

## QTU Parity Problem Statement

### Source of the Issue

PJM has solicited longer term topics for consideration regarding RPM that are related to the Brattle Report.

### Background

The principal focus of RPM in terms of new resources has been on generation and demand side resources. Where modifications have been made that affect these resources, parallel modifications have not always been made for merchant transmission projects that can participate in RPM as Qualifying Transmission Upgrades (QTUs). The lack of parallel modifications does not appear to be intentional, but more in the nature of oversight.

The Brattle Report states that easily resolved constraints should not limit the Capacity Emergency Transfer Limits (CETLs) of Locational Deliverability Areas (LDAs) and that constraints could be removed by upgrades under the Regional Transmission Expansion Plan (RTEP) process and/or through QTUs (page 117):

Although CETL must change when new transmission is planned and other system conditions change, it should be possible to increase the stability of the parameter. One area for improvement is to prevent easily resolved constraints from limiting CETL. Allowing easily-resolved constraints to limit CETL is inefficient if a low-cost upgrade could substantially increase CETL, and it makes CETL unstable because an upgrade could be made at any time....

Providing the [transmission constraint] information described above ... would allow market participants to identify cost-effective transmission upgrades. These upgrades could be made either through the RTEP process or through market-based Qualified Transmission Upgrades (“QTUs”) and Customer-Funded Upgrades. If easily-solved constraints were upgraded through RTEP or through QTUs or Customer-Funded Upgrades, it would stabilize CETL and prevent it from being inefficiently limited by easily-resolved constraints.

Apropos of the Brattle Report concerns and recommendations, there are pending merchant transmission projects targeting the constraints (“limiting facilities”) in the last BRA for the MAAC LDA (W3-027), Eastern MAAC LDA (X1-015), Southwest MAAC LDA (X4-013), PEPCO LDA (X4-013), PS North LDA (X2-009, X2-055), and PS LDA (X2-009, X2-055). As one example, the sponsor of the PS North projects estimates that if those transmission upgrades had offered and cleared in the last BRA that the PS North cost to load would have been reduced by \$84 million.

However, as noted above, QTUs are disadvantaged relative to other RPM resources in certain respects (none of which appear to be intentional). These are:

1. Penalty for non-performance is five times that for other resources.
2. Eligibility to offer into the BRA requires a facilities study agreement, whereas planned generation resources only need an impact study agreement and planned demand resources only need a plan.
3. There is no ability to offer into incremental auctions.
4. There is no eligibility for the New Entry Price Adjustment.

Given the potential value of QTUs in addressing Brattle Report (and stakeholder) concerns and recommendations involved RPM price stability and efficiency, and given the absence of apparent justification for disadvantaging QTU participation in RPM relative to other resources, these disadvantages should be addressed and removed as appropriate.

### **Assignment of Responsibility**

Markets and Reliability Committee (MRC) special purpose meetings on RPM.

### **Key Areas for Activity**

Determine if there is compelling justification for disadvantaging QTUs relative to other RPM resources in the identified respects, and in the absence of compelling justification remove the disadvantages.

### **Expected Deliverables**

Tariff revisions that would remove disadvantages for QTUs that lack a compelling justification.

### **Expected Overall Duration of Work**

Time line of the MRC special purpose meetings on RPM.