Via Email

January 7, 2019

Re. PJM TOAAC S205WG – Point-to-Point and Non-Zone NITS Customers

To the CTOA Administrative Committee:

These comments are provided on behalf of Neptune Regional Transmission System, LLC ("Neptune RTS") and Hudson Transmission Partners, LLC ("HTP") in response to the PJM Transmission Owners ("PJM TOs") published “Notice of Transmission Owner Consultation with the Members Committee Regarding Proposed Update and Implementation of a Formula for Future Updates of the Schedules 7 and 8 and Attachment H-A" (the "Proposal") to the PJM Open Access Transmission Tariff (the "PJM Tariff"). Neptune RTS and HTP have various questions and concerns regarding this proposal which are discussed below. In summary, Neptune RTS and HTP believe the Proposal, as presented, is not just and reasonable, and would result in unduly discriminatory rates that are contrary to the Federal Power Act.

In addition to their comments and questions, Neptune RTS and HTP request that the PJM TOs defer the FERC filing date for this Proposal in order to provide a reasoned response to the comments and questions provided herein, as well as those provided by other stakeholders, and to allow for a fulsome review and discussion of the proposal through the PJM Stakeholder Process.

Background

The Proposal describes the existing rates for Point-to-Point Transmission Service to the Border of PJM and the NYISO under Schedule 7 regarding firm service and Schedule 8 regarding non-firm service (the “Border Rate”) and the Annual Transmission Rate for Network Integration Transmission Services to Non-Zone Network Load under Attachment H-A (the “Non-Zone NITS Rate”). The Proposal does not propose to make any changes to any of the other 21 Point-to-Point Transmission Service rates for other points of delivery in Schedule 7, but rather proposes to leave them at the much lower stated rates established in 2004. As explained in the Notice, the PJM TOs propose to file with FERC in order to modify the existing stated rates for one (1) of the 22 points of delivery and use a formula rate to determine the Border Rate and the Non-Zone NITS Rate based upon the sum of the revenue requirements used to determine Network Integration Transmission Services (“NITS”) rates set forth in Attachment H to the PJM Tariff.

Comments and Follow-Up Questions

1. Comment: The Proposal is based on the assumption that Firm point-to-point service is an equivalent level of service as NITS. The proposal would use the NITS revenue requirement to determine the firm and non-firm Border Rate and the Non-Zone NITS Rate. However, there is a significant difference between these two types of transmission service. NITS is an integrated service (allows customers to designate generation and load...
to be integrated) while Border Rate service has a single point of receipt and a single point of delivery. As a result, NITS service is significantly more flexible and uses and relies upon much more of the PJM transmission system than point-to-point Border Rate service. In addition, it appears that the Proposal, as proposed, could result in a method whereby the new Border Rate and the Non-Zone NITS Rate are higher than many of the individual NITS rates.

Question: Please discuss why a revenue requirement for NITS service that is significantly more flexible and requires significantly more transmission facilities and support should be utilized for a determination of Point-to-Point Border Rate service.

2. Comment: The Proposal discusses the NITS rate and notes that the NITS rate is determined by formula.

Question: How is the NITS rate calculation used as the basis to determine the proposed Point-to-Point Border Rate and Non-Zone NITS Rate? How are Credits taken into Account for the NITS Rate versus how Credits are taken into account in the proposed calculation of the Point-to-Point Border Rate and Non-Zone NITS Rate?

3. Comment: The Proposal addresses only changes to the Border Point-to-Point Rate, and the Proposal does not propose changes to any of the other 21 points of delivery for the Point-to-Point Rates. This would result in a discrepancy whereby the Point-to-Point rates for the other 21 points of delivery remain unchanged, but the proposed new Point-to-Point Border Rate would be 200 to 300 percent higher than the other rates for point-to-point transmission service.

Question: Please explain why this rate discrepancy is reasonable. In addition, please discuss why this change and significant increase in the Border Rate is applicable for service regarding transmission service from PJM to NYISO, but the increase in rates does not apply to service regarding transmission service from PJM to other ISOs/RTOs, such as MISO.

Question: If firm Point-to-Point transmission service from PJM to the MISO border will not be subject to the new proposed Border Rate that includes TECs, please explain why allocating TECs only to firm Point-to-Point Border Rate transactions from PJM to the NYISO border is not unduly discriminatory.

Question: If the firm Point-to-Point transmission service rates for all of the other 21 points of delivery will not include TECs, please explain why allocating TECs only to the proposed Point-to-Point Border Rate is not unduly discriminatory.

Question: Please discuss why the PJM TOs only propose to change the Border Rate set forth on Schedules 7 and 8 of the PJM Tariff and not the other rates contained on those Schedules (refer to Summary of Charges table on page 1 of Attachment A of the PJM TO proposal).
4. Comment: The Proposal discusses the credit mechanism for the calculation of the NITS Rate, as it provides that “where TECs charged to other Zones are credited in calculating the zonal revenue requirement, they are added back.” Yet the proposal appears not to include the credit mechanism for the proposed calculation of the Point-to-Point Border Rate and the Non-Zone NITS Rate. The discrepancy in the “adding back” of credits could result in over-recovery for certain parties.

Question: Please identify whether TECs are used in the calculation of the revenue requirements for those “other Zones.” If they are, please identify whether the credit mechanism would result in the same TECs being comparably used in the determination of revenue requirements for the Point-to-Point Border Rate and the Non-Zone NITS Rate.

5. Comment: The Proposal indicates that Merchant Transmission Facilities ("MTFs") with Firm Transmission Withdrawal Rights ("FTWRs") would continue to be charged Embedded Cost Rates (RTEP charges) while MTFs would in addition be charged Embedded Cost Rates (RTEP charges) through the new proposed Point-to-Point Border Rate. Also, the Proposal indicates that “[i]f transmission customers taking Point-to-Point transmission service to the border of PJM would not be liable for any additional TECs [or Transmission Enhancement Charges.]”

Question: A credit mechanism seems appropriate to prevent double charging. Can you confirm that an MTF with FTWRs that has procured Firm Point-to-Point Border Service in an amount equivalent to the level of FTWRs it holds, will receive a 100% credit of the TECs it will have paid for owning its FTWRs, since it will now be paying its full TEC obligation under the newly proposed Border Rate?

Question: Please confirm that if MTFs do not have Firm Transmission Withdrawal Rights and such MTFs take service under the proposed Border Rate, such MTFs will not be subject to any TECs under Schedule 12 of the PJM Tariff separate and apart from the TECs included in the proposed Border Rate. In addition, the last paragraph of page 5 of the Notice states that an MTF “with Firm Transmission Withdrawal Rights or its customers will remain liable for any TECs assigned to the MTF.” Please explain whether this statement is intended to mean that an MTF with FTWRs and its customers will pay only the new proposed Border Rate and TECs associated with FTWRs, offset by the credit to prevent double charging, or whether the PJM TOs intend by this statement that an MTF with FTWRs and its customers will be subject to some other, additional charges by the PJM TOs that is not disclosed in the proposal.

Question: Please explain what is intended by the words “or its customers” in that sentence, including an explanation as to why an MTF’s customers could ever be liable for TECs under Schedule 12 of the PJM Tariff.

6. Comment: The revenue requirement for NITS service is based upon all transmission facilities in PJM, the investment which is included in transmission operating property FERC accounts, including lower voltage transmission facilities that are not utilized for
Point-to-Point Border Rate service, as lower voltage facilities primarily move electricity from the higher voltage transmission network to load centers.

Question: Please explain why including lower voltage transmission facilities that are not utilized for Point-to-Point Border Rate service to NYISO and RTEP projects within PJM TOs that do not have facilities used to provide Point-to-Point Border Rate service to NYISO is appropriate for the calculation of the new proposed Point-to-Point Border Rate.

Question: Please provide support for the zonal peak loads presented on Attachment D, Page 3 of the Notice by showing what transactions and amounts are added to the zonal peak demands used in each PJM TOs’ NITS rate determination to arrive at the zonal peaks on Attachment D, Page 3. Please also explain why there is no peak demand associated with TrailCo.

7. Comment: The federal tax calculations used to determine the NITS revenue requirement for each of the PJM TOs do not appear to reflect the amortization of so-called excess accumulated deferred income taxes (“ADIT”) resulting from the Tax Cut and Job Acts of 2017 and some PJM TOs continue to use the previous federal tax rate.

Question: Please explain why current tax rates and amortization of excess ADIT should not be used to determine a new proposed formula transmission rate as the basis for the new proposed Point-to-Point Border Rate service and Non-Zone NITS Rate service.

Question: Please specifically describe and show where the so-called excess ADIT balances are reflected in rate base (either reductions or additions) in the NITS formula rates used in the proposed Border Rate ad Non-Zone NITS Rate proposal contained in the Notice.

8. Comment: The PJM TOs propose an increase of approximately 2.5 times the current Border Rate (from $18,880/MW-Year to $47,138/MW-Year), which would result in substantial rate shock to Border Rate customers, which appears to be an unreasonable increase.

Question: What is the justification to propose such a steep rate shock and sudden increase of the new proposed Border Rate?

9. Question: Please identify all existing long-term Firm Point-to-Point Border Rate customers and their points of receipt and points of delivery.

10. Question: The Notice includes proposed draft rates for Schedule 7 and Attachment H-A, but does not include separate proposed rates for Schedule 8 (the non-firm Border Rate). Please provide the proposed rate for Schedule 8 for review.
Neptune RTS and HTP Comments and Questions on
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Please do not hesitate to contact me if you have any questions regarding these comments and questions on the PJM TOs’ proposal to increase the Point-to-Point Border Rate and Non-Zone NITS Rate.

Respectfully,

Jeff Wood
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Neptune Regional Transmission System, LLC
Hudson Transmission Partners, LLC