

141 FERC ¶ 61,200
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 10, 2012

In Reply Refer To:
PJM Interconnection, L.L.C.
Docket No. ER12-1761-001

Ms. Pauline Foley
PJM Interconnection, L.L.C.
955 Jefferson Avenue
Norristown, PA 19403

Reference: Compliance Filing, Rate Schedule 10 – Michigan-Ontario Interface

Dear Ms. Foley:

1. On August 7, 2012, pursuant to section 205 of the Federal Power Act (FPA),¹ PJM Interconnection, L.L.C. submitted a filing to remove section (f) from Rate Schedule 10 – Michigan-Ontario Interface of the PJM Open Access Transmission Tariff (PJM Tariff) and to make other revisions to the PJM Tariff and PJM Operating Agreement in compliance with the Commission’s July 9 Order.² As explained below, we accept the PJM filing.

2. In the July 9 Order the Commission conditionally accepted PJM’s new Rate Schedule 10 – Michigan-Ontario Interface that established terms and conditions for recovering from end users, costs allocated to PJM by the Midwest Independent Transmission System Operator, Inc. (MISO) for PJM’s portion of the revenue requirement for a phase angle regulator (PAR) transmission facility owned and operated by International Transmission Company (ITC) at the Bunce Creek Station on the Michigan-Ontario Interface (ITC PARs). The conditional acceptance was subject to PJM removing section (f) from the rate schedule, because that section would have limited PJM’s liability to MISO for the PARs-related charges and would have relieved PJM from any responsibility to pursue deficiencies in its customers’ payments of PJM’s PARs-

¹ 16 U.S.C. § 824d (2006).

² *PJM Interconnection, L.L.C.*, 140 FERC ¶ 61,012 (2012) (July 9 Order).

related charges. The Commission also directed PJM to make parallel revisions to other parts of the PJM Tariff and the PJM Operating Agreement that were inadvertently omitted by PJM in its initial filing.³

3. PJM states that, in accordance with the July 9 Order, it has removed section (f) from Rate Schedule 10 – Michigan-Ontario Interface. In addition, PJM states that it has proposed parallel revisions to section 6A.6 and Attachment HH(f) of the PJM Tariff and section 3.3(g) and Schedule 13(f) of the PJM Operating Agreement in compliance with the July 9 Order.

4. Notice of PJM's filing was published in the *Federal Register*, 77 Fed. Reg. 48,510 (2012), with interventions and protests due on or before August 28, 2012. ITC timely filed a conditional protest.

5. ITC conditionally protests PJM's compliance filing with respect to the parallel revisions asserting that the new language provides that PJM Settlement, Inc. (PJM Settlement), a PJM subsidiary, shall not be counterparty with respect to the administration of the new Rate Schedule 10 – Michigan-Ontario Interface. ITC states that "by adding the proposed new language to the counterparty provisions of its tariff and operating agreement, PJM may be achieving by a different means the very result that the Commission rejected in its July 9 Order, i.e. limiting PJM's liability for MISO's PARs-related changes and relieving PJM from any responsibility to pursue deficiencies in its customers' payments of its PARs-related charges."⁴ ITC states that, if the Commission determines that the proposed language would have that result, it should be rejected. If it does not, ITC states that the new language is acceptable.

6. PJM established PJM Settlement to perform billing and settlement functions—functions previously performed by PJM itself.⁵ Among these functions, PJM Settlement acts as counterparty by taking title to transactions and agreements in the PJM market pursuant to the PJM Operating Agreement.⁶ In addition to the invoices issued for transactions for which it is counterparty, PJM Settlement is the billing agent for all services furnished under the PJM Tariff and rate schedules.⁷

³ PJM notified the Commission of this oversight in a June 25, 2012 filing in response to protests made by MISO and ITC regarding section (f).

⁴ ITC Protest at 3.

⁵ See *PJM Interconnection, L.L.C.*, 132 FERC ¶ 61,207 (2010).

⁶ See PJM Operating Agreement § 3.3, *Counterparty*.

⁷ See PJM Operating Agreement § 14B.1, *Billing Procedure*.

7. In its parallel revisions to the PJM Tariff and PJM Operating Agreement, PJM proposes to specify Rate Schedule 10 – Michigan-Ontario Interface, and therefore, the charges for the ITC PARs are among the pass through charges for which PJM Settlement is not the counterparty. However, in accordance with the billing procedures cited above, PJM Settlement acts as a billing agent on behalf of PJM with respect to Rate Schedule 10 – Michigan-Ontario Interface.⁸ The billing procedures contained in the PJM Operating Agreement detail the PJM Settlement procedures for entities that are delinquent in settling their obligations including the assessment of penalties and interest as well as the ultimate failure to meet these obligations, whether or not PJM Settlement is counterparty to a service for which a charge is assessed.⁹ We conclude, based on our review of PJM’s billing procedures, together with the fact that PJM removed section (f) in compliance with the July 9 Order, that PJM Settlement, as agent for PJM, is obligated to pursue the amounts billed to market participants for Rate Schedule 10 – Michigan-Ontario Interface. This obligation of PJM Settlement exists even though it is not a counterparty to Rate Schedule 10 – Michigan-Ontario Interface. We find nothing in the PJM Tariff, Operating Agreement or Rate Schedule 10 – Michigan-Ontario Interface that would relieve PJM Settlement from this obligation. Moreover, as indicated in the July 9 Order, PJM has no exemption from deeming any PJM customer in default for failure to pay these charges.¹⁰ As such, we find that PJM’s proposed revisions are consistent with the findings of the July 9 Order.

8. Accordingly, we find that PJM has complied with the requirements of the July 9 Order and accept the proposed revisions to the PJM Tariff and PJM Operating Agreement.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

⁸ *Id.*

⁹ *Id.* at §§ 15.1 *Failure to Meet Obligations*, 14B.2(f) *Late Payments*, and 14B.3 *Interest on Unpaid Balances*.

¹⁰ July 9 Order, 140 FERC ¶ 61,012 at P 22.