



Joint and Common Market

INCREMENTAL AUCTION REVENUE RIGHTS

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Overview

■ Purpose

- Provide stakeholders with an update on the MISO-PJM plan for enhanced planning and markets coordination for the PJM customer funded IARR process

■ Key Takeaways

- Several discussions have taken place since November 2017
- Effort aims to clarify the current coordination process and to identify opportunities for process improvement
- Documentation underway for enhancements to the coordinated preliminary study process

Background

- PJM and MISO offer an IARR product for transmission expansions that add incremental capability to the system
 - IARR MWs are awarded for the incremental capability created for the life of the facility or 30 years, whichever is less
 - Must be simultaneously feasible
 - Valued each year based on Annual FTR Auction clearing prices
- PJM offers an additional option allowing stakeholders to obtain an IARR by agreeing to fund transmission upgrades needed to support the request

Identified Gaps in Process

- Proper transfer of FFEs is needed on impacted flowgates to support IARR request to ensure FTR Revenue Adequacy
- Current PJM IARR process requires customer to upgrade only for incremental impact of IARR request
 - Upgrade capabilities may not get reflected in FFE allocation increases because of CMP over allocation rules
- PJM requirement to guarantee at least 80% of IARR MW
 - May require some guarantee from MISO on future FFE allocations, which MISO cannot guarantee given the potential risk to value for MISO stakeholders
- Non-active flowgates may impact feasibility of IARR if activated in future

Proposed Coordination Improvements

- Proposed additional step for MISO-PJM IARR coordination is to perform a preliminary Transmission Upgrade Study (TUS)
- TUS purpose is to ensure that transmission allocations are granted to building entities to the extent they cause no harm to existing transmission allocations to CMP members
 - Preliminary TUS would use same topology assumptions as IARRs in the planning study
 - Verification tool to ensure upgrades identified by native entity are expected to produce requested FFEs

Unresolved Gaps in Process

- Risk that results of the preliminary TUS and actual TUS could diverge due to timing
 - Preliminary TUS performed during Impact Study phase
 - Actual TUS performed once upgrades are in-service
 - Cannot guarantee future FFE allocations when MISO system is impacted
- Unresolved gap will require PJM to modify existing Tariff language to remove guarantee of at least 80% of the requested IARR MW when MISO system is impacted

Next Steps and JCM updates

- November 2018- Discuss any required JOA revisions
- Implementation for 2019/2020 planning period

Contacts

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