

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

DC Energy, LLC)	
DC Energy Mid-Atlantic, LLC)	
)	Docket No. EL12-8-000
v.)	
)	
PJM Interconnection, L.L.C.,)	
Respondent.)	

**LIMITED ANSWER
OF PJM INTERCONNECTION, L.L.C.
TO ANSWERS OF
DC ENERGY, LLC & DC ENERGY MID-ATLANTIC, LLC
AND SCYLLA ENERGY LLC**

Pursuant to Rule 213 of the Commission’s Rules of Practice and Procedure (18 C.F.R. § 385.213), PJM Interconnection, L.L.C. (“PJM”) submits this limited answer to the joint answer of DC Energy, LLC and DC Energy Mid-Atlantic, LLC (“DC Companies”),¹ and the answer of Scylla Energy LLC (“Scylla”),² filed December 19, 2011 and December 18, 2011, respectively. The sole purpose of this limited answer is to address the allegation, raised by both the DC Companies and Scylla, that the use of purely financial internal bilateral transactions (“IBTs”),

¹ Motion for Leave to Answer and Answer of DC Energy, LLC and DC Energy Mid-Atlantic, LLC, Docket No. EL12-8-000 (Dec. 19, 2011) (“DC Companies Answer”).

² Motion of Scylla Energy LLC for Permission to Answer and Answer, Docket No. EL12-8-000 (Dec. 18, 2011) (“Scylla Answer”).

identical to the IBTs improperly utilized by DC Companies and Scylla to avoid Balancing Operating Reserve (“BOR”) charges, is widespread within PJM, and that DC Companies and Scylla are being selectively targeted by virtue of PJM’s proposal to re-bill these companies for deviation charges associated with their IBTs. Because this limited answer corrects mis-statements of facts and responds to a question posed directly in the Scylla answer,³ the Commission should waive its general prohibition against answers to answers and accept this pleading.

I. BACKGROUND

The facts and circumstances leading to the filing of DC Companies’ Complaint have been chronicled in previous pleadings and will not be repeated here.⁴ Suffice to note that in response to PJM’s December 2, 2011 Answer to the Complaint, both Scylla and DC Companies filed answers disputing PJM’s finding that the IBTs utilized by these parties to offset their real-time imbalances violated the terms of PJM’s Tariff and Operating Agreement and, specifically, the requirement for physical transfer of energy. As relevant here, both Scylla and DC Companies, either directly or indirectly, imply that PJM may be selectively

³ Scylla Answer at 2-3, insinuating that PJM’s alleged “partial disclosure” of facts, and failure to identify the number and magnitude of financial IBTs being reported to PJM, raises unanswered questions regarding the “potentially-implicated and finally selected” market participants who have been notified regarding tariff violations and face the prospect of resettlements.

⁴ See Answer of PJM Interconnection, L.L.C., Docket No. EL12-8-000, at 6-14 (Dec. 2, 2011); see also *id.* at Attachment A, Affidavit of Frederick S. Bresler III on behalf of PJM Interconnection, L.L.C. ¶¶ 11-12.

enforcing the terms of its Tariff and Operating Agreement given what these parties suggest is widespread use of financial IBTs by other market participants whose transactions have not been flagged by PJM for re-billing.⁵

II. LIMITED ANSWER

PJM hereby confirms that it has identified five, and only five, market participants who reported purely financial IBTs to offset real-time imbalances associated with so-called “virtual trades” in PJM’s day-ahead energy market.⁶ In addition to the affiliated DC Companies (*i.e.*, DC Energy, LLC and DC Energy Mid-Atlantic, LLC) and Scylla, the other identified tariff violators are two affiliated entities, neither of which has chosen to intervene in this proceeding.⁷

⁵ Scylla Answer at 2; DC Companies Answer at 17-21. In addition, both answers contain extensive regurgitation of arguments originally advanced in the Complaint and addressed in PJM’s Answer, filed December 2, 2011. PJM will not burden the record with a rehash of those discredited arguments.

⁶ Although technically, PJM has identified 5 market participants, it would be more accurate to state, considering real economic substance, that only 3 entities are involved – DC Energy, Scylla, and an entity that has elected not to intervene in this docket. This unnamed entity and DC Energy each created a wholly owned subsidiary to engage in paper bilateral trades. As noted, Scylla attempted to undertake such trades with itself. Had Scylla formed a wholly owned subsidiary, in the same fashion as its similarly situated brethren, technically there would have been 6 affected market participants.

⁷ Significantly, these two affiliated companies not only previously agreed to rebilling, but expressly acknowledged that their reported IBTs were contrary to the terms of PJM’s Tariff. Scylla likewise initially agreed to be rebilled for all prior imbalances netted through Scylla’s use of financial IBTs. These concessions were recanted following the filing of the DC Companies’ Complaint.

PJM further confirms that upon identifying these entities, PJM provided the same notification to each of the five market participants and advised them of PJM's intent to re-bill for improperly avoided BOR charges. Other than those of the five identified/notified entities, PJM found no other examples of purely financial IBTs being reported to eSchedules for purposes of netting real-time imbalances.⁸

Finally, the Commission should not be distracted by Scylla's and DC Companies' claims of widespread use of non-compliant IBTs. Beyond the fact that, as shown, such claims are completely unsubstantiated and contrary to the findings of PJM and PJM's Market Monitor, resolution of the issue presented in the Complaint does not turn on whether or not other market participants may be violating PJM's Tariff. Rather, the Commission need only consider whether the IBTs reported by the five market participants identified by PJM satisfy the physical transfer requirement under PJM's tariff. If they do not, then re-billing of improperly netted deviations is required to ensure that all PJM market participants bear their fair share of BOR charges.

⁸ It should go without saying that PJM would, of course, act consistently to the extent any such additional non-compliant transactions are discovered by notifying the non-compliant party or parties of PJM's intention to retroactively assess BOR charges in a manner that treats all similarly-situated entities the same way.

CONCLUSION

For the reasons set forth herein and in PJM's December 2, 2011 Answer, PJM requests that the Commission accept this pleading and dismiss the Complaint.

Respectfully submitted,

/s/ Barry S. Spector

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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 3rd day of January, 2012.

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