

112 FERC ¶ 61,029
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 5, 2005

In Reply Refer To:
Midwest Independent Transmission System
Operator, Inc. and PJM Interconnection, L.L.C.
Docket Nos. ER05-752-000 and ER05-752-001

Attention: Stephen L. Teichler
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Reference: Revisions to JOA Attachment 2, Congestion Management Process

Dear Messrs. Teichler & Spector:

1. On March 31, 2005, as amended on May 20, 2005 (May 20 Amendment), you submitted, on behalf of Midwest Independent Transmission System Operator, Inc. (Midwest ISO) and PJM Interconnection, L.L.C. (PJM), proposed revisions to these two regional transmission organizations (RTOs)' Congestion Management Process (CMP), Attachment 2 to the Midwest ISO – PJM Joint Operating Agreement (JOA).¹ As discussed below, your filing is accepted, with the requested effective dates, subject to your filing revisions to the proposal, as offered in the May 20 Amendment.

¹ The Commission first approved the JOA on March 18, 2004. *Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, L.L.C.*, 106 FERC ¶ 61,251, *order on reh'g and clarification*, 108 FERC ¶ 61,143, *order denying reh'g*, 109 FERC ¶ 61,166 (2004).

2. You state that the purpose of the proposed revisions is threefold: (1) to clarify the term “market area” as used in the CMP’s market flow determination; (2) to change the treatment of capacity benefit margin (CBM) in the CMP’s calculation of firm allocations; and (3) to amend the freeze date used for purposes of calculating historic firm flow. You request waiver of the Commission’s prior notice requirements, 18 C.F.R. § 35.3(a) (2004), so that the clarification concerning the term “market area” can become effective as of April 1, 2005, less than 60 days after the filing date, and the other requested changes can become effective on August 1, 2005, more than 120 days after the filing date.

3. In response to the May 6, 2005 deficiency letter, sent under delegated authority by the Director, Division of Tariffs and Market Development-Central, that requested additional information on the proposed changes in treatment of CBM, you filed the May 20 Amendment, on behalf of Midwest ISO and PJM.

4. Notices of the March 31 and May 20 filings were published in the *Federal Register*, 70 Fed. Reg. 19,750 (2005) and 70 Fed. Reg. 32,316. 32,317 (2005), with comments, protests or interventions due on or before April 21, 2005, and June 10, 2005, respectively. Consumers Energy Company, FirstEnergy Service Company, and Detroit Edison Company filed motions to intervene. International Transmission Company (International Transmission) filed a motion to intervene and comments. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2004), the timely, unopposed motions to intervene make the entities that filed them parties to this proceeding.

5. The CMP provides a methodology for each RTO to determine the flow that its market contributes to coordinated flowgates. Under section 4 of the CMP, the calculation is based on generation shift factors and load shift factors for generators and loads in a market area, but the term “market area” is not defined. The RTOs state that following the October 1, 2004 integration of American Electric Power Corporation into PJM, PJM initially calculated flow impacts of all generators and loads in the PJM region without first calculating the impacts from the pre-integration sub-regions of PJM. This approach produced inaccurate flow impacts. The RTOs found that to produce accurate flow results, load shift factor aggregations should be consistent between pre- and post-integration models. Therefore, in order to ensure accurate market flow determinations, Midwest ISO and PJM propose to modify the CMP to clarify that “the market area may be the entire RTO footprint . . . or it may be a subset of the RTO region, such as a pre-integration [North American Electric Reliability Council]-recognized control area, as

necessary to ensure accurate determinations and consistency with pre-integration flow determinations.”² The RTOs state that PJM has already implemented the revised definition, and that Midwest ISO will implement it beginning April 1, 2005, when it commences operation of its markets.³

6. International Transmission cautions that the proposed clarification of “market area” will make application of the market flow determination dependent on the RTOs’ discretion. International Transmission states that the CMP process should be clear and applied uniformly, and that the RTOs’ use of their discretion should not result in a discriminatory allocation of flowgate capacity.

7. The Commission will accept the proposed clarification to the definition of market area based on this understanding: that the proposed clarification means that the RTOs will model their market flow impacts based on market areas consistent with pre-integration areas within their footprints. Thus, rather than granting the RTOs discretion that permits discriminatory allocations, we find that the proposed revision adds specificity to the market flow determination process necessary to ensure that the RTOs’ operators have accurate and reliable information on flow impacts, relief needed on flowgates, and relief available from changes in flows.

8. We address next the proposed treatment of CBM. Under the currently effective CMP, the managing entity responsible for each flowgate first subtracts its CBM requirement from the flowgate limit and then determines for each reciprocal entity its allocation based on historic firm flows. The result is that CBM, as currently utilized, reduces the allocations to all entities. The RTOs explain in their March 31 filing that their proposed treatment of CBM is based on feedback from their stakeholders and would accommodate the managing entity’s CBM to the extent possible while minimizing the impact on other reciprocal entities’ allocations.

9. In its comments on the RTOs’ March 31 filing, International Transmission expresses concern that electric reliability in Michigan could be affected by the proposed CBM treatment because Michigan is a peninsula and therefore is uniquely dependent upon sufficient transmission capacity. International Transmission is concerned also about the RTOs’ stated intent to accommodate CBM “to the extent possible while

² March 31 filing at proposed First Revised Sheet No. 123.

³ On March 3, 2005, the Commission approved coordinated operation of both RTOs’ energy markets as of April 1, 2005, the date that Midwest ISO commenced operation of its energy markets. *See Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, L.L.C.*, 110 FERC ¶ 61,226 (2005).

minimizing the impact on other reciprocal entities.” International Transmission asks the Commission to delay approval of the proposed revision until after analysis of its related impacts on reliability, particularly in Michigan.

10. Staff’s May 6 deficiency letter asked the RTOs to explain possible scenarios under which their proposed revision may not accommodate CBM. In response, the RTOs: (a) confirmed that, under their proposal, the managing entity responsible for a flowgate is assured its CBM amount at a minimum before other allocations are finalized; (b) agreed that the qualifying phrase “to the extent possible” is misleading and unnecessary; and (c) offered to modify their original proposal to clarify this matter and other matters raised in staff’s inquiries.

11. Based on the RTOs’ response in the May 20 Amendment, including the offer to modify the original proposal, we are satisfied that the proposed treatment of CBM will not negatively impact reliability, and that International Transmission’s concerns about the proposal’s impact on reliability in Michigan are thereby resolved. We understand that, under the proposal, as modified by the May 20 Amendment, the managing entity’s CBM requirements will be accommodated without impacting other reciprocal entities’ allocations to the extent that sufficient flowgate capacity exists; otherwise, the managing entity’s CBM will be accommodated before the allocations among reciprocal entities are made, much as is done today. Accordingly, we will accept the proposed treatment of CBM with the modifications offered in the May 20 Amendment.

12. We address last the RTOs’ requested amendment of the freeze date in the CMP. Currently, the CMP determines firm flowgate allocations by referring back to the historic control area structure. The calculation quantifies the firm flows that would have occurred if all control areas had maintained their historical configuration and had continued to serve their native load using designated network resources, and import and export energy at historic levels. These firm flow figures are determined using network resource designations and firm point-to-point reservations as of an historical date, *i.e.*, “freeze” date. The RTOs propose to change the freeze date from June 3, 2003 to April 1, 2004. They explain that April 1, 2004 is the latest reasonable date to take a “snapshot” of pre-market operations on flowgates because the PJM market was first extended to the Midwest ISO border on May 1, 2004, when Commonwealth Edison Company was integrated into PJM. We will accept the proposed revised freeze date. April 1, 2004 coincides with the freeze date established in a similar coordination agreement between Midwest ISO and the Mid-Continent Area Power Pool, which the Commission recently approved.⁴

⁴ *Midwest Independent Transmission System Operator, Inc.*, 110 FERC ¶61,290 at P 7 & n.9 (2005).

13. The Commission hereby conditionally accepts Midwest ISO and PJM's proposed revisions to the CMP, to become effective on the dates requested, subject to the RTOs filing revised tariff sheets incorporating the modifications and clarifications proposed in their May 20 Amendment within 30 days of the date of issue of this order.

By direction of the Commission.

Magalie R. Salas,
Secretary.