COMM-OPINION-ORDER, 84 FERC ¶61,212, **PJM Interconnection, L.L.C., Docket No. ER98-3963-000**, (Sep. 03, 1998)

PJM Interconnection, L.L.C., Docket No. ER98-3963-000

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PJM Interconnection, L.L.C., Docket No. ER98-3963-000

Order Conditionally Accepting for Filing Revisions to Open Access Transmission Tariff

(Issued September 3, 1998)

Before Commissioners: James J. Hoecker, Chairman; Vicky A. Bailey, William L. Massey, Linda Breathitt, and Curt Hébert, Jr.

On July 29, 1998, PJM Interconnection, L.L.C. (PJM) filed revisions to its open access transmission tariff to implement changes in the way it accepts reservations for short-term firm point-to-point transmission service. We will conditionally accept the proposed revisions for filing.

Background

In a previous order, [1] the Commission directed PJM to report to the Commission on the status of its efforts to improve its first-in-time process for accepting short-term firm transmission reservations. That case involved a complaint by a transmission customer alleging that it could not synchronize its clock with PJM's OASIS clock for purposes of submitting a first-in-time request for short-term service, and that PJM did not properly administer "bumping" and "matching" procedures under its tariff. PJM states that the present filing is in response to the Commission's direction in that case.

PJM states that, until recently, there had been little demand for short-term firm transmission service on the PJM system because its locational marginal pricing approach allows customers to buy through curtailments of non-firm service. [2] PJM explains that the demand for firm transmission service has recently increased significantly due to the implementation of new regional transmission line load relief procedures by the North American Electric Reliability Council (NERC). [3] PJM asserts that its present proposal is intended to restore order to the short-term firm market while complying with the priorities set forth in the Commission's *pro forma* tariff and PJM's existing regional practices.

PJM explains that as a matter of practice, it previously required requests for short-term firm service to be made for standardized products of one day, one week and one month. Because of the high volume of requests it is now receiving, PJM proposes to codify this practice in the tariff. PJM explains that without the standardized product categories, incompatible configurations of multiple daily or weekly service requests would become extremely complicated to administer and susceptible to gaming. In order to ensure that the *pro forma* tariff preferences for longer-term transactions are satisfied, PJM proposes to stagger the application windows for each product, starting with monthly service and followed, in order, by weekly and daily service. PJM explains that this process of prioritizing longer-term transactions eliminates the need for sequential bumping and matching iterations.

PJM therefore proposes to amend Sections 13.1, 13.2, and 17.1 of its open access transmission tariff, and add a new Section 17.8. The effect of these revisions will be to create three short-term firm transmission products that could be requested, for periods of one day, one week, or one month. Each product would have its own reservation window, which are roughly as follows: for monthly service, the window would be from the first day of the month that is two months before service commences until 14 days before service commences; for weekly service, the window would be from 14 days before service commences until 7 days before service commences; and for daily service, the window would be from the third business day until the second business day before service commences. [4] PJM proposes to start each request window with a 15 minute opening session during which all requests are considered to be

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filed simultaneously. Requests filed after this 15 minute opening session will be processed on a first-come, first-served basis. If there is an oversubscription at any point in the reservation process, the available capacity will be equally shared among the competing requests. [5]

PJM asserts that these procedures represent a regional practice favored by nearly all market participants, and that the Commission should find them consistent with or superior to the procedures in the *pro forma* tariff. PJM also requests expedited consideration by the Commission so as to eliminate currently existing problems as soon as possible.

Notice of Filing and Responses

Notice of PJM's filing was published in the *Federal Register*, 63 *Fed. Reg.* 42,385 (1998), with comments, protests, and motions to intervene due on or before August 10, 1998.

Enron Power Marketing, Inc. (Enron) filed a motion to intervene. PECO Energy Company (PECO) and Electric Clearinghouse, Inc. (ECI) filed motions to intervene and protests.

Discussion

A. *Procedural Matters*

The timely, unopposed motions to intervene of Enron, PECO, and ECI serve to make them parties to this proceeding. *See* 18 C.F.R. §385.214 (1998).

B. *The Proposed Revisions*

We accept PJM's revised reservation procedures for filing, subject to the conditions stated below. No party has protested the 15 minute opening session during which all requests are treated as simultaneous, and we agree that this procedure will reduce disputes and conserve resources that would otherwise be expended in races to get the first reservation logged.

As for PJM's other proposed revisions, PJM states that standardized products of one day, one week and one month will help it to eliminate confusion and assist it in the orderly processing of the high volume of transactions on the PJM grid. A customer needing intermediate-term products that are not specifically offered (such as a two-week transmission service) has two options: it may place two separate one-week requests or it may place a request for monthly service and market the other two weeks through reassignment. It appears that the staggered window openings for monthly, weekly and daily products are consistent with the reservation priorities in the *pro forma* tariff, while providing a structure that best supports a high volume market such as PJM. While it is not clear whether PJM's proposal will provide sufficient flexibility to meet the needs of all market participants (*e.g.* wheeling through customers, independent power producers, *etc.*), PJM represents that the proposed revisions have broad support among affected market participants. Accordingly, we will defer to the judgment of PJM and its Board, which we have already found to satisfy our ISO principles, and accept the proposal for filing. To the extent market participants believe that PJM's standardization of products is too restrictive, they should identify their concerns and participate in the development of alternative proposals that would facilitate the orderly processing of the high volume of transactions on the PJM grid.

PECO states in its protest that it supports the conceptual design of PJM's proposed revisions and has no desire to frustrate prompt implementation of them. However, PECO argues that PJM violated PJM governance protocols by submitting an amendment to the PJM tariff without approval of the PJM Members Committee. It is apparently PECO's position that, pursuant to the Commission's order authorizing the PJM Independent System Operator (ISO), [6] approval of the PJM Members Committee is required before PJM may propose tariff amendments. We will not here address as a general matter what the PJM governance procedures require. However, in these circumstances, given that PJM has based its proposal in part on the "overwhelming support" of market participants and represented that there was no opposition to it expressed at a Members Committee meeting, we will condition our acceptance of the revisions on the approval of the Members Committee.

ECI protests that the windows proposed by PJM for reserving short-term firm service are not open sufficiently early to permit advance transactions. ECI argues that the *pro forma* tariff does not provide for such windows, that they interfere with making transmission arrangements over multiple systems, and that they would establish a barrier to participation in forward-market transactions and futures-market transactions.

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While the *pro forma* tariff does not provide for such windows, it does not prohibit them either. As ECI acknowledges, Section 17.1 of the *pro forma* tariff provides that requests for short-term firm service "shall be subject to expedited procedures that shall be negotiated between the Parties. . . ." Therefore, we believe the use of such windows is consistent with the *pro forma* tariff.

As to ECI's argument that the windows are not open early enough for it to confirm transactions that it claims are sometimes made months or seasons in advance, we will condition our acceptance of PJM's revisions on further consideration of the opening date for the monthly service window by the Members Committee. It does not appear to us that opening the window for monthly service reservations earlier would interfere with PJM's overall scheme for an orderly procedure consistent with the priorities in the *pro forma* tariff. We believe it would be beneficial to permit ECI the opportunity to present its alternatives to the Members Committee to see if other market participants share its concerns. We will, however, not direct that the Members Committee further consider the windows for daily or weekly service. It appears that ECI was mostly concerned with the window for monthly service. In addition, if certainty is needed earlier for a daily or weekly transaction, the customer can reserve monthly service and reassign what it does not need in the reassignment market.

ECI also protests PJM's proposed limitation of short-term transmission products to the three specified durations. As we stated above, we believe that this is a reasonable response by PJM to a situation that it asserts is becoming chaotic, and that a customer desiring different terms can either piece together shorter products or reserve a longer product and reassign what it does not need.

ECI further protests PJM's proposed elimination of "bumping" rights, where a request for longer-term service can preempt a request for shorter-term service. The bumping procedure was included in Section 13.2 of the *pro forma* tariff as a way to implement the Commission's desire to maximize use of the transmission provider's system. We find that PJM's proposed procedure also implements this policy by allowing requesters of the longer-term products the opportunity to reserve service before the requesters of shorter-term service. Therefore, we find that, in these circumstances, PJM's elimination of the bumping procedure is consistent with the *pro forma* tariff.

Finally, we emphasize that in accepting PJM's proposed revisions with respect to the short-term products offered and bumping rights, we deferred to the judgment of the PJM ISO and its Board concerning a regional solution to an identified regional problem based on what we understand is a broad, if not unanimous, consensus.

C. *Effective Date*

PJM requested waiver of the Commission's prior notice requirements to permit an effective date of August 12, 1998, but states that it will not implement the changes until the Commission acts. We will grant PJM's request for waiver of notice, and make the revisions effective on the date that PJM implements them. PJM is directed to inform the Commission of when that occurs. If any changes are made to PJM's proposed procedures as a result of the further consideration of the Members Committee as directed herein, they must, of course, be filed with the Commission.

The Commission orders:

(A) PJM's proposed revisions to its open access transmission tariff are hereby accepted, to be effective as discussed in the body of this order, subject to the conditions stated in the body of this order.

(B) PJM is hereby informed of the rate schedule designations shown on the Attachment to this order.

Attachment

PJM Interconnection L.L.C.

Docket No. ER98-3963-000

Rate Schedule Designations

Designation--Description

First Revised Sheet Nos. 32, 33, 42, 46 and Original Sheet No. 46a under FERC Electric Tariff, Original Vol. No. 1 (Supersedes Original Sheet Nos. 32, 33, 42, and 46)--First-in-time implementation requirements for accepting short-term firm transmission service reservations under PJM's Open Access Transmission Tariff

-- Footnotes --

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[1] *Electric Clearinghouse, Inc. v. PJM Interconnection, L.L.C.*, 84 FERC ¶61,045 (1998).

[2] PJM notes that it has already implemented procedures to avoid a race against the clock for non-firm services. *See PJM Interconnection, L.L.C.*, 82 FERC ¶61,320 (1998).

[3] PJM states that, under the new NERC procedures, firm transmission segments on non-PJM legs of a multiple system transaction are accorded a non-firm curtailment priority if any segment of the transaction (*e.g.*, the PJM segment) is a non-firm transmission service.

[4] If a longer-term customer fails to request service during the advance period set aside for its requests, it will not be permitted to bump shorter-term requests that were processed under the later opening window for short-term requests.

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[5] For example, if PJM has 180 MW of Available Transmission Capability and simultaneously (or during the 15 minute opening session) receives three requests for 500 MW, 400 MW, and 300 MW, respectively, it will grant a 60 MW reservation to each requestor. PJM explains that it has adopted this approach to eliminate any incentive for customers to inflate their requests beyond their needs in anticipation of a constrained system.

[6] *Pennsylvania-New Jersey-Maryland Interconnection*, *et al.*, 81 FERC ¶61,257 (1997), *reh'g pending.*