

# Capacity Transfer Rights in RPM

## Problem Statement/Issue Charge: 1<sup>st</sup> Read

**PJM Market Implementation Committee**  
**January 12, 2021**

***Sponsor: Buckeye Power***

# Capacity Transfer Rights in RPM – Background

- In Reliability Pricing Model (“RPM”), Capacity Transfer Rights (“CTRs”) return capacity market congestion revenues to load serving entities (“LSEs”).
- Capacity market congestion revenues occur when there is a difference between clearing prices paid by load for capacity and the market revenue received by cleared capacity market resources.
- CTRs permit LSEs with load inside a constrained Locational Delivery Area (“LDA”) to receive a credit for the importation of capacity from a lower-priced region such as the RTO LDA to the constrained LDA.

# Capacity Transfer Rights in RPM – Background

- PJM allocates CTR transfer capability to LSEs in the Capacity Emergency Transfer Objective/Capacity Emergency Transfer Limit (“CETO/CETL”) calculation.
- Quantity of allocable CTRs are equal to the capacity imported into the LDA, based on the results of the Base Residual Auction (“BRA”) and Incremental Auctions, less any MW of CETL paid for directly by market participants in the form of cleared Qualifying Transmission Upgrades and Incremental CTRs.

# Capacity Transfer Rights in RPM – Background

- Background:
  - Under current PJM rules, an LSE with CTRs is entitled to a payment or charge equal to the Locational Price Adder multiplied by the MW of the LSEs' CTR.
  - PJM rules allocate CTRs pro-rata to each LSE serving load in the LDA or zone based on the LSE's share of the zonal UCAP Obligation.

# Capacity Transfer Rights in RPM – Issue

- Issue:
  - PJM’s current RPM rules do not have a mechanism to allocate CTRs to an LSE that correspond to the network load identified in a LSE’s Network Integration Transmission Service Agreement (“NITSA”).
  - Specifically, an LSE’s NITSA includes Network Resources deemed deliverable to an LSE’s Network Load inside the constrained LDA, but PJM’s RPM rules do not award a corresponding amount of CTR’s

## Capacity Transfer Rights in RPM – Issue (con't.)

- Mismatch between current CTR allocation and LSE's constrained-LDA Network Service Obligation exposes LSEs serving load in a constrained LDA to price separation.
- LSE has resources that, in its NITSA are deliverable to load inside the constrained LDA, but PJM CTR rules do not allocate commensurate MWs.

## Why Consider Reforms to PJM's RPM CTR rules?

- Buckeye harmed by RPM rules that disregard historic structure of Buckeye and Ohio TO's and violate network transmission rights from designated resources.
  - Buckeye power delivery agreements specify/require capacity/energy from designated resources delivered to load
  - Similar/related issue:
    - 2014 IMEA PS/IC (Capacity Transfer Rights For Entities with Firm Transmission Rights to Serve Network Load in a Constrained Locational Deliverability Area)
    - See also: MISO Historical Unit Considerations filing in 2018.
- Buckeye seeks to explore market rule changes in Stakeholder Process to begin after 2<sup>nd</sup> read at February 2021, MIC.

## **Problem Statement/Issue Charge – Assign to MIC**

- Stakeholder Group Assignment
  - Sponsor proposes that the MIC is the appropriate venue discussing this issue.
- Key Work Activities
  - The following are some key work activities that should be undertaken to address the above stated problem.
    - KWA # 1: Education on the current capacity market rules with regard to CTR allocation.
    - KWA # 2: Explore potential enhancements to the allocation of CTRs.

# Proposed MIC Stakeholder Process

- Expected Duration of Work Timeline
  - KWA # 1 - Education: 2 months
  - KWA # 2 – Discussion & Exploration of enhancements to CTR allocation rules:
    - Sponsor’s objective is for PJM to make a FPA Section 205 FERC filing in 2021.
- Expected Deliverables
  - Tariff (Attachment DD) and Manual 18 language, as necessary.
- Decision-Making Method
  - Tier 1, consensus (unanimity) on a single proposal.

# Questions?

# Contact Information

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