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FEDERAL ENERGY REGULATORY COMMISSION

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May 25, 1999

ORIGINAL

Honorable David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E. Room 1A
Washington, D.C. 20426

Re: PJM Interconnection, L.L.C., Docket No. ER99-2028-002

Dear Mr. Boergers:

Description Of Filing

In accordance with the Commission's order in PJM Interconnection, L.L.C., 87 FERC ¶ 61,054 (1999) ("FTR Order"), PJM Interconnection, L.L.C. ("PJM"), hereby tenders this compliance filing, including revised pages to the PJM Open Access Transmission Tariff ("PJM Tariff") and the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement").

On February 11, 1999, the Commission issued an order directing PJM to file new Fixed Transmission Rights ("FTR") auction procedures. Atlantic City Elec. Co., 86 FERC ¶ 61,147 (1999). On March 2, 1999, PJM filed revisions to the Appendix to

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Attachment K to the PJM Tariff and to Schedule 1 of the Operating Agreement[1] establishing the auction procedures. On April 13, 1999, the Commission approved the new FTR auction procedures with one modification. FTR Order at 61,216. The Commission ordered PJM to revise its filing to include the tiebreaker mechanism that PJM described in its answer in this docket. In that answer, PJM explained that, although no tiebreaker mechanism was specified in the FTR procedures, in the event two or more identical bids are submitted in the FTR auction but there are insufficient FTRs to accommodate all of them, each bidder would receive a pro rata share of the FTRs that can be awarded. Id. at 61,220. Accordingly, PJM revises section 7.3.6 (b) (Determination of Winning Bids and Clearing Price) of the Appendix to Attachment K to the PJM Tariff and Schedule 1 of the Operating Agreement to set forth this tiebreaker mechanism.[2]

Effective Date

PJM requests an effective date of April 13, 1999, for the amendments filed in this compliance filing, consistent with the effective date set by the Commission in the FTR Order for all other aspects of the FTR auction procedures. See FTR Order at 61,221.

Documents Enclosed

PJM encloses the original and five copies of the following:

1. Transmittal letter.

2. PJM Tariff and Operating Agreement revised pages, including redlined versions of same. (Also enclosed on diskette.)

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[1] The Appendix to Attachment K to the PJM Tariff and Schedule 1 of the Operating Agreement are identical.

[2] The PJM Tariff Advisory Committee reviewed the proposed revisions at its meeting held on May 14, 1999.

3. Federal Register Notice. (Also enclosed on diskette.)

Correspondence And Communications

Correspondence and communications with respect to this filing should be sent to, and PJM requests the Secretary to include on the official service list, the following:

Richard A. Drom
PJM Interconnection, L.L.C.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497
(610) 666-3939

Barry S. Spector
Carrie L. Bumgarner
Wright & Talisman, P.C.
1200 G Street, N.W.
Suite 600
Washington, D.C. 20005
(202) 393-1200

Service and Federal Register Notice

PJM has served a copy of this filing on all members of PJM, each entity on the official service list compiled by the Secretary in Docket No. ER99-2028, and each electric utility regulatory commission in the PJM control area. A form of notice suitable for publication in the Federal Register is attached and enclosed on diskette.

Respectfully submitted,

Barry S. Spector
Carrie L. Bumgarner

Counsel for
PJM Interconnection, L.L.C.

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OFFICE OF THE SECRETARY
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FEDERAL ENERGY REGULATORY COMMISSION

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.) Docket No. ER99-2028-000

NOTICE OF FILING

Take notice that on May 25, 1999, PJM Interconnection, L.L.C. ("PJM"), tendered for filing an amendment to the PJM Open Access Transmission Tariff and the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., in compliance with the Commission's order in PJM Interconnection, L.L.C., 87 FERC ¶ 61,054 (1999), concerning Fixed Transmission Rights auctions.

PJM requests an effective date of April 13, 1999, for the amendment.

Copies of this filing were served upon each entity on the official service list compiled by the Secretary in Docket No. ER99-2028-000, all PJM Members and the state electric regulatory commissions in the PJM Control Area.

Any person desiring to be heard or to protest this filing should file a petition to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 210, 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. §§ 385.210, 385.211, 385.214). All such petitions or protests should be filed on or before _____. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a petition to intervene. Copies of this application are on file with the Commission and are available for public inspection.

PJM Tariff Revisions
Revised

7.3.6 Determination of Winning Bids and Clearing Price.

(a) At the close of the bidding period each month, the Office of the Interconnection will create a base Fixed Transmission Rights power flow model that includes all outstanding Fixed Transmission Rights that have been approved and confirmed for any portion of the month for which the auction was conducted and that were not offered for sale in the auction. The base Fixed Transmission Rights model also will include estimated uncompensated parallel flows into each interface point of the PJM Control Area and estimated scheduled transmission outages.

(b) In accordance with the requirements of Section 7.4 of this Schedule and subject to all applicable transmission constraints and reliability requirements, the Office of the Interconnection shall determine the simultaneous feasibility of all outstanding Fixed Transmission Rights not offered for sale in the auction and of all Fixed Transmission Rights that could be awarded in the auction for which bids were submitted. The winning bids shall be determined from an appropriate linear programming model that, while respecting transmission constraints and the maximum MW quantities of the bids and offers, selects the set of simultaneously feasible Fixed Transmission Rights with the highest net total auction value as determined by the bids of buyers and taking into account the reservation prices of the sellers. In the event that there are two or more identical bids for the selected Fixed Transmission Rights and there are insufficient Fixed Transmission Rights to accommodate all of the identical bids, then each such bidder will receive a pro rata share of the Fixed Transmission Rights that can be awarded.

(c) Fixed Transmission Rights shall be sold at the market-clearing price for Fixed Transmission Rights between specified pairs of receipt and delivery points, as determined by the bid value of the marginal Fixed Transmission Right that could not be awarded because it would not be simultaneously feasible. The linear programming model shall determine the clearing prices of all Fixed Transmission Rights paths based on the bid value of the marginal Fixed Transmission Rights, which are those Fixed Transmission Rights with the highest bid values that could not be awarded fully because they were not simultaneously feasible, and based on the flow sensitivities of each Fixed Transmission Rights path relative to the marginal Fixed Transmission Rights paths flow sensitivities on the binding transmission constraints.

7.3.7 Announcement of Winners and Prices.

Within two (2) business days after the close of an auction, the Office of the Interconnection shall post the winning bidders, the megawatt quantity, and the receipt and delivery points for each Fixed Transmission Right awarded in the auction and the price at which each Fixed Transmission Right was awarded. Results of the on-peak auction and off-peak auction will be posted separately. The Office of the Interconnection shall not disclose the price specified in any bid to purchase or the reservation price specified in any offer to sell.

PJM Tariff Revisions
Red-Lined

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(a) At the close of the bidding period each month, the Office of the Interconnection will create a base Fixed Transmission Rights power flow model that includes all outstanding Fixed Transmission Rights that have been approved and confirmed for any portion of the month for which the auction was conducted and that were not offered for sale in the auction. The base Fixed Transmission Rights model also will include estimated uncompensated parallel flows into each interface point of the PJM Control Area and estimated scheduled transmission outages.

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(c) Fixed Transmission Rights shall be sold at the market-clearing price for Fixed Transmission Rights between specified pairs of receipt and delivery points, as determined by the bid value of the marginal Fixed Transmission Right that could not be awarded because it would not be simultaneously feasible. The linear programming model shall determine the clearing prices of all Fixed Transmission Rights paths based on the bid value of the marginal Fixed Transmission Rights, which are those Fixed Transmission Rights with the highest bid values that could not be awarded fully because they were not simultaneously feasible, and based on the flow sensitivities of each Fixed Transmission Rights path relative to the marginal Fixed Transmission Rights paths flow sensitivities on the binding transmission constraints.

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PJM Operating Agreement Revisions
Revised

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7.3.6 Determination of Winning Bids and Clearing Price.

(a) At the close of the bidding period each month, the Office of the Interconnection will create a base Fixed Transmission Rights power flow model that includes all outstanding Fixed Transmission Rights that have been approved and confirmed for any portion of the month for which the auction was conducted and that were not offered for sale in the auction. The base Fixed Transmission Rights model also will include estimated uncompensated parallel flows into each interface point of the PJM Control Area and estimated scheduled transmission outages.

(b) In accordance with the requirements of Section 7.4 of this Schedule and subject to all applicable transmission constraints and reliability requirements, the Office of the Interconnection shall determine the simultaneous feasibility of all outstanding Fixed Transmission Rights not offered for sale in the auction and of all Fixed Transmission Rights that could be awarded in the auction for which bids were submitted. The winning bids shall be determined from an appropriate linear programming model that, while respecting transmission constraints and the maximum MW quantities of the bids and offers, selects the set of simultaneously feasible Fixed Transmission Rights with the highest net total auction value as determined by the bids of buyers and taking into account the reservation prices of the sellers. In the event that there are two or more identical bids for the selected Fixed Transmission Rights and there are insufficient Fixed Transmission Rights to accommodate all of the identical bids, then each such bidder will receive a pro rata share of the Fixed Transmission Rights that can be awarded.

(c) Fixed Transmission Rights shall be sold at the market-clearing price for Fixed Transmission Rights between specified pairs of receipt and delivery points, as determined by the bid value of the marginal Fixed Transmission Right that could not be awarded because it would not be simultaneously feasible. The linear programming model shall determine the clearing prices of all Fixed Transmission Rights paths based on the bid value of the marginal Fixed Transmission Rights, which are those Fixed Transmission Rights with the highest bid values that could not be awarded fully because they were not simultaneously feasible, and based on the flow sensitivities of each Fixed Transmission Rights path relative to the marginal Fixed Transmission Rights paths flow sensitivities on the binding transmission constraints.

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7.3.8 Auction Settlements.

All buyers and sellers of Fixed Transmission Rights between the same points of receipt and delivery shall pay or be paid the market-clearing price, as determined in the auction, for such Fixed Transmission Rights.

7.3.9 Allocation of Auction Revenues.

All auction revenues, net of payments to entities selling Fixed Transmission Rights into the auction, shall be allocated among the Regional Transmission Owners in proportion to their respective transmission revenue requirements.

7.4 Simultaneous Feasibility.

The Office of the Interconnection shall make the simultaneous feasibility determinations specified herein using appropriate powerflow models of contingency-constrained dispatch. Such determinations shall take into account outages of both individual generation units and transmission facilities and shall be based on reasonable assumptions about the configuration and availability of transmission capability during the period covered by the auction that are not inconsistent with the determination of the deliverability of Capacity Resources under the Reliability Assurance Agreement. The goal of the simultaneous feasibility determination shall be to ensure that there are sufficient revenues from Transmission Congestion Charges to satisfy all Fixed Transmission Rights obligations for the auction period under expected conditions.

PJM Operating Agreement Revisions
Red-Lined

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(c) Fixed Transmission Rights shall be sold at the market-clearing price for Fixed Transmission Rights between specified pairs of receipt and delivery points, as determined by the bid value of the marginal Fixed Transmission Right that could not be awarded because it would not be simultaneously feasible. The linear programming model shall determine the clearing prices of all Fixed Transmission Rights paths based on the bid value of the marginal Fixed Transmission Rights, which are those Fixed Transmission Rights with the highest bid values that could not be awarded fully because they were not simultaneously feasible, and based on the flow sensitivities of each Fixed Transmission Rights path relative to the marginal Fixed Transmission Rights paths flow sensitivities on the binding transmission constraints.

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