

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

PJM Interconnection, L.L.C.) Docket No. ER99-2028-002

ORDER ACCEPTING AMENDMENT TO THE PJM
OPEN ACCESS TRANSMISSION TARIFF AND TO THE
PJM AMENDED AND RESTATED OPERATING AGREEMENT

(Issued July 15, 1999)

In this order, the Commission accepts PJM Interconnection L.L.C.'s (PJM) amendment to the PJM Open Access Transmission Tariff (PJM Tariff) and to the PJM Amended and Restated Operating Agreement (PJM Operating Agreement).

I. Background

In its order of November 25, 1997, the Commission conditionally approved a proposal to restructure the Pennsylvania-New Jersey-Maryland Power Pool. 1/ In the Restructuring Order, the Commission conditionally approved a locational marginal pricing scheme (LMP) which imposed charges on customers who use the PJM system during congestion periods. As part of its LMP proposal, PJM proposed making available Fixed Transmission Rights (FTRs) to its firm transmission customers. FTRs are credits against congestion charges. 2/

In its Restructuring Order, the Commission, among other things, directed PJM to file a proposal to address the lack of price certainty that might exist under the LPM scheme. On March 25, 1998, PJM proposed an auction of FTRs as one way to address the lack of price certainty. 3/

1/ Pennsylvania-New Jersey-Maryland Interconnection, et al., 81 FERC ¶ 61,257 (1997) (Restructuring Order), reh'g pending.

2/ Restructuring Order, 81 FERC at 62,253-61. See PJM Interconnection, L.L.C., 87 FERC ¶ 61,054 at 61,217 (1999) (PJM).

3/ See PJM, 87 FERC at 61,217. The PJM Supporting Companies first proposed the concept of an FTR auction, which PJM later endorsed in its filing. Id.

FERC - DOCUMENTED
JUL 15 1999

9907160472.1

In its order of February 11, 1999, the Commission found that the proposed FTR auction procedures lacked clarity in too many important details, and rejected it. The Commission ordered PJM to develop, in consultation with its stakeholders, revised FTR auction procedures. 4/ On March 2, 1999, in accordance with the Restructuring Order, PJM filed revisions to schedule 1 of the PJM Operating Agreement and to Attachment K of the PJM Tariff. In the revisions, PJM set forth detailed procedures governing the FTR auction. PJM requested a waiver of the 60-day prior notice requirement, and an effective date of April 13, 1999.

In its order of April 13, 1999, the Commission approved the proposed revisions, conditioned, among other things, upon PJM's revising its filing to include a tiebreaker mechanism to resolve situations where customers submit identical bids and there are insufficient FTRs to accommodate both bids. 5/ The proposed revisions to the PJM Tariff and to the PJM Operating Agreement that PJM has now filed include a tiebreaker mechanism that PJM described in its answer in the prior proceeding (i.e., the proceeding that led to the Commission's April 13, 1999 order). 6/

II. PJM's Filing

On May 25, 1999, PJM submitted for filing revised pages to the PJM Tariff and to the PJM Operating Agreement. The proposed revisions set forth a tiebreaker mechanism in connection with PJM's FTR auction procedures. PJM requests an effective date of April 13, 1999, so that the tiebreaker mechanism will have the same effective date that the Commission has set for all other aspects of the FTR auction procedures.

III. Notice, Intervention and Protest

Notice of PJM's filing was published in the Federal Register, 64 Fed. Reg. 30,510 (1999), with protests and interventions due on or before June 15, 1999. 7/

4/ See Atlantic City Electric Company, et al., 86 FERC ¶ 61,147 at 61,527 (1999) (Atlantic City). See also PJM, 87 FERC at 61,217.

5/ PJM, 87 FERC at 61,220.

6/ See id., where the Commission described a tiebreaker mechanism that it would find acceptable.

7/ On June 3, 1999, the Commission issued an errata to the notice to correct the docket number.

On June 11, 1999, the California Electricity Oversight Board (the Board) filed a motion to intervene, raising no substantive issues.

On June 15, 1999, Enron Power Marketing, Inc. filed a protest to PJM's filing. Enron notes that in PJM the Commission required PJM to make the details of its linear programming model available to market participants and Enron asks that more details than PJM has so far provided be made available. 8/ Enron states that:

Without this level of detail, neither the Commission nor the market participants will be able to evaluate and verify the power flow analysis-based calculations of the cost of FTRs. 9/

Enron notes that on May 13, 1999, PJM filed a request for clarification, or alternatively, rehearing, of the ruling in the Commission's April 13, 1999 order regarding PJM's linear programming model. According to Enron, in PJM's request for clarification or rehearing:

PJM indicated that it intends to comply with . . . [the Commission's order] by posting on its website the details of . . . [PJM's linear programming model], including a description of the price optimization formula, together with numerical examples of how that formula works. However, PJM asked the Commission to clarify that it is not required to disclose the . . . [linear programming] model. 10/

Enron states that it has filed its protest to advise the Commission that it "does not believe that PJM's announced intentions will constitute compliance with" the Commission's requirement in PJM that PJM disclose the details of its linear programming model. 11/ Enron asks the Commission to require PJM to disclose "all of the information and calculations used to

8/ Enron Protest at 1-2. In PJM, the Commission agreed that PJM should make the details of its linear program model available to market participants, and directed PJM to work with interested parties to reach an agreement "regarding precisely what information will be made available to [market] participants." PJM, 87 FERC at 61,219.

9/ Enron Protest at 2.

10/ Enron Protest at 2 (citations omitted).

11/ Id.

evaluate [FTR] bids, including the . . . [linear programming] model" if necessary. 12/

IV. Discussion

A. Preliminary Matters

Under Rule 214(c) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(c) (1999), the Board's timely, unopposed motion to intervene serves to make it a party to this proceeding.

B. Analysis

We will accept PJM's proposed amendments to the PJM Tariff and to the PJM Operating Agreement. In PJM, the Commission stated:

[Electric Clearinghouse, Inc.] states that PJM has specified no tie-breaker rule for situations where two identical bids are submitted and there are insufficient FTRs. In its Answer, PJM states that in the event of a tie, each bidder will receive a pro rata share of the FTRs that can be awarded. We find this tie-breaker rule acceptable and we direct PJM to revise its Compliance Filing accordingly. [13/]

In the instant filing, PJM complies with this directive.

Enron's protest does not address the tiebreaker mechanism that PJM has filed in this docket. Rather, Enron's protest concerns a matter not presently before us.

In PJM, the Commission agreed that PJM should make available the details of its linear programming model to market participants "since the model determines the quantities of FTRs

12/ Id. at 4. Enron states that:

While it may ultimately be determined that disclosure of the actual . . . [linear programming] model is not necessary to monitor all the information and calculations used to evaluate [FTR] bids, . . . [Enron] asks the Commission to require disclosure (possibly subject to confidentiality protections) of whatever information is necessary to make this determination. [Id.]

13/ PJM, 87 FERC at 61,220.

awarded and their prices." 14/ In response to PJM's claim that it cannot disclose the details of the model to market participants because the program is proprietary to its vendor, the Commission directed PJM to work with interested parties to reach an agreement regarding precisely what information it will make available to market participants, with a requirement that market participants sign confidentiality agreements, if necessary. 15/

Pursuant to the Commission's direction, PJM is working with interested parties to develop a proposal regarding what information those parties must have to verify that PJM has correctly calculated available FTRs. As an interested party, Enron is, or should be, involved in this process and will have an opportunity to comment on whatever proposal PJM develops. Also, Enron is a member of PJM and will have an opportunity to comment when PJM circulates the proposal to its members. In the meantime, we find Enron's protest premature and irrelevant to the filing before us.

In conclusion, we find that PJM's proposed amendments to the PJM Tariff and PJM Operating Agreement, which have broad stakeholder support, 16/ appear to be just and reasonable and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. Accordingly, we will accept the proposed amendments for filing. We will also allow the proposed revisions to become effective as of April 13, 1999, as requested.

The Commission orders:

(A) The proposed amendments to the PJM Tariff and PJM Operating Agreement are hereby accepted for filing, to become effective April 13, 1999, as requested.

14/ Id. at 61,219.

15/ Id.

16/ PJM states that the PJM Advisory Committee reviewed the proposed revisions at its meeting held on May 14, 1999. Transmittal Letter at 2, n.2.

Docket No. ER99-2028-002 - 6 -

(B) PJM is hereby informed of the rate schedule designations on the Attachment.

By the Commission.

(S E A L)


David P. Boergers,
Secretary.

Attachment

PJM Interconnection, L.L.C.
Docket No. ER99-2028-002
Rate Schedule Designations
Effective Date: April 13, 1999

<u>Designation</u>	<u>Description</u>
(1) First Revised Sheet No. 181f to FERC Electric Tariff, Third Revised Volume No. 1 (Supersedes Original Sheet No. 181f)	Revised Fixed Transmission Rights Auction Procedures to the PJM Open Access Transmission Tariff
(2) Supplement No. 10 to Schedule No. 1 of Rate Schedule No. 24	Revised Fixed Transmission Rights Auction Procedures to the PJM Operating Agreement