ILLINOIS MUNICIPAL ELECTRIC AGENCY
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Illinois Municipal Electric Agency   )  ER15-834-000

MOTION TO INTERVENE AND COMMENTS OF
PJM INTERCONNECTION, L.L.C.

Under Rules 212, 213, and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission” or “FERC”), 18 C.F.R. §§ 385.212, 385.213, and 385.214, PJM Interconnection, L.L.C. (“PJM”) submits this Motion to Intervene and Comments on the Request of Illinois Municipal Electric Agency for Limited Waiver of Tariff Provisions (“IMEA Request”). PJM does not oppose the IMEA Request as discussed herein. As explained below, PJM is providing a factual background related to discussions between IMEA and PJM, which discussions were prompted by the Commission’s order on IMEA’s similar waiver request last year, and the ensuing stakeholder process.

I. MOTION TO INTERVENE

PJM is a Commission-established Independent System Operator and Regional Transmission Organization. PJM is a transmission provider under, and the administrator of, the PJM Open Access Transmission Tariff (“Tariff”), operates energy, ancillary service and capacity markets, plans regional transmission expansion improvements to maintain grid reliability and relieve congestion, and conducts the day-to-day operations of the transmission system in the PJM Region.

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2 See n.9, infra.
On January 8, 2015, IMEA submitted the IMEA Request seeking a waiver Section D.5 of Schedule 8.1 of the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region (“RAA”) and any related provisions of PJM’s governing documents for the 2018/2019 Reliability Pricing Model (“RPM”) Delivery Year. IMEA requests waiver of the Percentage Internal Resources Required provision that would require IMEA to serve a percentage of its load within the Commonwealth Edison (“ComEd”) Zone or Locational Deliverability Area under PJM’s Fixed Resource Requirement (“FRR”) Alternative. Because PJM is the administrator of the Tariff, PJM has an interest in this proceeding no other party can adequately represent and should be granted intervenor status in this proceeding. See 18 C.F.R. §385.214(b)(2).

II. COMMUNICATIONS

PJM designates the following persons as those to receive all notices and communications regarding this proceeding:

Craig Glazer  
Vice President–Federal Government Policy  
PJM Interconnection, L.L.C.  
1200 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 423-4743  
craig.glazer@pjm.com

Jennifer Tribulski  
Senior Counsel  
PJM Interconnection, L.L.C.  
2750 Monroe Boulevard  
Audubon, PA 19403  
(610) 666-4363  
jennifer.tribulski@pjm.com

III. COMMENTS

A. Background

IMEA is an FRR Entity which meets its resource adequacy obligations through self-supply under an FRR Capacity Plan rather than meeting those obligations by participating in PJM’s RPM market. Shortly after IMEA elected the FRR Alternative last year, PJM modeled...
the ComEd Zone with a separate demand curve – known as a Variable Resource Requirement (“VRR”) Curve – for the RPM Base Residual Auction (“BRA”) for the 2017/2018 Delivery Year. The 2017/2018 Delivery Year was the first Delivery Year for which PJM modeled the ComEd Zone with a separate VRR Curve, and doing so triggered a requirement that FRR Entities serving load in the ComEd Zone would need to meet their obligations with a percentage of resources internal to the ComEd Zone – known as the Percentage Internal Resource Required (“PIRR”). Last April, IMEA filed for a waiver because, as IMEA explained, IMEA had not anticipated, and was not prepared to meet, the PIRR due to the fact resources from which it planned to meet its resource adequacy obligation under the FRR Alternative were external to the ComEd Zone.6

PJM did not oppose the waiver for the 2017/2018 Delivery Year given the unique circumstances and the limited nature of the waiver.7 The Commission granted IMEA’s waiver request for the 2017/2018 Delivery Year and “encourage[d] IMEA to continue to discuss with PJM resolution of the internal resources requirement for the ComEd LDA for upcoming Delivery Years.”8

Heeding the Commission’s suggestion, PJM and IMEA met numerous times in person and by teleconference after the issuance of the First Waiver Order to assist PJM in better understanding of IMEA’s circumstances and to discuss a solution going forward. During PJM’s discussions with IMEA, PJM came to appreciate that an underlying issue concerning historical

7 Illinois Municipal Electric Agency, Comments of PJM Interconnection, L.L.C., Docket No. ER14-1681-000 (filed Apr. 25, 2014) (“PJM Comments”). In its comments, PJM suggested an alternative basis for the Commission granting waiver and asked the Commission not to base its decision on IMEA’s argument about transmission rights. PJM Comments at 3-4. However, as PJM learned during its ongoing discussions with IMEA, the issue was not simply about transmission rights, but, rather, about historically-committed transfer capability that predated RPM.
transfer rights, as discussed further in Section III.B, could impact not only IMEA but potentially other market participants. Given the more generic nature of the problem (discussed below) PJM brought the issue to the Market Implementation Committee (“MIC”) stakeholder group in December and is working through the issue and a proposed solution with its stakeholders.

PJM cannot predict with certainty if and when a resolution will be reached through the stakeholder process, however, PJM anticipates that the stakeholder process will not have run its course in time to culminate in a filing with the Commission to resolve the identified issue prior to the 2015 BRA. This timing will leave IMEA without certainty of a result until after the 2015 BRA for the 2018/2019 Delivery Year. Assuming the ComEd Zone is modeled with a separate VRR Curve again this year, IMEA will be unable to meet its adequacy obligation in the manner it reasonably expected absent a Commission Order granting the IMEA Request. Given the more generic solution under development in the stakeholder process, described below, PJM does not oppose the IMEA Request for the upcoming 2015 BRA.

**B. Holders Of Historically Committed Transfer Capability Could Be Eligible To Receive Capacity Transfer Rights**

As mentioned previously, when PJM met with IMEA to understand IMEA’s circumstances, PJM uncovered a potential issue relating to the allocation of transfer capability to market participants which had historically committed transfer capability prior to the implementation of RPM. That is, PJM's current 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 in a specific PJM zone. PJM uses this transfer capability in the Capacity Emergency Transfer Objective/Capacity Emergency Transfer Limit calculation without allocating the benefits of such transfer capability to a historic, firm transmission holder into a constrained Zone/LDA. The current modeling practices therefore do not have a mechanism by
which the benefits of historically committed transfer capability into a constrained Zone/LDA from such external Point-to-Point transmission service are recognized. The lack of such mechanism for long term resources committed to serve PJM Network Load in the constrained Zone/LDA can have a negative impact, including imposing the PIRR under the 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.

As PJM explained through the initial stakeholder process phase during the December and January MIC meetings, PJM believes it would be appropriate to allocate transfer rights in this manner similar to the procedure PJM has in place to allocate Auction Revenue Rights (“ARRs”) for the energy market based on the historical transmission paths identified for the reference year. Adding a similar procedure in RPM would provide 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. In IMEA’s case, as IMEA fully describes in the IMEA Request, IMEA secured long-term firm transmission rights to serve its load in the ComEd Zone, securing such transmission at a time before PJM implemented RPM in 2007. IMEA uses such firm transmission to serve load within the ComEd Zone from resources external to the PJM Region. The external transfer capability is beneficial to the constrained Zone/LDA and also to the maintenance of reliability of the constrained Zone/LDA especially when the external transfer capability is beneficial to the constrained Zone/LDA.

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10 PJM Interconnection, L.L.C., Docket No. ER03-1409-000, Letter Order (issued Nov. 24, 2003).
11 IMEA Request at 3-4.
capability is significant when compared to PJM's internal transfer capability into the constrained Zone/LDA.

C. Both FRR Entities And RPM Market Participants Stand To Benefit From Allocation of CTRs to Holders of Historically Committed Transfer Capability

PJM is aware the Commission issued its Rehearing Order on January 22, 2015 denying IMEA’s request for clarification and alternative request for rehearing of the Commission’s First Waiver Order in Docket No. ER14-1681.\textsuperscript{12} PJM understands the Commission’s decision to affirm its First Waiver Order to limit granting the waiver to the 2017/2018 Delivery Year. As PJM read the Rehearing Order, the Commission is concerned about harm to third parties by increasing the amount of internal resources other entities would be required to procure; that the firm transmission rights are curtailable by external systems managing their own congestion; and that IMEA was subject to the risk and costs that could ensue if the Zone in which its load resided became constrained when it entered the FRR Alternative.\textsuperscript{13} PJM believes addressing the issue raised by IMEA (as such issue is related to IMEA’s historically committed transfer capability) through the stakeholder process will allow the concerns raised by the Commission to be vetted and, as appropriate, will inform any proposed RAA and Tariff changes. The next step in the stakeholder process is that PJM will complete the education phase of the process, and also present its proposed solution at the February 11, 2015 MIC and allow for stakeholder review, discussion, and further input. As currently contemplated, both Capacity Market Sellers in RPM and FRR Entities will be able to recognize long-term firm, historically committed transfer capability in the determination of their capacity responsibilities. And, while PJM does not anticipate many FRR Entities or Capacity Market Sellers will have historically committed

\textsuperscript{12} See n.8, supra.
\textsuperscript{13} Rehearing Order at PP 16-20.
transfer capability, it is worth pursuing the proposal to address an issue that was created as a result of moving to the RPM construct in the capacity market, similar to how PJM addressed the analogous issue of allocating ARRs in the energy market when LMP was adopted by PJM in the energy market.

**IV. CONCLUSION**

WHEREFORE, PJM respectfully asks the Commission to grant its intervention in this proceeding and consider PJM’s comments when ruling on the IMEA Request.

Respectfully submitted,

Craig Glazer  
Vice President–Federal Government Policy  
PJM Interconnection, L.L.C.  
1200 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 423-4743  
craig.glazer@pjm.com

Jennifer Tribulski  
Senior Counsel  
PJM Interconnection, L.L.C.  
2750 Monroe Boulevard  
Audubon, PA 19403  
(610) 666-4363  
Jennifer.tribulski@pjm.com

Dated: January 28, 2015
CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Audubon, PA this 28th day of January, 2015.

Jennifer Tribulski
Senior Counsel
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403
(610) 666-4363
jennifer.tribulski@pjm.com