

125 FERC ¶ 61,222
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

PJM Interconnection, L.L.C.

Docket Nos. ER05-1410-009
EL05-148-009

ORDER ON REQUEST FOR CLARIFICATION

(Issued November 25, 2008)

1. In this order, the Commission responds to a request for clarification submitted by PJM Interconnection, L.L.C. (PJM) as to the dates for filings regarding PJM's Reliability Pricing Model (RPM).

Background

2. RPM establishes a capacity market in which PJM purchases energy commitments through an auction on a three-year-forward basis. On March 19, 2008, a group of PJM customers and stakeholders (RPM Buyers) filed a motion asking the Commission to hold a technical conference to examine certain aspects of the performance of the RPM market. PJM, in response, asked the Commission to delay the technical conference until the completion of an assessment of RPM that PJM had commissioned.

3. In an order issued on September 19, 2008,¹ the Commission supported the stakeholder process instituted by PJM to address the issues raised by RPM Buyers and PJM's external consultant, and encouraged PJM to propose changes, where feasible, with regard to eight aspects of RPM.² The Commission stated that, if possible, changes to RPM should be implemented prior to the May 2009 Base Residual Auction, which would determine capacity prices for the year 2012-2013, and that PJM should file tariff sheets

¹ *PJM Interconnection, L.L.C.*, 124 FERC ¶ 61,272 (2008) (September 19 Order).

² See September 19 Order at P 44.

and/or a report on its stakeholder process no later than December 15, 2008, with an effective date for any tariff sheets of February 1, 2009, in order for the changes to be implemented in time for the May 2009 auction. But if the stakeholders could not reach consensus and/or PJM determined that it would be impossible to implement changes for the May 2009 auction, the Commission ordered PJM to state, in its December 15 report, why such changes could not be made.

PJM's Request for Clarification

4. On October 20, 2008, PJM filed a request for clarification of the September 19 Order. First, PJM asks the Commission to confirm that, rather than making tariff changes to become effective on February 1, 2009, it would be acceptable for PJM to file these tariff changes with an effective date of March 27, 2009.³ PJM states that "[t]he Commission and the parties could, without disrupting the auction implementation schedule, take additional time to consider any tariff changes proposed in the December 15 filing."⁴

5. Further, with regard to one of the issues that the Commission directed PJM to examine in its September 19 Order, PJM states that it has determined that it will not be feasible to complete PJM's review of the methodology for determining Locational Delivery Areas and their specific reliability requirements and file tariff changes on that issue in time for Commission approval of those changes prior to the May 2009 auction. PJM states that reviewing this issue will require labor-intensive planning studies to determine such matters as retention of, or adopting alternatives to, the current once-in-25-years loss of load expectation for transmission deliverability issues.⁵

6. The Illinois Commerce Commission (Illinois Commission) filed a response to PJM's request, stating that delay in the proper definition of Locational Delivery Areas will cause harm to Illinois customers, and asks the Commission either to deny PJM's request to allow the May 2009 auction to occur without taking steps to address this problem, or else to remedy the harm caused by that delay to load by ordering PJM to eliminate the Capacity Emergency Transfer Limit (CETL)/ Capacity Emergency Transfer Objective (CETO) pre-auction ratio test screen and requiring areas determined to be constrained in prior Base Residual Auctions to be modeled as constrained in the May 2009 auction.

³ PJM's Request for Clarification at 9-11.

⁴ *Id.* at 10.

⁵ *Id.* at 7-8.

7. Additionally, PJM asks the Commission to confirm that this schedule will satisfy the PJM tariff's requirement that, at least once every three years, PJM must consider the need for changes to the shape of the Variable Resource Requirement Curve, the Cost of New Entry (CONE) value, and the energy and ancillary services revenue offset methodology, and notify stakeholders of any PJM-proposed changes in these areas by September 1 before the Base Residual Auction in which such changes are to be effective.

Commission Determination

8. We will grant PJM's request for extension of the effective date of the tariff sheets that would apply to the next Base Residual Auction. PJM's request shows that the later effective date will still permit implementation of any tariff changes in time for the May 2009 auction, and therefore we will grant PJM's request.

9. With regard to PJM's statement that certain aspects of the issue regarding reliability requirements for Locational Delivery Areas cannot be resolved in time for the May 2009 auction, we find that it is premature for the Commission to act at this time on this one issue among all the aspects of RPM design that the Commission required PJM to address in PJM's upcoming December 15 filing. PJM should address the Illinois Commission's concerns and potential solutions in its December 15 filing, and we expect that other interested parties also will provide their comments on this issue, so that the Commission can make a determination based on a more complete record.

10. Finally, we find that it is premature for the Commission to decide whether PJM has satisfied its tariff obligations pertaining to review of the Variable Resource Requirement, CONE and energy and ancillary services revenue parameters. Only after PJM makes its filing on December 15, and parties have an opportunity to consider and comment on this filing, will a sufficient record exist on this issue.

The Commission orders:

The September 19 Order is clarified as discussed in the body of the order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.