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4.9 Allocation of Incremental Auction Revenue Rights (IARRs)

4.9.1 Merchant and Generation Interconnection IARRs

Transmission expansion projects associated with new generation interconnection and Merchant Transmission Expansion projects will be allocated incremental ARRs in a three-round allocation process in which the customer requests incremental ARRs for three pairs of point-to-point combinations (one point-to-point combination is requested per round).

In each round, one-third of the incremental ARRs made available by the expansion project will be assigned to the requester. After each of rounds one and two, the requester may accept the assigned incremental ARRs or refuse them. Acceptance of the assignment will remove the assigned incremental ARRs from availability in the next rounds. Refusal of the assignment will result in the incremental ARRs being available for the next round. The incremental ARR assignment made in round three will be final and binding. The final and binding incremental Auction Revenue Right assignment for a requested point-to-point combination in each round shall be no event be less than one-third of 80% and no greater than one-third of 100% of the non-binding estimate of Incremental Auction Revenue Rights for that point-to-point combination that was provided to the New Service Customer.

Incremental ARRs will be effective for thirty years or the life of the facility or upgrade, whichever is less.

At any time during this thirty-year period, in lieu of continuing this thirty-year ARR, the Interconnection Customer shall have a one-time choice to switch to an optional mechanism, whereby, on an annual basis, the customer has the choice to request an ARR during the Annual ARR Allocation process between the same source and sink, subject to simultaneous feasibility. Once this option is chosen, the Interconnection Customer must request the incremental ARR during each annual ARR enrollment window for the upcoming planning period. If no request is made, the incremental ARR is forfeited for that planning period.

At any time during the thirty-year period, an Interconnection Customer may return incremental ARRs that it no longer desires at any time; provided that all remaining outstanding ARRs can be simultaneously accommodated following the return of such ARRs. In the event an Interconnection Customer returns its incremental ARRs, the Interconnection Customer shall have no further rights regarding such incremental ARRs.

4.9.2 Regional Transmission Expansion Plan (RTEP) IARRs

RTEP Projects Eligible for Allocation of IARRs will be calculated for any RTEP upgrade of the costs which will be allocated on a regional basis. IARRs created by the project will be allocated to Responsible Customers in proportion to each Responsible Customer’s share of the project cost. Responsible Customers as defined in Schedule 12 of the Tariff that are Network Customers, Transmission Customers with an agreement for Firm Point-To-Point Service, or Merchant Transmission Providers that are assigned cost responsibility for a Regional Facility or a Necessary Lower Voltage Facility (“Legally Assigned Facility”).

RTEP IARR Calculation Method

The source point of the IARR will be a new aggregate pricing point comprised of up to ten (10) generator buses having the largest positive distribution factor (DFaX) on the constraint being relieved by upgrade (i.e. − where increased load increases the flow on the constraint being relieved).

The sink point of the IARR will be a new aggregate pricing point comprised of the load-weighted average of the transmission zone for which the aggregate DFaX on the constraint being relieved by upgrade is negative (i.e. − where increased load decreases the flow on the constraint being relieved).

IARRs associated with an upgrade are calculated by determining the incremental ARR capability between the source and sink points created by the project.

- Using the base network topology, ARR capability between the specified source-sink combination is measured by increasing MW transfers from the specified source to the specified sink until a transmission limit is encountered.
- Using a network topology which includes the expansion project, the ARR capability between the specified source-sink combination is measured by increasing MW transfers from the specified source to the specified sink until a transmission limit is encountered.
- The incremental ARR (IARR) capability between the source-sink combination created by the expansion project is the difference between the ARR capability in the base system and the ARR capability in the system which includes the project.

PJM will determine the quantity of IARRs to be allocated within three months prior to the actual in-service date of the upgrade.