
I. Motion for Leave to Answer

PJM recognizes that Rule 213 of the Commission’s Rules of Practice and Procedure3 does not provide for answers to requests for rehearing as a matter of right. However, the Commission has permitted such pleadings where, as here, the information provided in the answer will facilitate the Commission’s decisional process or aid in the explication of issues.4 Therefore, PJM moves for leave to answer the Request for Rehearing, and in support submits

1 America Municipal Power, Inc., American Public Power Association, the Consumer Advocate Division of West Virginia, the Delaware Public Service Commission, the Division of the Public Advocate for the State of Delaware, the Illinois Citizens Utility Board, the Maryland Office of People's Counsel, New Jersey Board of Public Utilities, New Jersey Division of Rate Counsel, PJM Industrial Customer Coalition, Public Power Association of New Jersey, and Southern Maryland Electric Cooperative, Inc.


3 18 C.F.R. § 385.213.

4 See e.g. Black Oak Energy, L.L.C. v. PJM Interconnection L.L.C., 125 FERC ¶ 61,042 at P14 (2008) (accepting answer to rehearing request because the Commission determined that it has "assisted us in our decision making process."); FPL Marcus Hook, L.P. v. PJM Interconnection, L.L.C., 123 FERC ¶ 61,289 at P12 (2009) (accepting "PJM’s and FPL’s Answers [to rehearing requests], because they have provided information that assisted us in our decision making process.").
that its Answer will help facilitate the Commission’s review of the Request for Rehearing regarding issues of retroactive ratemaking and the expectations of Market Participants\(^5\) in the PJM capacity and energy markets. Accordingly, PJM respectfully requests that the Commission accept the below Answer for good cause shown.

II. Answer to Request for Rehearing

A. PJM Load Group’s Retroactive Ratemaking Claims Are Not Legally Sound

In the January 16 Order, the Commission found that PJM’s proposal would not result in retroactive ratemaking because “the tariff provisions revise offers solely in the energy market and are prospective, as of the date of this order[,] [and] have no retroactive effect on past offers or energy prices.”\(^6\) Moreover, the Commission stated “changing elements of the energy market rules by which capacity resources must abide does not necessarily constitute retroactive ratemaking.”\(^7\)

As in *ISO New England*, any expectations that the PJM Load Group may have had regarding how prior capacity auctions may bind future energy market rules do not outweigh the benefits to be gained by temporarily revising PJM’s market rules related to the $1,000/MWh energy offer cap. Further, the PJM Load Group mischaracterizes its unmet expectations as impermissible retroactive ratemaking, and cites a case that is inapposite to the situation at hand.\(^8\)

\(^5\) All capitalized terms that are not otherwise defined herein shall have the same meaning as they are defined in the Amended and Restated Operating Agreement of PJM Interconnection L.L.C. (“Operating Agreement”) and PJM Open Access Transmission Tariff (“Tariff”).

\(^6\) January 16 Order at P 38.

\(^7\) *Id.*, citing *ISO New England Inc.*, 145 FERC ¶ 61,095, at P 28 (2013) (concluding that any expectations of market participants, as distinguished from retroactive ratemaking, do not outweigh the reliability benefits resulting from the change in rates) (hereafter, “*ISO New England*”).

Anaheim stands for the proposition that the Commission will not impose a settlement over the objection of a non-settling party that would be subjected to a retroactive rate increase. In Anaheim, the retroactive rate increase at issue arose from a settlement agreement that would have applied a new cost allocation methodology for energy imbalance charges to prior periods when a different rate methodology had been in effect. This rather obvious example of retroactive ratemaking has little or nothing in common with the situation at hand. Here, the PJM Load Group advances the non sequitur that prospective changes to PJM’s energy market would result in retroactive ratemaking in PJM’s capacity market. The logical connection posited by PJM Load Group is tenuous, at best, and should be rejected by the Commission.

B. PJM Load Group’s Interpretation Would Produce Absurd Results.

The Commission correctly notes “[t]he fact that PJM runs a capacity market with three-year commitments does not freeze all changes to PJM’s tariff for the three-year period covered by the auction.” To find otherwise would produce absurd results. Applying the PJM Load Group’s interpretation, PJM would never be able to make prospective changes to its energy market rules that could impact Capacity Resources that have cleared a RPM Auction or are otherwise obligated to provide capacity to PJM via bilateral arrangements. Under that flawed interpretation of the filed rate doctrine, as applied to PJM’s energy and capacity markets, it is difficult to envision a situation under which PJM could ever make timely changes to its energy market rules, so long as a capacity market with three-year commitments exists. Clearly, that is not a reasonable result, and the PJM Load Group’s interpretation of the filed rate doctrine, applied to the facts at hand, must be rejected.

9 See Anaheim at P 40.

10 See id. at P 41.

11 See Request for Rehearing at 4-5 (describing PJM Load Group’s constrained view of how the PJM energy and capacity markets interact).

12 January 16 Order at P 38.

13 See Request for Rehearing at 4-6.
III. Conclusion

For the foregoing reasons, PJM respectfully requests that the Commission (1) grant its Motion and (2) consider its Answer herein.

Respectfully submitted,

Craig Glazer  
Vice President – Federal Government Policy  
PJM Interconnection, L.L.C.  
1200 G Street, N.W.  
Suite 600  
Washington, D.C. 20005  
(202) 423-4743  
craig.glazer@pjm.com

Steven Shparber  
Counsel  
PJM Interconnection, L.L.C.  
2750 Monroe Blvd  
Audubon, PA 19403  
(610) 666-8933  
steven.shparber@pjm.com

Dated: March 6, 2015
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 6th day of March, 2015.

Steven Shparber
Counsel
PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403
(610) 666-8933
steven.shparber@pjm.com