

**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)	Docket No. EL19-63-000
for District of Columbia)	
Delaware Division of the Public Advocate)	
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.)	
)	
PJM Interconnection, L.L.C.)	Docket Nos. ER21-2444-000
)	ER21-2877-000

ANSWER OF PJM INTERCONNECTION, L.L.C.

Pursuant to Rule 213 of the Federal Energy Regulatory Commission’s (“Commission”) Rules of Practice and Procedure,¹ PJM Interconnection, L.L.C. (“PJM”) respectfully submits this answer (“Answer”) in response to the Motion for Clarification, or In the Alternative, Motion for Waiver of the Independent Market Monitor for PJM (“Market Monitor”).² As further explained below, the Tariff makes abundantly clear the relevant deadlines for calculating the Market Seller Offer Caps. As a result, the

¹ 18 C.F.R. § 385.213.

² *PJM Interconnection, L.L.C.*, Request for Clarification of the Market Monitor, Docket Nos. EL19-47-002, EL19-63-002, and ER21-2444-001 (Oct. 12, 2021) (“Market Monitor Clarification”).

Commission should deny the Market Monitor's requested clarification and instead consider a modified form of the requested waiver as further described below.

The Market Monitor's eleventh hour motion is highly disruptive to the orderly administration of the upcoming Base Residual Auction. However, given the Market Monitor's significant role in calculating the Market Seller Offer Cap, PJM is generally supportive of the Market Monitor's requested waiver to effectively extend the unit-specific offer cap review period given the Market Monitor's recently updated net energy and ancillary services offset ("Net EAS") values used in the calculation of the Market Seller Offer Cap. PJM's support for the Market Monitor's requested waiver, however, is conditioned on a modification to the waiver. Specifically, any Capacity Market Seller that previously relied on the default Market Seller Offer Cap calculated by the Market Monitor as of October 1, 2021 and did not seek a unit-specific Market Seller Offer Cap should also be given an opportunity to request a unit-specific Market Seller Offer Cap given the recent changes to the Net EAS offset.

I. ANSWER

A. The Market Monitor Provides No Detail or Justification for the Need to Revise the Net Energy and Ancillary Services Offset.

As a threshold matter, PJM clarifies that it did not request that the Market Monitor recalculate the Net EAS values. Instead, the Market Monitor unilaterally chose to recalculate the Net EAS values to better estimate projected energy revenues. Additionally, PJM does not take the position that the Market Monitor's previously calculated Net EAS offset are inconsistent with the relevant Tariff requirements, which reasonably allows for differences in the modeling of projected net revenues. This is because the relevant Tariff provisions do not provide a level of specificity that prescribes every granular modeling

assumption and input that must be utilized in the calculation of projected energy market revenues.³ Thus, the mere fact that the Market Monitor may prefer one calculation over another does not amount to the prior Net EAS calculation being inconsistent with the Tariff.

In fact, the Market Monitor’s own message to Capacity Market Sellers stated that “[w]hile the MMU believes that the MMU’s calculations were *fully consistent with the tariff*, the MMU believed that some of the results were not reasonable.”⁴ Notably, while the Market Monitor now asserts that the Net EAS values that it calculated prior to November 12, 2021 is not in compliance with the Tariff requirements, the Market Monitor provides no detail in the motion to support or justify why it believes those previously calculated values were not compliant with the Tariff. Unfortunately, PJM is unable to independently verify the Market Monitor’s assertions because the Market Monitor claims that its model is proprietary and has not shared it with PJM for review.

Notwithstanding the foregoing, given the Market Monitor’s crucial role in calculating the Net EAS value and the Market Monitor’s recent contention that its previously calculated values are not consistent with the Tariff, PJM believes the best course of action at this juncture is to ensure that any adversely impacted Capacity Market Seller by the Market Monitor’s revised Net EAS values have the opportunity to seek recourse – both through a filing with the Commission as well as a meaningful opportunity for Capacity Market Sellers to seek additional review for a unit-specific offer cap by PJM and the Market Monitor. In short, PJM reluctantly supports a modified form of Market Monitor’s

³ See Tariff, Attachment DD, section 6.8(d-1).

⁴ Market Message to Capacity Market Participants re: unit specific net revenue calculation (Nov. 12, 2021) (emphasis added); available at: https://www.monitoringanalytics.com/reports/Market_Messages/Messages/IMM_Unit_Specific_Review_Dispatchable_Units_Update_2023_2024_BRA_20211112.pdf

requested waiver to ensure that Market Participants are not harmed by the Market Monitor’s recently revised Net EAS calculations. Any such waiver, however, must also provide Capacity Market Sellers that previously relied on the default Market Seller Offer Cap with an opportunity to seek a unit-specific Market Seller Offer Cap if the applicable default Market Seller Offer Cap was been reduced since October 1, 2021.

B. The Tariff Provides Specific Deadlines and Requires the Market Monitor to Calculate the Market Seller Offer Cap.

The Tariff provides that “the Market Monitoring Unit shall calculate the Market Seller Offer Cap for each such resource and provide it to the Capacity Market Seller and the Office of the Interconnection by no later than ninety (90) days before the commencement of the offer period for the applicable RPM Auction.”⁵ For purposes of the upcoming Base Residual Auction associated with the 2023/2024 Delivery Year, this deadline is October 31, 2021.⁶ In meeting this requirement, the Market Monitor began this endeavor by posting initial projected Net EAS values for Capacity Market Sellers approximately five months ago on June 28, 2021.⁷ Since then, the Market Monitor has updated Net EAS values for certain resources at least two other times – most recently on November 12, 2021.⁸

⁵ Tariff, Attachment M-Appendix, section E.

⁶ See PJM Compliance Filing Concerning Certain Proposed Revised Pre-Auction Deadlines, Request for Waiver for RPM Auction Deadlines, and Motion for Shortened Comment Period, Attachment A (Sept. 10, 2021); PJM Interconnection, L.L.C., 177 FERC ¶ 61,050 (Oct. 25, 2021).

⁷ See Market Message to Capacity Market Participants re Data Submission Window Opening for the 2023/2024 RPM Base Residual Auction (June 28, 2021), available at: http://www.monitoringanalytics.com/reports/Market_Messages/RPM_Material/IMM_Data_Submission_Window_Opening_2023-2024_BRA_20210628.pdf

⁸ See Market Message to Capacity Market Participants re: unit specific net revenue calculation (Nov. 12, 2021), available at: https://www.monitoringanalytics.com/reports/Market_Messages/Messages/IMM_Unit_Specific_Review_Dispatchable_Units_Update_2023_2024_BRA_20211112.pdf

For the 2023/2024 Base Residual Auction, Capacity Market Sellers that seek a unit-specific Market Seller Offer Cap are required to submit the request to the Market Monitor and PJM no later than October 1, 2021.⁹ Upon review of the unit-specific Market Seller Offer Cap request, the Market Monitor had until October 31, 2021 to calculate and propose a unit-specific Market Seller Offer Cap.¹⁰ Capacity Market Sellers are then required to “notify the Market Monitoring Unit in writing, with a copy to the Office of the Interconnection, whether an agreement with the Market Monitoring Unit has been reached or, if no agreement has been reached, specifying the level of Market Seller Offer Cap to which it commits no later than [November 5, 2021].”¹¹ Finally, PJM reviews the data submitted by the Capacity Market Seller and is required to “make a determination whether to accept or reject the requested unit-specific Market Seller Offer Cap, and notify the Capacity Market Seller and the Market Monitoring Unit of its determination in writing, by no later than [November 25, 2021]”.¹² These prescribed deadlines are necessary to ensure

⁹ See Tariff, Attachment DD, section 6.4(b); PJM Compliance Filing Concerning Certain Proposed Revised Pre-Auction Deadlines, Request for Waiver for RPM Auction Deadlines, and Motion for Shortened Comment Period, Attachment A (Sept. 10, 2021); PJM Interconnection, L.L.C., 177 FERC ¶ 61,050 (Oct. 25, 2021).

¹⁰ See Tariff, Attachment DD, section 6.4(b); Tariff, Attachment M-Appendix, section E; PJM Compliance Filing Concerning Certain Proposed Revised Pre-Auction Deadlines, Request for Waiver for RPM Auction Deadlines, and Motion for Shortened Comment Period, Attachment A (Sept. 10, 2021); PJM Interconnection, L.L.C., 177 FERC ¶ 61,050 (Oct. 25, 2021).

¹¹ See Tariff, Attachment DD, section 6.4(b); PJM Compliance Filing Concerning Certain Proposed Revised Pre-Auction Deadlines, Request for Waiver for RPM Auction Deadlines, and Motion for Shortened Comment Period, Attachment A (Sept. 10, 2021); PJM Interconnection, L.L.C., 177 FERC ¶ 61,050 (Oct. 25, 2021).

¹² See Tariff, Attachment DD, section 6.4(b); PJM Compliance Filing Concerning Certain Proposed Revised Pre-Auction Deadlines, Request for Waiver for RPM Auction Deadlines, and Motion for Shortened Comment Period, Attachment A (Sept. 10, 2021); PJM Interconnection, L.L.C., 177 FERC ¶ 61,050 (Oct. 25, 2021).

the orderly administration of the pre-auction activities leading up to the upcoming Base Residual Auction.

Given the October 1, 2021 deadline for Capacity Market Sellers to submit a unit-specific Market Seller Offer Cap, the default Market Seller Offer Cap necessarily should also be established and finalized prior to the Tariff deadline for Capacity Market Sellers to submit a unit-specific Market Seller Offer Cap (*i.e.*, October 1, 2021). Otherwise, Capacity Market Sellers would effectively be forced to seek a unit-specific Market Seller Offer Cap since no one could rely on a changing default Market Seller Offer Cap prior to the October 1, 2021 deadline.

C. The Motion for Clarification Must Be Denied While the Commission Should Consider the Market Monitor's Requested Waiver.

The Tariff language is clear that the Market Monitor “must attempt to reach agreement with the Capacity Market Seller on the appropriate level of the Market Seller Offer Cap by no later than ninety (90) days prior to the commencement of the offer period for the applicable RPM Auction.”¹³ Despite this explicit Tariff requirement, the Market Monitor issued revised Net EAS values and corresponding Market Seller Offer Caps on several occasions as recently as November 12, 2021.¹⁴

The Market Monitor attempts to argue that the October 31, 2021 deadline is merely one date where the Market Monitor is required to provide a proposed unit-specific Market

¹³ For purposes of the upcoming Base Residual Auction, 90 days refers to October 31, 2021 based on the waiver that was recently granted by the Commission. PJM Interconnection, L.L.C., 177 FERC ¶ 61,050 (Oct. 25, 2021).

¹⁴ See Market Message to Capacity Market Participants re: unit specific net revenue calculation (Nov. 12, 2021), available at: https://www.monitoringanalytics.com/reports/Market_Messages/Messages/IMM_Unit_Specific_Review_Dispatchable_Units_Update_2023_2024_BRA_20211112.pdf

Seller Offer Cap. In other words, the Market Monitor appears to take the position that the Tariff does not preclude the Market Monitor from updating the Market Seller Offer Cap value at any time after the deadline. Such an interpretation would result in a meaningless deadline since the Market Monitor would effectively be allowed to change the Market Seller Offer Cap all the way through to the beginning of the auction window as long as an initial value was provided by October 31, 2021.

This is clearly not the point of the Market Monitor's deadline, especially given that Capacity Market Sellers are required by the Tariff to notify PJM and the Market Monitor whether they agree or disagree with the Market Monitor's proposed unit-specific Market Seller Offer Cap value by November 5, 2021.¹⁵ Changes to the Market Monitor's calculated Net EAS value, and ultimately the Market Seller Offer Cap, after this deadline would also render the November 5, 2021 deadline pointless. Recognizing the illogical outcome of such an interpretation, it is telling that the Market Monitor is also seeking a waiver of the Tariff deadlines in the same motion for clarification. In short, the Market Monitor's motion for clarification should be denied, while the Commission should consider the requested waiver with a modification as further discussed below.

D. PJM's Support of The Market Monitor's Waiver Request is Conditioned on the Acceptance of a Modified Waiver So There is No Harm to Market Participants.

PJM is generally supportive of the Market Monitor's corrective actions in calculating a Net EAS value that more accurately reflect the projected energy revenues of resources. However, it would be unfair for Capacity Market Sellers that agreed to a Market Seller Offer Cap value proposed by the Market Monitor on November 5, 2021 to later learn

¹⁵ See Tariff, Attachment DD, section 6.4(b).

that it must now utilize a lower Market Seller Offer Cap value. This is because absent a waiver, Capacity Market Sellers would no longer have the ability to dispute the Market Monitor's proposed offer cap and seek further review by PJM after the November 5, 2021 deadline.

Likewise, Capacity Market Sellers that relied on the default Market Seller Offer Cap prior to the October 1, 2021 deadline to submit a unit-specific Market Seller Offer Cap should not be blindsided at the eleventh hour and have no option but be required to utilize a reduced default Market Seller Offer Cap based on a revised Net EAS offset. Capacity Market Sellers that made the consequential decision of not seeking a unit-specific request relied on the expectation that the relevant default Market Seller Offer Cap would be the value they could utilize. As a result, contrary to the Market Monitor's unsupported assertion, the Market Monitor's as-filed requested waiver would harm Capacity Market Sellers by leaving no other recourse to such sellers absent seeking an alternative remedy from the Commission.

To cure the Market Monitor's deficient waiver request, PJM proposes a modification so that Capacity Market Sellers that relied on the default Market Seller Offer Cap prior to the October 1, 2021 deadline and did not submit a unit-specific Market Seller Offer Cap are given a meaningful opportunity to request (and for PJM and the Market Monitor to review) a unit-specific Market Seller Offer Cap. To allow for such an opportunity, PJM proposes that the Commission grant a modified waiver to provide an opportunity for those Capacity Market Sellers that now have a lower default Market Seller Offer Cap to request a unit-specific Market Seller Offer Cap no later than December 3, 2021. PJM also proposes to (a) provide the Market Monitor with twenty days to review such unit-specific offer caps (*i.e.*, December 23, 2021), (b) provide those impacted

Capacity Market Sellers five business days to notify PJM and the Market Monitor whether it agrees with the Market Monitor's proposed unit-specific offer cap (*i.e.*, December 31, 2021, and (c) provide PJM with two weeks to review the unit-specific offer cap after the Market Seller's notification (*i.e.*, January 14, 2021).¹⁶ Given that this compressed timeline would not provide a meaningful opportunity for Capacity Market Sellers to seek Commission review in the event PJM and the Market Monitor disagree with the requested unit-specific request, PJM would not oppose any filing on procedural grounds submitted by an adversely impacted Capacity Market Seller that simultaneously seeks a remedy with the Commission while PJM and the Market Monitor review such a requested unit-specific offer cap.

PJM agrees with the other aspects of the Market Monitor's requested waiver, which would provide Capacity Market Sellers that already submitted a unit-specific request with one week after the Commission grants the requested waiver to notify PJM and the Market Monitor whether it agrees with the Market Monitor's revised unit-specific Market Seller Offer Cap.¹⁷ PJM also supports the Market Monitor's requested waiver to provide PJM with 20 days after the Market Sellers' notification deadline to provide a determination of whether to accept or reject the requested unit-specific Market Seller Offer Cap.¹⁸

Given that the upcoming Base Residual Auction is now scheduled for January 25, 2022, the Commission must grant the Market Monitor's requested waiver no later than

¹⁶ Capacity Market Sellers can submit the unit-specific offer cap requests to PJM and the Market Monitor for review in the interim so that these deadlines can be met in the event the Commission grants the requested modified waiver.

¹⁷ See Market Monitor Clarification at p. 7.

¹⁸ *Id.* PJM notes that such a waiver would be prospective given that the current deadline for PJM's review of unit-specific Market Seller Offer Cap is November 25, 2021.

December 27, 2021. Any order granting such a waiver after this deadline would simply not provide sufficient time to conduct the unit-specific review prior to the commencement of the auction window. Accordingly, to avoid a potential further delay of the upcoming Base Residual Auction, PJM urges the Commission to grant the modified waiver as soon as possible, but no later than December 27, 2021.

E. The Tariff Deadlines Remain in Place In the Absence of Commission Action on the Instant Motion for Clarification Or Waiver Request.

Given the clear Tariff requirements of the various deadlines associated with the Market Seller Offer Cap, in the absence of Commission action on the instant Market Monitor's motion, PJM expects Capacity Market Sellers to utilize the Market Seller Offer Cap values that were established prior to the relevant deadlines. This means that Capacity Market Sellers will be required to utilize the Market Monitor's proposed unit-specific Market Seller Offer Cap calculated by October 31, 2021, and not based on the most recent iteration of the updated Net EAS values. Likewise, Capacity Market Sellers that disagreed with the Market Monitor's proposed Market Seller Offer Cap, and submitted a Net EAS value calculated by the Market Monitor as of the November 5, 2021 to PJM as part of its request for PJM review, cannot now change the requested offer cap absent the Commission granting the Market Monitor's waiver or absent a Commission order approving the use of an alternative unit-specific Market Seller Offer Cap.¹⁹ Finally, the default Market Seller Offer Cap values that were posted prior to October 1, 2021 must remain in place²⁰ and

¹⁹ Tariff, Attachment M-Appendix, section E.3 provides, in relevant part: "Nothing herein shall preclude any Capacity Market Seller and the Market Monitoring Unit from agreeing to, nor require either such entity to agree to, an alternative market seller offer cap determined on a mutually agreeable basis. Any such alternative offer cap shall be filed with the Commission for its approval."

²⁰ While there may not be an explicit Tariff deadline for the Market Monitor to calculate the Net EAS offset for purposes of the default Market Seller Offer Cap, one necessarily must be established and finalized prior to the Tariff deadline for Capacity Market Sellers to submit a unit-specific Market Seller Offer Cap (i.e.,

Market Sellers would not be required to utilize a revised Market Seller Offer Cap value based on the updated Net EAS values.

II. CONCLUSION

Based on the foregoing, the Commission should deny the Market Monitor's motion for clarification. However, the Commission should consider expeditiously granting a modified form of the waiver discussed above no later than December 27, 2021 so that Capacity Market Sellers have the option of seeking additional review by PJM and the Market Monitor of the unit-specific Market Seller Offer Cap.

Respectfully submitted,



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October 1, 2021). Otherwise, the deadline to submit a unit-specific Market Seller Offer Cap would be rendered meaningless as Capacity Market Sellers would not know whether they can or cannot rely on the default Market Seller Offer Cap prior to this submission deadline.

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 23rd day of November 2021.

 /s/Chenchao Lu

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