

Buckeye Power CTR Proposal First Read

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The Issue with Status Quo

- Current RPM procedures allocate available Capacity Transfer Rights (CTRs) to LSEs in a zone on a pro-rata basis.
- This framework does not have a mechanism to recognize that certain zonal load has deliverable network resources outside of a constrained zone which have been in place prior to RPM.
- The existing rules expose LSEs with rights to deliverable network resources to unjust and unreasonable capacity price separation.

The Impact of Status Quo

- Before RPM:
 - Buckeye's generation was sufficient to meet its load obligation and deliverable to its members throughout Ohio.
- After RPM:
 - While nothing physically changed, Buckeye's generation may not be sufficient or deliverable to a constrained LDA.
- Impact:
 - ~\$15M in additional capacity costs to Buckeye due to the existing CTR allocation process and the lack of recognition of historic network resources and deliverability throughout Ohio.
 - Whereas other load in the constrained zone may not have dedicated network resources of any kind but are nevertheless still allocated CTRs.

Buckeye's Proposal for CTR Issue

- First allocate Zonal CTRs to LSEs with historic generation resources identified as network resources on a NITSA. Allocated CTRs will be sufficient to meet the LSE's Daily UCAP Load Obligation but shall not exceed the total amount of the LSE's generation capacity as identified on the LSE's NITSA.
- Remaining CTRs allocated in proportion to each LSE's Daily UCAP obligation in the zone.

Buckeye's Proposal for CTR Issue

- Historical generation resources shall be those resources that were operational and committed to an LSE prior to RPM and where that commitment still exists.
- LSEs must opt-in with PJM to determine eligibility.
- Opt-in must be done 150 days prior to the BRA.

Buckeye's Proposal for CTR Issue

- The historical CTRs will terminate upon resource retirement or change in designated resource status in the NITSA.
- The new rules will be implemented at the next available CTR allocation process following FERC approval.

Buckeye's Proposal for CTR Issue

- Buckeye's proposal modeled on MISO rules.
- FERC recognized that a similar concept in MISO was just and reasonable for the same reasons underlying this proposal, that
 - “capacity arrangements between Local Zones that existed prior to MISO’s 2011 filing of its locational resource adequacy construct were similarly unaware of the potential for price separation risk.” *Midcontinent Independent System Operator, Inc.*, 165 FERC ¶ 61,067 at P 118.
 - “In addition, we find that MISO’s HUCs proposal is not unduly discriminatory or preferential. LSEs that qualify for HUCs are not similarly situated to LSEs without qualifying existing capacity arrangements.” *Midcontinent Independent System Operator, Inc.*, 165 FERC ¶ 61,067 at P 119.

FERC Reasons for Just and Reasonable

(FERC Order for MISO October 31, 2018)

- Maintain reliability
- Doesn't increase uplift
- Doesn't provide a waiver of transmission constraints
- Minimal impact to the footprint
- Qualifying resources have a finite amount of time and are not evergreen

Conclusion

- Buckeye's proposal modeled after FERC comments and ruling in MISO Order.
- When Buckeye made decisions about where to locate generation, the PJM capacity market was not in existence and no reason for Buckeye to take that into consideration.
- This is an issue of fairness where similar situations have been addressed in PJM and MISO.
- Based on the historical situations, we believe this would have a minimal impact.
- The Buckeye proposal would recognize the historic arrangements that were in place prior to RPM and still exist today.

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