

# Summary of Congestion Rents and cLMP

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- **Transmission Congestion** is a condition that arises on the transmission system when one or more restrictions prevent the economic dispatch of electric energy from serving loads
- Congestion charges on the PJM bill are based on hourly net interchange (buys – sells)
  - Fundamental concept of LMP accounting; based on congestion component of LMP, “**cLMP**”
  - The revenues collected from the day-ahead market under this billing line item fund FTRs
  - Any “net buyer” in the day-ahead market therefore funds FTRs, e.g. load, gen, virtual transactions
  - ARRs are the mechanism that ensure Load Serving Entities have priority rights to these revenues
- In theory, congestion can be defined on a system-wide basis as “the difference in what load pays vs. what generation is paid” - what this group has referred to as “**Congestion Rents**”
  - Billing is associated with higher than average costs to serve load over time in areas of recurring re-dispatch
  - Long-term signals provide incentive for generation and/or transmission investments (LMP fundamental)

	<b>Day-ahead “Congestion Rents”</b>	<b>Day-ahead Congestion Component of LMP (cLMP)</b>
Definition	Overall theoretical difference in what load pays for energy and what is paid to generators that is calculated directly from transmission constraints	The increased energy costs due to re-dispatch during the applicable interval when the PJM transmission system is constrained are assessed to market participants based on the congestion price component of LMPs.
Accounting Methodology	Implicit in average cost to serve load and not part of the PJM bill	Based on hourly interchange (Buys – Sells) and is part of the PJM bill
Who pays?	Load serving Entities	Net Buyers in Day-ahead market
Why paid?	Load located downstream of constraint (unable to fully access remote lower cost generation)	Costs associated with delivering energy when system is congested, measured by hourly cLMP differences
Who collects?	N/A	Day-Ahead congestion revenues collected are allocated as credits to FTR holders