Capacity Transfer Rights For Entities with Firm Transmission Rights to Serve Network Load in a Constrained Locational Deliverability Area

Problem / Opportunity Statement

PJM's current Reliability Pricing Model ("RPM") modeling practices direct all external Firm Point-to-Point transmission resources to the Rest of RTO, even when the historic external Firm Point-to-Point transmission sinks at the constrained zone. PJM uses this transfer capability in the Capacity Emergency Transfer Objective/Capacity Emergency Transfer Limit ("CETO/CETL") calculation without allocating the benefits of such transfer capability to the transmission holder into the constrained Zone/Locational Delivery Area ("LDA"). The current modeling practices do not have a mechanism established to allocate the benefits of historically committed transfer capability into a constrained Zone/LDA from such external Point-to-Point transmission. The lack of such mechanism for long term resources committed to serve PJM Network Load in the constrained Zone/LDA can have significant consequences, including the imposition on the holder of such transmission rights of an internal resource requirement (called "Percentage Internal Resources Required") under the Fixed Resource Requirement ("FRR") Alternative, if such holder is an FRR Entity, even when such resources were committed to serve PJM Network Load in the Zone since the initial Delivery Year that RPM was implemented (i.e., a reference year) and prior to the Zone becoming constrained. The external transfer capability provides significant long term reliability benefits to the constrained LDA and PJM.

The situation to be improved & why it warrants consideration in the PJM stakeholder process.

PJM has a procedure in place to allocate Auction Revenue Rights ("ARRs") for the energy market based on the historical transmission paths identified for the reference year. In the case of RPM, PJM currently does not have a mechanism to allocate Capacity Transfer Rights ("CTRs") for the benefits derived from external transfer capability into a specific constrained Zone/LDA that were acquired historically to serve Network Load in the Zone/LDA and that remains currently active. This becomes even more important in cases where the capacity constrained zone has a significant transfer capability (into PJM) from neighboring Balancing Authorities external to PJM and the Zone/LDA.

The external transfer capability provides significant benefits to the constrained Zone/LDA and is critical to continue to maintain reliability of the constrained Zone/LDA especially when the external transfer capability is significant when compared to PJM's internal transfer capability into the constrained Zone/LDA.

Document if the new work is to address specific technical issues and/or to address broader policy issues

Stakeholders are asked to address whether market participants would be better served through a change in the practice to allocate CTRs to Capacity Market Sellers or FRR Entities that can demonstrate that they made commitments in or prior to the reference year to construct or acquire their external resources were for utilized as Capacity Resources to serve the capacity needs of their internal Network Load as of such reference year. Addressing the issue could require changes to the Tariff, RAA and/or PJM Manuals.

Include any outcomes that have occurred to-date as a result of the issue and Include potential additional consequences if no action is taken

Due to the very limited nature of the issue, a very limited number of entities are impacted. At least one entity had to seek a FERC waiver as this issue is addressed. If no action is taken the entity will be at the discretion of FERC either to extend the waiver or address this issue.