

146 FERC ¶ 61,119
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 20, 2014

In Reply Refer To:
PJM Interconnection, L.L.C.
Docket No. ER14-1155-000

PJM Interconnection, L.L.C.
Attn: Steven Shparber, Counsel
2750 Monroe Boulevard
Audubon, PA 19403

Dear Mr. Shparber:

1. On January 24, 2014, PJM Interconnection, L.L.C. (PJM) filed a request for limited waiver of provisions in Sections 1.3.39 and 7.4.2 of Schedule 1 of the PJM Amended and Restated Operating Agreement (Operating Agreement) and the corresponding provisions of Attachment K-Appendix of the PJM Open Access Transmission Tariff (OATT). Specifically, PJM seeks a one-time waiver in order to temporarily modify the calculation of Zonal Base Load used for PJM's 2014/2015 stage 1A Auction Revenue Right (ARR) allocation for ARRs effective for the 2014/2015 planning period for certain Zones¹ impacted by Hurricane Sandy.² As discussed below, we grant PJM's request for limited waiver.

2. PJM states that ARRs are financial entitlements linked to Financial Transmission Rights (FTR) and are allocated annually to PJM's Network Service Users and some

¹ Capitalized terms used and not otherwise defined herein have the meaning set forth in the Operating Agreement, OATT, or the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region.

² PJM states that Hurricane Sandy caused substantial disruptions to electrical service within the PJM Region between October 29, 2012, and November 5, 2012. *See* PJM January 24, 2014 Filing at 1 n.3.

Transmission Customers in consideration for their payment of firm transmission rates.³ PJM notes that the annual ARR allocation occurs in multiple stages, as described in Section 7.4.2 of Schedule 1 of the Operating Agreement, prior to the annual FTR auction. PJM states that for stage 1A ARR allocations “the sum of each Network Service User’s allocated [ARRs] for a Zone must be equal to or less than the Network Service User’s pro-rata share of the Zonal Base Load for that Zone” and “[e]ach Network Service User’s pro-rata share of the Zonal Base Load shall be based on its proportion of peak load in the Zone.”⁴ PJM notes that Zonal Base Load is defined as “the lowest daily zonal peak load from the twelve month period ending October 21 of the calendar year immediately preceding the calendar year in which an annual [ARR] allocation is conducted, increased by the projected load growth rate for the relevant Zone.”⁵

3. PJM states that the 2014/2015 Zonal Base Loads for four PJM Zones would be substantially and adversely impacted by the disruptions caused by Hurricane Sandy. Those disruptions occurred between October 29, 2012 and November 5, 2012, in the Atlantic City Electric (AE), Jersey Central Power and Light (JCPL), Public Service Electric and Gas (PSEG), and Rockland Electric (RECO) Zones, according to PJM. PJM proposes to remove the aforementioned time period from its Zonal Base Load calculation for the affected zones. PJM alleges that, without the adjustments, ARR holders in the affected Zones would be prevented from receiving adequate revenues for firm transmission service or from adequately hedging congestion costs (if they elect to convert their ARRs into FTRs). Finally, PJM states that it will initiate a stakeholder process to address future issues similar to those identified in the instant filing.

4. Accordingly, PJM requests waiver of provisions of Sections 1.3.39 and 7.4.2 of Schedule 1 of the Operating Agreement and the corresponding provisions of Attachment K-Appendix of the OATT to ensure the upcoming 2014/2015 stage 1A ARR allocation for the aforementioned Zones is calculated in a manner that reflects normal operating conditions.

5. PJM argues that good cause exists to grant its waiver request because PJM did not identify the potential problem with the existing Operating Agreement language until the week of January 13, 2014, and therefore did not have time to complete a stakeholder

³ FTRs are financial instruments, entitling the bearer to a stream of revenues based on the hourly congestion prices differences in the Day-ahead Energy Market across a specific transmission path.

⁴ PJM January 24, 2014 Filing at 3 (citing PJM, Operating Agreement, Schedule 1, § 7.4.2(b)).

⁵ *Id.* (citing PJM, Operating Agreement, Schedule 1, § 1.3.39).

process and submit a filing pursuant to the Federal Power Act. PJM adds that its request is limited in scope in that it relates solely to the 2014/2015 stage 1A ARR allocation. Also, PJM asserts that the waiver remedies a concrete problem – a distorted 2014/2015 ARR allocation and distorted FTR auction results – that PJM argues is inevitable if PJM is required to reflect the abnormal operating conditions and circumstances caused by Hurricane Sandy in its calculation of Zonal Base Load for the four affected Zones. Finally, PJM contends that granting the request will not have undesirable consequences or harm third parties because the waiver will help to ensure that PJM’s 2014/2015 ARR allocation and FTR auction results accurately reflect normal operating conditions and circumstances.

6. PJM requests that the Commission establish a 10-business-day comment period and that it issue an order by February 21, 2014, so that market participants have sufficient opportunity to determine their bidding plans prior to the March 4, 2014 ARR allocation.

7. Notice of PJM’s January 24, 2014 filing was published in the *Federal Register*, 79 Fed. Reg. 6,582 (2014), with protests or interventions due on or before February 7, 2014. The Illinois Commerce Commission filed a timely notice of intervention, and the Electric Power Supply Association, NRG Companies, and BP Energy Company filed timely motions to intervene.⁶ Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2013), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

8. We find that good cause exists to grant PJM’s request for waiver of provisions of Sections 1.3.39 and 7.4.2 of Schedule 1 of the Operating Agreement and the corresponding provisions of Attachment K-Appendix of the OATT. We find that PJM’s request for limited waiver is in good faith. PJM’s request is also a one-time request limited solely the 2014/2015 stage 1A ARR allocation. Granting limited waiver will

⁶ NRG Companies are NRG Power Marketing LLC (“NRG PML”), GenOn Energy Management, LLC, (“GEM”), Conemaugh Power LLC, GenOn Mid-Atlantic, LLC, Indian River Power LLC, Keystone Power LLC, NRG Chalk Point, LLC, NRG Energy Center Dover LLC, NRG Energy Center Paxton LLC, NRG Power Midwest, LP, NRG REMA, LLC, NRG Rockford LLC, NRG Rockford II LLC, NRG Wholesale Generation LP, Vienna Power LLC and Energy Curtailment Services, Inc. (“ECS”).

appropriately reflect the normal operating conditions and circumstances in the four affected Zones. Granting the requested waiver will not have undesirable consequences or harm third parties. Accordingly, we grant the requested waiver.

By direction of the Commission.

Kimberly D. Bose,
Secretary.