committees-and-groups/task-forces/destf>; *see also 2024 Quarterly State of the Market Report for PJM: January through September*, Section 1: Introduction (November 14, 2024).

when PJM asserts, with a misplaced nod to the Declaration of Independence, that PJM rules "endow the retiring generator" with certain rights including the right to decide whether the unit will continue to operate to maintain system reliability, the right to decide how the unit will operate and the right to decide the means by which it will be compensated. While these statements sum up PJM's approach to RMR resources, PJM misunderstands the roles of the RMR owners, PJM and the Commission and ultimately the U. S. Department of Energy.

Retiring units do not have the authority or the right to put the PJM system at risk by refusing to operate under an RMR arrangement. Retiring units do not have the authority or the right to determine how they will operate to provide reliability to PJM under an RMR arrangement. Retiring units do have two broad choices about the method of compensation under the tariff, but the details of those calculations are disputed in every RMR case because, in PJM's view, the tariff is not clear enough. PJM does not appear to assert that RMR units have the right to decide on the level of compensation. PJM has recently failed to satisfactorily address the compensation issue in the DESTF. RMR compensation continues to be well in excess of the actual costs of providing the service plus a reasonable markup.[21]

If PJM customers are required to pay RMR resources for providing reliability after their proposed retirement dates, it is PJM's responsibility to ensure that the resources can and do provide the needed services. PJM should not require customers to pay for RMR service that is not provided. If a resource owner actually proposed to put the system at risk by refusing to operate after the proposed retirement date, there are multiple options available to ensure that the unit continues to operate including enforcement of the obligations of market participants under the Operating Agreement, or a request to the U.S. Department of

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21 *See* Monitoring Analytics, LLC, *2024 Quarterly State of the Market Report for PJM: January through September* (November 14, 2024), Section 5: Capacity, Table 5-30.

Energy for action under section 202(c).[22] If the resource owner refused to operate in the ways needed by PJM for reliability, section 202(c) could also be invoked.

PJM now appears to recognize some of the significant flaws in the existing RMR tariff that were not addressed during the recent DESTF meetings. One such significant flaw is that there is no pro forma RMR agreement specifying how RMR resources will operate.

PJM states (at 13): "In other words, PJM cannot categorically rely on all RMR resources to meet the region's resource adequacy needs." PJM also states (at 13) that "the operating terms are negotiated with PJM."

It is PJM's responsibility to ensure that RMR resources operate in the ways required by PJM to maintain reliability. The fact that the details of that required operation may vary across units or over time for a specific unit is irrelevant. The fact that in 2010 an RMR agreement may have limited PJM's use of an RMR resource to address the reliability needs created by the proposed retirement is irrelevant.[23]

When a resource informs PJM that it wishes to retire and PJM informs the resource that it will be required to continue to operate in order to maintain reliability until a transmission or generation alternative can be built, that resource has market power. Such RMR resources should not be permitted to exercise that market power by refusing to continue

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22 16 U.S.C. § 824a(c); 10 CFR § 205.370 ("DOE has the authority to order the temporary connection of facilities, or the generation or delivery of electricity, which it deems necessary to alleviate an emergency. Such orders shall be effective for the time specified and will be subject to the terms and conditions the DOE specifies."); *see also* OA § 1.7.4(f) ("Each Market Participant shall operate, or shall cause to be operated, any generating resources owned or controlled by such Market Participant that are within the PJM Region or otherwise supplying energy to or through the PJM Region in a manner that is consistent with the standards, requirements or directions of the Office of the Interconnection and that will permit the Office of the Interconnection to perform its obligations under this Agreement; provided, however, no Market Participant shall be required to take any action that is inconsistent with Good Utility Practice or applicable law.").

23 *See* December 9th Filing at 13 & n29, citing Exelon Generation Company, LLC, Filing, Docket No. ER10-1418-000, Attachment C at OP-3 (June 9, 2010).

to operate, by refusing to operate in a way that meets PJM's needs in ensuring reliability, or by insisting on excessive compensation, including compensation for sunk costs, under threat of refusing to continue operating. PJM clearly understands that market manipulation is possible even when following the tariff rules, but that manipulation is not acceptable.[24]

The suggestion that the way in which the identified RMR resources will operate is somehow beyond PJM's control is unacceptable and incorrect given PJM's statement that PJM negotiates the operating details with the RMR resource.

PJM proposes to add four criteria to the tariff which must be met if the capacity of an RMR resource is to be recognized in the capacity market. However, PJM also states that it is possible that some RMR resources might not meet these criteria.[25] That should be unacceptable for any RMR resource. PJM should not agree that customers should pay for any RMR resource that does not meet even these inadequately specified criteria. In addition, PJM should add a corrected and clarified version of these four criteria to the RMR tariff so that every RMR resource that customers must pay for is on notice that it is explicitly required to meet the criteria and that the criteria are operational and unambiguous.

The first criterion is basic and reasonable. The second criterion is also basic and reasonable except for the fact that PJM has added process deadlines that could result in an RMR resource not being included in the auction supply as intended. The third criterion would make PJM's decision about the reliability of the grid inappropriately subject to a third party agreement. The fourth criterion is too narrowly linked to PJM emergencies.

The first criterion is that the resource be a capacity resource with Capacity Interconnection Rights ("CIRs").

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24 December 9th Filing at 76–77 ("The Tariff's categorical exemption and resource-specific exceptions from the capacity must-offer requirement do not provide a safe harbor for potential claims of withholding, market manipulation, or any other exercise of market power…").

25 December 9th Filing at 23.

The second criterion is that the resource did not already clear in the capacity auction for the relevant delivery year. The second criterion also includes the requirement that the resource has provided a retirement notification to PJM, that PJM has determined that the resource requires an RMR and that the RMR agreement has been submitted to FERC and accepted, all by three months prior to the posting date for the auction parameters.[26] PJM has provided no assurance that the PJM proposal could not result in the RMR resource being paid but not being included in the auction. PJM needs to clarify that the interaction of the deadlines for notification of retirement and the deadlines proposed here cannot have that result.

The proposed timeline criterion is nearly unattainable and in some circumstances would result in an RMR resource not being included in auction supply as intended. For example, suppose the 2027/2028 BRA were scheduled to open on December 1, 2025. The planning parameters would be posted 100 days prior to the auction, or August 23, 2025. The deadline for requesting an RPM must offer exception request based on retirement under the compressed schedule would be 135 days prior to the auction, or July 19, 2025. Under the proposed criteria, an RMR rate schedule would need to be accepted by FERC at least three months prior to the posting of the planning parameters, or May 23, 2025. This means an RMR rate schedule would need to be submitted and accepted by FERC almost two months prior to the deadline for requesting an RPM must offer exception request based on retirement, which triggers the reliability studies used to determine whether an RMR agreement is needed.

The third criterion (at 20) is that "the RMR resource must be reasonably expected to be able to operate for the entire Delivery Year." Reasonably expected is not an objective criterion. PJM's definition of reasonably expected inappropriately depends on the existence of a third party agreement.

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[26] FERC acceptance as used here by PJM apparently means only that FERC acknowledges receipt and does not mean that FERC has approved the filing.

PJM (at 21) adds a critical caveat to the third criterion:

> If a resource is the subject of a third-party agreement to limit (or cease) its operation for all or a part of the relevant Delivery Year, then PJM may not have a "reasonabl[e] expect[ation]" that the resource will ignore its contractual commitments and nonetheless operate to meet the region's capacity needs.

PJM should not make the reliability of the grid and the cost of the grid to customers a function of a third party agreement. The RMR agreement with PJM and the obligations of generators under the OA supersede any such agreement and that should be explicit.

In the specific case of the agreement between Talen and the Sierra Club related to Brandon Shores, it does not appear that the Sierra Club would or could do anything to prevent Brandon Shores from running and continuing to burn coal if required for reliability. Given the critical role that Brandon Shores plays in maintaining reliability in PJM, PJM, the Commission and the U.S. DOE have the ability and authority to ensure that the resource continues to operate as needed by PJM for reliability. If, contrary to the Market Monitor's opinion, PJM believes that the Sierra Club agreement could really threaten reliability in PJM, then PJM should explain what, if any, legal or other actions it has taken to prevent that impact.

The fourth criterion (at 21) is that "the RMR resource must be required by its RMR agreement to be available for PJM dispatch in expectation of all PJM emergencies."

The fourth criterion is too narrowly linked to PJM emergencies. For example, that is not the only reason that Brandon Shores runs and it is not how PJM will need Brandon Shores to run during the RMR period. The fourth criterion should require that the RMR resource "must be required by its RMR agreement to be available for PJM dispatch as needed to maintain system reliability." Regardless of whether PJM believes that it already has this authority, PJM should be explicit that PJM can commit and dispatch the resources as needed, including to resolve transmission constraints, maintain voltage levels and meet system demand. PJM should include these conditions in any agreement with Talen about RMR service from Brandon Shores and Wagner. The RMR tariff should include all these conditions in PJM's pro forma agreement.

PJM (at 21) effectively concedes this point in the first paragraph describing the fourth criterion, although continuing to conflate "capacity emergencies" and "to meet capacity needs" and "transmission needs:"

> The RMR agreement defines the terms by which PJM can require a retained resource to operate. However, because the Tariff lacks a *pro forma* RMR agreement and standardized terms and conditions for RMR and vests the retained generator with the authority to propose and justify the terms, conditions, and cost of retention before the Commission, [footnote omitted] the terms and conditions under which each retained resource agrees to operate are resource-specific, though the operating terms are negotiated with PJM. Given the lack of standardized operating terms and conditions, PJM cannot assume that each RMR resource would be required to operate to meet the region's capacity needs. Indeed, historically in some RMR agreements, PJM has been contractually precluded from dispatching RMR resources for capacity emergencies and were instead limited to operating them for transmission needs. [footnote omitted] Consequently, just because a resource is retained does not mean that PJM can be assured that it will operate to address capacity emergencies.

Although PJM includes multiple caveats, PJM asserts that PJM has negotiated provisions in the RMR agreement with Talen to ensure that the unit will run as needed by PJM.[27] To the extent that the operating provisions of the RMR are subject to PJM agreement, PJM should never agree to an inadequate set of operating conditions and if it did, customers

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27 *See* December 9th Filing at 22 ("PJM has been negotiating for each RMR agreement to provide that "PJM may schedule and dispatch [the resource] solely to address . . . a capacity emergency (as described in PJM Manual 13) during which PJM determines that the resources scheduled for an operating day are not sufficient to maintain the appropriate reserve levels for PJM."[Footnote omitted] Given that PJM Manual 13 details PJM's emergency operations, with a section devoted entirely to how PJM operates during various capacity emergencies (e.g., capacity shortages), such agreements provide the necessary performance assurances.").

should not be required to pay for inadequate RMR service. An RMR rate schedule lacking terms adequate to protect the public interest should not be approved.

PJM proposes that any RMR resource that meets these criteria will be included in relevant capacity market auctions by PJM at an offer price of zero. A zero offer price means that the resource will count towards the reliability target and will receive the auction clearing price. PJM proposes (at 32) that the resultant capacity market revenues will be returned to those customers who pay for the RMR service.[28] The Market Monitor supports this distribution of revenues.

PJM needs to be explicit that the capacity of Brandon Shores and Wagner plants will be included at a zero price in the capacity auctions for the 2026/2027 and 2027/2028 Delivery Years, without condition.

Unfortunately, after PJM's lengthy discussion of the issues, PJM (at 24) does not commit to include Brandon Shores and Wagner in the capacity auction and will not inform anyone of their decision until the planning parameters are posted on March 31, 2025:

> As the Tariff administrator, PJM will review the facts and circumstances associated with each RMR agreement to determine which resources sufficiently meet the objective criteria laid out above. As applied to the five resources currently retained under RMR agreements—Brandon Shores 1 and 2, Wagner 3 and 4, and Indian River unit 4—it remains an open question as to which resources will meet these criteria. To allow consideration of the latest facts and circumstances surrounding the RMR resources, PJM will not make a final determination as to whether each existing RMR resource can reasonably be counted as capacity for the 2026/2027 and 2027/2028 Delivery Years until the planning parameters are posted.

While appropriately recognizing that Indian River 4 will not continue operating and stating clearly that Wagner 3 and Wagner 4 will be included in the relevant capacity auctions,

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28 *See* PJM Manual 18: Capacity Market § 9.3.1, Rev. 59 (June 27, 2024) (requires that the Generation Deactivation Credits received by units with RMR contracts be reduced by the Auction Credits received by the RMR unit in a RPM Auction).

PJM (at 25) cites the Talen–Sierra Club agreement as a reason for not making a similar clear decision about Brandon Shores.

The Commission should direct PJM to include the full Wagner and Brandon Shores capacity in the capacity auctions for both the 2026/2027 and the 2027/2028 Delivery Years at a price of zero dollars.

PJM also proposes to exempt the identified RMR resources from the obligations of capacity resources. PJM states that the resources will not have must offer obligations in the energy market. That obligation applies to both day-ahead and real-time energy markets. While the exemption from the energy market must offer is reasonable, PJM fails to explain how PJM operators will recognize and account for the availability of these critical resources in the energy market. Brandon Shores is frequently committed by PJM. For example, in the first nine months of 2024, Brandon Shores 1 ranked number 3, Brandon Shores 2 ranked number 1, Wagner 3 ranked number 5, and Wagner 4 ranked number 6 in total dollars of uplift payments received. These resources received 23.4 percent of all uplift paid in the first nine months of 2024. The uplift paid to these units was a direct result of PJM's commitment and dispatch of the resources to meet PJM reliability needs.[29] Those reliability needs did not change when the units decided to retire. PJM's designation of the resources as RMR resources corroborates PJM's continued need for these resources to run on a regular basis.

PJM's proposed treatment of RMR resources in the next two capacity auctions should be rejected because it is not just and reasonable because it does not commit PJM to including the capacity of Brandon Shores and Wagner in the capacity auction supply curves at zero and because the four conditions PJM proposes do not adequately define the obligations of RMR resources to operate at PJM's direction and do not adequately define PJM's authority over RMR resources. PJM's proposal is unjust and unreasonable.

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[29] *See* Monitoring Analytics, *2024 Quarterly State of the Market Report for PJM: January through September* (November 14, 2024), Section 4: Energy Uplift (Operating Reserves), Table 4-27.

B. CT as the Reference Resource

PJM proposes to keep a dual fuel CT as the reference resource in the parameters for the demand curve (VRR curve) in the next two capacity auctions, pending further consideration in the next Quadrennial Review. The Market Monitor supports this proposed change.[30]

The rationale for use of a peaker (CT) from the beginning of the RPM design was to define the missing money from the PJM energy market. The entire and only purpose of the capacity market is to ensure that resources have the opportunity to cover all of their costs between the energy and ancillary services markets, and the capacity market as the residual. The net revenue metric used in the capacity market is gross energy market revenue minus the short run marginal costs of generating energy.[31] Net revenue is compared to avoidable costs in the capacity market and the capacity market is designed to allow generators to offer their capacity at the difference between net revenue and going forward costs. That is the definition of the missing money. That is the definition of a competitive offer in the capacity market.

The missing money for a peaker appropriately defines the missing money for all resources. In a competitive market with no shortage pricing and only identical peakers with identical costs that are needed for reliability, the net revenue for a peaker would be zero. Peakers would offer at short run marginal cost and set price when dispatched. The difference between gross revenues and short run marginal costs would be zero and net revenues would be zero. The competitive offer in the capacity market of such peakers would be net revenue minus avoidable costs, which equals avoidable costs when net revenue is zero. In that case,

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30 For the reasons stated in this filing, among others, the Market Monitor's position has changed since the 2022 Quadrennial Review when the Market Monitor supported the choice of a CC as the reference resource.

31 The total net revenues from the energy and ancillary services markets will be referred to in this filing as energy market revenues or net revenues.

Net CONE would equal Gross CONE for the hypothetical identical peakers. Net CONE is still the correct metric. In fact, not all peakers are identical and a new, efficient peaker would earn positive net revenues. As a result, the Net CONE of an efficient peaker is less than Gross CONE and the competitive offer of an efficient peaker is avoidable costs minus energy market net revenues.

PJM's lengthy and complicated reasons for proposing to use a CT as the reference resource are generally unnecessary. For example, whether the reference resource is currently being built in PJM is not relevant to the choice of the reference resource. Even if individual CTs that comprise a combined cycle (CC) resource are sometimes used as peakers rather than standalone CTs, the standalone CT is still the reference resource for the purpose of defining the missing money.

There is nothing logically incorrect, or inconsistent with competitive markets, in having a Net CONE value of zero. PJM's concern reveals PJM's unwillingness to accept the logic of PJM's own market design. Although there is no evidence that any Net CONE values for any locational CT are zero, there would be nothing wrong with a zero Net CONE. In that case the energy market revenues would be more than enough to cover the costs of capacity resources. Correspondingly, the market signal would be that energy market revenues provide the incentive for capacity resources to enter and to perform. That would be the correct answer and fully consistent with the PJM market design under those circumstances. It is unlikely that Net CONE would be persistently zero over multiple capacity market auctions. Net CONE has never been zero for a CT. The capacity market is a long term part of the PJM market design and participants' expectations recognize that.

Capacity is not a thing. Capacity does not power light bulbs or refrigerators or air conditioners. It is not possible to buy just capacity. The only real product provided in wholesale power markets is energy. Capacity is a concept and a mechanism designed to make the energy market work. The only reason for the capacity market is to provide for the missing money. If there is no missing money there is no reason for a positive capacity market price. That is the basic logic of the PJM markets. The capacity market has been in existence for long enough and subject to so many discussions since PJM markets were created in 1999 that commenters have begun to discuss capacity as if it were a real, separable product. It is not.

The Market Monitor does agree that zero Net CONE for a CC is not a logical market signal for the capacity market because CCs run as baseload units in PJM and therefore depend much more on energy market revenues than do CTs, as also noted by PJM. The most recent Quarterly State of the Market Report shows that CCs operated at a 65.6 and 68.2 percent capacity factor in the first nine months of 2023 and 2024 while dual fuel CTs operated at a 7.3 and 11.8 percent capacity factor during the same time periods.[32] The simple calculation of a zero Net CONE for a CC would fail to capture the fact that there is still missing money for a CC, and for all units, that is best measured by the Net CONE of a CT.

The most significant issue with PJM's proposal is what it does not include. PJM does not propose to change the definition of the maximum price on the VRR curve despite the fact that the definition is not efficient, not competitive and will result in excessive payments by customers for capacity. Effective with the 2026/2027 Delivery Year, the maximum price is defined to be the higher of Gross CONE or 1.75 * Net CONE.[33] The maximum price on the VRR curve sets the market price when the supply of capacity is less than 99 percent of the reliability requirement (Point A on the VRR curve).[34] Use of the 1.75 multiplier makes the 1.75 * Net CONE value much closer to Gross CONE and actually significantly greater (35 percent) than Gross CONE in some LDAs. PJM does not address the reasons for using a value greater than Gross CONE, let alone support such values.

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32 *See* Monitoring Analytics, LLC, *2024 Quarterly State of the Market Report for PJM: January through September* (November 14, 2024), Section 5: Capacity, Table 5-31.

33 *See PJM Interconnection, L.L.C.*, 182 FERC ¶ 61,073 (February 14, 2023) (approved multiplier increase from 1.5 to 1.75 in the 2022 PJM Quadrennial Review filing).

34 *See* OATT Attachment DD § 5.10(a)(i).

PJM fails to support the use of the higher of Gross CONE or 1.75 * Net CONE as the maximum price on the VRR curve. The impact of the use of Gross CONE is expected to be extremely significant in the next capacity market auctions as long as supply is less than 99 percent of the reliability requirement.[35] The Market Monitor's calculations show that the impact of using Gross CONE rather than 1.5 * Net CONE would be to increase customer payments for capacity by approximately $10.1 billion for a single delivery year.[36]

PJM also fails to support the use of 1.75 times Net CONE rather than 1.5 times Net CONE as one option for the maximum price. Given that PJM proposes to modify the approved results of the last Quadrennial Review to use a CT as the reference resource rather than the CC defined in the last Quadrennial review, PJM could also propose to use 1.5 * Net CONE rather than the 1.75 * Gross CONE defined in the last Quadrennial review.

PJM's use of 1.75 was motivated by PJM's now abandoned proposal to use a CC as the reference resource. Net revenues are about 85 percent of Gross CONE for a CC but only 51 percent of Gross CONE for a CT. In other words, Net CONE is only about 15 percent of Gross CONE for a CC but about 49 percent for a CT.

PJM stated in the 2022 Quadrennial Review filing that supported the use of a 1.75 multiplier:

> In addition, changing the Net CONE multiplier has a smaller effect when the Reference Resource is a CC because the greater EAS revenues associated with a CC than a CT mean that Net CONE is a lower percentage of gross CONE. Thus, the relationship between gross CONE and 1.75 times Net CONE for a CC Reference Resource is similar to the relationship between gross CONE and 1.5 Net CONE for the CT Reference Resource.[37]

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[35] *See* "Analysis of the 2025/2026 RPM Base Residual Auction- Part D," (December 6, 2024); and the Market Monitor Report presented to the PJM MC Webinar (December 16, 2024).

[36] The basis for the exact calculation is in "Analysis of the 2025/2026 RPM Base Residual Auction- Part E," (Forthcoming January 2025)

[37] *See* PJM Filing, Docket No. ER22-2984-000 (September 30, 2022) at 19.

Now that PJM has decided to use a CT as the reference resource, PJM should also use a multiplier of 1.5 for consistency. PJM's rationale for using a 1.75 multiplier is no longer relevant. It is unjust and unreasonable that PJM did not change the multiplier back to 1.5 based on PJM's switch from a CC to a CT as the reference resource.

Table 1 includes the range of Gross CONE and Net CONE values by LDA for the CC and CT reference resources. Table 1 shows that the Gross CONE of a CT is less than the Gross CONE of a CC, but that the Net CONE of a CT is greater than the Net CONE of a CC.

Using a multiplier of 1.75 with a CT as the reference resource results in a value close to or in some cases greater than Gross CONE. For the CT reference resource, 1.75 * Net CONE is an average of 86 percent of Gross CONE across all LDAs and 1.75 * Net CONE is greater than Gross CONE for six of the 17 LDAs (more than one third), with a maximum excess over Gross CONE of 35 percent and an average excess of 24 percent.

Using a multiplier of 1.5 results in lower values than 1.75, but in some LDAs the result of using a 1.5 multiplier is also greater than Gross CONE. For the CT reference resource, 1.5 * Net CONE is an average of 74 percent of Gross CONE across all LDAs and 1.5 * Net CONE is greater than Gross CONE for four of the 17 LDAs, with a maximum excess over Gross CONE of 15 percent and an average excess of 12 percent.

Table 1 Gross CONE, Net CONE for PJM RTO and Locational Deliverability Areas for 2026/2027 BRA[38]

	2026/2027 BRA Net CONE ($/MW-Day UCAP)					
	CC Gross CONE	Net CONE Using CC Forward E&AS	CT Gross CONE	Multiplier * Net CONE Using CT Forward E&AS 1.00	1.50	1.75
RTO	$695.83	$0.00	$540.51	$224.50	$336.75	$392.88
MAAC	$694.35	$145.69	$540.51	$292.92	$439.38	$512.61
EMAAC	$696.17	$230.18	$540.51	$376.91	$565.37	$659.60
SWMAAC	$678.26	$0.00	$540.51	$162.86	$244.29	$285.01
PSEG	$696.17	$297.12	$540.51	$415.56	$623.35	$727.24
PS-NORTH	$696.17	$297.12	$540.51	$415.56	$623.35	$727.24
DPL-SOUTH	$696.17	$117.24	$540.51	$278.03	$417.05	$486.56
PEPCO	$678.26	$0.00	$540.51	$271.56	$407.35	$475.24
ATSI	$694.77	$14.72	$540.51	$230.72	$346.07	$403.75
ATSI-CLEVELAND	$694.77	$14.72	$540.51	$230.72	$346.07	$403.75
COMED	$708.51	$224.26	$540.51	$345.41	$518.12	$604.47
BGE	$678.26	$0.00	$540.51	$54.16	$81.24	$94.78
PPL	$701.44	$149.86	$540.51	$336.60	$504.90	$589.05
DAY	$694.77	$0.00	$540.51	$170.83	$256.24	$298.95
DEOK	$694.77	$0.00	$540.51	$201.93	$302.90	$353.38
DOM	$694.77	$0.00	$540.51	$116.06	$174.09	$203.10
JCPL	$696.17	$265.20	$540.51	$412.88	$619.32	$722.54

C. Uniform PAI Penalty Rate

PJM proposes to have a single PAI penalty rate across the entire footprint. PJM has not demonstrated that this proposal is just and reasonable, and this component of the December 9th Filing should be rejected as a result. For the reasons explained here, the proposal is unjust and unreasonable.

PJM's rationale for this change was based on PJM's plan to use a CC as the reference resource which would have resulted in Net CONE values of zero in some LDAs. While PJM's switch to proposing the use of a CT as the reference resource eliminates this concern, PJM failed to be consistent in proposing rule changes.

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38 CC Gross CONE from initial planning parameters previous published by PJM. CT Gross CONE from Final Default CONE Values. *See* MIC Special Session – Default ACR Values <https://www.pjm.com/-/media/committees-groups/committees/mic/2023/20230113-special/item-03---final-updated-of-default-cone-values.ashx> (January 13, 2023). Forward E&AS revenues provided by PJM.

PJM's rationale further reveals the logical flaws with the underlying design that relies on PAI penalties to provide an incentive to perform. PJM is unwilling to live with its own market logic that defines PAI penalties using the locational values of Net CONE. PJM is concerned that Net CONE could be zero. Although there is no evidence that any Net CONE value for any locational CT is zero, there would be nothing wrong with a zero Net CONE based on a CT as the reference resource. In that case the energy market revenues are more than enough to cover the costs of capacity resources. Correspondingly, the market signal is that energy market revenues provide the incentive for capacity resources to perform and no arbitrarily high PAI penalty is required.

PJM also ignores the fact that it is illogical to use a single Net CONE value defined using net revenues as a function of a hypothetical dispatch against a hypothetical average PJM LMP that no unit is ever paid or is ever dispatched against. LMP is locational and nodal by definition. No unit in PJM is paid the average system wide LMP, except in the extremely unusual circumstance of zero congestion and that is extremely infrequent. Even if that were the case, the locational LMP would fully capture the correct impact.

The proposed uniform PAI rate has not been shown just and reasonable and should be rejected. The proposal is unjust and unreasonable because it is not based on the actual market design and corresponding actual market prices and because it is based on the use of a CC as the reference resource which is not what PJM proposes in this filing.

D. Market Power Issue

PJM proposes to add language to the tariff related to the tariff provisions that provide an exemption from the must offer obligation of capacity resources for categorically exempt resources. The proposed language is unnecessary and unhelpful and should be rejected. Rather than adding superfluous language to the tariff, PJM should eliminate all must offer exemptions immediately and without conditions. Must offer exemptions are inconsistent with all the basic elements of the capacity market.

The Market Monitor agrees with PJM's point, but the tariff and the Commission's rulings on related matters make PJM's addition to the tariff unnecessary. In concept, PJM should add this language to every rule in the OATT or at the start of the tariff The Commission's market behavior rules already make the added language superfluous.[39] The language would create unnecessary confusion when it is added in one place in the tariff and not all places where it applies. The language raises the risk that tariff parsing market participants wishing to defend manipulation of other kinds in PJM will argue that the addition of this language only in this case means that the failure to add it elsewhere means that it does not apply elsewhere.

PJM (at 74) states that its intent is to clarify that:

> a categorical exemption or an resource-specific exception from the requirement that Generation Capacity Resources must-offer into the capacity market [footnote omitted] does *not* provide a defense against a claim of withholding, market manipulation, or the exercise of market power.

The must offer requirement is not primarily about market power. The purpose of the must offer rule, which has been in place since the beginning of the capacity market in 1999, is to ensure that the capacity market works, and therefore that the energy market works, based on the inclusion of all demand and all supply, to ensure competitive entry, to ensure open access to the transmission system, and to prevent the exercise of market power via withholding of capacity supply.

The PJM capacity market, from its inception in 1999, has been, by rule, a must buy and must sell design. All load is required to buy capacity and all owners of capacity are required to sell capacity. That is the only way the capacity market can work. That is the only way that the actual supply and demand fundamentals can determine the market price. Permitting some owners of capacity to not sell while all load must buy creates an imbalance between

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39 *See* 18 CFR § 25.41.

supply and demand and creates artificial upward pressure on market prices which while indistinguishable from the exercise of market power is a problem of fundamental market design. This result does not require a showing that any individual generation owner can benefit from withholding by increasing the overall value of its portfolio. In fact, it is impossible to tell when an owner of a single generation asset benefits from withholding because it is not possible to know all the financial positions taken by that owner.

The purpose of the RPM must offer requirement is also to ensure equal access to the transmission system through CIRs (capacity interconnection rights). Resources with CIRs have acquired the right to deliver power to the PJM grid at full ICAP without limits. That access right is a scarce good that depends on the investments in transmission paid for by customers and other generators. Those generators who hold CIRs but fail to offer in the capacity market hold a scarce right that others want to use to provide capacity to the market. Those generators that do not offer their capacity in auctions are interfering with open access to the grid, by acquiring but hoarding the right to deliverability.

The exemption from the must offer obligation also permits the explicit and direct exercise of market power by individual generation owners who can demonstrably increase the value of their overall portfolios by withholding their capacity from the market and increasing prices.

The market seller offer cap is explicitly about market power and the definition of a competitive offer.

PJM (at 76) reminds us:

> Indeed, "[m]arket manipulation under the Commission's Rule 1c is not limited to tariff violations."[footnote omitted] Thus, while PJM may not be able to specify each unlawful artifice, PJM can make clear that the Tariff does not offer a defense.

PJM proposes to add language to the tariff for the purposes of reminding all that the categorical exemption from the must offer obligation does not provide an excuse for any form of market power.

PJM's language (at 78) is not clear and does not reflect PJM's stated intent (at 74):

> [N]othing herein provides a defense to a claim of withholding, market manipulation, or the exercise of market power by any entity who is affiliated with or are under common ownership or control of a Capacity Market Seller that does not submit an offer for a Generation Capacity Resource that obtains an exception to the capacity must-offer requirement.

Contrary to PJM's suggestion (at 73–74) that the proposal is related to PJM's responsibility to mitigate market power, no such relationship is established. The must offer rules are about market design and not about market power mitigation.

If language is to be included in the tariff as a reminder of what is already clearly established by the Commission, the language should be as clear as possible. A clearer version of PJM's language is:

> [N]othing herein provides a defense to a claim of withholding, market manipulation, or the exercise of market power by any entity that owns a capacity resource, or is affiliated with that owner, that does not submit an offer for a Generation Capacity Resource that has an exemption from the capacity must offer requirement.

The broader point is that PJM should remove the must offer exemption for all capacity resources without any conditions. Such exemptions are inconsistent with the structure of PJM's markets and with open access requirements. PJM has made a filing that would remove the must offer exemptions but that also includes a poison pill in the form of proposed rules that would weaken market power mitigation for all capacity resources.[40] While PJM appears to be strengthening market power rules here, PJM proposes to weaken market power rules associated with the must offer requirement in that separate filing. The Market Monitor will respond to the detailed proposal in that docket and argue that the proposal is unjust and unreasonable and should be rejected.

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40 *See PJM Interconnection, L.L.C.*, Docket No. ER25-785-000 (December 20, 2024).

The Market Monitor recommends that PJM's proposed tariff language be rejected because it has not been shown to add anything of substance to the tariff and has not been shown to be just and reasonable.

E. The Proposed Removal of Reactive Revenues from Net Revenues Has Been Shown to Be Just and Reasonable and Should Be Approved.

PJM proposes to remove reactive revenues from the calculation of net revenues from the calculation of Net CONE for the VRR reference resource beginning with the BRA for the 2026/2027 Delivery Year as a result of the Commission's Order No. 904.[41] PJM indicates (at 82) that it plans to make a separate filing to address all the other issues related to compliance with Order No. 904. The link between the inclusion of reactive revenues in total net revenues for the reference resource in the VRR curve and in individual unit offers in the capacity market is complex and will be addressed in the separate filing. The Market Monitor has explained the link in numerous affidavits filed with the Commission in PJM OATT Schedule 2 proceedings.[42]

PJM mistakenly references removing the value of $2,546/MW-year in reactive service revenues from the calculation of the net EAS Offset used to determine the Net CONE of the Reference Resource for the 2026/2027 Base Residual Auction. The $2,546/MW-year value is based on a CC rather than PJM's proposal to use a CT as the reference resource. PJM's basic point remains correct, that there should be no reactive net revenues included in the EAS Offset for the reference resource used in the 2026/2027 BRA and subsequent BRAs. An order approving this component of the December 9th Filing could provide useful clarification with

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41 *See* Compensation for Reactive Power Within the Standard Power Factor Range, Order No. 904, 189 FERC ¶ 61,034 (October 17, 2024).

42 *See, e.g.*, *Stony Creek Wind Farm, LLC*, Comments of the Independent Market Monitor for PJM in Opposition to Offer of Settlement, Exhibit No. IMM-0001 (Affidavit of Joseph E. Bowring), Docket Nos. EL23-98-000 & ER23-2595-001 (May 9, 2024).

the simple statement that no reactive revenues will be included in the Net CONE calculation for the reference resource used to define points on the VRR curve.

The Market Monitor supports PJM's proposal in this filing to ensure that there is no reactive revenue included in the net revenue for the reference resource that affects the shape and location of the VRR curve in the 2026/2027 and all subsequent BRAs. Ensuring that reactive revenues are not included will appropriately increase the maximum price on the VRR curve when it is based on Net CONE and will increase other points on the VRR curve that are a function of Net CONE.

The details of how the removal of reactive revenue affects individual unit offers must also be addressed. The issues associated with the treatment of unit specific reactive revenues, can be addressed in PJM's coming separate compliance filing. Deferring consideration of those issues will facilitate timely approval of this part of the December 9th Filing.

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: January 6, 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 6th day of January, 2025.

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