**UNITED STATES OF AMERICA**

**BEFORE THE**

**FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C. : EL14-94-000

**REPLY BRIEF**

**SUBMITTED ON BEHALF OF**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

 The Public Utilities Commission of Ohio (PUCO) hereby submits the following reply brief in response to PJM Interconnection, L.L.C.’s (PJM) initial brief filed on November 3, 2014, and the Independent Market Monitor’s (IMM) reply brief submitted on December 3, 2014.

# I. MOTION FOR LEAVE TO FILE A REPLY BRIEF

 The PUCO timely intervened in this matter on December 3, 2014, and conse­quently, is a party to this proceeding. In its August 25, 2014 order, the Federal Energy Regulatory Commission (Commission) established a procedural schedule directing PJM to file an initial brief on November 3, 2014, and set a deadline to file reply briefs on December 3, 2014. In light of the fact that the PUCO was unable to respond to the IMM’s comments addressed below in an earlier pleading, the PUCO respectfully requests that the Commission accept this reply brief, and consider the comments contained herein.

# II. INTRODUCTION

 In its initial brief, PJM asserts that the tariff methodology for calculating projected market revenues continues to be just and reasonable.[[1]](#footnote-1) PJM explains that market seller offer caps (MSOC) are set at a level that ensures offers into the reliability pricing model (RPM) are no higher than necessary to compensate a resource for its fixed cost, acting to mitigate the exercise of market power.[[2]](#footnote-2) Specifically, PJM opines that the tariff provi­sions for MSOC ensure just and reasonable rates by balancing a Capacity Market Seller’s interest in earning sufficient revenues to continue to be a capacity resource, while pre­venting a Capacity Market Seller from exercising market power.[[3]](#footnote-3)

# III.  PJM HAS NOT DEMONSTRATED THAT THE MSOC PREVENTS CAPACITY MARKET SELLERS FROM EXERCISING MARKET POWER.

 The PUCO maintains its initial concern that market power may be exercised as a result of not using the best available information. The MSOC directly affects capacity market prices. As the IMM notes, the failure to properly calculate MSOC creates the potential for the market to clear on an overstated MSOC, resulting in the exercise of mar­ket power.[[4]](#footnote-4)

 In light of the IMM’s view that PJM’s tariff is (absent a revision) unjust and unreasonable, the PUCO urges the Commission to carefully consider the potential for adverse market impacts. Consistent with PJM’s Open Access Transmission Tariff, the IMM is charged with bringing market power concerns to the Commission’s attention.[[5]](#footnote-5) The IMM has raised credible arguments indicating that the exercise of market power may occur absent a tariff revision. PJM has not adequately addressed the issues raised by the IMM in its initial comments.

# IV. CONCLUSION

 Consequently, as the potential harm from an overstated MSOC is significant, the PUCO respectfully requests that the Commission carefully consider the IMM’s com­ments to ensure PJM’s tariff is not unjust and unreasonable.

 Respectfully submitted,

*/s/ Jonathan J. Tauber*

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# V. CERTIFICATE OF SERVICE

 I hereby certify that the foregoing has been served in accordance with 18 C.F.R. Section 385.2010 upon each person designated on the official service list compiled by the Secretary in this proceeding.

*/s/ Thomas W. McNamee*

**Thomas W. McNamee**

Dated at Columbus, Ohio this December 10, 2014.

1. *In re PJM Interconnection, LLC*, Docket No. EL14-94-000 (Initial Brief of PJM Interconnection, LLC, at 1, 9) (Nov. 3, 2014). [↑](#footnote-ref-1)
2. *Id.* at 4-5. [↑](#footnote-ref-2)
3. *Id.* at 6-9. [↑](#footnote-ref-3)
4. IMM Comments at 3-4. [↑](#footnote-ref-4)
5. IMM Comments at 13; see OATT Attachment M Section IV. [↑](#footnote-ref-5)