

Preemption of Non-firm Transmission Service

First Read: Quick Fix

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- Education
 - What is Preemption-ROFR Process?
 - Implementation Concerns
- Proposed Solution
- Problem Statement & Issue Charge
- NAESB 3.2 Compliance Filing
- Quick Fix Process Timeline

- Preemption-Right of First Refusal (ROFR)
- Process related to evaluation of Transmission service requests
- Competition based on service duration
 - Challenger – request for transmission service of longer duration
 - Defender – previously granted transmission service of shorter duration
 - Preemption event
 - insufficient ATC to grant Challenger
 - Defender(s) eligible to be superseded
- ROFR gives Defender reservations opportunity to match

- 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 unmanagable 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 timing of Day Ahead Market bid submissions
 - 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
 - Preemption-ROFR processing delays will also delay PJM's ability to issue timely curtailments
 - Less time for customers to react
 - Potential for operational impacts

- **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

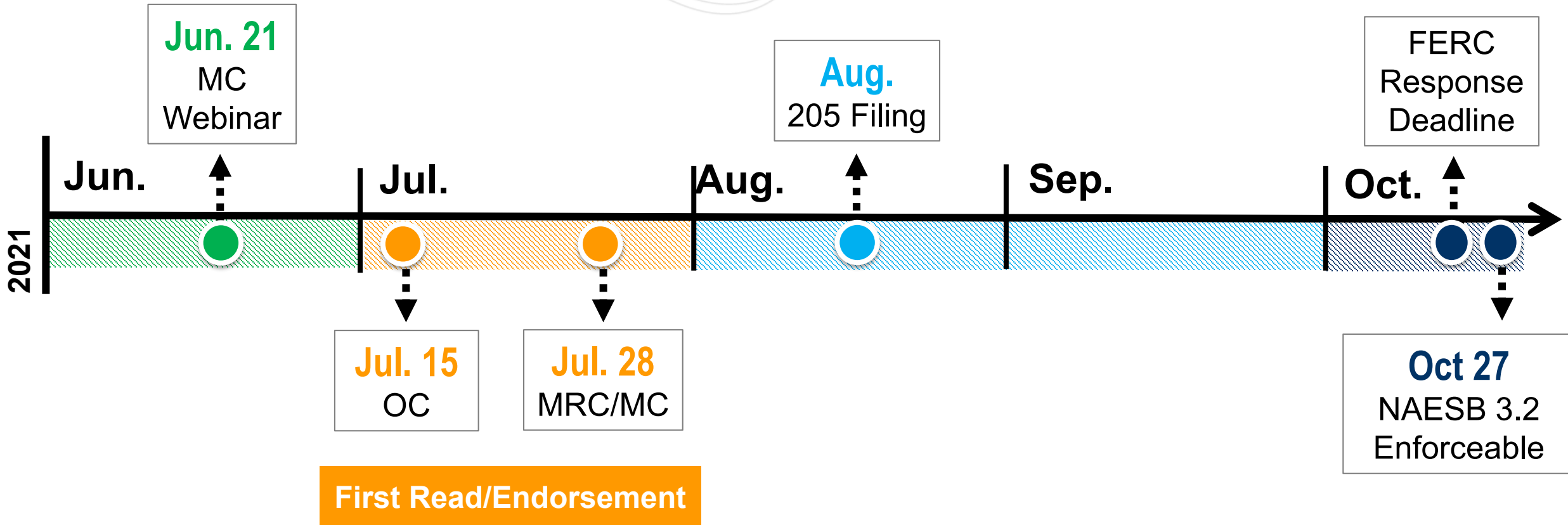
1. Compliance Filing: Full Preemption Waiver
 - a. OATT revisions cannot be accomplished via compliance filing
 - b. FERC rejection would necessitate full compliance
2. Compliance Filing: Partial Waiver (streamlined approach)
 - a. Uncertainty for hourly service and risk of curtailment still exists
3. 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

- 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
- 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 late August 2021

- Proposed Quick Fix solution separate from NAESB 3.2 compliance filing
- NAESB 3.2 compliance filing
 - Stakeholder notification provided at June MC Webinar
 - Filing due date of July 27, 2021
 - Streamlined implementation of Preemption-ROFR to be proposed in compliance filing
 - Alternate plan to ensure compliance
 - Streamlined implementation still has potential for uncertainty and detrimental impacts
- **Excluding non-firm preemption entirely is preferred outcome**

Problem Statement & Issue Charge

60-Day FERC Response Window



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