

**Wabash Valley Power Association,
Inc.**

v.

**PJM Interconnection, L.L.C.,
Independent Market Monitor for
PJM**

V.

PJM Interconnection, L.L.C. (“PJM”), pursuant to Rule 213 of the Federal Energy Regulatory Commission’s (“Commission”) Rules of Practice and Procedure,¹ submits this Answer to the complaint filed by Wabash Valley Power Association, Inc. (“Wabash”) on December 3, 2021.² As PJM previously explained,³ the Commission should deny the pending motion for clarification of the Independent Market Monitor for PJM (“Market Monitor”) while expeditiously granting the Market Monitor’s modified waiver request,⁴ so that Capacity Market Sellers, including Wabash, are given an opportunity to seek a unit-specific Market Seller Offer Cap (“MSOC”) in light of the recently revised default MSOC values. In granting the Market Monitor’s Waiver, the Commission should deny Wabash’s instant complaint so that the Market

⁴ Request for Clarification, or In the Alternative, Motion for Waiver of the Market Monitor, Docket Nos. EL19-47-002, EL19-63-002, and ER21-2444-001 (Oct. 12, 2021) (“Market Monitor’s Waiver”).

Monitor's recently recalculated November 12, 2021 net energy and ancillary services offset values ("Net EAS") can be used for the default MSOC.

I. ANSWER TO COMPLAINT

At the outset, it is noted that the thrust of Wabash's complaint is rightly focused on the Market Monitor's tardy recalculation of the Net EAS values. The only allegation against PJM in the complaint is that "PJM failed to definitively set the Gibson 5 default MSOC at the pre-October 1 value when requested to do so by Wabash Valley."⁵ However, this allegation is incorrect because PJM already made clear that in the absence of Commission action on the pending Market Monitor's Waiver, the default MSOC values that were posted prior to October 1, 2021 must remain in place and Capacity Market Sellers should not be required to utilize a revised Market Seller Offer Cap value based on the Market Monitor's updated November 12, 2021 Net EAS values.⁶

PJM strives to ensure adherence to the Tariff requirements. Unfortunately, the Market Monitor's recent assertion that its previously calculated Net EAS values are not compliant with the Tariff⁷ and the Market Monitor's updates to the Net EAS values on November 12, 2021 jeopardize adherence to the Tariff. In an effort to remedy such an undesirable outcome, PJM reluctantly supports and urges the Commission to expeditiously grant the separate and pending Market Monitor's Waiver, while denying Wabash's complaint for the reasons provided below.

⁵ Complaint at p. 2.

⁶ PJM Answer at pp. 10-11.

⁷ Market Monitor Waiver at p. 2.

A. PJM Agrees With Wabash That The Market Monitor's Recalculated Net EAS Offset Values Were Posted After the Relevant Tariff Deadlines.

Wabash, and any other impacted Capacity Market Seller, must be allowed to rely on the default MSOC values posted in advance of the October 1, 2021 deadline to request a unit-specific MSOC in the absence of Commission action on the Market Monitor's Waiver. Such an outcome is necessary to ensure both equity to impacted Capacity Market Sellers, including Wabash, as well as adherence with the Tariff.

PJM agrees with the concerns raised in the Wabash complaint given that the Market Monitor's recalculated November 12, 2021 Net EAS values were posted after the Tariff imposed deadline for Capacity Market Sellers to request a unit-specific MSOC. As Wabash argues, the Market Monitor's late revision of the default MSOC for Gibson 5 is unduly prejudicial because Wabash relied on a previously higher default MSOC posted prior to the October 1, 2021 deadline in deciding not to request a unit-specific MSOC.⁸ Since the deadline to request a unit-specific MSOC has now passed, Wabash is no longer allowed to submit a unit-specific MSOC for Gibson 5 through no fault of its own. As a result, it would be patently unfair and prejudicial for Wabash to be required to use a significantly reduced default MSOC, recalculated as recently as November 12, 2021, because Wabash would have no other recourse to seek a unit-specific MSOC absent the Commission granting the Market Monitor's Waiver.

Aside from the aforementioned equity concern, the Market Monitor's recalculated November 12, 2021 Net EAS values are not valid because the Tariff implicitly prohibits the Market Monitor from updating the MSOC after the October 1, 2021 deadline for Capacity

⁸ Complaint at pp. 2, 5.

Market Sellers to request a unit-specific MSOC.⁹ Specifically, because the Tariff imposes a October 1, 2021 deadline for Capacity Market Sellers to request a unit-specific Market Seller Offer Cap, the default Market Seller Offer Cap 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.*, October 1, 2021). Otherwise, all Capacity Market Sellers would effectively be forced to seek a unit-specific Market Seller Offer Cap since no one could rely on an ever changing default Market Seller Offer Cap prior to the October 1, 2021 deadline.

Based on the foregoing, given that the Market Monitor's recalculated default MSOC values were posted after the October 1, 2021 deadline for Capacity Market Sellers to request a unit-specific MSOC, Capacity Market Sellers should be allowed to use the originally posted default MSOC values in the event the Commission does not grant the Market Monitor's Waiver in advance of the upcoming Base Residual Auction.

B. PJM Appreciates the Goal of Tariff Compliant Auction Outcomes.

While PJM acknowledges the inequity concerns raised in the Wabash complaint, PJM is also fully supportive of ensuring that the upcoming Base Residual Auction results in efficient market outcomes. Given the Market Monitor's assertions that its previously calculated Net EAS values were not compliant with the Tariff, it would not be prudent to ignore the Market Monitor's claim of potentially deviant outcomes associated with the upcoming Base Residual Auction. As a result, while PJM believes that the Tariff allows Wabash to use the default MSOC value that was posted prior to October 1, 2021 absent the Commission granting the Market

⁹ Even assuming, *arguendo*, that the explicit Tariff deadline for the Market Monitor's Net EAS calculation for both the default and unit-specific MSOC is October 31, 2021, it is undisputed that the Market Monitor's November 12, 2021 Net EAS values were posted after this deadline. Further, the Market Monitor states that its "October 31, 2021, values are not tariff compliant" and argues that those values should not be used. *See* Market Monitor's Waiver at p.

Monitor's Waiver, under this scenario, there is a risk that the Market Monitor and others could argue that the resulting Base Residual Auction outcome is not just and reasonable because certain MSOCs may be based on a Net EAS value calculated by the Market Monitor that it claims is no longer compliant with the Tariff.

While PJM maintains that the relevant Tariff provides some flexibility in calculating the Net EAS values as it does 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,¹⁰ PJM must defer to the Market Monitor's assertions that the previously calculated Net EAS values were not Tariff compliant given the Market Monitor's outsized role in calculating the Net EAS.

C. The Best Course of Action to Remedy the Inequity to Capacity Market Sellers is to Grant the Market Monitor's Waiver with the Modification Proposed by PJM and Later Agreed to By the Market Monitor.

In balancing the goals of compliance with the Tariff and mitigating any potential harm to Capacity Market Sellers that relied on the Market Monitor's previously calculated default MSOC values, PJM believes the best course of action at this juncture is for the Commission to grant the Market Monitor's Waiver. More specifically, the Commission should grant such waiver with the modification first proposed by PJM,¹¹ and later agreed to by the Market Monitor, which will allow Capacity Market Sellers that did not previously request a unit-specific MSOC based on the posted default MSOC values as of October 1, 2021 to submit a request for a unit-specific MSOC by December 10, 2021. This will have the benefit of allowing the use of the Market Monitor's

3. As a result, the Market Monitor's position is that any Net EAS value calculated prior to November 12, 2021 is not valid or compliant with the Tariff.

¹⁰ See Tariff, Attachment DD, section 6.8(d-1).

¹¹ PJM Answer at pp. 8-9.

recently recalculated November 12, 2021 MSOC values, which the Market Monitor claims is the only Tariff compliant value. At the same time, granting the Market Monitor's Waiver will address Wabash's unfairness argument by providing Capacity Market Sellers that previously relied on the originally posted MSOC values with an opportunity to request a unit-specific MSOC without needing to further delay the upcoming Base Residual Auction.

III. ADMISSIONS AND DENIALS PURSUANT TO 18 C.F.R. § 385.213(c)(2)(i)

Pursuant to Rule 213(c)(2)(i) of the Commission's rules of Practice and Procedure,¹² PJM affirms that any allegation in the Complaint is not specifically and expressly admitted above is denied.

IV. COMMUNICATIONS AND SERVICE

PJM requests that the Commission place the following individuals on the official service list for this proceeding:¹³

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¹² 18 C.F.R. § 385.213(c)(2)(i).

¹³ To the extent necessary, PJM requests a waiver of Commission Rule 203(b)(3), 18 C.F.R. § 385.203(b)(3), to permit more than two persons to be listed on the official service list for this proceeding.

VI. CONCLUSION

As demonstrated by the Wabash complaint, the Market Monitor's tardy recalculation of the Net EAS values, and accompanying MSOC values, has been disruptive to the orderly administration of the upcoming Base Residual Auction. To ensure that no Capacity Market Seller is harmed and the Net EAS values used in the upcoming auction are calculated in accordance with the Tariff, PJM believes the best course of action is for the Commission to expeditiously grant the Market Monitor's waiver while denying the instant complaint for the reasons provided herein.

Respectfully submitted,



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On behalf of PJM Interconnection, L.L.C.

December 8, 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 8th day of December 2021.

/s/*Chenchao Lu*

On behalf of PJM Interconnection, L.L.C.