



Preemption of Non-firm Transmission Service First Read/Endorsement: Quick Fix

Jeffrey McLaughlin,
Sr. Lead Engineer, Transmission Service Dept.
Members Committee
July 28, 2021

- Education
 - What is Preemption-ROFR Process?
 - Implementation Concerns
- Proposed Solution
- Quick Fix Process Timeline

Education – What is Preemption-ROFR Process?

- Preemption-Right of First Refusal (ROFR)
- Process related to evaluation of Transmission service requests
 - Competition based on service duration
 - New longer duration requests can take away service from previously granted shorter duration service
 - ROFR gives previously granted service an opportunity to extend duration rather than being superseded

Education – What is Preemption-ROFR Process?

- New Preemption-ROFR requirements included in North American Energy Standards Board (NAESB) version 3.2 Business Practice Standards
 - WEQ-001-025 defines detailed timing and implementation
 - Requirements become enforceable on October 27, 2021
 - PJM will incorporate, by reference, NAESB 3.2 standards into OATT
 - Preemption-ROFR could cause significant problems for PJM non-firm transmission service processes and OASIS customers

- **Transmission Service evaluation delays**
 - Non-firm evaluation engine processes requests instantaneously
 - Preemption-ROFR introduces unmanageable delay potential
 - More than 2 hours for hourly Challenger requests
 - More than 24 hours for daily Challenger requests
 - Delays compound when multiple preemption events queued
- **OASIS customer uncertainty**
 - Hourly transmission service at greatest risk of preemption
 - 2018-2020 over 90% of 45,000+ confirmed reservations were hourly
 - Preemption of service near Start Time exacerbates uncertainty
 - 2018-2020, 90% of reservations granted within 24 hours of Start Time, and 97% granted within 48 hours of Start Time

- **Day Ahead Market and Real-time impacts**
 - Delays in evaluating transmission service requests could impact ability to bid into Day Ahead Market
 - Preemption of confirmed service used to support Day Ahead bid could prevent customer from fulfilling position in real-time
 - Preemption of service used to support interchange schedule will result in transaction curtailment

Proposed Solution - How NAESB Compliance Works

- NAESB Business Practices incorporated into OATT by reference
 - PJM must comply with requirements unless:
 - FERC approves waiver of specific requirements as part of compliance filing
 - PJM OATT contains contradictory language
 - Transmission Provider OATT takes precedence

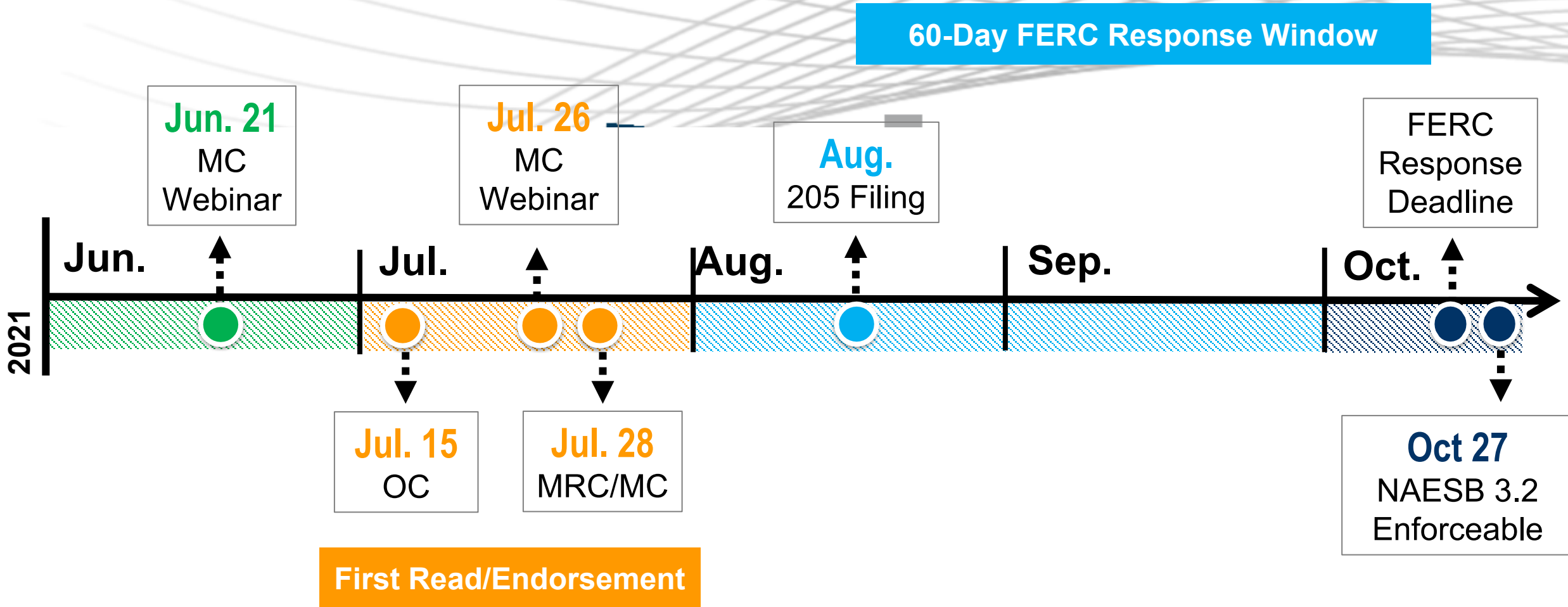
Proposed Solution – Quick Fix Issue

- OATT revisions to exclude Preemption-ROFR
 - Existing language in Section 13.2 excludes preemption from short term firm evaluations
 - Proposing OATT revisions to extend similar language to Section 14.2, excluding preemption from non-firm request evaluation
 - Section 205 FERC filing targeting August 2021

Proposed Solution - Dual-path Approach

- Plan A: Full Exemption
 - No preemption of non-firm service (OATT revisions)
 - Quick Fix stakeholder process
 - Section 205 FERC filing to revise OATT section 14.2
- Plan B: Partial Exemption
 - PJM customized preemption approach
 - Preemption-ROFR implemented in streamlined manner
 - Avoids delays in request processing, but other impacts still apply
 - NAESB v3.2 compliance filing
 - Plan B only implemented if Plan A unsuccessful

Quick Fix Process Timeline



SME/Presenter:
Jeffrey McLaughlin
Jeffrey.mclaughlin@pjm.com

Preemption of Non-firm Transmission Service



Member Hotline

(610) 666 – 8980

(866) 400 – 8980

custsvc@pjm.com



Appendix

Expanded Timeline of NAESB Preemption Effort

- **Dec 2017** NAESB v3.2 published and filed with FERC
- **May 2019** FERC Notice of Public Rulemaking (NOPR)
- **Feb. 2020** FERC Final Rule accepting v3.2 requirements
 - Jul. 2021 Compliance Filing
 - Oct. 2021 Enforcement date
- **Apr. 2021** PJM OASIS Changes Deployed for NAESB v3.2
 - Streamlined preemption code ready if needed
- **May 2021** Discussion on FERC Filing
 - Goal to avoid preemption entirely
 - Alternate plan to implement streamlined approach

Options Considered for Preemption-related FERC Filing

1. Compliance Filing: Full Preemption Waiver
 - a. OATT revisions cannot be accomplished via compliance filing
 - b. FERC rejection would necessitate full compliance
2. Compliance Filing: Partial Waiver (streamlined approach)
 - a. Uncertainty for hourly service and risk of curtailment still exists
3. Quick Fix 205 Filing + Compliance Filing
 - a. 205 Filing would revise OATT to exclude non-firm preemption, Compliance Filing would contain streamlined approach as fallback
 - b. MC approval in September pushes FERC 205 response past Oct. 27
 - i. Potential for implementing, then removing preemption
 - ii. Creates confusion and unnecessary coding for OASIS users
 - c. MC approval in July allows for timely FERC 205 response