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# FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

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## NEWS RELEASE

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### FOR IMMEDIATE RELEASE

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Docket No. ER04-987-000

### COMMISSION ACCEPTS PJM PLAN TO REDUCE REDISPATCH COSTS

The Federal Energy Regulatory Commission today accepted a plan proposed by the PJM Interconnection, L.L.C. (PJM) that will reduce transmission costs on PJM's multi-state system, more equitably distribute costs to those customers that benefit from the reductions, while ensuring reliability of electric service.

PJM is developing a protocol under which it does not need to initiate out-of-merit dispatch generation as frequently as it now does. This program, however, can only operate in zones in which there is sufficient quick-start generation to ensure reliable service. PJM relies on synchronous condensers to provide greater assurance that those quick-start resources will produce energy in a timely manner. Therefore, the Commission accepted PJM's proposed tariff and Operating Agreement revisions that allocate the costs of those synchronous condensers to the customers receiving the reliability benefits of the quick-start generation.

During the summer of 2003, PJM conducted a pilot program of this new protocol for seven specified flowgates on the Conectiv system, which operates in the Delmarva Peninsula. The pilot program enabled PJM to avoid the necessity for redispatch, resulting in a calculated savings of more than \$2 million in real time. The expansion of this program has the potential to: (1) reduce redispatch costs in chronically congested areas in the PJM region; (2) more accurately reflect the local benefits of avoided redispatch and enhanced reliability; (3) reduce the potential for the exercise of local market power; (4) reduce emissions; and (5) allow for more efficient use of assets.

"This proposal is the sort of cost-saving innovation that is possible with organized markets and independent transmission operators," said Chairman Pat Wood, III. "While cost savings will be realized across PJM's system, it's a particularly important part of the solution to chronic congestion costs in the Delmarva Peninsula," the Chairman added.

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The Commission, noting that transmission congestion can increase the cost of delivered energy to wholesale customers, has encouraged development of effective and efficient methods to manage congestion on transmission systems.

In May 2003, the Commission established a fact-finding proceeding, facilitated by an administrative law judge, to look into concerns of transmission congestion on the Delmarva Peninsula operated by PJM (PA03-12-000). Limitations on generation and transmission import capability have led to higher congestion costs on the Delmarva Peninsula.

The proceeding developed a record to evaluate the extent and costs of transmission congestion and helped identify potential solutions. In a further order, the Commission directed the presiding judge to provide proposed findings and recommendations, including possible remedies for transmission congestion on the Delmarva Peninsula. Today's acceptance of PJM's proposal effectively fulfills one of the judge's recommendations.

The plan takes effect September 1, 2004.

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