PJM Interconnection, L.L.C. (“PJM”), pursuant to Rule 213 of the Federal Energy Regulatory Commission (“Commission”), submits this Motion for Leave to Answer (“Motion”) and limited Answer (“Answer”) to respond to the comments filed by the Independent Market Monitor for PJM (“Market Monitor”) dated May 31, 2019. Specifically, the Market Monitor requests the Commission to require that PJM revise its May 10 Compliance Filing to include particular types of Maintenance Adders in certain parts of the three part energy offer. As further explained below, the Commission should decline to accept the Market Monitor’s proposal because PJM’s compliance filing tracks the language of the Commission’s April 15 Order as categories of cost that may be applicable to a Market Participant’s three part cost-based offer, leaving the Market Monitor’s protest as little more than an impermissible late rehearing.

1 18 C.F.R. § 385.213.


3 PJM Interconnection, L.L.C., Compliance Filing Concerning Variable Operating and Maintenance Costs, Docket Nos. ER19-210-001, EL19-8-000, EL19-8-001, p. 4-5 (Filed May 10, 2019) (“Compliance Filing”).

4 For the purpose of this Answer, 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. (“Operating Agreement”), or the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region.

request on this issue. Further, the Market Monitor’s proposal argues for a level of rigidity that may not be reflective of the various ways that maintenance contracts and cost recovery is structured among the thousands of units in the PJM footprint, which could frustrate the Commission’s intent to permit recovery of such costs in cost-based energy offers.

I. MOTION FOR LEAVE TO ANSWER

The Commission’s rules provide that a party may answer comments where the decisional authority permits the answer for good cause shown. The Commission has accepted responses to comments when doing so will ensure a more accurate and complete record or will assist the Commission in its deliberative process by clarifying the issues. Here, PJM respectfully requests that the Commission grant its Motion because the Answer will help clarify the record and contribute to an understanding of the issues.

II. ANSWER

A. The Market Monitor’s Comments Represent an Impermissible Late Request for Rehearing.

As a threshold matter, the Market Monitor does not appear to contest PJM’s additional clarification of includable Labor Costs. Rather, the Market Monitor argues that PJM’s

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6 The Commission regularly allows answers in such cases. See, e.g., *PJM Interconnection, L.L.C.*, 139 FERC ¶ 61,165, at P 24 (2012) (accepting answers to a protest because “they have provided information that assisted [the Commission] in [its] decision-making process”); *PJM Interconnection, L.L.C.*, 104 FERC ¶ 61,031, at P 10 (2003) (accepting answer because “it will not delay the proceeding, will assist the Commission in understanding the issues raised, and will [e]nsure a complete record upon which the Commission may act”).

7 It is not entirely clear what additional provision the Market Monitor refers to in stating that PJM’s May 10 Compliance Filing specifies the inclusion of maintenance labor in the start offer as the term “maintenance labor” is not used anywhere in Operating Agreement, Schedule 2. In any event, to the extent the Market Monitor refers to the clarification of Labor Costs in Operating Agreement, Schedule 2, section 4.3, PJM explained in the Compliance Filing that the definition of Labor Costs should be clarified to specify that contractor labor or plant personnel overtime labor may be included in the Maintenance Adder. See Compliance Filing at p. 4-5.
Compliance Filing should have also specified the inclusion of particular types of Maintenance Adders in certain parts of the three part energy offer.8

The Market Monitor’s comment in this regard amounts to a request for rehearing. That is because the Market Monitor’s request to further specify the assignment of Maintenance Adders within Start-Up Costs, No-Load Costs, and Incremental Costs would require changes to Operating Agreement, Schedule 2, section 1.3. However, the particular language on the three part energy offer in this particular section is copied verbatim from the Commission-directed redlines in accordance with its April 15 Order.9 Thus, the Market Monitor effectively argues that the Commission-directed redline language should be further amended. Such a request amounts to a request for rehearing and is not appropriate for consideration in the context of a compliance filing.

Under section 313(a) of the Federal Power Act, requests for rehearing of a Commission order are statutorily due within thirty days. Here, the Commission issued its order on April 15, 2019 so the Market Monitor was required to file a request for rehearing on the order no later than May 15, 2019. It did not, however, do so and now uses PJM’s Compliance Filing as a late opportunity to advocate for greater specificity regarding the includable Maintenance Adders within the three part energy offer. Such a tardy request is impermissible and must be rejected consistent with Commission precedent.10

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8 See Market Monitor Comments at p. 1.
9 April 15 Order, Attachment A.
B. Assignment of Specific Maintenance Adders within the Three Part Energy Offer is Overly Rigid and May Hinder Accurate Cost Recovery.

Beyond the procedural flaw of the Market Monitor’s comments, specifying which portion of the three part energy offer Maintenance Adders can be included in for all resources ignores the variety of ways that individual unit owners may construct their maintenance contracts with third party contractors and, as a result, adds a level of rigidity that may hinder accurate recovery of costs for Market Sellers. For instance, long term service agreements (“LTSAs”) for maintenance typically can be based on run hours, number of starts, or combination of the two. If the Operating Agreement specifies which Maintenance Adder components may be included in the three part offer, the Market Seller may not necessarily be able to accurately reflect its actual maintenance costs of the LTSAs in its energy offers. As an example, if a Market Seller’s maintenance costs are based on the number of starts, it may be precluded from accurately recovering its costs if the Operating Agreement specifies that Maintenance Adders may only be included under No-load Costs. Thus, it would be unjust and unreasonable to create a standardized rule that limits specific Maintenance Adder components to be includable only in certain portions of the three part offer for all resources.

Further, contrary to the Market Monitor’s assertion, a Market Seller will not be able to manipulate market outcomes simply because the components of the Maintenance Adders are not specifically assigned within the three part energy offer. This is because Market Sellers are required to submit Maintenance Adders to PJM and the Market Monitor for review on at least an annual basis pursuant to Operating Agreement, Schedule 2, section 4.4.11 This thorough review includes verifying the different cost components associated with a resource’s Maintenance Adder.

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11 The reference Operating Agreement, Schedule 2, section 4.4 is based on PJM’s pending compliance filing. The section on the review of Maintenance Adders is currently under Operating Agreement, Schedule 2, section 4.1.
to ensure that no maintenance cost component is double counted. In addition, Market Sellers submit proposed Maintenance Adders in a specific format (i.e., $/mmBtu, $/MWh, $/start). After PJM reviews and approves the proposed Maintenance Adder, the Market Seller will be limited to including the Maintenance Adder to the corresponding portions of the associated energy offer component (i.e., No-Load Costs, Incremental Costs, Start-Up Costs). Market Sellers must submit Maintenance Adders with different formats to PJM for review and approval before they can be used. This ensures that Market Sellers do not manipulate market outcomes because the approved Maintenance Adder would only be included in the corresponding component in the three part energy offer.12

III. CONCLUSION

Based on the foregoing, PJM requests that the Commission grant PJM’s Motion and take this Answer into consideration when reviewing the Market Monitor’s Comments. The Operating Agreement language as submitted in PJM’s Compliance Filing is appropriate and no additional specificity on the three part energy offer is needed.

Respectfully submitted,

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12 Consistent with the aforementioned limitation, PJM intends to update Manual 15 to further clarify this approach upon the Commission’s acceptance of PJM’s Compliance Filing.
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 14th day of June, 2019.

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PJM Interconnection, L.L.C.