

138 FERC ¶ 61,038
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. ER11-12-001
ER11-3445-000

ORDER GRANTING REHEARING AND REJECTING COMPLIANCE FILING

(Issued January 19, 2012)

1. On March 30, 2011, the Commission accepted, subject to condition, 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. The filing also proposed changes to line losses charged on certain generator step-up transformers. The March 30, 2011 Order conditioned acceptance on PJM's confirmation that it would calculate and charge for line losses that occur on all transmission facilities that it operates and controls. In Docket No. ER11-3445-000, PJM submitted a compliance filing on April 27, 2011.

2. DC Energy Mid-Atlantic, LLC (DC Energy) has requested rehearing of the March 30, 2011 Order and clarification of the compliance filing.² In this order, the Commission grants rehearing and rejects the compliance filing.

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

² In the alternative, DC Energy requests clarification of the March 30, 2011 Order and has protested the compliance filing.

I. Background

3. The PJM Operating Agreement provides that PJM must calculate and assess Transmission Loss Charges for every Network Service User, the PJM Interchange Energy Market, and each Transmission Customer.³ The basis for these charges is the differences in the Locational Marginal Prices (LMP), defined as the Loss Price at a bus, between points of delivery and points of receipt.⁴

4. In the proposed revisions, PJM seeks 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. Specifically, PJM Markets Facilities are defined as “those facilities which are both monitored in the PJM Energy Management System (EMS) and included in the Locational Marginal Price calculations for congestion management.” PJM Reliability Facilities are defined as “those facilities which are monitored as part of the NERC bulk electric system set of facilities but are not included in the Locational Marginal Price calculations for congestion management.” In its transmittal letter, PJM stated that the revisions eliminate from the PJM marginal loss calculation model all lower voltage facilities that PJM does not control or operate for congestion or reliability.⁵ PJM stated that the proposed revisions are intended to provide consistent treatment of facilities that PJM operates for congestion management and reliability and facilities that it prices for transmission losses.⁶

5. In the March 30, 2011 Order, the Commission found reasonable PJM’s proposal to “discontinue calculating and charging for losses that occur on facilities that it does not operate and control. Losses on these facilities are properly within the purview of the

³ 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.

⁴ Section 5.4.2 of Schedule 1 of the Operating Agreement, and the parallel provisions of Attachment K-Appendix of the Tariff.

⁵ 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.

⁶ October 1, 2010 PJM Filing at 14.

entities that operate and control these facilities.”⁷ The Commission therefore 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.

II. Rehearing Request

6. On April 29, 2011 DC Energy filed a request for rehearing of the March 30, 2011 Order. In the rehearing request, DC Energy contends that the Commission erred by finding that it is just and reasonable for PJM to exclude certain transmission facilities from its marginal loss pricing model, and that the Commission erred by finding that PJM’s proposed marginal loss pricing model is consistent with PJM’s currently-effective congestion cost pricing model. DC Energy contends that all PJM transmission facilities are included in its congestion cost pricing model,⁸ and requests that the Commission require PJM to include all PJM transmission facilities in its marginal loss pricing model so that the LMPs of nodes of all transmission facilities will reflect the full marginal cost, including the marginal cost of transmission losses. DC Energy includes an example of what it contends is a Non-Reliability Monitored Facility with congestion cost pricing differentials.⁹ To ensure symmetry in congestion and loss calculations, DC Energy contends that Non-Reliability Monitored Facilities should be included in both congestion and loss calculations.

7. In the alternative, DC Energy requests that the Commission clarify how PJM should model the removal of facilities no longer included in the marginal cost pricing. DC Energy contends that any changes to the marginal loss modeling should not result in changes to the congestion cost pricing modeling.

III. Compliance Filing

8. In the April 27, 2011 compliance filing, PJM states that there are no transmission facilities in the PJM region that it operates and controls but does not monitor. Further, PJM states that there are not any facilities within PJM’s control that it does not include in

⁷ March 30, 2011 Order, 134 FERC ¶ 61,246 at P 17.

⁸ DC Energy provides an example of a constraint on the Carnegie - Tidd 138 kV transmission facility which, it contends, sent a congestion price signal to each node/bus on the PJM system.

⁹ Specifically, the congestion cost pricing differential between Brues (source) and George Washington (sink) on the Brues 69 kV transmission facility.

its real-time reliability model.¹⁰ As a result, PJM states that it will model marginal losses on all transmission facilities that it operates and controls consistent with PJM Manual 3A.

A. Notice, Interventions and Comments

9. Notice of the compliance filing was published in the *Federal Register*, 76 Fed. Reg. 25,327 (2011), with protests and interventions due on or before May 18, 2011.

10. DC Energy filed a timely motion to intervene with a request for clarification,¹¹ and Duke Energy Corporation (Duke) filed an untimely motion to intervene.

B. Request for Clarification

11. In its request for clarification, DC Energy requests that the Commission order PJM to clarify: (1) how it will treat modeled but not monitored transmission facilities (as well as modeled and monitored for non-congestion management transmission facilities) in its revised marginal loss pricing model; (2) how its model will reflect the removal of Non-Reliability Monitored Facilities for marginal loss pricing purposes; and (3) that any references to “above 100 kV” will be removed from its Manual(s)’ definitions of Reliability Monitored Facilities, PJM Reliability Facilities and PJM Market Facilities.

12. In the alternative, DC Energy protests PJM’s compliance filing. DC Energy contends that PJM controls facilities which it proposes to eliminate from the marginal loss pricing model. Based upon a statement in the American Electric Power Service Corporation Transmission (AEPST) Facilities List,¹² DC Energy states that some facilities depicted in the list “are under the control of [PJM] for the purpose of providing transmission services under the PJM Open Access Transmission Tariff.” DC Energy contends that such facilities should be included in the calculation of marginal losses.

C. Request for Additional Information

13. On July 8, 2011, the Commission requested additional information regarding PJM’s compliance filing. Specifically, the Commission sought answers to the following questions:

¹⁰ See May 10, 2011 errata.

¹¹ As previously noted, in the alternative, DC Energy protests the compliance filing.

¹² Located at <http://www.pjm.com/pub/account/trans-fac/aepsct.xls>.

(1) Explain how PJM will treat Modeled but not Monitored Facilities, Status Only Facilities, and Reliability - Non-BES Facilities for marginal loss pricing purposes. Are these facilities classified as Reliability Monitored Facilities? Why or why not?

(2) In PJM's AEPSCT Facilities List, lower voltage facilities are referred to in Column L as "Not monitored, no status" yet Column J states that they are included in the EMS model. Are these facilities classified as Reliability Monitored Facilities? Why or why not? Explain if these facilities are monitored through the EMS and explain whether or not the term "Not monitored" means that they are not monitored to comply with NERC BES standards because they are lower voltage facilities. Explain if this facility status is consistent with PJM's statement that there are no transmission facilities that PJM operates and controls but does not monitor.

(3) PJM's AEPSCT Facilities List includes the statement: "The following list represents those FERC Form-1 or equivalent facilities of the regional transmission owners that are under the control of the PJM Interconnection, L.L.C. (PJM) for the purpose of providing transmission services under the PJM Open Access Transmission Tariff." Are all of the transmission facilities in PJM's AEPSCT Facilities List classified as Reliability Monitored Facilities? If not, explain how this answer is consistent with PJM's statement in its compliance filing (at page 5) that "PJM refers to the transmission facilities that it controls and operates as Reliability Monitored Facilities."

D. PJM Response to Request for Additional Information

14. PJM submitted a response to the Commission's request for additional information on July 22, 2011.¹³ In the July 22, 2011 response, PJM draws a distinction between two types of control: (i) control for coordinating regional and interregional operations; and (ii) control over the provision of transmission services under the PJM OATT. In response to Question 1, PJM states that transmission facilities classified as "Modeled but not Monitored Facilities," "Status Only Facilities," and "Reliability-Non-BES Facilities" are not Reliability Monitored Facilities because they are *not* under PJM's control for coordinating regional and interregional operations, and remain under the control of the individual transmission owners (emphasis in original). Therefore, PJM states, they are not included in the calculation of marginal losses.

15. In response to Question 2, PJM states that the lower voltage facilities identified in the AEPSCT Facilities List as "Not monitored, no status" are not Reliability Monitored

¹³ Notice of the response was published in the *Federal Register*, 76 Fed. Reg. 46,789 (2011), with protests and interventions due on or before August 12, 2011.

Facilities because they are not controlled or monitored by PJM for purposes of regional reliability coordination.

16. In response to Question 3, PJM states that in the quoted statement introducing the AEPSCT Facilities List, the word “control” refers to having control over the provision of “transmission services under the PJM OATT” but not necessarily for purposes of regional reliability coordination. PJM states that not all of the transmission facilities on the AEPSCT Facilities List are classified as Reliability Monitored Facilities. PJM states that only the facilities contained in the transmission facilities lists having “Reliability and Markets” and “Reliability BES” status are considered “Reliability Monitored Facilities” because PJM monitors and controls those facilities for purposes of regional reliability coordination. PJM does not have control for purposes of regional reliability coordination over the other facilities designated in the list, and thus, would not calculate and charge for losses incurred on these latter facilities under its proposal.

IV. Discussion

A. Procedural Matters

17. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure,¹⁴ the timely, unopposed motions to intervene serve to make the parties that filed them parties to this proceeding. Pursuant to Rule 214(d),¹⁵ the Commission will grant the untimely, unopposed motions to intervene of Duke given its interest in the proceeding, the early stage of this proceeding, and the absence of undue prejudice or delay.

B. Commission Determination

18. The Commission grants rehearing and rejects PJM’s compliance filing. We 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. Upon consideration of the rehearing request and other additional pleadings and information submitted since the March 30, 2011 Order, we find that it is not just and reasonable to limit the calculation of marginal line losses to Reliability Monitored Facilities. PJM’s 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.¹⁶ Instead, PJM

¹⁴ 18 C.F.R. § 385.214 (2011).

¹⁵ 18 C.F.R. § 385.214(d) (2011).

¹⁶ PJM July 22, 2011 Response at 4. PJM states 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.”

proposes to limit its marginal line loss calculation to a subset of the OATT facilities, consisting of only the facilities that PJM controls for coordinating regional and interregional operations.¹⁷ As a result, under PJM's proposal, PJM would cease calculating and charging for losses on some lower voltage facilities used to provide transmission service and would exclude these facilities in LMP calculations for congestion management. Under PJM's tariff,¹⁸ it is required to calculate LMPs that include marginal line losses for all transmission facilities under its OATT.

19. PJM's contention in its July 22, 2011 Response that it does not control or operate these facilities for regional reliability purposes is not germane to the question of whether marginal line losses should be calculated on these facilities. PJM's proposal would affect prices for transmission service under its OATT, and thus, the relevant issue here concerns whether PJM controls these facilities for the provision of transmission service. Where PJM provides transmission service under its OATT over jurisdictional facilities, PJM's tariff requires that charges for such service over these facilities should be based on locational marginal pricing, which reflects (among other things) the marginal cost of losses. 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.¹⁹

20. We therefore grant rehearing, reject PJM's compliance filing, and reject PJM's proposal to limit the calculation of marginal line losses to Reliability Monitored Facilities, without prejudice to PJM making a filing that responds to the concerns with respect to calculation of correct prices for transmission facilities.²⁰ Moreover, in the March 30, 2011 Order, the Commission accepted PJM's proposal to include only the losses on any generator step-up transformer that the market seller has not elected to

¹⁷ PJM's proposed tariff revisions include those facilities which are both monitored in the PJM EMS and included in the locational marginal price calculations and those facilities which are monitored as part of the NERC bulk electric system.

¹⁸ Section 5.4.1 of PJM's OATT states: "The Office of the Interconnection shall calculate Transmission Loss Charges for each Network Service User, the PJM Interchange Energy Market, and each Transmission Customer."

¹⁹ *Atlantic City Electric Company v. PJM Interconnection, L.L.C.*, 115 FERC ¶ 61,132 (2006) (billing on the basis of marginal line losses is consistent with the Commission's efficiency goals because it ensures that each customer pays the proper marginal cost price for the power it is purchasing).

²⁰ The rejected tariff records are: O-P-Q, OATT Definitions – O – P - Q, 0.0.0, A, 6/1/2012; R-S, OATT Definitions – R - S, 0.0.0, A, 6/1/2012; O-P, OA Definitions O - P, 0.0.0, A, 6/1/2012; Q-R, OA Definitions Q - R, 0.0.0, A, 6/1/2012.

remove from the loss calculation. Because this provision is contained in the same tariff records as the rejected marginal line loss provision, PJM must submit a compliance filing to correct these tariff records. We therefore require PJM to make a compliance filing within 30 days of the date of this order to revise its tariff and operating agreement to remove references limiting the calculation of marginal line losses to Reliability Monitored Facilities in these tariff records.²¹

The Commission orders:

(A) PJM's April 27, 2011 compliance filing is rejected, as discussed in the body of this order.

(B) The DC Energy request for rehearing is granted, as discussed in the body of this order.

(C) PJM must file revised tariff records within 30 days of the date of this order, as discussed in the body of the order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

²¹ The tariff records that need to be revised are: 3F, OATT 3F Transmission Losses, 0.0.0, A, 6/1/2012; 1.2A, OATT 1.2A Transmission Losses., 0.0.0, A, 6/1/2012; 14A.2, OA 14A.2 Inclusion of State Estimator Transmission Losses., 0.0.0, A, 6/1/2012; 1.2A, OA 1.2A Transmission Losses., 0.0.0, A, 6/1/2012.