

stakeholders should be given an opportunity to develop a consensus-based solution that addresses the various viewpoints, including the Market Monitor’s positions. This is precisely why the scope of the instant 206 proceeding that PJM initiated is limited to the undefined mileage ratio and the reason PJM proposed a narrowly-tailored solution to ensure that resources providing Regulation can be properly compensated in the event that the Regulation A (“RegA”) signal does not change for an entire clock hour. Accordingly, PJM respectfully urges the Commission to accept the proposed amendments to the PJM Tariff and Operating Agreement, as set forth in PJM’s October 19 Filing.⁴ Broadening this Section 206 proceeding to include a wholesale redesign of the Regulation market is not the best use of Commission resources at this stage, and will only cloud the ability to get a prompt resolution to the narrow problem that remains a vulnerability in PJM’s ability to settle the market in certain circumstances, under the current market design.

I. MOTION FOR LEAVE TO ANSWER

The Commission’s rules provide that a party may submit an answer where the decisional authority permits the answer for good cause shown. The Commission has accepted responses to protests and 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.⁵ All of these criteria are

⁴ *PJM Interconnection, L.L.C.*, Supplemental Filing to Propose a Replacement Rate for Determining the Regulation Market Performance-Clearing Price Credit, ER21-83-001 (October 19, 2022) (PJM’s “October 19 Filing”).

⁵ 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”); *Cal. Indep. Sys. Operator Corp.*, 129 FERC ¶ 61,241, at P 16 (2009) (“[w]e will accept the answers and responses to the requests for rehearing because they provide information that assisted us in our 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”); *KN Wattenberg Transmission LLC*, 94 FERC ¶ 61,189, at 61,671 (2001) (finding good cause to accept an answer to a request for rehearing “in order to insure a complete record in this proceeding”); *Tex. E. Transmission, LP*, 131 FERC ¶ 61,164, at P 1, n.3 (2010) (accepting answer to a request for rehearing that aided the Commission’s decision-making); *Southwest*

met. Therefore, PJM respectfully requests that the Commission grant this Motion because the Answer will help clarify the record and contribute to an understanding of the issues.

II. ANSWER

PJM submitted this Section 206 filing on June 10, 2021, because it identified a rare circumstance where one input into the formula for the Regulation market performance-clearing price credit —“mileage ratio”—can result in a zero in the denominator. Such a scenario would create an undefined value and potentially make the determination of the clearing price credits for all resources that provided Regulation in the relevant settlement interval indeterminate.⁶ On October 19, 2022, PJM proposed a narrowly-tailored proposal to address this limited issue in a manner that is just and reasonable.⁷ Specifically, PJM’s proposal would ensure that resources providing Regulation will be properly compensated in the event the RegA signal does not change for an entire clock hour, resulting in a RegA signal hourly mileage of zero and an undefined mileage ratio value. The impact of PJM’s proposal is intentionally limited so as to not circumvent the ongoing stakeholder discussions.⁸ As previously noted, PJM expects that these larger reform efforts may eventually obviate the need for this limited change. Nevertheless, it is appropriate and necessary for the Commission to accept PJM’s proposal in the interim given the recent lapse of the requested refund period, and the additional time needed to resolve these ongoing stakeholder efforts.

Power Pool, Inc., 126 FERC ¶ 61,153, at P 18 (2009) (accepting answers that aided the Commission’s decision-making).

⁶ *PJM Interconnection, L.L.C.*, Section 206 Filing to Establish Refund Effective Date and Motion to Hold Hearing in Abeyance of PJM Interconnection, L.L.C., Docket No. EL21-83-000 (Jun. 10, 2021) (hereafter, the “June 10 Filing”).

⁷ See PJM’s October 19 Filing.

⁸ The ongoing efforts of the Regulation Market Design Senior Task Force (“RMDSTF”) are documented and available at: <https://www.pjm.com/committees-and-groups/task-forces/rmdstf>.

A. The Market Monitor's Proposal Is Overly Broad

The Market Monitor's proposal is much broader in scope and effectively circumvents the ongoing stakeholder discussions. In particular, the Market Monitor recommends that the Marginal Benefits Factor ("MBF") should be used to convert Regulation D ("RegD") MW into effective MW in settlement, arguing that this conversion would correct the underlying market flaws and would eliminate the need for the current proposal.⁹ In the alternative, the Market Monitor proposes that the Commission cap the mileage ratio at 1.0, which would limit the market distortion, caused by the mileage ratio under the current market design.¹⁰ The Market Monitor contends that capping the mileage ratio at 1.0 would better align the mileage ratio with observed average MBF values. Further, the Market Monitor insists that a 1.0 cap would recognize that RegA resources offset the shortcomings of RegD resources even when the RegA hourly mileage calculation is zero.

While PJM's proposal narrowly resolves the potential undefined mileage ratio issue with negligible settlements impact, the Market Monitor's proposal to use the Marginal Benefits Factor ("MBF") for converting RegD MW into effective MW in settlement represents a material change to the existing Regulation market. Such a large change to the Regulation market should not be made in the context of this narrow Section 206 proceeding initiated by PJM. Instead, PJM stakeholders should be given an opportunity to review and openly discuss solutions in the active stakeholder process examining this very issue. Indeed, the Market Monitor's proposal is much broader than the scope of this 206 proceeding, given that it changes the entire Regulation market construct rather than just solving the narrow issue of an undefined mileage ratio.

⁹ Market Monitor's Comment at 8.

¹⁰ *Id.*

Even the Market Monitor’s alternative proposal to cap the mileage ratio at 1.0 will have a much greater market impact than just solving the undefined mileage ratio. Since performance based Regulation began on October 1, 2012, there have only been two (2) hours where RegA hourly mileage was equal to zero. Those hours were 09:00 on February 17, 2021 and 23:00 on October 18, 2021. In both instances, PJM would not have been able to settle the Regulation market for those hours had the Regulation Performance Clearing Price (“PCP”) not been \$0 for all twelve five-minute intervals of those two settlement hours. In other words, had the PCP not been \$0 in those instances, PJM’s instant proposal would have been invoked only twice since 2012.

On the other hand, the Market Monitor’s proposal would significantly impact many more hours, because it would not just be applied when the RegA signal does not change for an entire clock hour, but would also cap the mileage ratio to 1.0. From a historical perspective, the Market Monitor’s proposed mileage ratio cap of 1.0 would not only have been used in the two occurrences (February 17, 2021 and October 18, 2021) detailed above, but would have also replaced the mileage ratio with 1.0 for any hour where the mileage ratio exceeded 1.0. To put that into perspective, in 2022 alone, the Market Monitor’s proposal would have resulted in changes to the Regulation settlement calculation in 7,517 out of 7,519 hours or roughly 99.97% of the time. Thus, setting a mileage ratio cap of 1.0 would materially change the Regulation performance clearing price credits as they exist today for the vast majority of the Regulation settlements. By contrast, the PJM proposal is much more limited and, in fact, would not have resulted in any changes to the Regulation Settlement Calculation in 2022.

B. A Narrow Solution in this Proceeding is Appropriate

As detailed in the October 19 Filing, PJM is requesting the Commission to act on PJM’s Section 206 filing by accepting a narrow amendment that will ensure resources providing

Regulation are properly compensated in the event of an undefined mileage ratio value. In particular, PJM's 0.1 replacement value proposal would allow a valid solution for mileage ratio, and would only apply in the exceedingly rare, but possible, scenario. Further, because the mileage ratio is used only for purposes of Regulation settlement, the proposed update would not have an impact on PJM operations and would have a negligible settlements impact.

III. CONCLUSION

As discussed above, PJM's proposal to substitute 0.1 only when RegA hourly mileage is zero is the reasonable approach given the limited settlements impact and PJM's ongoing stakeholder efforts through the RMDSTF. For the reasons detailed herein, the Commission should accept PJM's proposed solution to fix the narrow issue identified in PJM's filing initiating this Section 206 proceeding,¹¹ while separately giving PJM stakeholders an opportunity to develop more holistic reforms to the Regulation market generally.

Respectfully submitted,

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*On behalf of
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¹¹ See June 10 Filing.

