UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Independent Market Monitor for PJM	)	
v.	)	Docket No. EL19-47-000
PJM Interconnection, LLC	)	
Office of the People's Counsel for the 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 Consumers Advocate, West Virginia Consumer Advocate Division, PJM Industrial Customer Coalition	)	
v.	)	Docket No. EL19-63-000
PJM Interconnection, L.L.C.	)	
	)	
PJM Interconnection, L.L.C.	)	Docket No. ER21-2444-000
	)	
PJM Interconnection, L.L.C.	)	Docket No. ER21-2877-000
	)	(not consolidated)

MOTION FOR LEAVE TO ANSWER, AND ANSWER
OF THE PJM POWER PROVIDERS GROUP

Pursuant to Rules 212 and 213 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") Rules of Practice and Procedure,[1] The PJM Power Providers Group ("P3")[2] respectfully submits this Motion for Leave to Answer and Answer ("Answer") in response to the December 9, 2021 American Clean Power Association ("ACP") and the Solar Energy Industries Association ("SEIA") (collectively, "Clean Energy Trades") Motion for Leave to Answer and Answer (Clean Energy Trades Answer").[3] The Clean Energy Trades Answer was in response to the November 18, 2021 Motion for Clarification, or in the Alternative, Motion for Waiver of the Independent Market Monitor ("IMM") for PJM Interconnection, L.L.C ("PJM")[4] and the December 2, 2021 Answer of PJM[5] in the above captioned proceedings.

I. MOTION FOR LEAVE TO ANSWER

Pursuant to 18 C.F.R. § 385.212 and 18 C.F.R. § 385.213, P3 respectfully submits this Motion for Leave to Answer and Answer to the Clean Energy Trades Answer.[6] P3 respectfully

[1] 18 C.F.R. §§ 385.212; 385.213 (2021).

[2]P3 is a non-profit organization dedicated to advancing federal, state and regional policies that promote properly designed and well-functioning electricity markets in the PJM Interconnection, L.L.C. ("PJM") region. Combined, P3 members own over 67,000 MWs of generation assets and produce enough power to supply over 50 million homes in the PJM region covering 13 states and the District of Columbia. For more information on P3, visit www.p3powergroup.com.

[3]Motion for Leave to Answer and Answer of the American Clean Power Association and the Solar Energy Industries Association, Docket Nos. EL19-47-000, *et al*., (submitted Dec. 9, 2021) ("Clean Energy Trades Answer").

[4]Motion for Clarification, or in the Alternative, Motion for Waiver of the Independent Market Monitor for PJM, Docket Nos. EL19-47-000, *et al*., (Nov. 19, 2021) ("IMM Motion").

[5]Answer of PJM Interconnection, L.L.C., Docket Nos. EL19-47-000, *et al*. (Dec. 2, 2021) ("PJM December 2 Answer").

[6]Although the Commission's procedural rules do not provide for answers to comments as a matter of right, the Commission has allowed answers where, as here, the answer provides further explanation or otherwise helps ensure a full and complete record. See, e.g., Empire Pipeline, Inc., 164 FERC ¶ 61,076 P 9 (2018), PJM Interconnection, L.L.C., 104 FERC ¶ 61,154, at P 14 (2003), on reh'g, 109 FERC ¶ 61,236 (2004); Williams Energy Mktg. & Trading Co. v. Southern Co. Servs., Inc., 104 FERC ¶61,141, at P 10 (2003); Ameren Servs. Co., 100 FERC ¶ 61,135, at P 15 (2002), on reh'g, 103 FERC ¶ 61,178 (2003).

submits this Answer[7] to further support the arguments raised by the Clean Energy Trades. P3 respectfully requests that the Commission accept this Motion for Leave to Answer and Answer in order to help contribute to a fuller record and assist the Commission in its decision-making process.

II. ANSWER

P3 echoes the concerns expressed by the Clean Energy Trades in their December 9, 2021, Answer. Like the Clean Energy Trades, P3 member companies have been frustrated by a unit specific market seller offer cap process in which deadlines were routinely missed and assumptions were changed without notice. The chaos and confusion associated with the upcoming auction has created an unprecedented uncertainty in PJM's capacity markets that should not become the new normal in PJM. P3 agrees with the call of the Clean Tech Trades to quickly address this broken process so that future auctions will not be similarly burdened.

In hindsight, it is incredible that the Commission dismissed concerns related to the ability of market sellers, PJM and the IMM to come to an agreement on a market seller offer cap as speculative.[8] P3 agrees with the Clean Energy Trades' concerns that the MSOC process is not workable as P3 members have also encountered similar unfortunate experiences such as the IMM's continually changing net Energy and Ancillary Service revenues estimates, lack of transparency, lack of guidance, and conflicting guidance from PJM and IMM. P3 members also experienced various additional frustrations, including, but not limited to: (1) the IMM's unwillingness to approve sellers' calculations of energy and ancillary services revenues because

[7]The comments contained in this filing represent the position of P3 as an organization, but not necessarily the views of any particular member with respect to any issue.

[8]See, Independent Market Monitor for PJM v. PJM Interconnection, L.L.C., 176 FERC ¶ 61,137 (2021) at P 69 ("MSOC Order").

the seller's model does not co-optimize energy and ancillary services – which would require market participants to make assumptions about competitors' offer behavior,[9] (2) nonsensical outcomes regarding significant maintenance expenditures not being allowed to be accounted for in capacity offers and thus not letting the market inform whether a unit is economically viable, (3) sellers not being allowed to consider what costs would be avoidable if a resource were to retire, and instead only including costs that would be avoidable if a unit was to mothball for twelve months, despite some resources literally being evaluated for retirement based on auction outcomes, (4) sellers having otherwise well-supported unit-specific ACR requests wholly denied because PJM disagreed with a single element of that calculation, (5) sellers not being allowed to represent the opportunity cost of taking on a capacity supply obligation, derived from a seller's own probabilistic modeling, despite the fundamental penalty and bonus framework of capacity performance remaining intact, and, more generally, (6) sellers having costs excluded from offer caps not because those costs do not exist but because the IMM and/or PJM do not like the seller's method of calculating that cost.

One additional element of the offer caps that has been plagued by lack of clarity and inconsistency is evaluations of performance risk, which is highly subjective. Capacity sellers may reasonably take a conservative view on performance risk. High penalties for non-performance during high demand events could cause a unit's owners to default on obligations which could lead to the transfer of the plant to another owner or the closure of the plant all together. These are real world concerns that unit owners legitimately face – particularly those owners with older units.

[9] It is worth nothing that these rejected models are an industry standard that companies routinely rely on to give guidance on financial earnings and thus, unlike any of the various iterations of the IMM's model, have been back-tested against actual markets and operations.

While facing pressure to take conservative positions on risk, all Capacity Sellers are financially motivated to clear the auction to acquire the revenue associated with a capacity obligation. If a Capacity Seller offers too high, then that Seller runs the risk of not clearing and forgoing potentially millions of dollars in revenue that it is incented to acquire. As a result, the incentive for the Capacity Seller is to offer at as low as possible price but still at a level that can compensate the unit owner for its costs and risks in the event the offer clears the market. The market was properly designed with this incentive structure in mind.

The capacity market was not designed, nor should it be altered, to be a market in which the IMM and PJM tell the unit owner what its costs and risks are and therefore what its capacity market offer should be. Yet both the IMM and PJM are interpreting the Tariff to provide a very prescriptive limit on what risk probability sellers may include in their offer caps, which is inconsistent with (1) FERC's clarification that sellers may include calculations of actual penalties rather than simply insurance quotes as the cost to mitigate against extreme penalties, (2) the reality of sellers' obligations associated with a capacity supply obligation, especially since insurance quotes do not cover many of the elements that could subject sellers to penalties, such as fuel supply disruptions, but which nevertheless would not be the basis for excusal from penalties, and (3) the well-accepted view that different market participants will have different risk perspectives and appetites and that the net ACR offer cap structure should allow those various representations in competitive offers.[10] Unit owners are the ones that pay penalties for non-performance – not PJM or the IMM. There must be a recognition that the companies with

[10] *See* MSOC Order at P 75 ("We also clarify as Vistra requests that sellers can use probabilistic risk modeling to support their unit-specific offers and include expected non-performance penalties in CPQR") and at P 71 ("…sellers may have varying expectations, and there may be more than one just and reasonable Expected PAI value… we find that it is just and reasonable to allow any seller that is able to justify an Expected PAI to incorporate that expectation in its offer through the CPQR component of ACR.")

the most at stake have some ability to control their own destiny and not outsource these decisions to non-unit owners in the form of either PJM or the IMM. Moreover, unit owners should not have to hope that the clearing price is set by another unit in order to recover their capital and risks.

P3 does not suggest that market power should not be policed. It should. However, the Commission has gone too far in its efforts to fulfill its responsibilities in this regard.[11] Killing a hornet with a missile will result in significant collateral damage. The Commission has effectively set up such a structure as it relates to the policing of seller market power in PJM. The Clean Tech Trades are exactly on point to refer to the process as "arduous, labor-intensive and administratively unworkable" and leading to an "eroding confidence in PJM's capacity markets."

Like the Clean Energy Trades, P3 members have been given inconsistent information, have been subject to multiple data requests, have been caught between disagreements between PJM and the IMM and, at the end of the day, are struggling to see how a functional capacity market will emerge from a world in which suppliers are not allowed to determine the costs and risks associated with the very assets they own. As such, P3 supports the call of the Clean Energy Trades for prompt action by the Commission to address the decidedly unjust and unreasonable unit specific market seller offer cap process so that future auctions will not experience the duress that currently plagues the upcoming one.

[11]It is more than ironic that the Commission has taken its policing of seller market power to never seen before intrusions while at the same time effectively eliminating the MOPR which is the only tool policing buyer market power.

IV. CONCLUSION

For the foregoing reasons, P3 respectfully requests that the Commission grants this Motion and consider this Answer.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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Dated: December 16, 2021

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 Washington, D.C., this 16th day of December, 2021.

On behalf of the PJM Power Providers Group

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