



Status Update on Non-Retail Behind the Meter Generation Business Rules

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OC Meeting
September 10, 2019

- Non-Retail BTMG Business Rules problem statement and issue charge was endorsed at March OC meeting with Key Work Activities assigned to OC
- Completion of Key Work Activities 1 & 2 resulted in updates to Emergency Operations (M-13) and Generator Operational Requirements (M-14D) manuals being proposed to clarify the reporting, netting, and operational requirements of Non-Retail BTMG
- Proposed manual updates are intended to ensure Member and PJM responsibilities, processes, and procedures related to Non-Retail BTMG are clear and adequately captured in PJM manuals
- Proposed manual updates are intended to be consistent with the terms of 2005 Non-Retail BTMG Settlement Agreement (EL05-127)
- Proposed manual updates were endorsed at the August OC meeting
- Proposed manual updates were removed from consent agenda at the August MRC meeting and endorsement was postponed to address stakeholder concerns

Settlement Agreement terms provided mechanisms to protect the reliability of system, while permitting increased participation in BTMG netting program.

Netting up to Non-Retail BTMG Threshold

3000 MW Cap on Non-Retail BTMG

Requirement to operate during Maximum Generation Emergency condition

PJM rights to file to change BTMG provisions in event that PJM identifies a reliability concern

- PJM proposes additional updates to M-14D, Appendix A for stakeholder consideration
- Propose an update for the LSE/EDC to provide “all available information” on Non-Retail BTMG units to address stakeholder’s concern
- Propose updates to clarify that the EDC for Zone is responsible to report on Non-Retail BTMG that is located in the Rest of Zone (i.e., Zone minus modeled wholesale areas in Zone in the Capacity Exchange system) and is subject to the same reporting, netting, and operational requirements that apply to an LSE that serves the load for a modeled wholesale area and such wholesale area contains Non-Retail BTMG
- Solicit any additional stakeholder concerns or feedback

Appendix

“Behind The Meter Generation” shall refer to a generating unit that delivers energy to load without using the Transmission System or any distribution facilities (unless the entity that owns or leases the distribution facilities has consented to such use of the distribution facilities and such consent has been demonstrated to the satisfaction of the Office of the Interconnection); provided, however, that Behind The Meter Generation does not include (i) at any time, any portion of such generating unit’s capacity that is designated as a Generation Capacity Resource, or (ii) in any hour, any portion of the output of such generating unit that is sold to another entity for consumption at another electrical location or into the PJM Interchange Energy Market.

“Non-Retail Behind The Meter Generation” shall mean Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, and electric distribution companies to serve load.

“Retail” BTMG

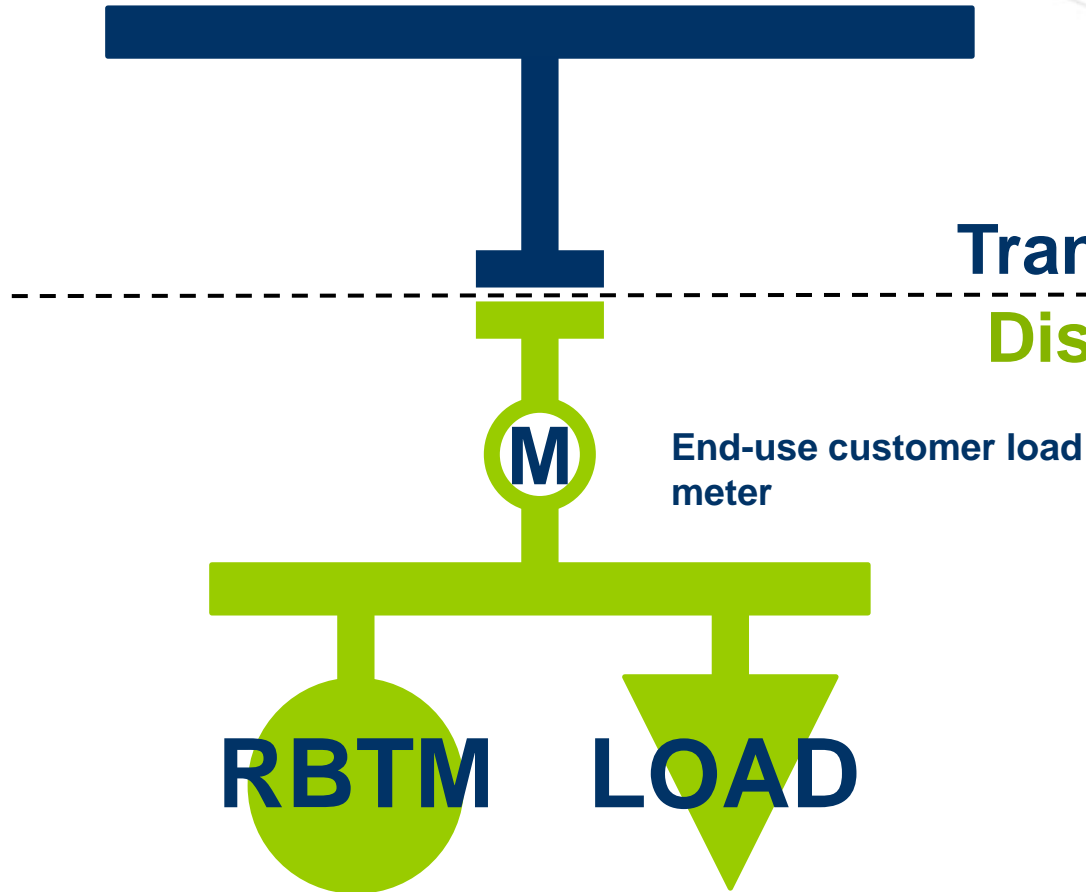
- Unit is co-located with end-use load
- Unit typically serves load for one retail electric customer (unless there is a net-energy metering arrangement with utility)
- Unit is located behind the retail electric customer’s load meter
- Unit is not classified as Generation Capacity Resource, Demand Resource, or Energy Resource

Non-Retail BTMG

- Unit is not co-located with end-use load
- Unit serves load for multiple retail electric customers on distribution system
- Unit is located behind the muni/coop/EDC wholesale load meter
- Unit is not classified as Generation Capacity Resource, Demand Resource, or Energy resource

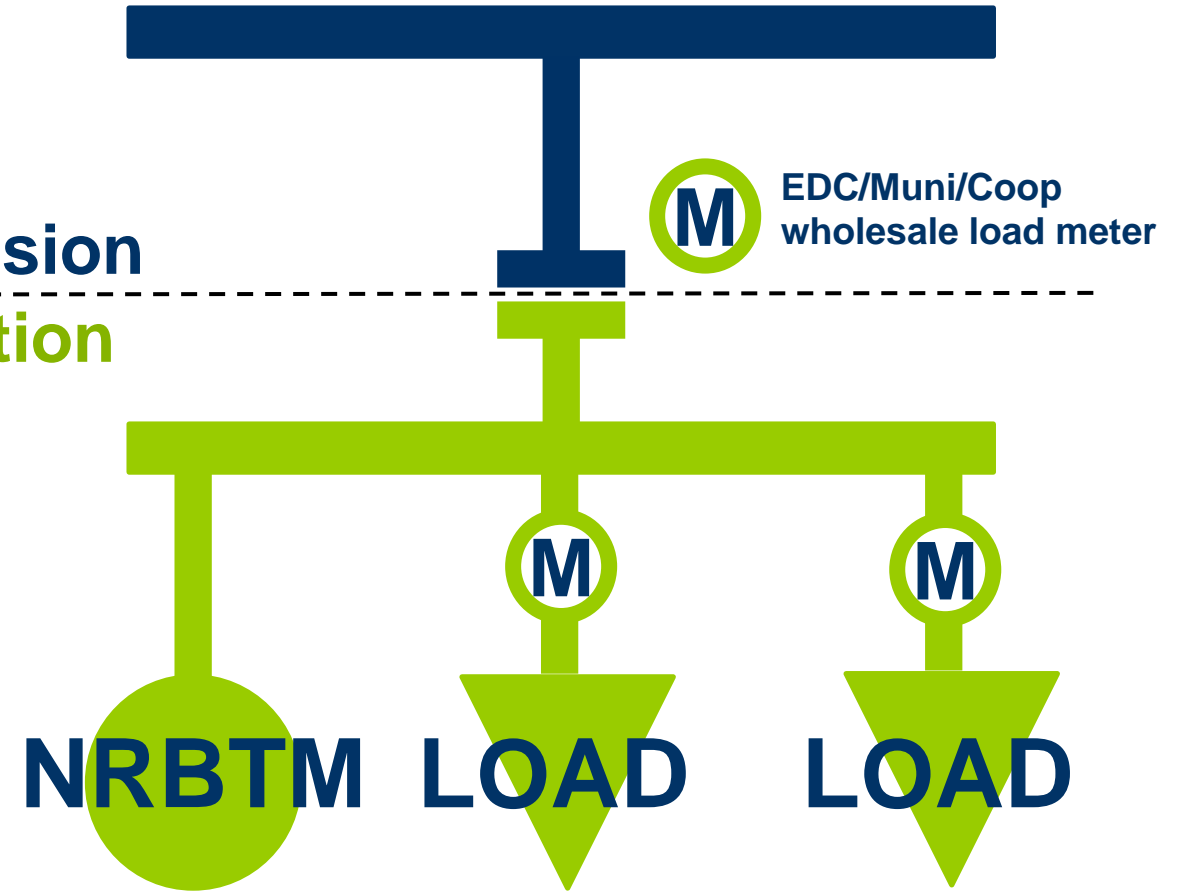
“Retail” BTM

Serves load for one retail electricity customer



Non-Retail BTM

Serve load for multiple retail electricity customers



History of Settlement Agreement

March 1, 2004

Filing ER04-608

PJM proposed rules to allow BTMG at same, single electrical location to net against load

May 6, 2004

FERC Order

Accepted filing subject to condition. Required PJM to examine whether appropriate to expand BTMG netting provision to municipal and cooperative system loads and file status report.

May 2004 – March 2005

BTMG Working Group

Deliberated on expanding the BTMG business rules. PJM filed three status reports to FERC on the topic.

March 18, 2005

Final Status Report

PJM stakeholders rejected proposal that allowed BTMG on distribution system to net based on ten PJM coincident peaks during summer period for transmission and capacity purposes.

July 6, 2005

Docket EL05-127

FERC established hearing and settlement judge procedures to investigate expanding netting provisions to BTMG connected to distribution system.

October 24, 2005

Settlement Agreement

Established the Non-retail BTMG business rules.

Parties to Settlement Agreement

- American Electric Power Service Corporation
- American Forest & Paper Association
- Borough of Chambersburg, PA
- Eastern Utilities Commission
- City of Geneva, IL
- Illinois Municipal Electric Agency
- Old Dominion Electric Cooperative
- PEPCO Holdings & its affiliates
- PJM Industrial Customer Coalition
- PJM Interconnection
- Public Service Electric & Gas

Appropriateness
of expanding
netting provision

- Whether generation not located with load should be categorically excluded from BTMG netting provision

Impact on
reliability as a
result of
expansion

- Whether reliability concerns raised by PJM are relevant to question of netting to determine the responsibility of the costs of transmission system or whether such concerns can be addressed in other ways

Reliability concerns:

- Classifying high levels of municipal generation would reduce level of installed capacity reserves on system
- PJM did not have right to call upon BTMG in an emergency

- Applicability of the BTMG Netting Rules
- Non-Retail BTMG Threshold
- 3000 MW Non-Retail BTMG Cap
- Maximum Generation Emergency Obligation
- Filing Rights

- Netting rules shall be expanded to apply to BTMG used by municipal electric systems, electric cooperatives, and electric distribution companies to serve load (“Non-Retail Behind the Meter Generation”)
- If distribution facilities are used to deliver energy from Non-Retail BTMG to load, then permission to use distribution facilities must be obtained from owner, lessee, or operator of such facilities
- Netting rules for Non-Retail BTMG apply only to those entities that have Network Integration Transmission Service agreements with PJM

- Non-Retail BTMG Threshold caps the amount of Non-Retail BTMG in PJM that will be eligible for 100% netting
- Initial Non-Retail BTMG Threshold shall be 1500 MW for 2006 calendar year for transmission charges and 2006/2007 delivery year for capacity charges.
- Each year thereafter, Non-Retail BTMG Threshold is increased based PJM load growth.
- Load growth shall be determined based on most recent forecasted weather-adjusted summer peak for PJM region divided by weather-adjusted coincident peak for prior summer for the same area.
- Non-Retail BTMG Threshold shall be rounded up or down to nearest whole MW.
- Non-Retail BTMG Threshold for current calendar year/delivery year shall be the base amount for calculating the Non-Retail BTMG Threshold for succeeding calendar year/delivery year.

Exceeding the Non-Retail BTMG Threshold

- If amount of Non-Retail BTMG in PJM exceeds the Non-Retail BTMG Threshold, the Non-Retail BTMG eligible for netting shall be pro-rated back to the Non-Retail BTMG Threshold
- Entity's Non-Retail BTMG eligible for netting shall be product of entity's total Non-Retail BTMG multiplied by the ratio of Non-Retail BTMG Threshold divided by total amount of Non-Retail BTMG in PJM (not to exceed 3000 MW).

Example:

Non-Retail BTMG Threshold = 1500 MW

Non-Retail BTMG in PJM = 2000 MW

Ratio = $1500 \text{ MW} / 2000 \text{ MW} = 0.75$

Entity's Non-Retail BTMG = 20 MW

Entity's Eligible Non-Retail BTMG Netting Amount = $20 \text{ MW} * 0.75 = 15 \text{ MW}$

- Non-Retail BTMG in PJM shall be capped at 3000 MW for netting purposes unless modified pursuant to a filing
- If 3000 MW cap is reached, no additional Non-Retail BTMG will be eligible for netting for purposes of determining charges for transmission service, reactive service, black start service, and capacity obligations
- In event 3000 MW cap is reached, within 6 months of the date the cap is reached, PJM shall make a section 205 filing to justify either continuation of existing BTMG rules (including any expansion of rules to include additional MWs) or any changes to the rules.
 - Filing to address the effect of the implementation of current BTM rules on reliability and equitable allocation of cost responsibility

- Non-Retail BTMG resource that has output that is netted from load for the purposes of determining LSE's NSPL or OPL shall be required to operate at full output during the first ten times between November 1 and October 31, that Maximum Generation Emergency conditions occur in the zone in which the Non-Retail BTMG resource is located
- Failure to operate results in reduced netting benefit

Reduced Netting Benefit for Failure to Operate

- Except for failure to operate due to scheduled outages during months of October through May, for each MGE condition in which such resource fails to operate, in whole or in part, the netting associated with that resource for purposes of charges for transmission service, reactive service, black start service, and capacity obligations shall be reduced by 10% of the amount of MWS the resource failed to produce
- Reductions in netting shall be applied in the succeeding calendar year with respect to transmission service, reactive service and black start service, and in the succeeding delivery year for capacity obligations

Example:

Required Output during MGE = 100 MW

Non-Retail BTMG Output during MGE = 50 MW

Shortfall = 50 MW

Entity's Eligible Non-Retail BTMG Netting Amount for next CY/DY will be reduced by 10% *

Shortfall or 5 MW

- Nothing in Settlement Agreement shall be construed as affecting the rights of any party to make future filings under section 205 and 206 of Federal Power Act
- PJM shall have right unilaterally to make 205 filing to provisions of OA to extent provisions and amendments concern reliability or operational issues with BTMG netting rules
- PJM shall have right unilaterally to make 205 filing to provisions of OATT to extent provisions and amendments concern BTMG netting rules