

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.)	Docket No. EL17-84-000
)	
Linden VFT, LLC,)	Docket No. EL17-90-000
v.)	
Public Service Electric and Gas Company,)	
PJM Interconnection, L.L.C.)	(not consolidated)
)	

**ANSWER, MOTION FOR LEAVE TO ANSWER, AND MOTION TO LODGE
OF THE INDEPENDENT MARKET MONITOR FOR PJM**

Pursuant to Rules 212 and 213 of the Commission’s Rules and Regulations,¹ Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM Interconnection, L.L.C. (“PJM”)² (“Market Monitor”), submits this answer to the responses of Linden VFT, LLC (“Linden”) and Hudson Transmission Partners, LLC (“HTP”), submitted on November 6 and 9, 2017, to the Market Monitor’s Comments on responses to the order to show cause issued in this proceeding. The Market Monitor also moves to lodge information included in this pleading in the related but non-consolidated complaint filed by Linden against Public Service Electric Company (“PSEG”) and PJM, in order to provide a more complete record in that proceeding.³

¹ 18 CFR §§ 385.212 & 385.213 (2017).

² Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”) or the PJM Operating Agreement (“OA”).

³ The Market Monitor includes its comments of November 6, 2107, as an Attachment.

I. ANSWER

Linden claims (at 2) that the Market Monitor's concerns regarding RTEP cost allocations are not relevant to this proceeding. The Market Monitor disagrees. It is clear that this case is about RTEP cost allocations. It is clear that this case would not exist but for the RTEP cost allocations. Therefore the RTEP cost allocations are relevant to this proceeding, but only in the narrow sense that the implications of any decision in this case for the actual allocation of RTEP costs should be clearly understood. The Market Monitor is not attempting to relitigate the cost allocation decision. The Market Monitor does believe that it is essential that there be a clear understanding of the impact of the requested relief on the actual allocation of RTEP costs. Given that the purpose of the requested relief is to avoid a cost allocation and that the outcome of this case will affect the actual allocation of RTEP costs, it is efficient for there to be a clear understanding about the rules.

HTP and Linden, in a separate complaint proceeding, are attempting to avoid responsibility for RTEP cost allocations by converting FTWRs to NFTWRs.⁴ In addition to attempting to convert their FTWRs to NFTWRs, Linden has requested a new firm point-to-point transmission service on the PJM to Linden VFT path, conditioned on the conversion of its FTWRs to NFTWRs. HTP has not submitted a request for firm transmission service, but such a request is anticipated in order to support capacity exports from PJM. If the sole motivation for HTP and Linden to convert their rights is based on a faulty reading of the rules, it is important to obtain clarity now, in order to avoid confusion on RTEP cost obligations and unnecessary litigation.

Linden argues (at 2 n. 5) to limit the scope of the proceeding, referring to the Commission's statement:

⁴ Linden VFT notes that the Market Monitor did not file its comments in the separate complaint proceeding, Docket No. EL17-90-000. In order to ensure a complete record, the Market Monitor also files this response and its comments of November 6, 2017, attached, in Linden VFT's complaint proceeding.

PSEG and NJBPU argue it is not unreasonable to refuse to permit a conversion of Firm Transmission Withdrawal Rights to Non-Firm Transmission Withdrawal Rights due to the changes in future cost allocation that might occur under the PJM tariff. The question of RTEP cost allocation seems beyond the scope of this proceeding as it does not relate to revisions to the Existing ISA, but to the operation of PJM's tariff and the determination under the tariff. PSEG's and NJBPU's argument that HTP unfairly will avoid RTEP cost allocation is a challenge to the justness and reasonableness of PJM's RTEP cost allocation, not whether HTP should be able to relinquish its Firm Transmission Withdrawal Rights.⁵

The Market Monitor's approach is fully consistent with the statement of the Commission. The Market Monitor is not arguing that the request to convert FTWRs to NFTWRs should be rejected due to the impact on cost allocation. The Market Monitor is simply pointing out that the tariff makes it clear that such a switch will mean either that the cost allocation is exactly the same or that the transmission service becomes non firm which is inconsistent with the ability to export capacity from PJM to NYISO.

Linden (at 5–6) and HTP (at 3–6) argue that the Market Monitor misinterpreted section 232.2 of the PJM Tariff.

Section 232.2 of the OATT states:

A Transmission Interconnection Customer that is granted Firm Transmission Withdrawal Rights and/or transmission customers that have a Point of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities may be responsible for a reasonable allocation of transmission upgrade costs added to the Regional Transmission Expansion Plan after such Transmission Interconnection Customer's Queue Position is established, in accordance with Section 3E and Schedule 12 of the Tariff.

⁵ *PJM Interconnection, L.L.C.*, 160 FERC ¶ 61,056 at P 45 (2017).

Linden's and HTP's assertions that the Market Monitor misinterpreted Section 232.2 are incorrect. The Market Monitor explained that Section 232.2 means that there is no difference in RTEP cost allocation between the case where a transmission customer has FTWRs and/or the case where a transmission customer has "[transmission with] a Point of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities."

HTP states that the Market Monitor misunderstands the meaning of Section 232.2 and its history. But the order to which HTP cites confirms the Market Monitor's reading of Section 232.2.⁶ The Commission explained "The Transmission Enhancement Charge is assessed when the transmission owner builds the upgrades and then files to recover its costs of construction from transmission customers in the affected zone, which can include a merchant transmission project owner with firm transmission withdrawal rights or the load that is using the merchant transmission facility."⁷ That order cites to another recent order on the Neptune Regional Transmission System, LLC.⁸ The *Neptune* order makes clear the Commission's intent to avoid discriminating between customers using FTWRs and customers using firm point to point transmission service: "The Commission clarifies, however, that to the extent that a customer of Neptune requests network or firm point to point transmission service on PJM beyond the firm withdrawal rights already accorded by PJM to Neptune, that customer may be responsible for additional upgrade costs under the PJM tariff that are required to meet its specific needs."⁹

⁶ HTP at 4–5 & n.16, citing *PJM Interconnection, L.L.C.*, 112 FERC ¶ 61,276 at P 13 (2005).

⁸ 112 FERC ¶ 61,276 at P 13 & n.16, citing *Neptune Regional Transmission System, LLC v. PJM*, 111 FERC ¶61,455 at PP 24–25 (2005).

⁹ 111 FERC ¶ 61,455 at P 27.

If Linden and/or Hudson convert their FTWRs to NFTWRs, they would not be subject to RTEP cost allocations. However, if Linden and/or Hudson (or any other market participant) requests a long term firm point to point transmission reservation with a point of receipt in PJM and a point of delivery at the Linden or Hudson point of interconnection, then that transmission reservation will be treated in exactly the same way as an FTWR with respect to RTEP cost allocations. The Commission clarified the expectation of equal treatment when it directed PJM to incorporate language into the OATT, which has become Section 232.2.¹⁰

Linden also suggests incorrectly that the Market Monitor misunderstands Linden and the service it provides. As part of the interconnection process, Linden obtained FTWRs, which is the service that permits energy flows across the merchant transmission facility from the PJM point of interconnection to the NYISO point of interconnection. At that time, Linden also paid for the necessary upgrades to support delivery of energy from inside PJM to the point of interconnection. Prior to interconnection there was no product offered on the PJM OASIS with a point of receipt of PJM and a point of delivery of Linden. This new path was created and Firm Available Transmission Capability (ATC) was made available, in the amount equal to the FTWRs, for the primary rights holder to acquire in order to move power from inside PJM to the Linden point of interconnection. When this firm transmission is procured on the PJM-Linden path and combined with FTWRs, market participants complete a firm path from inside PJM to the NYISO border. The Market Monitor understands that Linden wishes to relinquish its FTWRs for NFTWRs. The Market Monitor also understands that Linden wishes to create a long term firm transmission reservation on the PJM to Linden path. It is exactly this long term firm transmission reservation that would be subject to RTEP cost allocations under Section 232.2 of the PJM Tariff.

¹⁰ See *id.*

Linden argues that “neither Linden VFT nor its customers have been allocated RTEP costs based on transmission service with PJM that they hold...”¹¹ But Linden misses the key point. Section 232.2 of the Tariff may charge RTEP costs to FTWR holders and/or transmission customers with a Point of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities. Linden proposes to switch from the first category to the second category, but does not appear to understand that this will not change its RTEP cost allocation. The fact that RTEP charges have not been implemented to transmission holders in the past is a result of the fact that long term firm transmission service with a Point of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facility has never been procured in the past. Linden also argues that

The IMM repeatedly described the Linden VFT facility as a “DC tie line,” and states that Linden VFT “owns a high voltage direct current transmission line” in an apparent attempt to make Section 232.2 of the PJM Tariff apply to Linden VFT. That assertion is simply not true. Linden VFT is a controllable AC facility.¹²

Linden attempts to argue that this distinction would exclude their RTEP cost responsibilities under Section 232.2. But Linden’s argument raises the question as to whether Linden should ever have received FTWRs and whether Linden is permitted to have NFTWRs. The PJM Tariff defines Firm and Non-Firm TWRs as (emphasis added):

“Firm Transmission Withdrawal Rights” shall mean the rights to schedule energy and capacity withdrawals from a Point of Interconnection of a Merchant Transmission Facility with the Transmission System. Firm Transmission Withdrawal Rights may be awarded **only** to a Merchant D.C. Transmission Facility that connects the Transmission System with another control area. Withdrawals scheduled using Firm Transmission Withdrawal

¹¹ Linden Response at 9.

¹² Linden Response at 10.

Rights have rights similar to those under Firm Point-to-Point Transmission Service.”

“Non-Firm Transmission Withdrawal Rights” shall mean the rights to schedule energy withdrawals from a specified point on the Transmission System. Non-Firm Transmission Withdrawal Rights may be awarded **only** to a Merchant D.C. Transmission Facility that connects the Transmission System to another control area. Withdrawals scheduled using Non-Firm Transmission Withdrawal Rights have rights similar to those under Non-Firm Point-to-Point Transmission Service.”

These same definitions appear in the Interconnection Service Agreement for the Linden facility.¹³ It is a logical extension that because Linden was granted FTWRs, it was understood that the Linden is functionally equivalent to a Merchant DC Transmission Facility, and that therefore any and all associated provisions tied to the receipt of FTWRs and NFTRWs should also be imposed on Linden as if it were a Merchant D.C. Transmission Facility. Any other interpretation would require Linden to immediately relinquish all FTWRs and NFTRWs and disconnect from the PJM transmission system as there is no tariff provision authorizing Linden to have FTWRs or NFTRWs as a controllable AC tie line.

II. MOTION FOR LEAVE TO ANSWER

The Commission’s Rules of Practice and Procedure, 18 CFR § 385.213(a)(2), do not permit answers to answers or protests unless otherwise ordered by the decisional authority. The Commission has made exceptions, however, where an answer clarifies the issues or assists in creating a complete record.¹⁴ In this answer, the Market Monitor provides the

¹³ See PJM Interconnection, L.L.C., Docket No. ER06-649-000 (February 16, 2006) § 1.13A and § 1.27A.

¹⁴ See, e.g., *PJM Interconnection, L.L.C.*, 119 FERC ¶61,318 at P 36 (2007) (accepted answer to answer that “provided information that assisted ... decision-making process”); *California Independent System Operator Corporation*, 110 FERC ¶ 61,007 (2005) (answer to answer permitted to assist Commission in decision-making process); *New Power Company v. PJM Interconnection, L.L.C.*, 98 FERC ¶ 61,208 (2002) (answer accepted to provide new factual and legal material to assist the Commission in decision-making process); *N.Y. Independent System Operator, Inc.*, 121 FERC ¶61,112

Commission with information useful to the Commission's decision-making process and which provides a more complete record. Accordingly, the Market Monitor respectfully requests that this answer be permitted.

III. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to this answer as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: November 10, 2017

at P 4 (2007) (answer to protest accepted because it provided information that assisted the Commission in its decision-making process).

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 Eagleville, Pennsylvania,
this 10th day of November, 2017.



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ATTACHMENT

NFTWRs.³ On September 8, 2017, the Commission rejected the amended ISA and instituted a proceeding “to examine the justness and reasonableness of HTP being unable to convert its Firm Transmission Withdrawal Rights to Non-Firm Transmission Withdrawal Rights.”⁴

At the request of Linden VFT, LLC (“Linden” or “Linden VFT”), PJM also filed an unexecuted amended ISA under Docket No. ER17-2267-000. That proceeding remains pending.

Currently, the only participants to ever request and obtain FTWRs in PJM are HTP, Neptune Regional Transmission System, LLC (“Neptune”) and Linden, each of which owns a high voltage direct current transmission line (“DC tie line”) originating in the PSEG Zone of PJM and terminating in Zone J (New York City) of NYISO. Owning FTWRs allows participants to export capacity from PJM to NYISO when all other conditions for such export are met, including firm transmission service in PJM. FTWRs are allocated a share of RTEP upgrade costs.

In 2014, approved RTEP cost allocations included the Bergen-Linden Corridor (BLC) project. PSEG explained:

[The BLC project] is designed to replace the existing 138kV transmission system from Bergen to Linden with a double circuit 345kV transmission system. PJM determined that this new transmission system is necessary to ensure reliable electric service, eliminate anticipated transmission constraints, and respond to PJM/Federal Energy Regulatory Commission (FERC)-mandated infrastructure expansion. The project will eliminate electric system capacity issues in Northern New Jersey, providing better power quality in the region.⁵

³ *PJM Interconnection, L.L.C.*, Docket No. ER17-2073-000 (July 10, 2017).

⁴ *PJM Interconnection, L.L.C.*, 160 FERC ¶ 61,056 (2017).

⁵ PSEG, “*Bergen-Linden Corridor Project*,” <<https://www.psegtransmission.com/reliability-projects/bergen-linden-corridor>> (October 30, 2017).

Using the solution-based DFAX cost allocation method, PJM initially allocated BLC's estimated costs: \$720 million to Con Edison; \$103 million to HTP; \$10 million to Linden VFT; no costs to Neptune; and \$88 million to PSEG.⁶ To avoid its share of the cost allocation, Con Edison elected to terminate its 1,000 MW of long-term firm transmission service (the Con Ed Wheel) effective April 30, 2017. PJM reallocated the costs: \$634 million to HTP; \$132 million to Linden VFT; and the remaining \$128 million to PSEG.⁷ The Commission denied complaints about the cost allocation, ruling that PJM applied the Commission accepted regional cost allocation method.⁸

In June 2017, HTP and Linden separately initiated the process to amend their interconnection service agreements to reflect the conversion of FTWRs to NFTWRs in an apparent effort to avoid paying their allocated share of the RTEP cost allocations. Linden has already requested PJM long-term firm transmission through the long-term firm queue.⁹ PJM's Initial Study Long-Term Firm Transmission Service notes:

... For the purpose of this study, and as requested by the Customer, PJM assumed FERC approval to amend the pre-existing Linden VFT Interconnection Service Agreements (Queue

⁶ PJM's solution-based DFAX methodology is set forth in Schedule 12 of the PJM Tariff and establishes the cost allocation methodology for baseline upgrades ("Required Transmission Enhancements") included in PJM RTEP. *See* OATT Schedule 12 § (b)(iii).

⁷ The Commission accepted these updated BLC cost allocations on March 29, 2017, subject to a nominal suspension period, refund and further Commission order. *PJM Interconnection, L.L.C.*, 158 FERC ¶ 62,250 (2017).

⁸ *See Linden VFT, LLC v. PJM Interconnection, L.L.C.*, 155 FERC ¶ 61,089 (2016).

⁹ Long term firm queues AC2-052 (submitted February 14, 2017 for transmission service June 1, 2019 through to June 1, 2024) and AD1-021 (submitted on June 13, 2017 for service from November 1, 2017 to June 1, 2019).

U2-077 and W1-001) and resulting termination of the associated firm rights.¹⁰

Linden has requested that PJM provide an initial study with the assumption that FERC approves the termination of their FTWRs. Linden VFT apparently expects to maintain the ability to export capacity to NYISO from PJM with the same level of transmission service level they currently have under the FTWR construct while avoiding payment of their RTEP cost allocations. Linden VFT has obtained assurance from NYISO that NFTWRs in conjunction with firm point to point transmission service from PJM to the Linden VFT point of delivery, will allow Linden VFT to continue to export capacity from PJM to NYISO exactly as they did with FTWRs.¹¹

HTP has, to date, only requested conversion of its FTWRs to NFTWRs.¹² Neptune was not allocated any RTEP costs and has not requested a change in service.

The claim that Linden and/or HTP could use NFTWRs in conjunction with firm point to point transmission to continue to export capacity from PJM to NYISO while avoiding RTEP costs is not correct.

Section 232.2 of the OATT states: (emphasis added):

... A Transmission Interconnection Customer that is granted Firm Transmission Withdrawal Rights *and/or transmission customers that have a Point of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities may be responsible for a reasonable allocation of transmission upgrade costs added to the Regional Transmission Expansion Plan after such Transmission Interconnection Customer's Queue Position is*

¹⁰ See PJM, "Initial Study Long-Term Firm Transmission Service OASIS Assignment Reference 4885734," (August 11, 2017) <http://www.pjm.com/pub/planning/project-queues/ltf-phase-1/4885734_ltf1.pdf>.

¹¹ See NYISO, "Discussion of UDR Deliverability Requirements" (September 18, 2017) at 8, <http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2017-09-18/UDR%20Deliverability%20Requirements.pdf>.

¹² *PJM Interconnection, L.L.C.*, Docket No. ER17-2073-000 (July 10, 2017).

established, in accordance with Section 3E and Schedule 12 of the Tariff...

Section 232.2 of the OATT explicitly requires the same RTEP cost allocation when a transmission customer has FTWRs and when a transmission customer has “a Point of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities.” That is the situation here. Identical treatment of RTEP costs is appropriate because the service is the same. Linden, if it relinquishes its FTWRs and instead uses firm point to point transmission service from PJM to the Linden VFT point of delivery and NFTWRs across the Linden VFT Line, would have the same service before and after the change. These two methods would be appropriately treated the same under Section 232.2, and HTP, if it follows Linden VFT’s approach also would be treated the same.

Converting FTWRs to NFTWRs and acquiring firm point to point transmission, with Point of Delivery at the Border of PJM where the Transmission System interconnects with a merchant D.C. transmission facility, does not and should not allow avoidance of RTEP cost responsibilities. Such modification results in no difference in service level, and should result in no change in responsibility for RTEP costs.

Schedule 12 of the OATT defines the allocation of Reliability Projects to transmission customers, as required in Section 232.2. Schedule 12 includes specific reference to transmission customers with merchant ties lines with FTWRs but omits any reference to transmission customers with merchant tie lines with the combination of NFTWRs and transmission service.¹³ No conversion of FTWRs to NFWRs in conjunction with

¹³ More precisely: transmission customers that have a Point of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities.

transmission service can be accommodated unless and until Schedule 12 is modified to provide for this option.¹⁴

The tariff provides for the allocation of RTEP charges to DC merchant lines with FTWRs and/or transmission service with Points of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities. Section 232.2 makes explicit that the quality of service under both options is identical and the RTEP transmission upgrades required to continue to provide this service are identical. Customers that relinquish FTWRs in favor of using NFTWRs in conjunction with firm transmission service in the hope that they can continue to export capacity from PJM to NYISO while avoiding the same allocation of RTEP charges are misguided.

If HTP and/or Linden convert their FTWRs to NFTWRs and acquire long-term firm point to point transmission service from PJM to the point of interconnection with their DC tie line, HTP and/or Linden would continue to be assigned a portion of the RTEP cost responsibilities. But such assignment requires PJM to modify Schedule 12 of the OATT to include the options defined in Section 232.2. Once Schedule 12 is modified, HTP and/or Linden would become eligible to export capacity from PJM to the NYISO over their DC tie lines. Section 232.2 of the PJM Tariff combined with the NYISO deliverability requirements for capacity imports¹⁵ makes this explicit. This outcome would be just and reasonable.

It would not be just and reasonable to permit HTP and/or Linden to retain the same capacity export service with a different name and avoid an allocation of RTEP costs.¹⁶

¹⁴ Including HVDC, VFT or, when applicable, controllable PAR facilities.

¹⁵ See NYISO "Deliverability Requirements for Capacity Imports," (October 11, 2017) at 7, <http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2017-10-11/Import%20Right%20Deliverability%20Requirements.pdf>.

¹⁶ The IMM recognizes that there are legitimate questions about the underlying allocation of costs. That decision has been made by the Commission.

I. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to these comments as it resolves the issues raised in this proceeding.

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Dated: November 1, 2017

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 Eagleville, Pennsylvania,
this 1st day of November, 2017.



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