

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

Independent Market Monitor for PJM)	
v.)	Docket No. EL19-47-000
PJM Interconnection, L.L.C.)	
Office of the People’s Counsel for District of Columbia)	Docket No. EL19-63-000
Delaware Division of the Public Advocate)	Not Consolidated
Citizens Utility Board)	
Indiana Office of Utility Consumer Counselor)	
Maryland Office of People’s Counsel)	
Pennsylvania Office of Consumer Advocate)	
West Virginia Consumer Advocate Division)	
PJM Industrial Customer Coalition)	
v.)	
PJM Interconnection, L.L.C.)	

ANSWER OF PJM INTERCONNECTION, L.L.C.

Pursuant to Rule 213 of the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) Rules of Practice and Procedure,¹ PJM Interconnection, L.L.C. (“PJM”) submits this Answer² to the Reply Brief of the Office of the People’s Counsel for the District of Columbia, Delaware Division of the Public Advocate, Indiana Office of Utility Consumer Counselor, Maryland Office of People’s Counsel, Pennsylvania Office of Consumer Advocate and the PJM Industrial Customer Coalition (“Joint Consumer Advocates”)³ for the Commission’s consideration as it determines an alternative Market Seller Offer Cap (“MSOC”) in order to provide the

¹ 18 C.F.R. § 385.213 (2020).

² To the extent the Commission deems reply briefs constitutes an answer, PJM also submits here a motion for leave to answer the Joint Consumer Advocates’ reply brief to aid in the Commission’s decision making process. *See Midwest Indep. Transmission Sys. Operator, Inc.*, 131 FERC ¶ 61,285 (2010); *Sw. Power Pool, Inc.*, 131 FERC ¶ 61,252 at P 19 (2010), *reh’g denied*, 137 FERC ¶ 61,075 (2011) (accepting answers that “provided information that assisted us in our decision-making process”).

³ Reply Brief of the Joint Consumer Advocates, Docket Nos. EL19-47-000 and EL19-63-000 (filed Jun. 9, 2021).

Commission with a path forward should it choose to adopt the Joint Consumer Advocates proposal.⁴

As a threshold matter, PJM maintains that an alternative default MSOC based on a reasonable estimate of the competitive clearing price for the relevant Base Residual Auction (“BRA”)⁵ that utilizes the methodology proposed in PJM’s May 3, 2021 filing represents the best option for a revised default MSOC among those offered by various parties in this docket.⁶ Nevertheless, in the event the Commission declines to adopt PJM’s proposed default MSOC, the alternative default MSOC submitted by the Joint Consumer Advocates may represent a reasonable option that could potentially be utilized as an *interim* solution while PJM and its stakeholders consider broader enhancements to the Reliability Pricing Model.

I. OF THE VARIOUS ALTERNATIVE REMEDIES PROPOSED, THE JOINT CONSUMER ADVOCATES PROPOSE AN ACCEPTABLE DEFAULT MSOC THAT REPRESENTS A SECOND BEST INTERIM OPTION.

The default MSOC as proposed in PJM’s May 3, 2021 filing remains the best option among all of the proposals presented in this docket to date. Such a default MSOC meets three primary objectives that the Commission recently considered in setting the default MSOC in ISO New England.⁷ More particularly, PJM’s proposed MSOC:

- reflects a value that is at a level that is below today’s offer cap and works to guard against the potential exercise of supply-side market power;

⁴ This Answer does not address alternative proposals raised by other parties in this docket. This does not mean PJM agrees with the other positions from other parties.

⁵ For the purpose of this filing, capitalized terms not defined herein shall have the meaning as contained in the PJM Open Access Transmission Tariff, Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., or the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region.

⁶ To avoid repetition, PJM refers the Commission to its initial brief filed on May 3, 2021 for the justification on PJM’s preferred default MSOC. *See* Initial Brief of PJM Interconnection, L.L.C., Docket Nos. EL19-47-000 and EL19-63-000 (filed May 3, 2021) (“May 3, 2021 Filing”).

⁷ *See ISO New England Inc., et al.*, 174 FERC ¶ 61,162 (2021).

- will reduce unnecessary administrative interference and ease the significant burden to PJM and Capacity Market Sellers that would result from subjecting all resources to a Net Avoidable Cost Rate (“ACR”) offer cap, thereby significantly increasing the number of unit specific reviews;
- utilizes a transparent methodology with publicly available inputs to provide all Market Participants the benefit of having informed expectations of the MSOC well in advance of the actual Base Residual Auction (“BRA”);
- alleviates any potential volatility concerns associated with PJM’s proposed default MSOC by the application of a MSOC floor and ceiling as described in the May 3, 2021 Filing.⁸

Based on the foregoing, the Commission should expeditiously issue an order adopting PJM’s proposed default MSOC to avoid further delay of the upcoming BRA associated with the 2023/2024 Delivery Year.

Should the Commission decline to adopt PJM’s proposed default MSOC despite the provided justification, the proposal raised in the Joint Consumer Advocates is a reasonable alternative default MSOC that could also be utilized as an interim default MSOC while broader enhancements to the Reliability Pricing Model are considered by PJM and its stakeholders. In particular, the Joint Consumer Advocates propose to set the default MSOC at 90% of the simple weighted three-year historical average of past PJM BRA clearing prices – referred to as “Empirical Net CONE.”⁹ While there are certain shortcomings to this approach, such as the fact that the use of historical BRA clearing results do not account for the newly established forward looking net

⁸ See May 3, 2021 Filing.

⁹ Reply Brief of Joint Consumer Advocates, Docket Nos. EL19-47-000 and EL19-63-000 (filed Jun. 9, 2021).

energy and ancillary services offset, this approach nevertheless achieves the three primary objectives that the Commission recently considered in setting the default MSOC in ISO New England.¹⁰

Namely, setting the default MSOC at Empirical Net CONE is transparent and simple for all Market Participants to calculate. In addition, the use of 90% of Empirical Net CONE as the default MSOC would reflect a value that is at a level that is below today's offer cap and ultimately works to guard against the potential exercise of supply-side market power. Finally, like PJM's proposal, setting the default MSOC at 90% of Empirical Net CONE will reduce unnecessary administrative interference and ease the significant burden to PJM and Capacity Market Sellers that would result from subjecting all resources to a Net ACR offer cap, which increases the number of unit specific reviews. Accordingly, PJM would be supportive of adopting a default MSOC equal to 90% of the simple weighted three-year historical average of past PJM BRA clearing prices in the event the Commission declines to adopt the preferred default MSOC.

PJM suggests that the Commission acknowledge that the Joint Consumer Advocates alternative may be an interim solution and encourage continued stakeholder consideration on the MSOC and reforms to the capacity market generally. Although the Commission needs to establish a just and reasonable alternative to the present rate in this proceeding, it is appropriate for the Commission to also note that PJM and its stakeholders have committed to a comprehensive analysis of certain key components of PJM's capacity market to enhance reliability and resilience, particularly in light of the recent events in Texas and California.

As a result, PJM encourages the Commission to note that any potential shortcomings in the Joint Consumer Advocates proposal (or potential concerns with PJM's proposal) do not outweigh

¹⁰ See *ISO New England Inc., et al.*, 174 FERC ¶ 61,162 (2021).

their interim adoption, but could be addressed in future filings by PJM. Such filings could be made by PJM, after a stakeholder process, through a Section 205 filing. In the alternative, the Commission could potentially leave this Section 206 proceeding open, but recognize that it could be expanded to address other aspects of the pricing of capacity resources pursuant to the goals of enhanced reliability embodied in Capacity Performance. Either way, PJM is committed to addressing these issues more holistically while recognizing the desire for a replacement MSOC to be in place for the upcoming December, 2021 Base Residual Auction.

II. CONCLUSION

For the reasons provided herein, the Commission should expeditiously adopt PJM's proposed alternative default MSOC methodology based on a reasonable estimate of the competitive clearing price for the relevant Base Residual Auction without further delay. In the alternative, should the Commission decline to adopt PJM's preferred default MSOC, the Commission could also adopt a default MSOC equal to 90% of Empirical Net CONE as an interim solution for the upcoming BRA.

Respectfully submitted,

/s/ Chenchao Lu

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*On behalf of
PJM Interconnection, L.L.C.*

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 Audubon, PA this 22nd day of June 2021.

/s/ Chenchao Lu
Chenchao Lu