

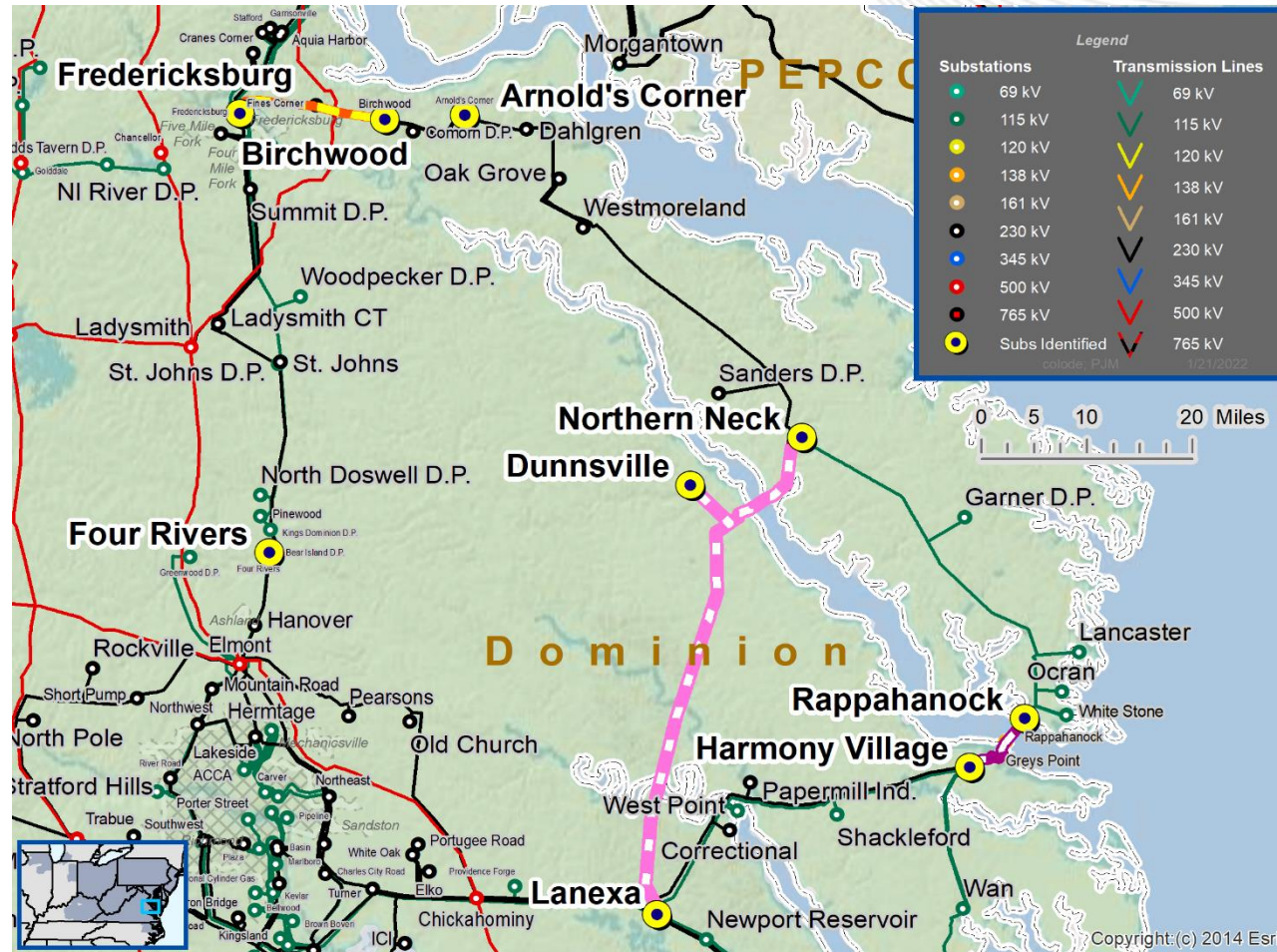


PJM Consultation With the Members Regarding a Potential Section 205/206 FERC Filing

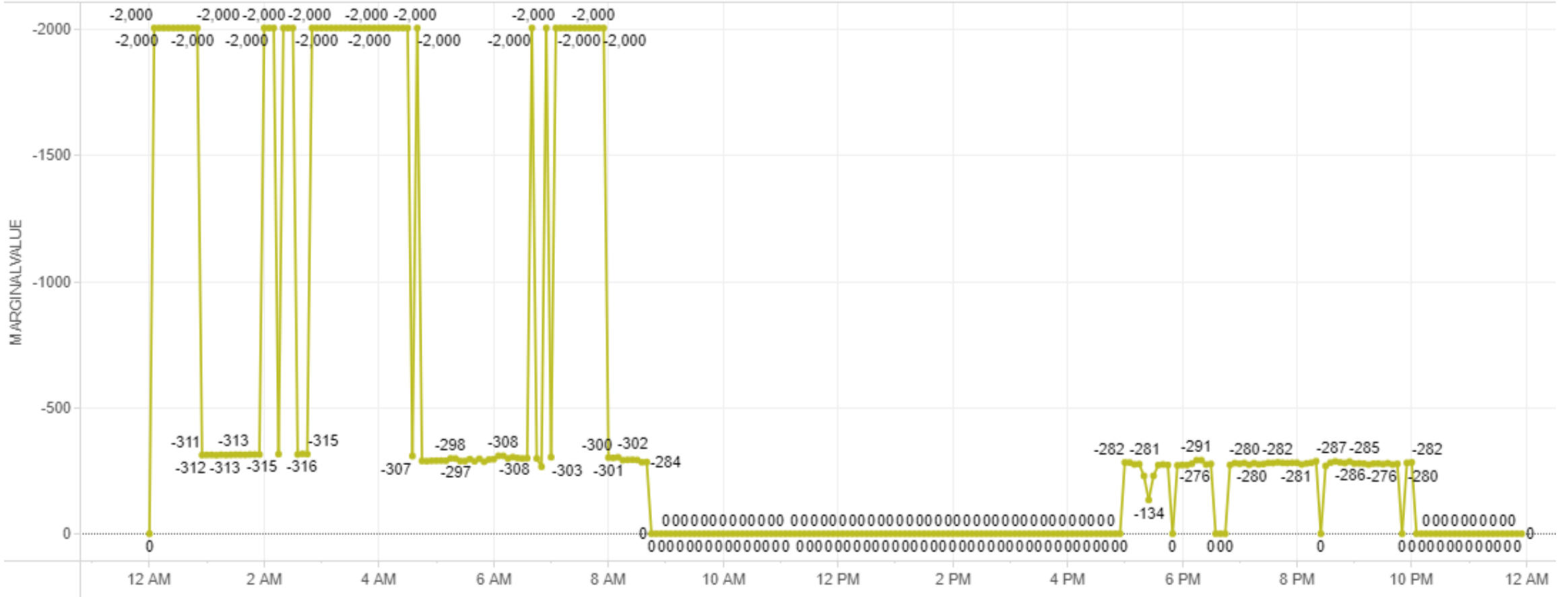
PJM Members Committee
January 26, 2022

Stu Bresler, SVP, Market Services
Chris O'Hara, SVP and General Counsel

Greys Point to Harmony Village Constraint



- Lanexa-Dunnsville 230 kV transmission line is being rebuilt. Outage expected to last to December 2023.
- Very limited controlling actions available to PJM – four small, oil-fired CTs
- Once controlling actions are exhausted, constraint binds at \$2,000 penalty price.
- When no solution available to operate N-1 secure, this constraint is managed by PCLLRW – which is planned load shed if the contingency occurs to bring flows across the constraint within limit.
- When load-dump rating on the constraint is close to being exceeded, the local transmission system is reconfigured via switching. The constraint stops binding, but if a contingency occurs, up to 200 MW of load is lost on the peninsula.



Constraint: GREYSPT-HARMONYV 1021B B 115 kV
 Contingency: L230.Fredericksburg-Birchwood.2083

- PJM has been evaluating potential steps to mitigate the congestion since the magnitude of the congestion and the details of the configuration became known.
- Dominion Congestion Market Notice (released on Jan. 18)
 - PJM and the IMM are aware of the unique circumstances and the resulting congestion and are evaluating potential steps to mitigate.
 - The IMM is concerned about potentially manipulative behavior and advises market participants to closely evaluate their activity.
- The focus of this discussion is the PJM and IMM concern with the application of the \$2,000 transmission constraint penalty factor for setting real-time prices in this instance.

- When the CTs are operating and sufficient to control the constraint, prices are high on the peninsula, ~\$300/MWh.
- When the CTs are operating but insufficient to control the constraint, prices are set by a “penalty factor” of \$2,000/MWh, resulting in extremely high prices on the peninsula.

Short Term

High prices can incentivize short-term supply and/or load curtailment to help mitigate the congestion. No such response has been observed to date.

Long Term

High prices signal the longer-term need for additional supply, load curtailment and/or transmission. No such long-term response is necessary in this case as the construction outage is for the purpose of reinforcing transmission into this area that mitigates the issues.

- When the switching is implemented and the CTs are turned off, prices no longer reflect the congestion at all.

Section 5.6.3 of Schedule 1 of the Operating Agreement and parallel provisions of the Tariff, Attachment K-Appendix, section 5.6.3 stipulate the circumstances under which PJM may reduce the Transmission Constraint Penalty Factor and that do not apply to this situation, stating in part:

“The Office of the Interconnection may lower the Transmission Constraint Penalty Factor when sufficient congestion relief on the constraint can be provided by available resources at a cost below the default Transmission Constraint Penalty Factor in order to prevent a high cost resource that cannot provide material congestion relief on the constraint from inappropriately setting price for the constraint.”

- PJM and the IMM believe that additional capability to reduce the penalty factor should exist in very unique circumstances such as this one. Given the significant impacts of congestion and unique circumstances, PJM and the IMM do not believe it is prudent to spend the necessary time to develop a generic provision through the stakeholder process for filing with FERC under section 205 for this specific circumstance.
- PJM is considering a section 206 filing to change the OA and a section 205 filing to change the Tariff to address ONLY this specific circumstance. Circuit breaker provisions for Transmission Constraint Penalty Factors are currently in the Energy Price Formation Senior Task Force scope.

PJM will also be consulting the Board of Managers regarding this potential action.

PJM proposed requesting language similar to the following be added to the Tariff to address this specific situation to be added as a new paragraph (c) to section 5.6.3 in the parallel OA and Tariff provisions:

(C) Notwithstanding the provisions of this Section 5.6, and until such time the rebuild of the Lanexa-Dunnsville-Northern Neck 230 KV line in the Dominion Transmission Zone is complete (as confirmed with the Transmission Owner and subsequently reported on the transmission facilities outage list posted on the Office of the Interconnection's website), the Office of the Interconnection shall set the transmission line limit in its Security Constrained Economic Dispatch program at a level that ensures the offers of the resources being used to control the constraint are reflected in the Congestion Price in lieu of applying a Transmission Constraint Penalty Factor when there are insufficient available resources to relieve a transmission constraint on the remaining transmission facilities serving the Northern Neck area caused by the Lanexa-Dunnsville-Northern Neck line outage.

PJM welcomes stakeholder feedback on this proposed addition.