



Marginal Line Loss Surplus Allocation Billing Adjustments Update

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Market Settlement Subcommittee
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- **December 3, 2007** – Certain PJM members filed a complaint at FERC on PJM’s Tariff and Operating Agreement marginal loss methodology and the related application of marginal loss charges and marginal loss surplus allocations to their transactions.
- **September 17, 2009** – FERC ordered PJM to revise its marginal loss surplus allocation methodology resulting in approximately \$37 million of refunds to certain PJM members related to the 16 month period from December 3, 2007 through March 9, 2009 which was established by FERC as the refund period; such refunds were completed during latter 2009 and early 2010.
- **July 21, 2011** – FERC reversed its earlier position and ordered PJM to re-allocate the refunds PJM had previously provided based on FERC’s September 17, 2009 order.
- **October 11, 2011** – FERC issued an order granting PJM an extension to complete the billing adjustments ordered on July 21, 2011 to within 60 days of FERC issuing a final order on the requests for rehearing on the July 21, 2011 order.
- **May 11, 2012** – FERC denied the rehearing requests on the July 21, 2011 order and issued a final order directing PJM to complete the billing adjustments which total approximately \$37 million in net charges.
- **August 10, 2012** – PJM Settlement Inc. records a Total Default Allocation Assessment of \$28.17 million from current and former members unable or unwilling to meet FERC Ordered billing adjustments

- **June 20, 2019** – FERC issued an order reaffirming its original determination in 2009 that financial marketers engaging in Up-To Congestion Transactions were entitled to an allocation of the marginal line loss surplus credit because they contributed to the fixed costs of the transmission system
 - This order requires PJM to again reverse settlements that PJM already was required to reverse once before in 2012 and has the potential to result in additional member defaults as happened in 2012 for those members who were unable to give back the money that PJM was ordered to collect from them in 2010, give back to them in 2012, and now take back from them again in 2019
 - Additionally, this order requires PJM to treat entities that exported energy from PJM and into MISO to pay surcharges in order to recover funds needed to pay the marginal line loss surplus with interest since 2011 to the financial marketers
- **July 22, 2019** – American Municipal Power (AMP) filed a Request for Rehearing on FERC's June 20, 2019 Order

- PJM is to treat MISO customers that exported energy from the PJM Region to MISO (the exporters) on an equal basis to PJM load
- PJM is to calculate:
 - Refunds with interest owed to the Financial Marketers
 - Amounts of refunds previously paid and not returned that may be retained by Financial Marketers
 - Surcharges owed by PJM load and the exporters based on their proportionate share of the marginal line loss allocation taking into account the payment of refunds
- PJM has been directed to:
 - Pay refunds, with interest, and collect surcharges necessary to collect funds with which to pay those refunds
 - Allow Financial Marketers to retain the calculated amount of refunds that were previously paid to them
- The Commission did not provide PJM with a deadline by which to issue the ordered surcharges and refunds

- PJM is planning to submit a Request For Expedited Consideration of AMP's Request for Rehearing
 - PJM takes no position on the merits of AMP's request, but will request that FERC act quickly on AMP's request
 - Explain that the numerous twists and turns of this proceeding have created uncertainty and the process of issuing certain allocations and refunds is not without cost to either PJM and market participants
 - Provides participants and the market finality on this proceeding that has spanned 11 years
 - Provides greater certainty that PJM will not need to (re)undo the refunds to be issued under the Remand Order

- The Remand Order did not set a deadline for PJM to issue refunds so PJM plans to state that, absent expeditious action, PJM will go ahead and begin its internal process to issue surcharges and refunds 90 days from AMP's rehearing request
- Explain PJM's plans for collecting monies due for refunds, and plans for issuing refunds:
 - PJM can only provide refunds from the money it collects from parties that received refunds pursuant to an earlier order in this proceeding per PJM OA section 14B.4(e),
 - PJM only has the authority to “surcharge those customers who received too large an allocation of credits.” Accordingly, the amount of refunds PJM ultimately disperses may be less than the amount that was originally over allocated pursuant to FERC's earlier order.

- PJM expects to submit a Request For Expedited Consideration of AMP's Request for Rehearing during the week of August 12-16
- In the absence of FERC direction on AMP's Request for Rehearing, PJM Settlement, Inc. will begin its determination of the amounts of refunds owed to the marketers and collected from the loads and PJM exporters approximately 90 days from AMP's rehearing request (October 21, 2019)
 - It will take PJM 6 weeks to process these calculations
 - PJM Settlement, Inc. plans to notify market participants (PJM Loads & Exporters) of the additional funds to be collected during the month of December 2019 via the Market Settlement Reporting System (MSRS) for the December 2019 monthly billing statement which will be issued in January 2020
 - PJM Settlement, Inc. plans to notify market participants (Financial Marketers) of the credits which will be provided to the marketers via MSRS during the month of January 2020 and the January 2020 billing statement which will be issued in February 2020

- Additional updates up to and including detailed plans on actual settlement action will be shared by PJM at future Stakeholder meetings which include:
 - Market Settlement Subcommittee
 - Market Implementation Committee
 - Markets & Reliability Committee
- Any questions can be directed to mss@pjm.com or intactg@pjm.com