

## **Problem Statement: THEO, PLCs, and NSPLs**

### **Problem/Opportunity Statement**

Certain transmission owners in the PJM region do not provide the necessary levels of transparency regarding the calculation of total hourly energy obligations ("THEO"), peak load contributions ("PLC"), and network service peak loads ("NSPL"). The lack of transparency poses numerous problems for load serving entities ("LSE") and their customers. This lack of transparency is occurring because certain transmission owners have not filed Attachments M-1 and/or M-2 to the PJM Interconnection, L.L.C. ("PJM") Open Access Transmission Tariff ("OATT") to set forth methodologies to calculate THEO, PLC, and NSPL. Additionally, PJM has not established a clear default methodology that will apply in the absence of each transmission owner's individually filed Attachment M-1 and M-2.

Per the Federal Energy Regulatory Commission's ("FERC" or "Commission") "rule of reason," provisions that significantly affect rates, terms, and conditions of service must be included in the OATT. The determination of LSEs' THEOs, PLCs, and NSPLs directly affects rates, terms, and conditions of service and, consequently, must be included in the PJM OATT.

Several transmission owners (i.e., FirstEnergy, Commonwealth Edison, Public Service Electric & Gas, Atlantic City Electric, and Delmarva Power & Light) have filed Attachments M-1 (to address THEO calculations) and/or M-2 (to address PLC and NSPL calculations), providing transparency regarding their methodologies. Other transmission owners (i.e., Baltimore Gas & Electric, PECO Energy, PPL Electric Utilities, Dominion, Dayton, PEPCO, AEP, Duquesne Light Company, Rockland Electric, and Duke) have not filed an Attachment M-1 or an Attachment M-2. Transmission owners that have not filed Attachments M-1 and M-2 may have discretion in how they calculate THEO, PLC, and NSPL within their service territories. Because their methodologies are not contained in the PJM OATT, no regulatory oversight may exist to ensure that the methodologies are just and reasonable approaches to allocating energy, capacity, and transmission cost responsibility among LSEs.

The as-filed Attachments M-1 and M-2 must include sufficient detail to enable LSEs to verify the accuracy of calculations. Attachment M-1 and M-2 provisions that merely reference methodologies contained in manuals posted on the transmission owner's website do not adequately address the problem. Because the necessary level of detail is not included in a FERC tariff, transmission owners may change methodologies, or inconsistently apply methodologies, with little recourse to LSEs and their customers.

PJM should also establish clear default methodologies for energy, capacity, and transmission obligation calculations, to apply in the absence of any individual transmission owner filing.

### **Issue Source**

Several members of the End-Use Customer Sector and the Other Supplier Sector support the introduction of this Problem/Opportunity Statement.

## **Stakeholder Group Assignment**

The Markets & Reliability Committee should discuss the issue for possible assignment to a subcommittee or task force.

## **Key Work Activities**

1. Review the problems associated with THEO, PCL, and NSPL methodologies not being included in the PJM OATT
2. Evaluate options to address the problem, including to:
  - (a) Require all transmission owners to file Attachments M-1 and M-2 to the PJM OATT that provide sufficiently detailed methodologies for calculating THEOs, PLCs, and NSPLs; and
  - (b) Establish a set of default methodologies for calculating THEO, PCLs, and NSPLs that will apply in the absence of individually filed and accepted Attachments M-1 and M-2
3. Develop OATT, Manual, Reliability Assurance Agreement, and/or Operating Agreement changes, as necessary
4. Present changes to the necessary committees for voting (i.e., MRC and MC)
5. PJM filing with FERC, as necessary

## **Expected Deliverables**

OATT, Manual, Reliability Assurance Agreement, and/or Operating Agreement changes that prescribe a default approach for THEO, PLC, and NSPL calculation that will apply in the absence of individually filed and accepted Attachments M-1 and M-2.

## **Expected Overall Duration of Work**

This work should conclude with a FERC filing, as necessary, no later than three months after the Problem/Opportunity Statement is assigned.