

Fixed Resource Requirement Entities
Percentage Internal Resource Requirements
Alternative Proposal

Members Committee

October 1, 2015

Quick Review of Problem Statement

- All RPM resources external to the PJM region are currently modeled in the rest of RTO
- This modeling does not necessarily reflect the actual Point of Receipt for transmission service commitments historically used to deliver those resources
- Some Network Load Serving Entities in PJM utilize external resources to which commitments were made before implementation of RPM
- The actual Point of Receipt for some historic transmission service commitments was inside potentially constrained areas

Quick Review of Problem (cont.)

- Current RPM procedures do not have a mechanism to allocate and maintain the benefits of these historical resource and transmission service commitments that were utilized to serve the capacity needs of the Load Serving Entity's ("LSE's") internal network load.

Quick Review of Problem (con't.)

- Lack of such a mechanism has significant consequences for an LSE having such historic commitments especially if the zone in which the LSE's load is located becomes modeled as a separate Locational Deliverability Area (“LDA”)
 - In RPM, an LSE with such commitments is exposed to locational capacity price differences if the zone in which the load resides becomes a modeled LDA and the LDA binds in an auction
 - In FRR, an LSE is subject to an Percentage Internal Resource Requirement (“PIRR”) as soon as the zone in which the load resides becomes a modeled LDA; the historical resource and transmission commitments immediately become ineffective to the FRR LSE even if the newly modeled LDA never actually binds in an auction

- For example, one such LSE – the Illinois Municipal Electric Agency (IMEA) – was especially impacted when PJM modeled the ComEd zone with a separate Variable Resource Requirement curve shortly after IMEA elected the FRR Alternative and it could not use its historical generation or transmission to serve its load located in ComEd.

- To address this, PJM initially proposed a solution that was based on the historical nature of the transmission and would have:
 - allocated Capacity Transfer Rights (“CTRs”) those historical rights holders participating in RPM
 - And reduced the PIRR an affect FRR LSE
- The proposal was a more generalized solution to the issue and was based on existing mechanisms used to reflect historic transmission system usage in transmission right allocations

Reason for an Alternative Solution

- The IMM and other stakeholders expressed concern that PJM's initial proposed solution too broadly addressed the specific issue at hand
- IMEA, PJM and the IMM subsequently discussed possible alternative approaches that would address the IMM desire to have a more narrowly focused solution
- The alternative solution achieves this objective and has endorsement of IMEA, the IMM and PJM

- The alternative solution is more narrowly focused on issue at hand:
 - Exclusively focused on LSEs using the FRR Alternative
 - Focused on application of the PIRR to an FRR Entity located in a Modeled LDA as determined by triggering of the Modeled LDA

Alternative Solution Components

- The alternative solution has three components:
 - The LDA-applicable PIRR would be enforced on FRR Capacity Plans only if the LDA in which the FRR load is located has been separately modeled due to certain triggers
 - An FRR Entity would be permitted to terminate its FRR Alternative election prior to meeting the minimum 5-year commitment period requirement under certain conditions
 - First-time elections of the FRR alternative would be due by no later than 4 months prior to a BRA instead of current deadline of 2 month prior to a BRA

1st Component – PIRR Triggers

- **Current rule:**
 - The FRR Capacity Plan that an FRR Entity submits one-month prior to the BRA for a given Delivery Year (“DY”) is subject to the LDA-applicable PIRR if the FRR load is located in a LDA that is being separately modeled in the BRA for that DY
- **Proposed Rule Change:**
 - The FRR Capacity Plan that an FRR Entity submits prior to the BRA will be subject to PIRR only if the LDA is separately modeled based on the one of the three required triggers:
 - It is in the Mid-Atlantic Region (“MAR”), Eastern MAR or the Southwest MAR
 - The LDA CETL/CETO ratio is < 1.15 , or
 - The LDA had a non-zero Locational Price Adder in any one of the three preceding BRAs

- When an LDA binds in a BRA, the LDA-applicable PIRR is enforced on any FRR Entity located in that LDA for the next three immediate DYs

2nd Component - Early Termination

- When an LDA binds for the first time in a BRA, an FRR entity located in that LDA that was otherwise exempt from the PIRR for that BRA DY may terminate its FRR Alternative election in the following year even if the minimum 5-year commitment period requirement has not yet been satisfied

- When an LDA binds in a BRA, the LDA-applicable PIRR is enforced on any FRR Entity located in that LDA for the next three immediate DYs
- When an LDA binds for the first time in a BRA, an FRR entity located in that LDA that was otherwise exempt from the PIRR for that BRA DY may terminate it's FRR Alternative election in the following year even if the minimum 5-year commitment period requirement has not yet been satisfied

3rd Component –Timing of Election of FRR Alternative

- Currently, first-time elections of FRR Alternative are due no later than 2 months prior to each BRA, about 5 weeks after planning parameters are posted for the BRA
- To prevent participants from electing the FRR Alternative only for purpose of avoiding the LDA-applicable PIRR (and potential locational price impact) of an LDA being separately-modeled for the first time for reasons other than bright-line triggers, the deadline for first-time election is revised to 4 months prior to each BRA (i.e. prior to posting of planning parameters for the BRA)