

139 FERC ¶ 61,028
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
and Cheryl A. LaFleur.

PJM Interconnection, L.L.C.

Docket Nos. ER11-12-002
ER11-3445-003

ORDER DENYING REHEARING AND CLARIFICATION

(Issued April 10, 2012)

1. On March 30, 2011, the Commission accepted, subject to condition and compliance filing, the October 1, 2010 proposed revisions by PJM Interconnection, L.L.C. (PJM) to Section 1.2A.2 of Schedule 1 of the Amended and Restated Operating Agreement (Operating Agreement) and the parallel provision of the Attachment K – Appendix of the PJM Open Access Transmission Tariff (Tariff or OATT), Part I, Section 3F.2 of the Tariff and Section 14A.2 of the Operating Agreement.¹ These provisions proposed to limit the calculation of, and the charge for, line losses only to those losses incurred on a set of newly defined facilities, Reliability Monitored Facilities.² PJM submitted a compliance filing in Docket No. ER11-3445-000. DC Energy Mid-Atlantic, LLC (DC Energy) requested rehearing of the March 30, 2011 Order and clarification of the compliance filing. On January 19, 2012, the Commission granted rehearing and rejected the compliance filing.³

2. PJM, Dayton Power and Light Company (with Duke Energy Ohio and American Electric Power Company) (all together, the Ohio Utilities), and Old Dominion Electric

¹ *PJM Interconnection, L.L.C.*, 134 FERC ¶ 61,246 (2011) (March 30, 2011 Order).

² The filing also proposed changes to line losses charged on certain generator step-up transformers.

³ *PJM Interconnection, L.L.C.*, 138 FERC ¶ 61,038 (2012) (January 19, 2012 Order).

Cooperative have requested rehearing and clarification of the January 19, 2012 Order. In this order we deny rehearing and clarification.

I. Background

3. The Commission accepted PJM's original marginal line loss methodology, effective June 1, 2007.⁴ PJM calculates and assesses Transmission Loss Charges for every Network Service User, the PJM Interchange Energy Market, and each Transmission Customer.⁵ The basis for these charges is the differences in one component of Locational Marginal Prices (LMP), defined as the Loss Price at a bus, between points of delivery and points of receipt.⁶

4. On October 1, 2010, PJM proposed revisions to the marginal line loss methodology. In the proposed revisions, PJM sought to limit the calculation of marginal line losses only to certain facilities that it monitors for reliability purposes. To implement the proposed revisions, PJM proposes to define Reliability Monitored Facilities in Section 1.38B of Part I of the Tariff as the combined set of "PJM Markets Facilities" and "PJM Reliability Facilities" that are under PJM's control for coordinating regional and interregional operations.⁷ PJM stated that the proposed revisions are intended to provide consistent treatment of facilities that PJM operates for congestion management and reliability, and for facilities that it prices for transmission losses.⁸

⁴ *Atlantic City Electric Company v. PJM Interconnection, L.L.C.*, 117 FERC ¶ 61,169 (2006).

⁵ Section 5.4.1 of Schedule 1 of the Operating Agreement, and the parallel provisions of Attachment K-Appendix of the Tariff. Transmission losses refer to the loss of energy in the transmission of electricity from generation resources to load, which is dissipated as heat through transformers, transmission lines, and other transmission facilities. *See* Section 3F.1 of the Tariff; Section 14A.1 of the Operating Agreement.

⁶ Section 5.4.2 of Schedule 1 of the Operating Agreement, and the parallel provisions of Attachment K-Appendix of the Tariff.

⁷ As previously noted, PJM also proposed to include only the losses on any generator step-up transformer that the market seller has not elected to remove from the loss calculation. Parties did not seek rehearing of the March 30, 2011 Order regarding PJM's proposal to include only the losses on any generator step-up transformer that the market seller has not elected to remove from the loss calculation.

⁸ October 1, 2010 PJM Filing at 14.

5. In the March 30, 2011 Order, the Commission accepted PJM's filing, subject to the condition that PJM confirm that under its proposed tariff revisions, PJM would calculate and charge for losses that occur on all transmission facilities that it operates and controls.⁹ In the January 19, 2012 Order, the Commission found that it is not just and reasonable to limit the calculation of marginal line losses to Reliability Monitored Facilities.¹⁰ The Commission found that PJM's pleadings had shown that under its proposal, it will not be calculating marginal line losses on all transmission facilities that it controls for the purpose of providing transmission service under its OATT.¹¹

II. Rehearing Requests

6. PJM has requested rehearing and clarification of the January 19, 2012 Order. PJM states that the January 19, 2012 Order would compel a significant and unreasonable mismatch between the facilities for which it calculates one component of LMP (i.e. congestion) and those for which it calculates another component of LMP (i.e. marginal loss). PJM also asks the Commission to clarify that the January 19, 2012 Order does not require any changes to its long-standing practice of calculating the congestion component of LMP on less than all transmission facilities. PJM is not seeking an immediate reversal of the January 19, 2012 Order. Instead, PJM states that it plans to take this matter to stakeholders and propose an approach that would base the marginal loss component of LMP on the same facilities on which the congestion component is based.

7. The Ohio Utilities request that the Commission clarify that the January 19, 2012 Order does not bar PJM from making further revision to the Operating Agreement and OATT and its marginal loss model. In the alternative, the Ohio Utilities request rehearing of the January 19, 2012 Order to the extent that it requires PJM to include more facilities in the loss model than in the congestion pricing model. ODEC requests that the Commission grant rehearing and direct PJM to make a further compliance filing to the March 30, 2011 Order based upon the clarification provided in the January 19, 2012 Order that PJM calculate marginal losses on all facilities which PJM operates and controls for the purpose of providing transmission service.

⁹ The Commission requested additional information regarding PJM's compliance filing in response to the March 30, 2011 Order.

¹⁰ The March 30, 2011 Order had accepted PJM's proposal to include only the losses on any generator step-up transformer that the market seller has not elected to remove from the loss calculation.

¹¹ PJM had stated that while it may not control certain facilities for regional reliability, it does have control over those facilities for "the provision of transmission services under the PJM OATT." PJM July 22, 2011 Response at 4.

8. Exelon supports PJM's plan to take the issue back to the stakeholders to promptly develop new tariff language ensuring consistency in calculating the LMP and joins in PJM's request that the Commission confirm that it did not intend to require PJM to change its practice of calculating the congestion component on less than all transmission facilities.

III. Discussion

9. We deny rehearing and clarification of the January 19, 2012 Order. PJM filed to restrict the range of facilities for which it would calculate marginal line losses. In the March 30, 2011 Order, the Commission accepted PJM's filing on the condition that PJM confirm that under its proposed tariff revisions, PJM would calculate and charge for losses that occur on all transmission facilities that it operates and controls. In the January 19, 2012 Order, the Commission granted rehearing, and rejected PJM's proposal to limit the calculation of marginal line losses to Reliability Monitored Facilities.

10. In the January 19, 2012 Order, the Commission found PJM had failed to justify its proposal because its "pleadings have shown that under its proposal, it will not be calculating marginal line losses on all transmission facilities that it controls for the purpose of providing transmission service under its OATT."¹² The Commission further held that "PJM has not explained satisfactorily why it is unnecessary to establish correct price signals on facilities that it controls for the purpose of providing transmission service under its OATT."¹³ The arguments on rehearing provide no further support for either of these conditions, and we affirm our finding that PJM failed to justify that its proposal was just and reasonable.

11. The parties seeking rehearing do not contest the Commission's rejection of the filing so much as they request clarification as to the scope of our order with respect to the calculation of congestion prices and generally how PJM should implement the order. The January 19, 2012 Order rejected PJM's section 205 of the Federal Power Act proposal to restrict the range of facilities for which it would calculate marginal line losses under its tariff;¹⁴ it did not establish an alternative affirmative obligation with which PJM is required to comply. With its section 205 filing rejected, PJM must calculate marginal line losses as provided under the tariff and procedures that existed prior to its filing in this docket.

¹² January 19, 2012 Order, 138 FERC ¶ 61,038 at P 18.

¹³ *Id.* P 19.

¹⁴ 16 U.S.C. § 824d (2006).

12. PJM and the other parties requesting rehearing request clarification that the rejection of PJM's filing would permit PJM to further consider tariff changes in its stakeholder process to create consistency between the facilities for which it calculates the congestion component and the marginal line loss component of LMP. The rejection of PJM's filing was based solely on its failure to justify the instant proposal in light of its tariff and Commission policy. PJM certainly can submit a revised, well-justified tariff proposal if it believes such a filing is warranted.

The Commission orders:

Rehearing and clarification of the January 19, 2012 Order is denied, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.