

154 FERC ¶ 61,019  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;  
Cheryl A. LaFleur, Tony Clark,  
and Colette D. Honorable.

PJM Interconnection, L.L.C.

Docket Nos. ER15-2613-000  
ER15-2613-001

Midcontinent Independent System Operator, Inc.

ER15-2616-001

ORDER ACCEPTING SUBJECT TO CONDITION REVISIONS TO JOINT  
OPERATING AGREEMENT

(Issued January 15, 2016)

1. On September 3, 2015, as amended on November 17, 2015, pursuant to section 205 of the Federal Power Act (FPA)<sup>1</sup> and Part 35 of the Commission's regulations,<sup>2</sup> PJM Interconnection, L.L.C. (PJM), in Docket Nos. ER15-2613-000 and ER15-2613-001, and Midcontinent Independent System Operator, Inc. (MISO), in Docket No. ER15-2616-001, (collectively, regional transmission organizations (RTOs)) submitted proposed revisions to the market-to-market procedures contained in the

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<sup>1</sup> 16 U.S.C. § 824d (2012).

<sup>2</sup> 18 C.F.R. pt. 35 (2015).

Interregional Coordination Process, section 4,<sup>3</sup> of the Joint Operating Agreement (JOA)<sup>4</sup> between MISO and PJM.<sup>5</sup> The RTOs propose modifications to enhance the day-ahead market-to-market coordination procedures and their real-time market-to-market settlement payments. In this order, we accept the RTOs' filings, subject to condition, to become effective November 3, 2015, as discussed below.

## **I. Background**

2. The JOA, among other things, provides for coordinated congestion management over a number of PJM/MISO flowgates.<sup>6</sup> The JOA contains the processes the RTOs use to establish agreed-upon flowgates for which they will monitor congestion and jointly dispatch their systems when the flowgates are constrained and when either party initiates the market-to-market process (Market-to-Market Flowgates). According to existing JOA provisions, the day-ahead market coordination procedures ensure that the day-ahead scheduled flows on all Market-to-Market Flowgates are limited to no more than the Firm

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<sup>3</sup> The market-to-market procedures are designated as PJM, FERC Electric Tariff, Interregional Agreements, [Att 3 Section 4, MISO-JOA Att 3 Section 4 Day-Ahead Energy Market Coordination, 2.0.0](#), [Att 3 Section 4.1, MISO-JOA Att 3 Section 4.1 Day-Ahead Energy Market Coordination, 2.0.0](#), and [Att 3 Section 4.2, MISO-JOA Att 3 Section 4.2 Day-Ahead Energy Market Settlement, 2.0.0](#) under PJM's tariff and MISO, FERC Electric Tariff, MISO Rate Schedules, [Section 4, Day-Ahead Energy Market Coordination, 32.0.0](#), [Section 4.1, Day-Ahead Energy Market Coordination Procedures, 32.0.0](#), and [Section 4.2, Day-Ahead Energy Market Settlements, 32.0.0](#) under MISO's tariff.

<sup>4</sup> The existing JOA was executed December 31, 2003, and accepted by the Commission in an order issued on March 18, 2004. *See Midwest Indep. Transmission Sys. Operator, Inc. and PJM Interconnection, L.L.C.*, 106 FERC ¶ 61,251, at P 1, *order on reh'g*, 108 FERC ¶ 61,143, *order on reh'g*, 109 FERC ¶ 61,166 (2004).

<sup>5</sup> PJM September 3, 2015 Filing, Docket No. ER15-2613-000 (PJM Filing); MISO September 3, 2015 Filing, Docket No. ER15-2616-000 (MISO Filing).

<sup>6</sup> The JOA defines a flowgate as "a representative modeling of facilities or groups of facilities that may act as significant constraint points on the regional system." PJM, Interregional Agreements, MISO-JOA, § 2.2 (3.0.0); MISO, MISO Rate Schedules, Rate Schedule 5, § 2.2 (31.0.0).

Flow Entitlement<sup>7</sup> for each RTO. Under certain conditions, either RTO may request that its day-ahead flow limit be raised above its Firm Flow Entitlement level. When the Requesting RTO<sup>8</sup> specifies the amount of scheduled flow reduction that it is requesting on a specific Market-to-Market Flowgate, the Responding RTO<sup>9</sup> will then lower the megawatt (MW) limit that it utilizes in its day-ahead market on the specified Market-to-Market Flowgate by the specified amount. This means that, instead of modeling the Market-to-Market Flowgate constraint at its Firm Flow Entitlement level, the Responding RTO will model the constraint at its Firm Flow Entitlement level less the requested MW reduction. As a result, the Responding RTO will schedule less flow on the specified Market-to-Market Flowgate in order to provide day-ahead congestion relief for the Requesting RTO. The Requesting RTO may then use the additional MW capability in its own day-ahead market. The Requesting RTO is also required to pay the Responding RTO for the exchanged Firm Flow Entitlement based on section 4.2 of Attachment 3 to the JOA.<sup>10</sup> However, this protocol is currently used infrequently and only when the need for additional congestion relief assistance is predictable on a day-ahead basis.<sup>11</sup>

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<sup>7</sup> A Firm Flow Entitlement is the amount of firm flow on a flowgate an entity is entitled to use based on historical usage. *See* MISO, *Firm Flow Entitlement on M2M Flowgates Readers' Guide* 3 (Feb. 2015), <https://www.misoenergy.org/Library/Repository/Report/Readers%20Guide/FFE%20on%20M2M%20Flowgates%20Readers%20Guide.pdf>.

<sup>8</sup> The Requesting RTO is the “RTO that is requesting an increase in their Firm Flow Entitlement in the [d]ay-[a]head energy market coordination procedures.” PJM, *Interregional Agreements, MISO-JOA, Appendix A (1.0.0)*; MISO, *MISO Rate Schedules, Rate Schedule 5, Appendix A (30.0.0)*.

<sup>9</sup> The Responding RTO is the “RTO that is responding to a request to reduce their Firm Flow Entitlement in the [d]ay-[a]head energy market coordination procedures.” PJM, *Interregional Agreements, MISO-JOA, Appendix A (1.0.0)*; MISO, *MISO Rate Schedules, Rate Schedule 5, Appendix A (30.0.0)*.

<sup>10</sup> The JOA states that “Requesting RTO Payment to Responding RTO = approved [d]ay-[a]head Adjustment for [Market-to-Market] Flowgate \* Responding RTO[']s [Market-to-Market] Flowgate constraint shadow price.” PJM, *Interregional Agreements, MISO-JOA, Attachment 3, § 4.2 (1.0.0)*; MISO, *MISO Rate Schedules, Rate Schedule 5, Attachment 3, § 4.2 (30.0.0)*.

<sup>11</sup> *See* PJM, *Interregional Agreements, MISO-JOA, Attachment 3, § 4 (1.0.0)*; MISO, *MISO Rate Schedules, Rate Schedule 5, Attachment 3, § 4 (30.0.0)*.

3. In addition, the day-ahead market coordination procedures place limitations on the timing for Firm Flow Entitlement exchange. For example, section 4.1 of Attachment 3 to the JOA requires that any requests for Firm Flow Entitlement must be made before 0800 Eastern Standard Time (EST) and that the Responding RTO must communicate its approval of such exchange by 1000 EST, all on the day before the operating day.<sup>12</sup>

4. With respect to the day-ahead energy market settlements, the JOA states that the market settlements for day-ahead congestion relief will be performed in a similar manner to the real-time energy market settlements of the coordinated congestion management protocol. The day-ahead payment for the RTO that is requesting congestion relief will be calculated based on the hourly day-ahead market results. If such congestion relief is requested and performed on a day-ahead basis, then the real-time flow entitlement for the affected hours in the corresponding real-time market will be adjusted accordingly.<sup>13</sup>

## II. The RTOs' Filings

5. The RTOs explain that they have identified two potential benefits to exchanging unused Firm Flow Entitlements on a day-ahead basis for specifically targeted Market-to-Market Flowgates: (1) minimization of joint-bid production cost, resulting in overall savings to the RTOs; and (2) minimization of real-time market-to-market payments,

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<sup>12</sup> The existing JOA language reads as follows: "Prior to 0800 EST on the day before the Operating Day, if the Requesting RTO identifies a need to utilize more of [a Market-to-Market] Flowgate than it is entitled, it may request the Responding RTO to lower its [d]ay-[a]head [m]arket limit below its [Firm Flow Entitlement] by a specified amount for a specified range of hours. . . . If the Responding RTO agrees to provide the limit reduction, it will communicate the approved amount to the Requesting RTO by 1000 EST. . . . The Requesting RTO may increase its limit on the [Market-to-Market] Flowgate by the specified amount for the specified range of hours." PJM, Interregional Agreements, MISO-JOA, Attachment 3, § 4.1 (1.0.0); MISO, MISO Rate Schedules, Rate Schedule 5, Attachment 3, § 4.1 (30.0.0).

<sup>13</sup> The day-ahead payment will be calculated as follows: "Requesting RTO Payment to Responding RTO = Approved [d]ay-[a]head Adjustment for [Market-to-Market] Flowgate \* Responding RTO[']s [Market-to-Market] Flowgate constraint shadow price." PJM, Interregional Agreements, MISO-JOA, Attachment 3, § 4.2 (1.0.0); MISO, MISO Rate Schedules, Rate Schedule 5, Attachment 3, § 4.2 (30.0.0).

which could result in improvements for Financial Transaction Right (FTR)<sup>14</sup> funding. The RTOs state that they are driven to propose these enhancements to the JOA by the need for flexibility and clarity in executing the exchange protocol, and consistency between the day-ahead and real-time market-to-market settlement calculations.<sup>15</sup>

6. With respect to the need for flexibility and clarity in executing the exchange protocol, the RTOs point to section 4 of Attachment 3 of the JOA, which provides that, “[n]ormally, this protocol will be utilized *infrequently* and only when the need for additional congestion relief assistance is predictable on a [d]ay-[a]head basis.”<sup>16</sup> The RTOs believe the use of the word “infrequently” in this provision renders section 4 vague and potentially too restrictive. Therefore, they propose to delete this statement. They explain that they intend to use section 4, which governs day-ahead market coordination, as often as exchanging Firm Flow Entitlements on Market-to-Market Flowgates would provide benefits.<sup>17</sup>

7. In addition, the RTOs point to the timing requirements in section 4.1 of Attachment 3 to the JOA, which they contend are too limiting to achieve the benefits of a more collaborative day-ahead Firm Flow Entitlement exchange.<sup>18</sup> The RTOs therefore propose to delete the reference to specific times (i.e., 0800 EST and 1000 EST) and to instead state that the Requesting RTO must request the adjustment of a Market-to-Market Flowgate “as soon as possible but not later than one hour prior to the Responding RTO’s deadline for submitting bids and offers in the day-ahead market,” and the Responding RTO must communicate the approved amount of the limit reduction “as soon as possible

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<sup>14</sup> FTRs are “financial rights that entitle the holders to receive transmission congestion credits,” which they can use “to hedge or offset transmission congestion charges” across a specific transmission path “during periods in which transmission capacity is constrained.” *PJM Interconnection, L.L.C.*, 102 FERC ¶ 61,276, at P 3 (2003), *order on reh’g and compliance*, 106 FERC ¶ 61,049 (2004).

<sup>15</sup> PJM Filing at 2; MISO Filing at 2.

<sup>16</sup> PJM, Interregional Agreements, MISO-JOA, Attachment 3, § 4 (1.0.0); MISO, MISO Rate Schedules, Rate Schedule 5, Attachment 3, § 4 (30.0.0).

<sup>17</sup> PJM Filing at 3-4; MISO Filing at 2-3.

<sup>18</sup> PJM, Interregional Agreements, MISO-JOA, Attachment 3, § 4.1 (1.0.0); MISO, MISO Rate Schedules, Rate Schedule 5, Attachment 3, § 4.1 (30.0.0).

but not later than the Requesting RTO's deadline for submitting bids and offers in the day-ahead market."<sup>19</sup>

8. For further clarity, the RTOs state that they have developed criteria around the circumstances that must exist for the Firm Flow Entitlement exchange to occur or be cancelled. In particular, for the exchange to take place, the RTOs explain that they have clarified that the flowgate shadow price must be below a threshold defined by the Requesting RTO. If the exchange request cannot be achieved below the Requesting RTO's defined threshold, they state that the exchange would be cancelled. This cancellation, they continue, would have to take place within an hour of the RTO's day-ahead clearing process. According to the RTOs, these clarifying enhancements provide some structure around when and how a request for exchange can be cancelled and will allow the RTOs to maximize the benefits of Firm Flow Entitlement exchange.<sup>20</sup>

9. With regard to the need for consistency between the day-ahead and real-time market-to-market settlement calculations, the RTOs argue that, pursuant to the existing JOA, the day-ahead and real-time settlement equations contain different terms and are inconsistent with one another. According to the RTOs, this inconsistency requires separate processes for functions originally intended to have similar outcomes, particularly with regard to Firm Flow Entitlement exchange. The RTOs explain that this disparity also currently requires operators to abide by different timing rules for Firm Flow Entitlement exchange for congestion relief, which introduces room for dissimilar results depending on the time frame in which the exchange is requested. Therefore, to foster consistency for Firm Flow Entitlement exchange across time horizons and easier implementation between the day-ahead and real time market-to-market settlements, the RTOs propose to match the formulas for the day-ahead energy market settlements (section 4.2 of Attachment 3 to the JOA) and the real-time energy market settlements (section 3 of Attachment 3 to the JOA).<sup>21</sup> Specifically, the RTOs propose to revise section 4.2 to be consistent with existing section 3.2.<sup>22</sup>

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<sup>19</sup> PJM Filing at 3, 5; MISO Filing at 2-4.

<sup>20</sup> PJM Filing at 3-4; MISO Filing at 2-3.

<sup>21</sup> PJM, Interregional Agreements, MISO-JOA, Attachment 3, §§ 3.2, 4.2 (1.0.0); MISO, MISO Rate Schedules, Rate Schedule 5, Attachment 3, §§ 3.2 (31.0.0), 4.2 (30.0.0).

<sup>22</sup> PJM Filing at 4-5; MISO Filing at 3-4. The RTOs propose to revise section 4.2 of the JOA to provide that the day-ahead market settlement for congestion relief is calculated such that "Payment = Approved MW \* Transmission Constraint Shadow Price in Responding RTO[']s Dispatch Solution."

10. The RTOs contend that these proposed revisions will advance the efficient operation of day-ahead Firm Flow Entitlement exchange to allow each RTO to more fully realize the benefits of such exchange. The RTOs note that, on average, PJM's real-time Market Flow<sup>23</sup> is 198 MW more than PJM's current Firm Flow Entitlement, whereas MISO's real-time Market Flow, on average, is 152 MW less than MISO's Firm Flow Entitlement. The RTOs believe that, with a more efficient process to evaluate exchange of Firm Flow Entitlements, both RTOs will realize significant benefits. Ultimately, the RTOs assert that these enhancements could result in overall savings to the RTOs, as well as improvements to FTR funding.<sup>24</sup>

11. The RTOs request an effective date of September 30, 2015, and a waiver of the Commission's 60-day prior notice requirement.<sup>25</sup> The RTOs state that waiver is appropriate because the proposed enhancements provide flexibility, clarity, and consistency for the day-ahead Firm Flow Entitlement exchange processes and were fully vetted through both MISO's and PJM's stakeholder processes. Thus, the RTOs assert that waiver of the 60-day notice requirement would be consistent with Commission policy.<sup>26</sup>

### **III. Notice of Filing and Responsive Pleadings**

12. Notice of the PJM Filing in Docket No. ER15-2613-000 was published in the *Federal Register*, 80 Fed. Reg. 54,562 (2015), with interventions and protests due on or

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<sup>23</sup> The JOA defines Market Flows as "the calculated energy flows on a specified [f]lowgate as a result of dispatch of generating resources serving market load within [an RTO's] market (excluding tagged transactions)." PJM, Interregional Agreements, MISO-JOA, § 2.2.42 (3.0.0); MISO, MISO Rate Schedules, Rate Schedule 5, § 2.2.42 (31.0.0).

<sup>24</sup> PJM Filing at 5-6; MISO Filing at 4.

<sup>25</sup> 18 C.F.R. § 35.11 (2015).

<sup>26</sup> PJM Filing at 6 (citing *Central Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106 (1992)); MISO Filing at 5.

before September 14, 2015.<sup>27</sup> American Electric Power Service Corporation (AEP),<sup>28</sup> DC Energy, LLC (DC Energy), Exelon Corporation, Inertia Power, LP (Inertia), MISO, and the NRG Companies<sup>29</sup> filed timely motions to intervene.

13. Notice of the MISO Filing in Docket No. ER15-2616-000 was published in the *Federal Register*, 80 Fed. Reg. 55,108 (2015), with interventions and protests due on or before September 14, 2015.<sup>30</sup> AEP, DC Energy, Exelon Corporation, PJM, the NRG Companies, Wisconsin Public Service Corporation and Wisconsin Electric Power Company (jointly), and Xcel Energy Services Inc.<sup>31</sup> filed timely motions to intervene. Consumers Energy Company (Consumers Energy) filed an out-of-time motion to intervene.

14. AEP, DC Energy, and Inertia (collectively, Protesters) filed a joint protest in Docket Nos. ER15-2613-000 and ER15-2616-000.

15. On October 13, 2015, the RTOs filed an answer to the protest in Docket Nos. ER15-2613-000 and ER15-2616-000.

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<sup>27</sup> The notice published in the *Federal Register* established September 24, 2015, as the due date for interventions and protests, but the Commission issued an errata notice on September 4, 2015, shortening the comment period to September 14, 2015, per the RTOs' request.

<sup>28</sup> AEP moved to intervene on behalf of its affiliates Appalachian Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company, and Wheeling Power Company.

<sup>29</sup> The NRG Companies consist of NRG Power Marketing LLC and GenOn Energy Management, LLC.

<sup>30</sup> MISO filed the proposed revisions to the JOA initially in Docket No. ER15-2614-000, notice of which was published in the *Federal Register*, 80 Fed. Reg. 54,562 (2015). MISO filed to withdraw the proposed revisions in Docket No. ER15-2614-000 on September 4, 2015, and refiled the proposed revisions in Docket No. ER15-2616-000.

<sup>31</sup> Xcel Energy Services Inc. moved to intervene on behalf of its affiliates Northern States Power Company, a Minnesota corporation, and Northern States Power Company, a Wisconsin corporation.

**A. AEP, DC Energy, and Inertia Protest**

16. Protesters argue that the RTOs do not support their requested effective date. Protesters also contend that the RTOs do not provide sufficient information regarding the implementation of their plans to exchange Firm Flow Entitlements. Protesters assert that more time and information is necessary for market participants to understand and plan for the implementation of the proposed revisions. Therefore, Protesters ask that the Commission reject the RTOs' request to waive the 60-day prior notice requirement to allow the proposed revisions to become effective September 30, 2015, and require the RTOs to submit additional information before the proposed revisions become effective.<sup>32</sup>

17. With regard to the proposed effective date, Protesters explain that the proposed revisions to the JOA will affect congestion in both RTOs as soon as they are implemented. According to Protesters, market participants hedge their congestion risk in advance by trading FTRs, which they generally acquire at least one month in advance and which cover at least one month. Therefore, Protesters explain that waiving the 60-day prior notice requirement would change the congestion patterns on which market participants have relied in acquiring FTR positions. Protesters argue that the RTOs have not shown good cause for waiving the 60-day prior notice requirement in light of the disruption to currently outstanding FTR positions. Although the RTOs contend that the proposed revisions were vetted through the stakeholder processes in each region, Protesters counter that the fact that market participants are aware of the proposed revisions does not override the potentially significant disruptions caused by implementing them without adequate prior notice.<sup>33</sup>

18. Protesters also argue that the Commission should not allow the proposed revisions to take effect until the RTOs have provided additional information. Protesters assert that requiring the RTOs to provide additional information will enhance transparency and allow market participants to better plan for the practical effects of the proposed revisions. First, Protesters ask that the Commission order the RTOs to publish the results of any simulations they have conducted on the effects of the proposed revisions on power flows and prices in both regions. According to Protesters, any simulations should be for a minimum three-month period and capture a period of peak demand in both regions (i.e., the simulation should capture January 2016). Protesters ask that the RTOs be required to

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<sup>32</sup> AEP, DC Energy, and Inertia September 14, 2015 Protest, Docket Nos. ER15-2613-000, ER15-2616-000, at 2 (Protest).

<sup>33</sup> *Id.* at 3-4.

publish data regarding the flowgates where exchanges would have occurred under the simulated exchange rules and the resulting effects on prices in both regions.<sup>34</sup>

19. Protesters further request that the Commission order the RTOs to answer certain questions regarding the practical effects of the implementation of the proposed revisions. In particular, Protesters provide the following questions: (1) what notice will market participants receive regarding requests by one RTO to the other to exchange Firm Flow Entitlements; (2) what notice will market participants receive regarding grants or denials by one RTO to the other of requests to exchange Firm Flow Entitlements; (3) what criteria or method will the RTOs use for determining at which particular flowgates to exchange Firm Flow Entitlements; and (4) under this criteria, are there any particular flowgates where the RTOs anticipate exchanging Firm Flow Entitlements (and, if so, which flowgates). Protesters contend that market participants should receive some form of notice when one RTO requests to exchange Firm Flow Entitlements with the other so that market participants can react to changes in power flows and market conditions. In addition, Protesters argue that knowing the specific locations of flowgates where the RTOs can project exchanging Firm Flow Entitlements would be helpful for market participants in planning.<sup>35</sup>

20. Protesters commend the RTOs' efforts to enhance their day-ahead market-to-market coordination practices and real-time market-to-market settlement payments, and only protest the effective date and lack of information. In general, they agree with the RTOs that more flexible and frequent exchanges of Firm Flow Entitlements will enhance coordination and increase efficiency across both regions, reducing costs and real-time JOA settlements.<sup>36</sup>

## **B. The RTOs' Answer**

21. The RTOs argue that the Commission should accept the proposed revisions to the JOA, allow them to become effective as requested on September 30, 2015, and reject the protest filed by AEP, DC Energy, and Inertia. In the alternative, the RTOs state that, although the basis for the protest is not supported in law or fact, and the RTOs' request for waiver of the prior notice requirements is appropriate, they would not object to a later effective date of October 30, 2015, which would allow for the full 60-day prior notice period. The RTOs commit to not implementing these amendments if they realize the exchange will adversely impact FTR revenue adequacy. The RTOs believe, by

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<sup>34</sup> *Id.* at 4-6.

<sup>35</sup> *Id.* at 6-7.

<sup>36</sup> *Id.* at 2, 7.

definition, the coordination will better reflect the value of congestion in the day-ahead market since the coordination will attempt to align day-ahead and real-time impacts.<sup>37</sup>

22. With respect to Protesters' request for a three-month simulation analysis, the RTOs assert that the Commission previously accepted the provisions of the JOA that allow the RTOs to exchange Firm Flow Entitlements and at no time did the Commission require that such simulations be conducted as a prerequisite to implementing the provisions in the Interregional Coordination Process.<sup>38</sup> Therefore, the RTOs contend that Protesters' demand for this information now is misplaced and amounts to a collateral attack on the previously accepted Interregional Coordination Process. According to the RTOs, the demand for unrelated three-month simulations goes beyond the scope of the requested amendments and would result in unnecessary delays to achieving real benefits and efficiencies of coordination, which already have been established.<sup>39</sup>

23. The RTOs add that the requested simulations are impractical, overly burdensome, and would be of extremely limited value. In short, they continue, any benefits derived from a potential simulation would not outweigh the significant burden that would be required to create a simulation. The RTOs argue that simulations are not required under the terms of either the existing congestion management process or the Interregional Coordination Process, and none of the proposed amendments relate in any way to developing simulations. In addition, the RTOs state that they have provided a benefit analysis based on simulations pertaining to prices, Firm Flow Entitlements, and anticipated revenue impacts for the proposed amendments and have presented that information to stakeholders.<sup>40</sup>

24. With regard to Protesters' request that the Commission order the RTOs to answer certain questions about the practical effects of the implementation of the proposed revisions, the RTOs explain that they do not plan on providing notice of requests to

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<sup>37</sup> PJM and MISO October 13, 2015 Answer, Docket Nos. ER15-2613-000, ER15-2616-000, at 7 (RTOs Answer).

<sup>38</sup> The RTOs argue that even in the Commission's more recent orders on market-to-market coordination between MISO and Southwest Power Pool, Inc. (SPP), the Commission did not require MISO to simulate the impact of SPP market-to-market implementation on power flows and market pricing. *Id.* at 4 (citing *Sw. Power Pool, Inc.*, 150 FERC ¶ 61,033 (2015); *Sw. Power Pool, Inc.*, Docket No. ER13-1864-001 (Apr. 9, 2015) (delegated letter order)).

<sup>39</sup> *Id.* at 2-3.

<sup>40</sup> *Id.* at 3-4.

exchange because they cannot reasonably do so and achieve the benefits of the exchange process itself. According to the RTOs, providing notice as Protesters suggest would be burdensome and would lengthen the day-ahead clearing process. The RTOs add that this process is already complicated and stakeholders would like to see it shortened due to concerns regarding natural gas liquidity and bid submission in the day-ahead market.<sup>41</sup> The RTOs also state that they do not plan to post specific flowgates on which coordination could occur because any list would include all flowgates, as any flowgate could be considered at any time to optimize coordination. However, the RTOs maintain that they have posted the guidelines for determining which flowgates were considered and, after-the-fact, will post the flowgates on which coordination actually took place.<sup>42</sup>

#### **IV. Deficiency Letters**

25. On November 2, 2015, Commission staff issued deficiency letters to the RTOs requesting additional information. On November 17, 2015, the RTOs submitted responses to the deficiency letters.

##### **A. Notice of Deficiency Letter Responses**

26. Notice of PJM's deficiency letter response in Docket No. ER15-2613-001 was published in the *Federal Register*, 80 Fed. Reg. 75,087 (2015), with interventions and protests due on or before December 8, 2015. None was filed.

27. Notice of MISO's deficiency letter response in Docket No. ER15-2616-001 was published in the *Federal Register*, 80 Fed. Reg. 75,087-88 (2015), with interventions and protests due on or before December 8, 2015.<sup>43</sup> None was filed.

##### **B. The RTOs' Deficiency Letter Responses**

28. Commission staff sought additional information in the deficiency letters on: (1) how posting any Firm Flow Entitlement exchange requests, along with any already-received responses, prior to each RTO's day-ahead energy market bid submission deadline would be burdensome and lengthen the day-ahead clearing process; (2) why the RTOs believe that providing market participants with notice of requests to exchange Firm

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<sup>41</sup> *Id.* at 5 (citing PJM, Motion for Leave to Answer and Answer, Docket No. ER15-2260-000, at 3, 12-14 (filed Sept. 14, 2015)).

<sup>42</sup> *Id.*

<sup>43</sup> When MISO submitted its deficiency letter response, Docket No. ER15-2616-000 closed.

Flow Entitlements prior to the day-ahead energy market bid submission deadline would not achieve the benefits of the exchange process itself; (3) any difficulties in posting Firm Flow Entitlement exchange requests prior to each RTO's respective day-ahead market bid submission deadline related to the discrepancy between the RTOs' schedules; and (4) how each RTO might post Firm Flow Entitlement exchange requests, along with any already-received responses, prior to its respective day-ahead market bid submission deadline.

29. With regard to the first question, the RTOs reiterate that, because the exchanged Firm Flow Entitlements will not be final until one hour after the start of the day-ahead energy market clearing process, the RTOs can only post the final results of the exchanged Firm Flow Entitlements during or after the clearing process. The RTOs contend that posting the final results during the clearing process for the day-ahead energy market would lengthen an already complicated clearing process. The RTOs explain that, prior to the clearing process, their day-ahead energy market operators must, for example: (1) review transmission ratings submitted by transmission owners and update the RTO's day-ahead model accordingly; (2) identify and model any new contingencies; (3) identify proper ratings for the transfer interface limits; (4) review and model generator and transmission outages for the following day; (5) coordinate internally with operations to determine which generators may be required to provide relief on anticipated transmission constraints; (6) coordinate with neighboring balancing authorities to determine which flowgates may be constrained the following day; (7) execute test cases; (8) monitor the transfer of large amounts of data among the RTO's various systems; and (9) work with market participants that may be experiencing difficulty submitting bids and offers. Moreover, the RTOs assert that the benefit to market participants of receiving notification of Firm Flow Entitlement exchange requests prior to the bid submission deadline is unclear because posting the requests without the final exchanged Firm Flow Entitlement amount would provide market participants with incomplete information.<sup>44</sup>

30. Commission staff also asked the RTOs to include in their response to the first question any information concerning MISO's day-ahead market that might affect PJM's day-ahead market, and vice versa. The RTOs explain that, because the deadlines for requesting, confirming, and rescinding adjustments for Firm Flow Entitlements are based on the RTOs' deadlines for submitting bids and offers in the day-ahead market, PJM and MISO have different deadlines for requesting, confirming, and rescinding Firm Flow Entitlement adjustments. PJM's deadline for submitting bids and offers is 12:00 p.m., whereas MISO's is 11:00 a.m. Therefore, the RTOs state that, for example, under the

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<sup>44</sup> PJM November 17, 2015 Deficiency Letter Response, Docket No. ER15-2613-001, at 1-2 (PJM Response); MISO November 17, 2015 Deficiency Letter Response, Docket No. ER15-2616-001, at 4-5 (MISO Response).

proposed revisions, PJM must request an adjustment of Firm Flow Entitlements from MISO not later than 10:00 a.m. (i.e., not later than one hour prior to the responding RTO's deadline for submitting bids and offers in the day-ahead market), whereas MISO must request such an adjustment from PJM not later than 11:00 a.m.<sup>45</sup> Commission staff also asked the RTOs to include a hypothetical exchange that includes a timeline of a Firm Flow Entitlement request, response, and any relevant day-ahead market deadlines. The RTOs included such a hypothetical exchange in their responses.<sup>46</sup>

31. In response to the second question, the RTOs state that requiring notice to market participants of requests to exchange Firm Flow Entitlements prior to or during the day-ahead energy market clearing process would not achieve the benefits of the exchange process itself because it may preclude the RTOs from requesting an exchange in certain scenarios (e.g., heavily constrained system conditions for the following day). According to the RTOs, there may not be enough time to complete the additional requirement to post the requests for Firm Flow Entitlements given the already complex day-ahead processes described above.<sup>47</sup>

32. Regarding any difficulties in posting Firm Flow Entitlement exchange requests prior to each RTO's respective day-ahead market bid submission deadline related to the discrepancy between the RTOs' schedules, the RTOs explain that if they were to post each other's requests, the discrepancy between the schedules would not result in any difficulties assuming each RTO received all requests one hour prior to its respective day-ahead market bid submission deadline.<sup>48</sup>

33. Finally, the RTOs respond to Commission staff's question about how each RTO might post Firm Flow Entitlement exchange requests, along with any already-received responses, prior to its respective day-ahead market bid submission deadline. The RTOs think it is unnecessary or unreasonable to post exchange requests prior to the day-ahead energy market submission deadlines. However, if they were required to do so, the RTOs state that they would manually post a file containing the requested Firm Flow Entitlement exchanges on their websites for each request on each flowgate.<sup>49</sup>

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<sup>45</sup> PJM Response at 3-4; MISO Response at 5-6.

<sup>46</sup> PJM Response at 5; MISO Response at 6.

<sup>47</sup> PJM Response at 5-6; MISO Response at 6.

<sup>48</sup> PJM Response at 6-7; MISO Response at 6-7.

<sup>49</sup> PJM Response at 7; MISO Response at 7.

## V. Discussion

### A. Procedural Matters

34. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,<sup>50</sup> the timely, unopposed motions to intervene serve to make the entities that filed them parties to the proceedings in which they were filed.

35. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure,<sup>51</sup> the Commission will accept Consumers Energy's late-filed motion to intervene in Docket No. ER15-2616-000 given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

36. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure prohibits an answer to a protest unless otherwise ordered by the decisional authority.<sup>52</sup> We will accept the RTOs' answer because it has provided information that has assisted us in our decision-making process.

### B. Commission Determination

37. We accept the RTOs' proposed revisions to the JOA, subject to condition,<sup>53</sup> to become effective November 3, 2015, as discussed below.<sup>54</sup> As the RTOs explain, the

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<sup>50</sup> 18 C.F.R. § 385.214 (2015).

<sup>51</sup> *Id.* § 385.214(d).

<sup>52</sup> *Id.* § 385.213(a)(2).

<sup>53</sup> The Commission can revise a proposal filed under section 205 of the FPA as long as the filing utility accepts the change. *See City of Winnfield v. FERC*, 744 F.2d 871, 875-77 (D.C. Cir. 1984). The filing utility is free to indicate that it is unwilling to accede to the Commission's conditions by withdrawing its filing.

<sup>54</sup> While the RTOs requested waiver of the Commission's prior notice requirements to allow for a September 30, 2015 effective date, the RTOs state in their answer to Protesters' arguments that they do not object to a later effective date that allows for the full 60-day prior notice period. *See* RTOs Answer at 7. Given the RTOs' answer, it is unnecessary for us to address the request for waiver of prior notice and Protesters' objection to it. We note, however, that the full 60-day prior notice period requires an effective date of November 3, 2015, and not October 30, 2015, as stated in the RTOs' answer.

proposed revisions will allow the RTOs to exchange Firm Flow Entitlements as often as such an exchange would provide benefits, rather than only exchanging Firm Flow Entitlements “infrequently.” The proposed revisions also clarify the deadlines for requesting Firm Flow Entitlement exchange, responding to a request, and rescinding an approved request. As the Commission has previously explained, where additional transmission capacity is available (i.e., where one RTO’s Market Flow is below its Firm Flow Entitlements), Firm Flow Entitlement exchange can “increase efficiencies in the [d]ay-[a]head market, better align the operations of the [d]ay-[a]head and [r]eal-[t]ime markets, and enhance revenue adequacy for other markets, such as financial transmission rights.”<sup>55</sup> Furthermore, the proposed revisions provide greater consistency in the settlement calculation for congestion relief in the day-ahead and real-time markets. Accordingly, we find the RTOs’ proposed revisions to the JOA to be just and reasonable. We next turn to the issues raised by Protesters: (1) whether the results of any simulations conducted should be published and whether additional simulations are necessary; and (2) whether further information on notice and criteria is required when the RTOs exchange Firm Flow Entitlements.

38. We disagree with Protesters that additional information or simulations are needed before we are able to determine whether the proposed revisions are just and reasonable. Protesters appear to take issue with the process by which Firm Flow Entitlements are exchanged. That process, however, has already been established by the RTOs, accepted by the Commission, and in place for several years.<sup>56</sup> Before us are certain improvements to this process, and we find that the proposed revisions will only serve to clarify and enhance existing provisions, as described above. Also, we note that the RTOs’ analysis demonstrates that the most frequently used Market-to-Market Flowgates hold significant potential for reduced production costs from day-ahead Firm Flow Entitlement exchange.<sup>57</sup> This filing is intended to harness the potential for reducing production costs

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<sup>55</sup> *Coordination Across the Midcontinent Indep. Sys. Operator, Inc./PJM Interconnection, L.L.C. Seam*, 150 FERC ¶ 61,132, at P 17 (2015); *see also Sw. Power Pool, Inc.*, 150 FERC ¶ 61,033 at P 39.

<sup>56</sup> *Midwest Indep. Transmission Sys. Operator, Inc. and PJM Interconnection L.L.C.*, 106 FERC ¶ 61,251 (2004), *order on reh’g*, 108 FERC ¶ 61,143 (2004).

<sup>57</sup> *See, e.g.*, Presentation to PJM Stakeholders at Market Implementation Committee, *PJM Seams Update: Day-Ahead M2M Revisions to MISOPJM Joint Operating Agreement* (Aug. 12, 2015), <http://pjm.com/~media/committees-groups/committees/mic/20150812/20150812-item-13-pjm-seams-update-day-ahead-m2m-revisions-miso-pjm-joa.ashx>; MISO and PJM, *Joint and Common Market: Improved Day-Ahead Coordination* (Nov. 2014), <https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/Work> (continued...)

between the regions. We note that the RTOs state that they commit to not implement these amendments if they realize the exchange will adversely impact FTR revenue adequacy.<sup>58</sup>

39. With regard to Protesters' request that the RTOs provide notice or information to market participants when Firm Flow Entitlements are exchanged in the day-ahead market, we agree with Protesters that market participants may be able to use this information to react to potential exchanges prior to the bid submission deadlines. However, we believe additional posting is unnecessary at this time because, as noted above, the RTOs will post, on their websites, "after the fact" data on Firm Flow Entitlements and flowgates daily for the previous operating day.<sup>59</sup> The RTOs' commitment to provide "after the fact" data is a reasonable means to help ensure transparency. We expect that this information will be beneficial to market participants as they use this data to inform how they react to future, predicted Firm Flow Entitlement exchanges. With that said, we encourage the RTOs to continue to publish any relevant data, as appropriate.

40. Although we find the proposed revisions to the JOA to be just and reasonable, the tariff sheets the RTOs submitted with the filings contain certain discrepancies that require additional clarification. First, MISO states in its transmittal letter that it proposes to revise section 4.1.1 of Attachment 3 to the JOA by replacing "for a specified" with "and;" however, the tariff sheets MISO submitted do not reflect this change. Accordingly, we accept the proposed revisions to the JOA, subject to the condition that MISO submit a compliance filing, within 30 days of the date of this order, incorporating the proposed revision.

41. Additionally, MISO submitted a revised section 4.2 of Attachment 3 to the JOA, which contains a new footnote stating "[t]his value represents the approved MW adjustment that resulted from the day-ahead market coordination in section 4.1 above." PJM does not propose this same revision in its revised section 4.2 of Attachment 3 to the JOA. Given that this footnote clarifies from where the RTOs will derive the "approved MW" value, we also accept the proposed revisions, subject to the condition that PJM

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<sup>58</sup> See RTOs Answer at 7.

<sup>59</sup> See, e.g., PJM, *ATC Information*, <http://www.pjm.com/markets-and-operations/etools/oasis/atc-information.aspx>; MISO, *Market Reports*, <https://www.misoenergy.org/Library/MarketReports/Pages/MarketReports.aspx>.

include the footnote in its tariff sheets unless the RTOs establish that the footnote is not needed.

The Commission orders:

(A) The RTOs' filings are hereby accepted, subject to condition, to become effective November 3, 2015, as discussed in the body of this order.

(B) MISO is hereby directed to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

(C) PJM is hereby directed to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.