

August 25, 2021

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.W., Room 1A
Washington, DC 20246

Re: *PJM Interconnection, L.L.C.*, Docket No. ER21-____-000
Tariff Revisions to Remove Preemption of Short Term Non-Firm Point-to-Point Transmission Service by Longer Term Non-Firm Point-to-Point Transmission Service

Dear Secretary Bose:

PJM Interconnection, L.L.C. (“PJM”) submits for filing revisions to the PJM Open Access Transmission Tariff (“Tariff”), pursuant to section 205 of the Federal Power Act (“FPA”),¹ and part 35 of the Federal Energy Regulatory Commission’s (“Commission”) regulations,² to provide that requests for longer duration Non-Firm Point-to-Point Transmission Service (“Non-Firm PTP”) will not preempt previously granted shorter duration Non-Firm PTP requests. PJM requests an effective date of October 25, 2021, for the Tariff revisions proposed in this filing.

PJM is revising Tariff, section 14.2 because of expected adverse interactions (specific to the PJM Region) between the provisions of that section granting a right of first refusal on duration priority and the latest version of the Business Practices and Communication Protocols for Public Utilities (“Business Practice Standards”) adopted by the Wholesale Electric Quadrant (“WEQ”) of the North American Energy Standards Board

¹ 16 U.S.C. § 824d.

² 18 C.F.R. part 35.

(“NAESB”).³ The latest version of the Business Practice Standards includes significantly more complicated rules and procedures concerning the preemption of existing Non-Firm PTP requests or reservations by a competing request.

While these requirements may make sense for some Transmission Providers, adding them to PJM’s current right of first refusal for Non-Firm PTP would impede PJM’s automated process for evaluating the large quantities of hourly and daily non-firm service requests that, in the PJM Region, market participants commonly submit shortly before the start of service. PJM therefore takes this opportunity to conform its preemption rules applicable to competing Non-Firm PTP requests with PJM’s long-standing preemption rules applicable to Firm Point-to-Point Transmission Service requests, which do not include this right of first refusal, and which the Commission accepted as just and reasonable in 1998.⁴ Removing the right of first refusal will eliminate the need to apply the new NAESB standard’s right-of-first-refusal modifications to PJM’s Tariff.

For clarity, PJM addresses in Section V, *infra*, the consequences of this filing for PJM’s pending request for waiver of the relevant new NAESB Business Practice Standard, as set forth in PJM’s July 27, 2021 NAESB standards compliance filing in Docket No. ER21-2524-000.⁵

³ *Standards for Business Practices and Communication Protocols for Public Utilities*, Order No. 676-I, 170 FERC ¶ 61,062, *order on clarification*, 173 FERC ¶ 61,173 (2020).

⁴ *PJM Interconnection, L.L.C.*, 84 FERC ¶ 61,212, at 62,035 (1998).

⁵ *PJM Interconnection, L.L.C.*, Compliance Filing and Request for Waiver of Certain NAESB Business Practices of PJM Interconnection, L.L.C., Docket No. ER21-2524-000 (July 27, 2021) (“July 27 Compliance Filing”).

The proposed revisions received overwhelming stakeholder support and were endorsed by acclamation by both the PJM Markets and Reliability Committee and the PJM Members Committee.

I. BACKGROUND

PJM's current Tariff prioritizes short-term Non-Firm PTP reservations based not only on offered price and Pre-Confirmation⁶ status, but also on duration of service: When the Transmission System is constrained, longer duration service has reservation priority over shorter term service.⁷ However, if an already reserved short-duration Non-Firm PTP reservation would be preempted by the grant of a longer duration Non-Firm PTP request, the Eligible Customer with the shorter duration service has a right of first refusal under the current Tariff to match the duration of the longer term request in order to avoid preemption.⁸ The current Tariff strictly constrains the timing of this right of first refusal process, since it acts as a precondition to the grant of longer duration Non-Firm PTP requests that compete with any reserved shorter term Non-Firm PTP reservation. Specifically, a longer duration competing request will be granted if the customer with a right of first refusal does not agree to match the longer term "immediately" after notification by PJM, in the case of hourly service, or "within 24 hours" (or less, in certain circumstances) in the case of service other than hourly transactions.⁹

⁶ A Pre-Confirmed Application is "an Application that commits the Eligible Customer to execute a Service Agreement upon receipt of notification that the Transmission Provider can provide the requested Transmission Service." Tariff, section 1, Definitions O-P-Q.

⁷ Tariff, section 14.2.

⁸ *Id.*

⁹ *Id.*

PJM receives a very high volume of requests for Non-Firm PTP, and the overwhelming majority are granted shortly before the requested service is to start. In 2020, for example, PJM received over 44,000 confirmed requests for Non-Firm PTP service, and over 90% of these requests were for hourly or daily service granted within 24 hours before the service start time.¹⁰ PJM uses an automated system to manage this heavy volume of Non-Firm PTP requests that require rapid processing to meet the current Tariff deadlines. Under this automated process, customers receive an instantaneous evaluation of all of their Non-Firm PTP requests.

NAESB's new Standard WEQ-001-025, which is part of Version 003.2 of the WEQ NAESB Business Practice Standards that will become effective on October 27, 2021, will change this process.¹¹ In particular, the new NAESB standard will require PJM to pause Transmission Service Request processing when PJM receives a request for longer duration service that would preempt shorter duration service, and initiate a back-and-forth communication with all identified "Defenders," i.e., those customers with previously granted shorter duration reservations.

New Standard WEQ-001-025 is well suited to addressing transmission providers that administer a set number of long-term transmission service requests with rollover rights and a limited number of shorter duration service requests. However, in the specific context of PJM's Non-Firm PTP, incorporating the new standard leads to unintended adverse

¹⁰ The service request quantities and share of hourly and daily service requests granted within 24 hours before service start were similar in 2018 and 2019 to that in 2020.

¹¹ In Order No. 676-I, the Commission amended its regulations to incorporate by reference, with certain exceptions, Version 003.2 of the WEQ NAESB Business Practice Standards. In the July 27 Compliance Filing, PJM submitted revisions to the Tariff to comply with the Commission's directives in Order No. 676-I, and sought waiver of certain requirements of the Business Practice Standards.

consequences given the dynamic nature of the PJM market, the very large number of hourly and daily Non-Firm PTP requests and PJM market participants' demonstrated strong preference for submitting those requests shortly before the service start time. For example, PJM has calculated that, for a single preemption event (i.e., each instance in which a new longer term duration request would preempt one or more shorter term duration reservations), the associated pause in Transmission Service Request processing can persist for in excess of two hours for hourly service requests, and in excess of 24-hours for service other than hourly transactions. When PJM must evaluate multiple preemption events, the delays could compound. As discussed in more detail in Section IV, *infra*, the added time and complexity to address duration priority and the right of first refusal process for short term Non-Firm PTP requests under the new NAESB standard will adversely affect service request evaluation times, certainty of service for hourly and daily reservation customers, and Day-Ahead Market and Real-Time Market operations.

PJM has a straightforward path to avoid these adverse effects, however. While the new NAESB standard dictates the process that must be followed to implement service duration priorities and right of first refusal processes in a transmission tariff, NAESB standards do not themselves require that a Transmission Provider must have service duration preemption rights in its tariff in the first place. Notably, PJM does *not* have service duration priorities, or a duration-match right of first refusal, for *Firm* Point-to-Point Transmission Service. PJM eliminated that approach, which was in the Order No. 888 *pro forma* Open Access Transmission Tariff ("OATT"), for Firm Point-to-Point Transmission

Service via an FPA section 205 filing in 1998, which the Commission accepted.¹² The approach of *not using* service duration priority or a right of first refusal for firm service was reaffirmed in PJM’s Order No. 890 compliance proceeding in 2008.¹³

Accordingly, PJM submits this FPA section 205 filing to remove service duration priority and the duration-match right of first refusal from the relevant Non-Firm PTP provision of the Tariff.

II. STAKEHOLDER PROCESS

After PJM reviewed this matter with the PJM stakeholders at the June 21, 2021 Members Committee Webinar meeting, the PJM Operating Committee endorsed an issue charge and problem statement on this issue at its July 15, 2021 meeting, categorizing it as a “Quick Fix” issue under PJM Manual 34, section 8.6.1.¹⁴ The proposed Tariff revisions to resolve this issue, in the same form presented in this filing, were endorsed through an acclamation vote by the PJM Markets and Reliability Committee at its July 28, 2021 meeting, and by the PJM Members Committee at its July 28, 2021 meeting.

III. PROPOSED TARIFF REVISIONS

This filing proposes revisions solely to Tariff, section 14.2, which concerns the reservation priorities for Non-Firm Point-To-Point Transmission Service. Section 14.2 currently assigns higher priority to reservations or requests based on: (1) longer duration;

¹² *PJM Interconnection, L.L.C.*, 84 FERC ¶ 61,212, at 62,035 (1998).

¹³ *PJM Interconnection, L.L.C.*, 123 FERC ¶ 61,145, at PP 12, 14 (2008).

¹⁴ Market Services Division, Stakeholder Affairs Department, *PJM Manual 34: PJM Stakeholder Process*, PJM Interconnection, L.L.C. (April 21, 2021), <https://www.pjm.com/-/media/documents/manuals/m34.ashx>. The “Quick Fix” stakeholder process alternative is for issues identified by PJM, the Commission, the Market Monitor, or stakeholders that are urgent and/or very simple or straightforward to correct, and that may be voted upon at a committee’s first read, if timing requires it. *Id.*

and (2) Pre-Confirmed Applications. Current section 14.2 then sets forth the right of first refusal for a customer with a shorter duration reservation to retain its service by matching the duration of a longer duration request that would otherwise preempt it, and specifies the timing for exercise of those rights.

The proposed revisions to section 14.2 remove (from the second sentence) longer duration as a source of priority, and correspondingly remove the right of first refusal and timing rules associated with that priority (i.e., the current fourth and fifth sentences of that provision).¹⁵ The proposed revisions replace those two sentences with a new sentence stating: “Otherwise, requests for longer term service will not preempt requests for shorter term service.”

IV. JUSTIFICATION FOR TARIFF CHANGE

The proposed revisions to the Tariff, section 14.2 are just and reasonable, because they will enable PJM to avoid the potentially significant adverse consequences that NAESB Standard WEQ-001-025 could have in the specific context of PJM’s administration of tens of thousands of hourly and daily Non-Firm PTP requests each year. As explained in this section, the new NAESB Standard WEQ-001-025 presents potentially significant adverse consequences for service request evaluation times, certainty of service

¹⁵ The two deleted sentences read: “Eligible Customers that have already reserved shorter term service have the right of first refusal to match any longer term request before being preempted. A longer term competing request for Non-Firm Point-To-Point Transmission Service will be granted if the Eligible Customer with the right of first refusal does not agree to match the competing request: (a) immediately for hourly Non-Firm Point-To-Point Transmission Service after notification by the Transmission Provider; and (b) within 24 hours (or earlier if necessary to comply with the scheduling deadlines provided in Tariff, Part II, section 14.6) for Non-Firm Point-To-Point Transmission Service other than hourly transactions after notification by the Transmission Provider.”

for hourly and daily reservation customers, and Day-Ahead Market and Real-Time Market operations.

A. Potential Adverse Impacts on Service Request Evaluation Times

NAESB Standard WEQ-001-025 outlines specific steps for a transmission provider to take when the system is constrained and there are competing requests for service.¹⁶ Standard WEQ-001-025 prescribes a pause in processing of service requests when a competing request is received, to give the transmission service customer with a previously accepted reservation sufficient time to submit matching and remaining requests, for the transmission provider to evaluate the requests, and for the transmission customer that submitted the competing request to confirm the service they may have been granted.¹⁷

As noted above, PJM received over 44,000 confirmed requests for Non-Firm PTP in 2020, and over 90% of these requests were for hourly or daily service granted within 24 hours before the service start time. Over 97% of those requests were for hourly or daily service granted within 48 hours before the service start time. The current Tariff deadlines (i.e., the customer with a right of first refusal can preserve its reservation for hourly service only if it matches the longer term request “immediately” after notification by PJM, or “within 24 hours” for daily or longer services) supports PJM’s processing and evaluation of this large quantity of requests so close to the start time. The more detailed back and forth process prescribed by new NAESB Standard WEQ-001-025, in which the transmission provider, challenger, and defender each is allotted time and opportunity to

¹⁶ NAESB Business Practice Standard WEQ-001-025.

¹⁷ *Id.* “Remaining” refers to a NAESB-defined profile type, consisting of the transmission profile (start/stop/MW) that will remain after preemption is initiated and a reservation fails to successfully exercise the right of first refusal.

consider and respond at each step in the process, will not accommodate this volume of service evaluation activity so close to the start time without adding potentially significant delays that Transmission Customers do not currently experience.

Indeed, for a single preemption event, the pause in Transmission Service Request processing associated with the new NAESB Standard could persist for over two hours for each hourly service requests, and for over 24 hours for each daily or longer service. Once again, this is a function of the application of the NAESB rule to a system as dynamic as PJM's and not an overall issue with the rule itself as applied elsewhere. When PJM must evaluate multiple preemption events, the delays could compound, resulting in significant delays to transmission service processing with the potential to leave some customers insufficient time to make alternative arrangements. The efficiency and flexibility currently provided to PJM transmission service customers through an automated non-firm service engine would be significantly reduced by such delays.

B. Potential Adverse Impacts on Certainty of Service for Hourly and Daily Reservation Customers

Transmission Service reservations procured in smaller increments (i.e., hourly and daily) are at greatest risk of being preempted. As seen from the statistics cited above, the vast majority of PJM's service requests fall into this higher risk category, and are requested and granted shortly before the start of service, leading to greater potential for uncertainty. The close proximity to service start time means OASIS users will have little time to react or make alternate arrangements in the event that their service is preempted. Given the evidence of customers' strong preference for shorter duration Non-Firm PTP in the PJM Region (as opposed to other regions in which long term firm service requests may predominate), a more complicated (and more drawn out) right of first refusal process will,

in the specific context of the PJM Region's Non-Firm PTP, cause longer evaluation periods and shorter reaction periods for affected transmission customers. The overall result would be a significantly higher level of uncertainty for those customers, without obvious offsetting benefits for the PJM Region.

C. Potential Adverse Impacts on Day-Ahead and Real-Time Market Operations

In addition, Transmission Service processing delays may affect the timely submission of offers in the Day-Ahead Market. Similarly, preemption of reservations already relied upon for offers into the Day-Ahead Market could prevent a Day-Ahead Market position from being fulfilled in real time. These effects of a more drawn-out right of first refusal and preemption process therefore could create greater overall uncertainty within the Day-Ahead and Real-Time Markets.

Moreover, the preemption of transmission service that has already been linked to an interchange tag would (unless replacement service is secured) necessitate a transaction curtailment. Any non-firm service request evaluation delays associated with the new standard could also delay PJM's ability to initiate curtailments, leading to detrimental impacts on PJM's Real-Time energy market and potentially on PJM System Operations. Again, this is not an issue with the new NAESB standard itself, but with that standard's interaction with the very large number of hourly and daily Non-Firm PTP requests that PJM, given the dynamic nature of its market and PJM market participants' demonstrated preference, receives and must process close to the service start time.

In contrast to the disadvantages described above from continuance of PJM's Non-Firm PTP preemption rules with the WEQ-001-025 additions, retaining duration preemption for Non-Firm PTP does not offer significant advantages to PJM market

participants. While there may be some benefit to longer duration reservations over short-term reservations in some service areas, the detriment to PJM's competitive daily and real-time interchange markets outweigh those benefits.

This filing, if accepted, will avoid these potential adverse impacts by removing the longer duration reservation priority from the Tariff's Non-Firm PTP reservation priority provision. The longer duration reservation priority originated with the Order No. 888 *pro forma* OATT; it is not independently required by NAESB standards. Rather, because this type of priority is included in the *pro forma* OATT, NAESB appropriately develops standards regarding the details of implementing that priority. NAESB itself confirms that if an OASIS-related provision is not in a transmission provider's tariff, then the transmission provider is not obligated to adopt the associated NAESB Business Practice Standard.¹⁸

While the new NAESB process changes to pre-emption rules may make sense for other Transmission Providers, they will bog down PJM automated processes and introduce risk to the market that outweighs potential benefits to individual transactions. Retention of a pre-emption rule with those process changes will negatively impact PJM service request evaluation times and the PJM Real-Time and Day-Ahead Markets for the reasons described above. The proposed changes to Tariff, section 14.2 address these PJM-specific concerns in a manner similar to the changes previously made to Tariff, section 13.2.

In short, when implementation of the existing Non-Firm PTP longer duration priority becomes too elaborate and time-consuming to be workable, with tens of thousands

¹⁸ See NAESB Business Practice Standard WEQ-001 Introduction ("Transmission Provider is not obligated to implement a particular requirement in an OASIS Business Practice Standard if the Transmission Provider's tariff does not contain the associated provision.").

of hourly and daily requests processed shortly before the service start time, it is apparent that the disadvantages of that particular priority exceed its advantages and it can reasonably be eliminated. That is what PJM, with the strong endorsement of its stakeholders, proposes here.

V. RELATION OF THIS FILING TO PJM'S JULY 27, 2021 ORDER NO. 676-I COMPLIANCE FILING

On July 27, 2021, PJM submitted its filing in Docket No. ER21-2524-000, in compliance with Order No. 676-I, incorporating most of the NAESB version 3.2 Business Practice Standards by reference, but seeking waiver as to a few of those standards.¹⁹ As relevant here, the July 27 Compliance Filing sought waiver of Standard WEQ-001-025 as to both PJM's Firm Point-to-Point Transmission Service reservation priorities provision, Tariff, section 13.2, and PJM's Non-Firm PTP reservation priorities provision, Tariff section 14.2. PJM's justification for the waiver as to Tariff, section 13.2 relied on the facts, as explained in Section IV, *supra*, that the Commission approved removal of the *pro forma* OATT preemption/right of first refusal language in 1998, and reaffirmed that holding in its order on PJM's Order No. 890 compliance filing. PJM's justification for the waiver as to Tariff, section 14.2 relied on the same adverse consequences of the new standard in the specific circumstances of PJM's dynamic markets and associated transmission service request evaluation process that are detailed in Section IV, *supra*.

In PJM's view, Commission acceptance of the Tariff revisions in the present filing should eliminate the need for waiver of Standard WEQ-001-025 as to PJM's Non-Firm PTP Tariff provision, by eliminating the preemption/right of first refusal procedure that

¹⁹ See July 27 Compliance Filing.

Standard WEQ-001-025 amends. On the same rationale, waiver of Standard WEQ-001-025 should also be unnecessary for PJM's firm service reservation priority provision, which has not contained the preemption right of first refusal rules of concern for over twenty years.

This conclusion, which seems intuitively correct (i.e., there should be no need to incorporate a business practice standard that amends a provision that is no longer in your tariff), also is explicitly supported by NAESB's own introduction to its Business Practice Standards. Specifically, NAESB's introduction to its WEQ-001 OASIS Business Practice Standards, containing "the general and specific transaction processing requirements and related business processes required for OASIS," states that "Transmission Provider is not obligated to implement a particular requirement in an OASIS Business Practice Standard if the Transmission Provider's tariff does not contain the associated provision."²⁰ NAESB's introduction to WEQ-002 includes an identical statement as to the OASIS S&CP Business Practice Standards.²¹

Accordingly, PJM's request for waiver of WEQ-001-025 as to PJM's firm service seems, upon further consideration, unnecessary; and PJM's request for waiver of WEQ-001-025 as to PJM's Non-Firm PTP should become unnecessary if the Commission accepts the revisions to Tariff, section 14.2 proposed in the present filing. If the Commission agrees, then, upon direction by the Commission when it accepts this filing, PJM will make a compliance filing in Docket No. ER21-2524-000 to remove the "exclusion of Standard WEQ-001-025 in its entirety" from the listing of Business Practice

²⁰ NAESB Business Practice Standard WEQ-001 (introduction).

²¹ NAESB Business Practice Standard WEQ-002 (introduction).

Standards PJM is incorporating by reference, because that exclusion/waiver is unnecessary. In that event, PJM also will promptly file in Docket No. ER21-2524-000 to formally withdraw from the July 27 Compliance Filing PJM's request for waiver of Business Practice Standard WEQ-001-025.

VI. DOCUMENTS SUBMITTED WITH THIS FILING

In addition to this Transmittal Letter, PJM submits the following documents:

- A. a redlined version of the proposed revisions to Tariff, section 14.2 (Attachment A); and
- B. a clean version of the proposed revisions to Tariff, section 14.2 (Attachment B).

VII. PROPOSED EFFECTIVE DATE

PJM requests an effective date of October 25, 2021, 61 days after the date of this filing. PJM also requests waiver of section 35.13 of the Commission's regulations,²² to the extent applicable to this filing, and requests waiver of any other applicable requirement of 18 C.F.R. part 35 for which waiver is not specifically requested, if necessary, in order to permit Commission acceptance of this filing.

²² 18 C.F.R. § 35.13.

VIII. COMMUNICATIONS, NOTICE AND SERVICE

Correspondence and communications with respect to this filing should be sent to the following individuals:

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PJM has served a copy of this filing on all PJM members and on all state utility regulatory commissions in the PJM region by posting this filing electronically. In accordance with the Commission's regulations, PJM will post a copy of this filing to the FERC Filings section of its website, located at <https://www.pjm.com/library/filing-order.aspx>, with a specific link to the newly filed document, and will send an e-mail on the same date as this filing to all PJM members and all state utility regulatory commissions in the PJM region alerting them of the filing and its availability on PJM's website. PJM also serves the parties listed on the Commission's official service list for this docket. Notwithstanding the foregoing, if the document is not immediately available by using the referenced link, it will be available within 24 hours of the filing. A copy of this filing will also be available on the Commission's eLibrary website located at <https://elibrary.ferc.gov/> in accordance with the Commission's regulations and Order No. 714.

IX. CONCLUSION

Wherefore, for the foregoing reasons, PJM respectfully requests that the Commission accept the revisions to the Tariff proposed herein, effective October 25, 2021.

Respectfully submitted,

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August 25, 2021

Attachment A

Revisions to the PJM Open Access Transmission Tariff

(Marked/Redline Format)

14.2 Reservation Priority:

Non-Firm Point-To-Point Transmission Service shall be available from transfer capability in excess of that needed for reliable service to Native Load Customers, Network Customers and other Transmission Customers taking Long-Term and Short-Term Firm Point-To-Point Transmission Service. A higher priority will be assigned ~~first~~ to requests or reservations with ~~a longer duration of service and second to~~ Pre-Confirmed Applications. In the event the Transmission System is constrained, competing requests of the same Pre-Confirmation status and equal duration will be prioritized based on the highest price offered by the Eligible Customer for the Transmission Service. ~~Otherwise, requests for longer term service will not preempt requests for shorter term service. Eligible Customers that have already reserved shorter term service have the right of first refusal to match any longer term request before being preempted. A longer term competing request for Non-Firm Point-To-Point Transmission Service will be granted if the Eligible Customer with the right of first refusal does not agree to match the competing request: (a) immediately for hourly Non-Firm Point To-Point Transmission Service after notification by the Transmission Provider; and (b) within 24 hours (or earlier if necessary to comply with the scheduling deadlines provided in Tariff, Part II, section 14.6) for Non-Firm Point-To-Point Transmission Service other than hourly transactions after notification by the Transmission Provider.~~ Transmission service for Network Customers from resources other than designated Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service. Non-Firm Point-To-Point Transmission Service over secondary Point(s) of Receipt and Point(s) of Delivery will have the lowest reservation priority under the Tariff.

Attachment B

Revisions to the
PJM Open Access Transmission Tariff

(Clean Format)

14.2 Reservation Priority:

Non-Firm Point-To-Point Transmission Service shall be available from transfer capability in excess of that needed for reliable service to Native Load Customers, Network Customers and other Transmission Customers taking Long-Term and Short-Term Firm Point-To-Point Transmission Service. A higher priority will be assigned to requests or reservations with Pre-Confirmed Applications. In the event the Transmission System is constrained, competing requests of the same Pre-Confirmation status and equal duration will be prioritized based on the highest price offered by the Eligible Customer for the Transmission Service. Otherwise, requests for longer term service will not preempt requests for shorter term service. Transmission service for Network Customers from resources other than designated Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service. Non-Firm Point-To-Point Transmission Service over secondary Point(s) of Receipt and Point(s) of Delivery will have the lowest reservation priority under the Tariff.