

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

PJM Interconnection, L.L.C.

Docket Nos. ER04-742-004
EL04-105-002

ORDER ON CLARIFICATION AND COMPLIANCE FILING

(Issued May 9, 2005)

1. On March 7, 2005, the Commission issued an order conditionally accepting revisions to the rules related to the allocation of Auction Revenue Rights (ARRs) and Financial Transmission Rights (FTRs) on PJM Interconnection, LLC 's (PJM) system.¹ On March 17, 2005, PJM made a filing to comply with the March 7 Order and requested clarification of the March 7 Order. The Commission grants PJM's request for clarification and accepts PJM's compliance filing, subject to modification. This order benefits customers because it provides network and firm point-to-point customers with comparable and balanced FTR/ARR allocation procedures.

Notice and Protests

2. Notice of PJM's March 17 filing was published in the *Federal Register*, 70 Fed. Reg. 16,813 (April 1, 2005), with interventions and protests due on or before April 7, 2005. None was filed.

Clarification

3. Previously, the Commission found that PJM's allocation rules were unjust and unreasonable because they did not give point-to-point customers access to ARRs/FTRs comparable to that of network customers.² The point-to-point customers were primarily customers serving load in the Midwest Independent Transmission System Operator, Inc. (Midwest ISO). PJM submitted a proposal in response to the May 28 Order on January 7, 2005. The Commission found that PJM's proposal permitted firm point-to-point

¹ *PJM Interconnection, L.L.C.*, 110 FERC ¶ 61,254 (2005) (March 7 Order).

² *PJM Interconnection, L.L.C.*, 107 FERC ¶ 61,223 at P 46-47, 51 (May 28 Order), *order on reh'g*, 108 FERC ¶ 61,269 (2004).

customers to obtain ARR/FTRs on a comparable basis to network customers for historic resources in the first stage of the allocation. However, the Commission required a further revision to permit point-to-point customers to obtain ARR/FTRs on a comparable basis to network customers for non-historic resources in the second stage of the allocation.³ PJM submitted the instant compliance filing with the required revision along with a request for clarification. PJM asks for clarification of the first sentence of the added language that the Commission required in section 7.4.2. The required added language states:

PJM transmission customers that serve load in MISO may participate in stage 1 of PJM's allocation for service from their historic sources, in a manner similar to PJM's network customers. For service from non-historic sources, these customers may participate in stage 2, but in no event can they receive an allocation of ARR/FTRs from PJM greater than their firm service to loads in MISO.⁴

4. PJM states the tariff revisions accepted in the March 7 Order specified in detail how point-to-point customers of PJM serving load outside PJM would be permitted to participate in stage 1 of the allocation of FTRs/ARRs for service from their historic resources. PJM states those provisions contain numerous conditions, such as firm service and use of an historic reference year, to ensure that the stage 1 participation by point-to-point customers would be subject to the same sorts of conditions and limitations as the stage 1 participation of network customers. PJM asserts that the Midwest ISO load-serving customers should participate in stage 1 on the same basis as network customers, as provided in the tariff sheets that were accepted in the March 7 Order.

5. PJM states, however, that the first sentence of the additional compliance tariff language does not include either a restatement of the conditions on stage 1 point-to-point participation or an incorporation by reference of the stage 1 provisions. To eliminate any ambiguity, PJM requests that the Commission confirm that the first sentence of the added language is intended to affirm that the point-to-point customers serving loads in the Midwest ISO from historic resources have the same rights as other point-to-point customers serving external loads from point-to-point resources, as set forth in the other accepted provisions of section 7.4.2.

³ March 7 Order at P 24, 27.

⁴ Section 7.4.2 is contained in both PJM's Operating Agreement and its Open Access Transmission Tariff (OATT). Substitute Original Sheet No. 137A, PJM Interconnection, L.L.C. Third Revised Rate Schedule FERC No. 24 (PJM Operating Agreement) and Substitute Original Sheet No. 409.01, PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Volume No. 1, (PJM OATT).

6. The Commission clarifies its required tariff language as follows. In the March 7 Order, the Commission accepted provisions in sections 7.4.2 (a) and (d) for the stage 1 allocation of ARRs/FTRs for point-to-point customers. The Commission found these provisions treat network customers and point-to-point customers in a comparable manner and are just and reasonable.⁵ The Commission intended that these provisions apply to all point-to-point customers, including point-to-point customers that serve load in MISO. Consequently, the Commission will require that PJM revise section 7.4.2 (e), which it has proposed in this compliance filing, by deleting the first sentence and providing that PJM point-to-point transmission customers that serve load in the Midwest ISO may participate in the stage 1 allocation according to the applicable provisions of the Tariff and Operating Agreement.

The Commission orders:

(A) The Commission accepts the following tariff sheets subject to the revisions required in Ordering Paragraph B below to be effective March 8, 2005: Substitute Original Sheet No. 137A, Third Revised Rate Schedule FERC No. 24, PJM Operating Agreement and Fourth Revised Sheet No. 30 and Substitute Original Sheet No. 409.01, PJM Interconnection, L.L.C. FERC Electric Tariff, Sixth Revised Volume No. 1, PJM OATT.

(B) PJM must file revised tariff sheets within 15 days of the date of this order to modify section 7.4.2(e) by deleting the first sentence and providing that PJM point-to-point transmission customers that serve load in the Midwest ISO may participate in the stage 1 allocation according to the applicable provisions of the Tariff and Operating Agreement.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

⁵ March 7 Order at P 21 and 27.