

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

PJM Interconnection, L.L.C.

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) Docket No. ER25-2002-000
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**MOTION FOR LEAVE TO ANSWER AND ANSWER OF
PJM INTERCONNECTION, L.L.C.**

Pursuant to Rule 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”),¹ PJM Interconnection, L.L.C. (“PJM”) submits this limited answer to the June 9, 2025 answer (“Answer”) of the Independent Market Monitor for PJM Interconnection, L.L.C. (“IMM”) regarding PJM’s April 18, 2025 filing² proposing revisions to the PJM Open Access Transmission Tariff (“Tariff”) to mitigate the impacts that final effective load carrying capability (“ELCC”) and Accredited Unforced Capacity (“UCAP”)³ values may have on capacity commitments that were made based on earlier ELCC values that were utilized in prior Reliability Pricing Model (“RPM”) Auctions for a given Delivery Year.

While the majority of the arguments raised in the IMM’s Answer were squarely

¹ 18 C.F.R. § 385.213 (2022).

² *PJM Interconnection, L.L.C.*, Proposal to Mitigate Impacts From Updates to ELCC Accreditation between the Base Residual Auction and the Final ELCC Accreditation Values, Docket No. ER25-2002-000 (April 18, 2025) (“April 18 Filing”); see *PJM Interconnection, L.L.C.*, Motion for Leave to Answer and Answer, Docket No. ER25-2002-000 (May 23, 2025) (“May 23 Answer”).

³ 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, and the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region.

addressed by PJM’s April 18 filing and May 23 Answer,⁴ PJM offers this additional response to address two limited points. First, the IMM mischaracterizes this proposal by arguing that load would have to pay “for any additional capacity that PJM would have to purchase in the Third Incremental Auction to cover any shortfall in PJM’s reliability metric that results from a change in system Accredited UCAP.”⁵ PJM’s Buy Bid practices remain unchanged as a result of this proposal. Under this proposal, should the Accredited UCAP be reduced between the Base Residual Auction and the Incremental Auctions, the Capacity Market Seller, not PJM, would be the entity that submits a Buy Bid in the Incremental Auction to procure replacement capacity or otherwise be subject to a Capacity Resource deficiency charge effectuating a full refund for unrealized capacity.

Second, the IMM’s response fails to reconcile or even acknowledge that in moving from the equivalent demand forced outage rate (“EFORd”) design to an ELCC design, resources lost the ability to offer a range of their Accredited UCAP and thereby lost their ability to mitigate the impacts caused by updates to ELCC.⁶

I. MOTION FOR LEAVE TO ANSWER

While an answer to a protest or comment is not a matter of right under the

⁴ Compare IMM Answer at 4 (“PJM’s proposal would eliminate the first incentive”) with PJM May 23 Answer at 6 (“such resources continue to incur a Daily Deficiency Rate at 100% of the relevant clearing price, which could result in millions of dollars of refunded revenues and thereby serves as a substantial incentive for a resource to procure replacement capacity”); compare IMM Answer at 4 (“The April 18th Filing would change the basic structure of the capacity market”) with PJM May 23 Answer at 2-3 (explaining that the deficiency charge has been previously reconsidered and modified and that the current Daily Deficiency Rate will continue to be fully maintained to serve the “intended purpose” of the Daily Deficiency Rate which is “to provide an incentive for suppliers to ensure that their committed resources are online and operating properly at the start of and during the Delivery Year”) (quoting *PJM Interconnection, L.L.C.*, 126 FERC ¶ 61,275, at P 172 (2009)).

⁵ IMM Answer at 2.

⁶ PJM May 23 Answer at 8-9.

Commission's regulations,⁷ the Commission routinely permits such answers when the answer provides useful and relevant information that will assist the Commission in its decision-making process,⁸ assures a complete record in the proceeding,⁹ and provides information helpful to the disposition of an issue.¹⁰ This Answer satisfies each of these criteria, and PJM therefore respectfully requests that the Commission grant leave and accept this pleading.

II. ANSWER

A. The IMM Mischaracterizes or Misstates the Proposal's Effect on Load

The IMM mischaracterizes this proposal by stating that “[l]oad receives the penalty payments that PJM proposes to eliminate.”¹¹ As fully detailed in PJM's filing letter and subsequent answer,¹² PJM is not proposing to eliminate the Capacity Resource deficiency charge through this filing. Rather, PJM's proposal merely reduces the Daily Deficiency Rate from the higher of 120% of the auction clearing price or \$20/MW-day to be equal to 100% of the relevant auction clearing price. In other words, in the event a Capacity Market Seller does not obtain replacement capacity for any resource whose Accredited UCAP is

⁷ 18 C.F.R. § 385.213(a)(2).

⁸ See, e.g., *Pioneer Transmission, LLC v. N. Ind. Pub. Serv. Co.*, 140 FERC ¶ 61,057, at P 94 (2012) (accepting answers that “provided information that assisted us in our decision-making process”); *Tallgrass Transmission, LLC*, 125 FERC ¶ 61,248, at P 26 (2008) (same); *Midwest Indep. Transmission Sys. Operator, Inc.*, 120 FERC ¶ 61,083, at P 23 (2007) (permitting answer to protests when it provided information that assisted the Commission in its decision-making process).

⁹ See, e.g., *Pac. Interstate Transmission Co.*, 85 FERC ¶ 61,378, at 62,443 (1998), *order on reh'g*, 89 FERC ¶ 61,246 (1999); see also *Morgan Stanley Cap. Grp., Inc. v. N.Y. Indep. Sys. Operator, Inc.*, 93 FERC ¶ 61,017, at 61,036 (2000) (accepting an answer that was “helpful in the development of the record”).

¹⁰ See, e.g., *CNG Transmission Corp.*, 89 FERC ¶ 61,100, at 61,287 n.11 (1999).

¹¹ IMM Answer at 2.

¹² May 23 Answer at 3-4 (“Capacity Market Sellers that do not replace capacity would also continue to be charged a Daily Deficiency Rate at 100% of the relevant clearing price.”); April 18 Filing at 9 (explaining that resources “would be subject to a Capacity Resource Deficiency Charge that would no longer include the 20% adder and shall instead be limited to the resource's clearing price in the Base Residual Auction”).

decreased, such Capacity Market Seller would have to refund *all* of the associated capacity revenues back to load. In this way, load does not end up having to pay for any Accredited UCAP MWs that may be reduced between the Base Residual Auction and the Incremental Auctions because those will either be: (1) procured as replacement capacity by the entity associated with the accreditation shortfall of a Capacity Resource; or (2) refunded by the application of a Daily Deficiency Rate equal to the “the weighted average Capacity Resource Clearing Price applicable to the Capacity Resource.”¹³

And despite the IMM providing only a single example of how a resource *may* weigh the risk of Non-Performance Charges,¹⁴ there exists more than one way that a Capacity Market Seller could reasonably value this risk, especially as system conditions tighten and the risk of a Performance Assessment Interval increases. That risk of Non-Performance Charges, especially when added to the application of a Daily Deficiency Rate at 100% the relevant clearing price, will invariably provide additional incentive for resource owners to procure replacement capacity *even if* capacity prices increase between the Base Residual Auction and Third Incremental Auction.¹⁵ The IMM also overstates the magnitude of any reduction in this incentive. Even under the current status quo rules, the financial incentive to procure replacement capacity exists only when prices do not rise by more than 20% from the Base Residual Auction to the Third Incremental Auction, excluding the Non-Performance Charge incentive. As a result, there already exists a possibility of shortfall as

¹³ *PJM Interconnection, L.L.C.*, Proposal to Mitigate Impacts From Updates to ELCC Accreditation between the Base Residual Auction and the Final ELCC Accreditation Values, Attachment A - Marked Redline, at Tariff, Attachment DD, section 8.2, Docket No. ER25-2002-000 (April 18, 2025).

¹⁴ IMM Answer at 7-8.

¹⁵ If capacity prices fall between a Base Residual Auction and subsequent Third Incremental Auction for the same Delivery Year, then resources who saw a drop in Accredited UCAP would already be incentivized to procure replacement capacity because it would be less than the Daily Deficiency Rate.

a result of changes in accreditation, and this proposal continues to ensure that costs for unrealized capacity are fully refunded to load at “the weighted average Capacity Resource Clearing Price applicable to the Capacity Resource.”¹⁶

The IMM incorrectly states that “[l]oad would also have to pay for any additional capacity that PJM would have to purchase in the Third Incremental Auction to cover any shortfall in PJM’s reliability metric that results from a change in system Accredited UCAP.”¹⁷ Rather, should the Accredited UCAP be reduced between the Base Residual Auction and the Incremental Auctions, the Capacity Market Seller, not PJM, would be the entity that submits a Buy Bid¹⁸ in the Incremental Auction to procure replacement capacity or otherwise be subject to a Capacity Resource deficiency charge effectuating a full refund for unrealized capacity.¹⁹ In other words, under this proposal, PJM would not be procuring replacement capacity in the Third Incremental Auction *as a result* of Accredited UCAP values being reduced. This filing makes no proposed changes to PJM Buy Bids or Sell Offers in Incremental Auctions,²⁰ and as such makes no changes to those practices or the conditions under which PJM procures replacement capacity.²¹

¹⁶ *PJM Interconnection, L.L.C.*, Proposal to Mitigate Impacts From Updates to ELCC Accreditation between the Base Residual Auction and the Final ELCC Accreditation Values, Attachment A - Marked Redline, at Tariff, Attachment DD, section 8.2, Docket No. ER25-2002-000 (April 18, 2025).

¹⁷ IMM Answer at 2.

¹⁸ This is status quo, and any argument that PJM should alter the Buy Bid practices related to the Reliability Requirement would be out of scope for this proposal and out of time. *See* IMM Answer at 8-10; *PJM Interconnection, L.L.C.*, 173 FERC ¶ 61,258, at P 15 (2020) (finding proceedings out of scope); *see also* FERC, Combined Notice of Filings, (April 18, 2025) (“Comment Date: 5 pm ET 5/9/25”).

¹⁹ Tariff, Attachment DD, section 8.2

²⁰ *See* IMM Answer at 8, Table 2.

²¹ PJM will continue to procure additional replacement capacity for the Third Incremental Auction only when that Reliability Requirement is greater than the previous auction, and in certain other unrelated scenarios detailed in Tariff, Attachment DD, section 5.4(c)(2), but not as a result of decreases to ELCC. *See* Tariff, Attachment DD, section 5.4(c)(1).

Under this proposal, if the total cleared MW in UCAP in a Base Residual Auction were reduced due to changes in ELCC, PJM would *not* place Buy Bids in the Third Incremental Auction associated with the ELCC-driven shortfall from that Delivery Year and would therefore *not* assign any additional costs associated with that shortfall to load than under the status quo. Instead, it is the Capacity Market Sellers of Capacity Resources that cleared in excess of their respective final Accredited UCAP that would be responsible for procuring replacement capacity in the Incremental Auctions (or through bilateral transactions). If such Capacity Market Sellers do not or cannot procure replacement supply to fulfill capacity commitments associated with the supply lost due to changes in accreditation, load would be refunded the full 100% of the clearing price associated with any supply due to changes in Accredited UCAP values via the Daily Deficiency Rate. As a result, there is no added cost to load under this proposal.

It is likely for these reasons that no other entity, including Load Serving Entities, protested this filing. Indeed, the instant proposal received support from a super-majority of PJM's diverse and sophisticated stakeholder body with unanimous support from members that voted in the End-Use Customer sector.²²

B. The IMM's Response Ignores that the EFORD Design Allowed a Resource to Mitigate its Exposure to Changes in Accreditation While the ELCC Design Provides No Such Mechanism

The IMM's response fails to meaningfully address that the prior EFORD construct differs significantly from the ELCC design, given that the EFORD design included a mechanism by which resources could mitigate their exposure to changes in Accredited

²² The voting results for PJM's March 19, 2025 Markets and Reliability Committee stakeholder meeting are available on PJM's website at: <https://www.pjm.com/-/media/DotCom/committees-groups/committees/mrc/2025/20250319/20250319-mrc-summarized-voting-results.pdf>.

UCAP. As outlined in PJM's May 23 Answer,²³ under EFORD, Capacity Market Sellers were able to satisfy the capacity must-offer requirement by electing to offer MW based on either the one year EFORD or five year average EFORD into the Base Residual Auction to reflect the resource's confidence in future changes to accreditation.²⁴ In that way, a Capacity Market Seller could mitigate against potential drops in a resource's Accredited UCAP by offering less capacity in the Base Residual Auction relative to the current rules under the ELCC construct where all available Accredited UCAP must be offered.

Without this proposal, there is no comparable mechanism under ELCC for resource owners to mitigate the potential for UCAP changes under the ELCC design because a resource is required to offer its entire available Accredited UCAP into the Reliability Pricing Model Auctions, leaving resources unable to hedge against a potential shortfall due to a reduction in their Accredited UCAP value.²⁵

The IMM provides no thoughtful response or consideration that this prior mechanism allowed Capacity Market Sellers to mitigate the risk of deficiency charges by having some flexibility in the quantity of accredited MW that were required to be offered in the Base Residual Auction, such that they could offer below their latest EFORD estimate in certain situations without violating their must-offer requirement or otherwise incurring penalties for withholding.²⁶ Nor does the IMM propose any other solution to mitigate this issue.

PJM urges the Commission to keep in mind that this filing is subject to its

²³ PJM May 23 Answer at 8-9.

²⁴ *Id.*

²⁵ *See* Tariff, Attachment DD, section 6.6(a).

²⁶ *See id.*, section 6.6(a)-(b).

traditional Section 205 review. Although arguably there could be more than one way to address this issue, the IMM's protest does not render PJM and its stakeholders' proposed solution not just and reasonable.²⁷ This is especially the case here where the filing was widely supported by PJM's diverse stakeholder body and was not protested by any other party. Accordingly, the solution proposed in the April 18 filing represents a just and reasonable approach, endorsed by a super majority of PJM stakeholders after months of consideration that appropriately maintains the incentive structure inherent to the RPM while restoring the balance inherent to the previous EFORd methodology by mitigating the unnecessary additional impact that changes in Accredited UCAP driven by updates to ELCC values can have. The IMM's one-sided argument characterizing this change as a departure from the ELCC design should therefore be rejected.

III. CONCLUSION

For the reasons stated above, PJM continues to request that the Commission issue an order by June 17, 2025, granting PJM's proposed Tariff revisions effective June 18, 2025.

²⁷ *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,103, at P 59 (2014) (filing party "need only demonstrate that its proposed revisions are just and reasonable, not that its proposal is the most just and reasonable among all possible alternatives."); see *Cities of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984) ("FERC has interpreted its authority to review rates under the FPA as limited to an inquiry into whether the rates proposed by a utility are reasonable—and not to extend to determining whether a proposed rate schedule is more or less reasonable than alternative rate designs."); *New York Indep. Sys. Operator, Inc.*, 183 FERC ¶ 61,130, at P 34 (2023) (finding NYISO's proposal to adjust amortization rates to be "one reasonable way to meet the zero emission requirement").

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On behalf of
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CERTIFICATE OF SERVICE

I hereby certify that I have this day, the 13th of June 2025, served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

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