

Preemption of Non-firm Transmission Service

Problem / Opportunity Statement

Revise Open Access Transmission Tariff (OATT) section 14.2 to exclude Preemption-Right of First Refusal (ROFR) process from PJM's evaluation of non-firm transmission service requests.

Problem

The Preemption-ROFR process is a competitive process for procuring transmission service whereby a request for longer duration service can supersede a previously granted reservation of shorter duration. New requirements under WEQ-001-25 of the North American Energy Standards Board's (NAESB's) Business Practice Standards specify a detailed process for implementing Preemption-ROFR. Unfortunately, this process is disruptive to PJM's automated evaluation procedures, creates uncertainty for the most frequently used transmission products, and could have detrimental impacts to the Day Ahead and Real-time Energy Markets.

Service Evaluation Delays

PJM employs an automated engine for processing non-firm transmission service requests whereby customers receive an instantaneous evaluation. As established by NAESB, Preemption-ROFR introduces significant delays to this process that are incompatible with PJM's streamlined approach. According to new NAESB requirements, upon submission of a competing Challenger request for longer duration service, PJM must pause Transmission Service Request processing and initiate a back-and-forth communication with all identified Defenders (previously granted, shorter duration reservations). For a single preemption event, this pause on Transmission Service Request processing can persist in excess of 2 hours for hourly requests, and more than 24-hours for longer duration requests. In a scenario where multiple preemption events were queued and awaiting evaluation, these delays would compound, bringing non-firm service evaluations to a halt. The efficiency and flexibility currently provided to PJM OASIS customers through an automated non-firm service engine would be significantly impacted by any processing delays, particularly those described in the new NAESB Business Practice Standards.

Uncertainty for Shorter Duration Transmission Service Customers

Transmission Service Reservations procured in smaller increments (i.e. hourly and daily) are at greatest risk of being preempted. The vast majority of PJM's service requests fall into this high risk category, and are granted shortly before the start of service leading to greater potential for uncertainty. In 2020, over 90% of the 45,000+ confirmed requests were hourly or daily service granted within 24 hours of service Start Time, and over 97% were granted within 48 hours of Start Time. Statistics are similar for both 2018 and 2019. Shorter duration service creates a higher risk of being preempted, and the close proximity to service Start Time means OASIS users will have little time to react or make alternate arrangements in the event that their service is preempted. Given customers' overwhelming preference for shorter duration service, the implementation of Preemption-ROFR within PJM's non-firm service processing would create a high-level of uncertainty with minimal benefit.

Day Ahead Market and Real-time Market/Operational Impacts

The issues described above impact not only the individual market participants, but the broader PJM Day Ahead Market and Real-time Energy Markets. Transmission Service processing delays may impact the timely submission of Day-ahead Bids, and preemption of reservations already used on Day Ahead Market Bids could prohibit a Day Ahead positions from being fulfilled in Real-time. These effects of Preemption-ROFR could create greater overall



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uncertainty within the Day Ahead and Real-time Markets. Similarly, the preemption of transmission service which has already been linked to an interchange tag would necessitate a transaction curtailment in the event that replacement service cannot be obtained. Any Preemption-ROFR process delays would also delay PJM's ability to initiate curtailments, leading to detrimental impacts on PJM's Real Time energy market and potentially PJM System Operations.

Opportunity

Section 13.2 of the PJM OATT already contains language to exclude Preemption-ROFR from the evaluation of short term firm transmission service. PJM Stakeholders have the opportunity to endorse OATT revisions that would extend similar language to non-firm evaluations, thus, preventing processing delays, minimizing unnecessary customer uncertainty for little benefit, and avoiding detrimental impacts to PJM's Day Ahead and Real-time Markets.