

Frequently Asked Questions: Energy Settlements Area Definition Changes Version 1

On October 1, 2014 AEP requested a modification of energy settlement area definition for network load within the AEP zone. This modification will create four energy settlement areas within the AEP zone. In an effort to anticipate and respond to customer questions, PJM has put together this question and answer document. This document will be updated to newer versions as more questions arise.

Q: What are the governing documents for Settlement Area Definition Changes?

A: PJM Manual 27, Section 5.7. Below is a link to Manual 27.

<http://pjm.com/~media/documents/manuals/m27.ashx>

The Tariff Reference for Establishing and Changing Network Load Energy Settlement Area Definitions, is Tariff Section 31.7. Below is a link to the Tariff.

<http://pjm.com/~media/documents/agreements/tariff.ashx>

Q: Have there been any recent notifications regarding changes to energy settlement areas?

A: PJM has received notification by a PJM Member of intent to change energy settlement area compositions on October 1, 2014. A copy of the notification is posted here:

<http://www.pjm.com/~media/committees-groups/committees/mic/20141008/item-01-2-settlement-area-definition-notice-20141001.ashx>

Q: Do you know why AEP has decided to split into the 4 energy settlement areas?

A: Members will need to discuss AEP's reasons directly with them.

Q: Will this impact the pricing on which DR is settled?

A: Yes, the pricing point associated with DR registrations needs to be consistent with the energy settlement area at which the load is priced. If the DR is currently priced at the AEP transmission zone, it will need to shift to the applicable operating company energy settlement area.

Q: Do you know if this is something that would affect the market model? Will there be separate load zones in the AEP region and therefore some hub or interface definitions might change?

A: Hub and interface definitions will not be impacted. New aggregates representing the operating company energy settlement areas will be created.

Q: Will the AEP zone cease to exist or will there be four new aggregates in addition to the AEP zone?

A: The AEP physical transmission zone pricing point will still exist. There will be four new load aggregates representing the operating company energy settlement areas.

Q: Will real-time load priced at the AEP transmission zone now settle at one of the new energy settlement areas?

A: Any real-time load currently priced at the AEP physical transmission zone will shift to being priced at the applicable operating company load aggregate.

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Q: Will PJM publish a list of buses that included in each of these proposed settlement areas?

A: A list of buses included in each of these proposed settlement areas has not yet been finalized. Per Manual 27, AEP must provide information on the additional settlement areas by December 1, 2014. From Manual 27, Section 5.7, see the Business Rules for Changing Settlement Area Definitions of Network Load

No later than December 1, the affected EDC and Network Customer will fully identify the composition of the new area. PJM will promptly transmit this information to members of the Members Committee, Markets and Reliability Committee and Market Implementation Committee and to the ex officio members representing regulatory authorities (as defined in Section 8.2.2 of the PJM Operating Agreement) and state offices of the consumer advocate (as defined in Section 8.2.3 of the PJM Operating Agreement) of these three standing Committees.

Q: Will PJM be posting the prices for each of the four energy settlement areas prior to June 1, 2015 so we would have some historical pricing data for these individual energy settlement areas?

A: PJM has not discussed simulating any prices. PJM is not able to do anything until we receive additional information on the definition of the new energy settlement areas.

Q: Will existing real-time InSchedule load contracts priced at the AEP physical transmission zone need to be modified?

A: Yes, new InSchedule load contracts will need to be created identifying the appropriate energy settlement area.

Q: How with ARRs be impacted?

A: Effective with the 2015/2016 ARR Allocation, Load Serving Entities (LSEs) in the AEP zone will be assigned into one of the four new Operating Companies based on the location of their load unless the LSE sinks at a nodal location. Therefore, the sink locations for ARRs will also change. The following assignments will be made for ARR allocations for LSEs that do not already sink at a nodal location.

1. Load in the Indiana Michigan Power area will sink at the Indiana Michigan Power aggregate.
2. Load in Kentucky Power will sink at the Kentucky Power aggregate.
3. Load in Appalachian Power will sink at the Appalachian Power aggregate.
4. Load in the Ohio Power area will sink at the Ohio Power for Stage 2 only. In Stage 1, load at Ohio Power area will sink at the Ohio Power w/o MON POWER and the MON POWER Aggregates. This special Stage 1 configuration for load in Ohio Power is necessary to maintain the ARR requests from historical generation for the AEP zone corresponding to the AEP integration reference year (2004).

Each LSE will be assigned a pro-rata amount of megawatt capability from each historical generation resource based on its proportion of peak load in the AEP zone.

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Q: How will charges for Capacity and Network Transmission Service for load in the AEP Load Zone be impacted?

A: Capacity will continue to settle at the AEP zone. Network Transmission Service for the AEP zone will continue to settle at the AEP zone. The energy settlement areas will only affect the settling of energy in that area. Capacity remains unchanged. Network Transmission Service remains unchanged.

Frequently Asked Questions: Version Tracking

Version 1 October 10, 2014 – updated version to add information regarding ARR's, Capacity and Network Transmission.