



Merchant Network Upgrade Proposed Solution

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Markets Implementation Committee

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- Since March, 2015, the Planning Committee has been reviewing tariff changes to clarify the differences between several types of upgrades to the transmission system that come through the planning queue
 - The primary issue brought to the PC is a need to clarify definitions regarding such upgrades and ensure there is a clear path for processing requests resulting in such upgrades. (Problem Statement: <http://www.pjm.com/~media/committees-groups/committees/pc/20150312/20150312-item-06-merchant-network-upgrade-problem-statement-20150309.ashx>)
- The PC will vote on this package on July 9, 2015
- A preview of the package was brought to the MRC on June 25, 2015

- Most of the changes impact Planning areas of the tariff, such as:
 - Part IV (Interconnections with the Transmission System)
 - Part VI (Administration and Study of New Service Requests; Rights Associated with Customer-funded Upgrades)
 - Agreements such as the Interconnection Service Agreement, Upgrade Construction Service Agreement, etc.
- But, conforming changes are needed to the Reliability Pricing Model area of the tariff, in Attachment DD , §5.14 (Incremental Capacity Transfer Rights)

- Clarify qualifications for Incremental Capacity Transfer Rights
 - Current language identifies New Service Customers, but limits source of requests to Part IV even though it should also cover Part VI
 - Upgrade Customers and Eligible Customers are New Service Customer that originate in Part VI; and
 - Upgrade Construction Service Agreement states New Service Customers are entitled to all rights created.

5.16 Incremental Capacity Transfer Rights

(a) The Office of the Interconnection shall allocate Incremental Capacity Transfer Rights to a New Service Customer ~~(or, for facilities or upgrades in a PJM queue prior to March 1, 2007, to an Interconnection Customer)~~ obligated to fund a transmission facility or upgrade through a rate or charge specific to such facility or upgrade, to the extent such upgrade or facility increases the Import Capability into a Locational Deliverability Area, with respect to any such transmission facility ~~or upgrade~~ interconnected to **or an upgrade of** the Transmission System pursuant to Part IV **and or Part VI** of this Tariff, including transmission facilities ~~or upgrades~~ interconnected to **or upgrades of** the Transmission System pursuant to Part IV **and or Part VI** prior to the effective date of this Attachment. Incremental Capacity Transfer Rights shall be available for a facility or upgrade for a Delivery Year only if the Office of the Interconnection certifies the quantity of Import Capability provided by such facility or upgrade at least 45 days prior to the Base Residual Auction for such Delivery Year. The megawatt quantity of Incremental Capacity Transfer Rights allocated to such a New Service Customer ~~(or Interconnection Customer)~~ shall equal the megawatt quantity of the increase in Import Capability across a locational constraint resulting from such upgrade or facility, provided that the total Incremental Capacity Transfer Rights awarded as to an LDA (including those allocated pursuant to Schedule 12A of the Tariff) may not exceed the total Capacity Transfer Rights determined as to such LDA. A Capacity Market Seller that offers and clears a Qualifying Transmission Upgrade in the Base Residual Auction for a Delivery Year shall not receive Incremental Capacity Transfer Rights with respect to such upgrade for such Delivery Year. Terms and conditions for the allocation of Incremental Capacity Transfer Rights to New Service Customers shall be as further set forth in Part VI of this Tariff, and those for the allocation of Incremental Capacity Transfer Rights to Responsible Customers shall be as further set forth in Schedule 12A of this Tariff.