Residual Zone Pricing Implementation

April 9, 2013
Market Settlements Subcommittee
Residual Zone Pricing Overview

• Residual Zone (Residual Metered Load Aggregates)
  – An aggregate containing all load buses in the fully metered EDC territory, minus all load that has been designated to be priced at a specific non-zonal (or nodal) location

• Residual Zone Pricing approved for implementation on 6/1/2015
  – Use of the residual metered load aggregate LMP rather than the physical zone LMP for pricing real-time load

  • All non-nodal load in the zone will be priced at the same pricing point
  
  • Nodal load will continue to be priced at the applicable nodal pricing point
  
  • No opt out provisions
Residual Zone Pricing Overview

- Demand Response settled and dispatched at applicable load pricing point
- ARRs default to sinking at the pricing point at which the load is settled, with an option to sink at the physical zone
  - Defaults to residual metered load aggregate with an option to pick the physical zone on an annual basis
Residual Metered Load Aggregate Definitions

- **Day-ahead distribution factors** will default to the final real-time distribution factors for the residual metered load aggregate at 8:00 a.m. one week prior to the Operating Day
  - i.e., if next Operating Day is Monday, the default distribution is from 8:00 a.m. on Monday of the previous week.
  - Consistent with physical zones, the definition will apply to all hours in the day

- **Preliminary 5 min. real-time LMPs** will be calculated using same residual metered load distribution factors used for the Day-ahead market for the Operating Day

- **Final hourly real-time distribution factors** will be calculated using InSchedule-submitted nodal load MWh
  - RT residual metered load aggregate LMPs typically posted two to three days after the market date
Residual Metered Load Definitions for FTR Credit Target Allocation

- Residual Metered Load aggregate definitions used for ARR/FTR purposes are fixed for the planning period.

- Initial distribution for FTRs will be determined based on the contribution of each bus to the total residual load at the time of previous year’s PJM annual peak:
  - Consistent with the practice used to determine the physical zone distribution used for ARRs/FTRs.

- Initial distribution will be adjusted by any new nodal load requests:
  - LSEs moving to nodal load settlement are required to submit:
    - Peak load at time of PJM annual peak from the previous year
    - Aggregate definition distribution percentages
• Differences between Nodal Customers’ InSchedule Load (next day) and Reconciled Load (2 months later) may result in RT load distributions being slightly different than the original distributions.

• An adjusted distribution reconciliation rate will be used to reconcile all load priced at the residual zone, including load with no reconciliation MWh
  • Only impacts load reconciliation for transmission congestion and transmission losses
  • More precise, eliminates leftover billing for EDC / POLR load

• The adjusted distribution reconciliation rate will be posted publicly and reported in MSRS
Manual Revisions

- Manual revisions include conforming changes for Residual Zone Pricing as approved by FERC in Docket(s) ER13-347 and stakeholders at the Feb 2012 MC meeting
- Manual 28 – Operating Agreement Accounting
  - Residual Metered Load calculation and Residual Metered Load Aggregate Definitions (Section 3)
  - Transmission Congestion Charge and Transmission Loss Charge Reconciliation (Section 8.3 and Section 9.3)
  - Load Response clean-up specifying appropriate zonal or aggregate LMP (Section 11)
- Manual 27 – Tariff Accounting
  - Incorporate nodal load data requirements (Section 5)
  - Clean-up references and Committee names (Section 5).
  - Default day-ahead definition for residual metered load aggregate (Section 2)
- Manual 6 – ARR/FTR election language (Sections 3 and 4)
Future Settlements Topics

• Transition to Residual Metered Load aggregates
• MSRS and pjm.com settlements reports
• Fully metered EDC specific transition items
• Others?