



approved Distributed Energy Resource model that cover participation in the PJM regulation market. The December 19<sup>th</sup> Filing has not been supported as just and reasonable. The proposal creates discriminatory preferences for a small group of potential participants, who are on retail Net Energy Metering (“NEM”) tariffs and want to participate in the regulation market, and undercuts PJM demand response rules without justification or evidence. As the IMM Comments explain, and contrary to PJM’s assertions, the December 19<sup>th</sup> Filing is not simply an acceleration of the implementation of the Order No. 2222 rules for Distributed Energy Resources (“DERs”), but creates a permanent exception to those rules without any detailed support or analysis. The PJM Answer does not address the issues raised in the IMM Comments. Under the December 19<sup>th</sup> Filing, Economic Load Response Regulation Only Participants would operate under a new set of rules that do not include the protections established and approved in PJM’s Order No. 2222 compliance proceedings. Those protective rules include a maximum size requirement, a standard of review in the registration process, and nodal modelling. The Commission should reject this attempt at an end run on the approved rules as unsupported and therefore not just and reasonable.

## **I. ANSWER**

The PJM Answer does not offer new arguments that address the concerns raised by the IMM Comments. The PJM Answer claims (at 3–6) that existing market rules governing demand response resources and the regulation market are sufficient to support adoption of the new participation model, Economic Load Response Regulation Only Participant. The assertion is incorrect. The PJM tariff prohibits demand side resources from injecting power in any PJM market, which is precisely why PJM submitted the December 19<sup>th</sup> Filing. As the PJM Answer explains (at 6) and IMM Comments explain (at 4–7), the December 19<sup>th</sup> Filing proposes a new and inappropriate and unsupported form of participation for demand resources. A new form of market participation must be supported with a logical argument, not simply by creating special and unduly discriminatory exceptions to existing rules.

The assertions in the PJM Answer (at 2–6) fail to support the participation of Economic Load Response Regulation Only Participants. The PJM Answer appeals to (i) Operating Agreement Schedule 1, section 1.5A, describing Economic Load Response participants that do not inject power to the grid, (ii) the fact that PJM’s regulation resources are procured and receive signals at an RTO level, although their power flows are modelled from a single node, and (iii) an assumption that net energy metering (“NEM”) resources are somehow “naturally” limited to 5 MW. The PJM Answer reference to the OA is not relevant. The PJM Answer about regulation not being a nodal market is not responsive and is misleading. The PJM Answer about natural levels is unsupported by logic. None of the PJM Answer meaningfully addresses the issues raised in the IMM Comments.

The IMM Comments (at 3–5) pointed out the lack of a standard of review for Economic Load Response Regulation Only resources. PJM ignores the fact that these resources would be permanently exempt from the rules that PJM filed and FERC approved. The PJM Answer argues that Schedule 1 to the OA, section 1.5A includes an EDC review that suffices, but the December 19<sup>th</sup> Filing includes no reliability assessment by PJM and no standard of review for the EDC. This does not apply to and has never been applied to an injecting resource, which requires a Wholesale Market Participation Agreement or Interconnection Agreement. Section 1.5A was developed for resources that reduce load. The newly defined Economic Load Response Regulation Only Resource is an injecting resource. It is not a load response resource under the PJM rules due to its injection capability, nor is it a Component DER under the new rules established in compliance with Order No. 2222.<sup>4</sup> The December 19<sup>th</sup> Filing does not require the electric distribution company (“EDC”) to confirm any evaluation of the impact of

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<sup>4</sup> The DER Aggregator Participation Model was developed in PJM’s Order No. 2222 compliance filing process. See *PJM Interconnection, L.L.C.*, 188 FERC ¶ 61,076 (2024); see also OA Schedule 1 § 1.4b(b); *Participation of Distributed Energy Res. Aggregations in Mkts. Operated by Reg’l Transmission Orgs. & Indep. Sys. Operators*, Order No. 2222, 172 FERC ¶ 61,247 (2020), *order on reh’g*, Order No. 2222-A, 174 FERC ¶ 61,197, *order on reh’g*, Order No. 2222-B, 175 FERC ¶ 61,227 (2021).

the proposed resource's energy injection, as would be required for a DER Aggregation Resource.

The December 19<sup>th</sup> Filing does not include any requirements or conditions for the EDC review process as it does under the Order No. 2222 DER Aggregator Participation Model.<sup>5</sup> Under PJM's filing, the only requirement from the EDC is that the resource be on a NEM tariff.

The IMM Comments (at 7) identify the lack of nodal modelling as a key difference between the December 19<sup>th</sup> Filing and the rules for DERs. The PJM Answer (at 4) notes that PJM's regulation market operates at the RTO level, not nodally. PJM should not ignore the fundamental nodal nature of all its markets. If the energy market cleared without congestion, it is still a nodal market. PJM's response, which points to a single clearing price for regulation, simply ignores the actual detailed facts about how the regulation market operates. The procedural and operational standards associated with accurate modeling and congestion management, namely identifying a single pricing node, apply to all injecting resources. PJM emphasized the essential nodal nature of the market when PJM made clear that injections should be treated differently than load reductions in its Order No. 2222 compliance process.<sup>6</sup> The opportunity cost of each generating resource depends on the nodal LMP and therefore the price of regulation is a function of nodal LMPs. Regulation deployments create physical injections and withdrawals at specific nodes, and those injections affect transmission flows and congestion. The PJM real-time energy management system tracks the nodal injections of

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<sup>5</sup> See *PJM Interconnection, L.L.C.*, 188 FERC ¶ 61,076 (2024); OA § 1.4b(b).

<sup>6</sup> See PJM, Response to May 18, 2022 Request for Additional Information, Docket No. ER22-962-001 (July 7, 2022) at 24--27 ("The main difference between demand response and a DER Aggregation Resource is that demand response cannot, by definition, exceed in value the amount of load that it is offsetting—meaning it cannot inject. By contrast, a DER Aggregation Resource can inject. In light of this potentiality for injection, the locational requirements for DER Aggregation Resources are more akin to the generator participation model, and their impacts on operational constraint control must be considered...). In the following pages, PJM provided examples where a multi-node injection could jeopardize PJM's ability to maintain specific NERC Reliability Standards.").

regulation resources and the flows they create on transmission constraints. The economic dispatch takes those flows into account. Each injecting resource must be accurately modeled so that PJM can send efficient dispatch signals to the market and protect system reliability. If injecting resources are not modelled nodally, they will be modelled inaccurately as part of a load aggregate and create incorrect flows in the system model. Although regulation is procured at the RTO level, the precise location of injecting resources remains essential for reliable system operations, including system modeling and congestion management.

PJM simply assumes that all Economic Load Response Regulation Only resources will be small. The PJM Answer provides no evidence that the maximum size will be limited, but simply reiterates the assumption that the size of the resources will not be a problem. The PJM approach would permanently exempt the Economic Load Response Regulation Only resources from the rules that PJM filed and the Commission approved related to DER. The PJM rules for Component DERs have an EDC review and have a PJM rule limiting size.<sup>7</sup> With evolving technology and the potential creation of new types of retail and commercial tariffs, PJM cannot simply assume that NEM resources will be less than 5 MW in size. More importantly, NEM program maximum size limits may change based on state policy decisions that are outside of PJM's control. PJM must have the necessary authority to establish and apply its own resource requirements to ensure the reliable planning and operation of the PJM system, independent of externally defined program limitations.

Because the December 19<sup>th</sup> Filing has not been shown to be just and reasonable, and is, in fact, unjust and unreasonable and unduly discriminatory, it should be rejected.

## **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

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<sup>7</sup> *Id* at n.3.

the decisional authority. The Commission has made exceptions, however, where an answer clarifies the issues or assists in creating a complete record.<sup>8</sup> 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.

### 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,



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Jeffrey W. Mayes

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*

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

Catherine A. Tyler  
Deputy Market Monitor  
Monitoring Analytics, LLC  
2621 Van Buren Avenue, Suite 160  
Eagleville, Pennsylvania 19403

Kyungjin Yoo  
Analyst  
Monitoring Analytics, LLC  
2621 Van Buren Avenue, Suite 160

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<sup>8</sup> 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).

(610) 271-8050  
*catherine.tyler@monitoringanalytics.com*

Howard J. Haas  
Chief Economist  
Monitoring Analytics, LLC  
2621 Van Buren Avenue, Suite 160  
Eagleville, Pennsylvania 19403  
(610) 271-8054  
*howard.haas@monitoringanalytics.com*

Eagleville, Pennsylvania 19403  
(610) 271-8050

Paul G. Scheidecker  
Senior Analyst  
Monitoring Analytics, LLC  
2621 Van Buren Avenue, Suite 160  
Eagleville, Pennsylvania 19403  
(610) 271-8050  
*paul.scheidecker@monitoringanalytics.com*

Dated: February 10, 2026

## 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 10<sup>th</sup> day of February, 2026.



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Jeffrey W. Mayes

General Counsel

Monitoring Analytics, LLC

2621 Van Buren Avenue, Suite 160

Eagleville, Pennsylvania 19403

(610) 271-8053

*jeffrey.mayes@monitoringanalytics.com*