

164 FERC ¶ 61,073
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Kevin J. McIntyre, Chairman;
Cheryl A. LaFleur, Neil Chatterjee,
Robert F. Powelson, and Richard Glick.

PJM Interconnection, L.L.C.

Docket No. ER18-1730-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued July 31, 2018)

1. On June 1, 2018, PJM Interconnection, L.L.C. (PJM) filed, pursuant to section 205 of the Federal Power Act (FPA)¹ and Part 35 of the Commission's regulations,² proposed revisions (Phase 2 Revisions) to the PJM Open Access Transmission Tariff (Tariff) and the Amended and Restated Operating Agreement (Operating Agreement) to: (1) charge or credit pseudo-tie transactions from MISO to the PJM-MISO interface for real-time deviations from day-ahead schedules for congestion resulting from market-to-market coordination pursuant to the Joint Operating Agreement between Midcontinent Independent System Operator, Inc. (MISO) and PJM (JOA); and (2) provide a new transaction type to hedge exposure to financial risk for pseudo-tied resources from PJM into MISO. As discussed below, we accept PJM's Phase 2 Revisions, to become effective August 1, 2018, as requested.³

I. Background

2. A pseudo-tie involves the real-time transfer of control of a generating resource or load from the Native Balancing Authority, in whose area that resource or load is physically located, to an Attaining Balancing Authority in a different geographic location.⁴ Because PJM requires that an external resource be pseudo-tied to PJM in order

¹ 16 U.S.C. § 824d (2012).

² 18 C.F.R. pt. 35 (2017).

³ Appendix A to this order lists the tariff records accepted for PJM.

⁴ See, e.g., *PJM Interconnection, L.L.C.*, 161 FERC ¶ 61,313, at P 2 (2017).

to participate in the PJM capacity market, there has been a significant increase in the number of resources that have sought to pseudo-tie from MISO into PJM (the RTOs).⁵

3. The existing MISO-PJM Joint Operating Agreement (JOA) contains provisions for coordinated congestion management over Reciprocally Coordinated Flowgates (RCFs).⁶ When an RCF binds simultaneously in both the PJM and MISO markets, that RCF can create overlapping congestion charges such that the day-ahead Locational Marginal Prices (LMPs) the pseudo-tied resource pays or is paid⁷ results in the resource paying twice for the congestion that occurs between the source (physical location of the pseudo-tied resource) and sink interface of the Attaining Balancing Authority.

4. Under the status quo, when both markets bind on the same RCF, the Native Balancing Authority assesses the pseudo-tied resource a transmission usage charge for the energy transactions between the pseudo-tied resource and the border with the Attaining Balancing Authority. At the same time, the Attaining Balancing Authority also assesses the pseudo-tied resource a charge for delivery of energy, injection and withdrawal, along the path between the physical resource and the border interface.

5. To address the market and reliability challenges posed by the increased number of pseudo-tied resources from MISO to PJM, the RTOs have proposed a two-phase resolution of certain issues involving overlapping congestion charges affecting pseudo-tied resources. On October 23, 2017, MISO and PJM filed identical proposed revisions to the JOA to eliminate congestion payments between PJM and MISO associated with

⁵ In 2015, the Commission accepted enhancements to the PJM forward capacity market that, among other things, made pseudo-tying a requirement for external resources to qualify and participate in the PJM capacity market as Capacity Performance Resources. *PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,208, at P 97 (2015), *order on reh'g*, 155 FERC ¶ 61,157 (2016).

⁶ An RCF is a Flowgate that is subject to reciprocal coordination by Operating Entities. *See* JOA § 2.2.54. A Flowgate is defined under the JOA as “a representative modeling of facilities or groups of facilities that may act as significant constraint points on the regional system.” *See id.* § 2.2.24.

⁷ The overlap could be a payment or a charge depending on the location of the constraint and the impact of the pseudo-tie.

pseudo-tie impacts on RCFs as the initial step to address the congestion overlap (Phase 1 Revisions).⁸

6. However, the RTOs stated that the Phase 1 Revisions will not provide full congestion credits or charges to pseudo-tied resources because of the potential for real-time deviations from the day-ahead market.⁹ The RTOs explained that the Phase 2 Revisions would require them to modify their respective tariffs to make rebates available for the deviations from day-ahead commitments and these rebates would remove the remainder of the overlapping congestion charges not accounted for with the Phase 1 Revisions.

II. PJM's Filing - Phase 2 Revisions

7. PJM's Phase 2 Revisions contain three distinct enhancements. PJM explains that the proposed Phase 2 Revisions will: (1) for market participants that pseudo-tie their resources into PJM from MISO, charge or credit pseudo-tie transactions from MISO to the PJM-MISO interface for real-time deviations from day-ahead schedules for congestion resulting from market-to-market coordination pursuant to the JOA; (2) provide market participants that pseudo-tie out of PJM into MISO with a new transaction type to hedge exposure to financial risk (referred to as Day-Ahead Pseudo-Tie Transactions); and (3) include Day-Ahead Pseudo-Tie Transactions in the list of transaction types from which PJM recovers costs for administering the energy markets.¹⁰

8. First, under the proposed revisions, PJM proposes to charge or credit a pseudo-tied market participant for the balancing deviation congestion associated with the overlapping portion of the pseudo-tie path from MISO to the PJM-MISO border.¹¹ PJM's Phase 2

⁸ An order in Docket Nos. ER18-136-003 and ER18-137-003 accepting the Phase 1 Revisions by MISO and PJM is being issued concurrently with this order. See *Midcontinent Indep. Sys. Operator, Inc.*, 164 FERC ¶ 61,069 (2018).

⁹ See *id.* P 8 (citing MISO Deficiency Response, *Midcontinent Indep. Sys. Operator, Inc.*, Docket No. ER18-136-002, at 14 (filed Jan. 29, 2018); PJM Deficiency Response, *PJM Interconnection, L.L.C.*, Docket No. ER18-137-002, at 14 (filed Jan. 29, 2018) (PJM Phase 1 Deficiency Response)).

¹⁰ PJM Transmittal at 1.

¹¹ A resource's balancing deviations "are deviations between the generator's day-ahead schedule and its real-time, actual generation. Resources are paid real-time balancing prices for any generation that exceeds their day-ahead scheduled amounts and pay for any generation deficit below their day-ahead scheduled amounts." *Id.* at 4 n.2.

Revisions contain the proposed calculations of the charges and credits for balancing deviations between day-ahead schedules and real-time generation for pseudo-tied resources. PJM explains that charges or credits for balancing deviations are a function of real-time congestion LMP (for the path from the pseudo-tied resource to the MISO-PJM interface) times the megawatt (MW) deviation between the cleared MW in the day-ahead market and the real-time market MW output for the pseudo-tied resource.¹²

9. Second, PJM is providing pseudo-tied market participants, who export energy from PJM to MISO, with a hedge against congestion by permitting them to submit day-ahead bids associated with real-time physical transactions by specifying the maximum amount they are willing to pay for congestion between the source (i.e., from the pseudo-tied resource) and the sink (i.e., to the PJM-MISO interface).¹³ PJM explains that it will compare the pseudo-tied resource's specified maximum congestion threshold with the amount of congestion charges assessed to the market participant. If the pseudo-tied resource's acceptable congestion amount is greater than the congestion charges that would be incurred, then the transaction will be cleared and scheduled in the day-ahead market.¹⁴

10. PJM claims that the proposed Phase 2 Revisions reduce financial risk and align congestion costs for pseudo-tied market participants. Specifically, PJM claims that the proposed Phase 2 Revisions will allow a resource pseudo-tied out of PJM to manage the

¹² PJM Transmittal at 6; proposed Section 3.8, Appendix to Attachment K of the PJM Tariff and Schedule 1 of the Operating Agreement. PJM also proposes revisions to Section 9-3 (Market Support Service) to include the mechanism "Day-Ahead Pseudo-Tie Transaction" in the list of transactions from which PJM recovers costs for administering its energy markets. *See* Section 9-3, Appendix to Attachment K of the PJM Tariff and Schedule 1 of the Operating Agreement. Notably, market participants' protests in the Phase 1 Revisions proceeding largely focused on the absence of this charge/credit mechanism to account for real-time deviations from day-ahead commitments.

¹³ PJM Transmittal at 2; *see also* proposed Section 1.10 (n), Appendix to Attachment K of the PJM Tariff and Schedule 1 of the Operating Agreement. Section 1.10 (n) provides that "Day-Ahead Pseudo-Tie Transactions combine an offer to sell energy at a source with a bid to buy the same [MW] quantity of energy at a sink where such transaction specifies the maximum difference between Locational Marginal Prices [LMP] at the source and sink." PJM states the proposed language is to ensure that a given transaction is only used for pseudo-tie exports into MISO, not for other resources or paths. PJM Transmittal at 5.

¹⁴ Transmittal at 6.

exposure to price differentials between the source and sink in the real-time market by (1) obtaining a day-ahead LMP obligation (which includes binding day-ahead congestion charges up to the MW quantity of the transaction) or (2) specifying the maximum difference between the LMPs at the source and sink (which allow the pseudo-tied market participant to limit the amount of congestion that it is willing to pay for the transaction).¹⁵

11. Third, PJM proposes to include Day-Ahead Pseudo-Tie Transactions among those from which it recovers costs for administering the energy markets. PJM explains that it recovers costs for activities performed by PJM for the operation of its energy markets and related functions by charging market participants that submit (1) offers to sell energy or (2) bids to buy energy. PJM asserts that it is therefore appropriate to charge Day-Ahead Pseudo-Tie Transactions for the administrative costs to support the bidding of such transactions.¹⁶

III. Notice of Filing and Responsive Pleadings

12. Notice of PJM's proposal was published in the *Federal Register*, 83 Fed. Reg. 26455 (2018), with interventions and comments due on or before June 22, 2018.

13. The following entities filed timely motions to intervene: Ameren Services Company; American Municipal Power, Inc. (AMP); Cogentrix Energy Power Management, LLC; Delaware Municipal Electric Corporation, Inc.; Dominion Energy Services, Inc.; Duke Energy Corporation; Exelon Corporation; Financial Marketers Coalition;¹⁷ Illinois Municipal Electric Agency (IMEA); Monitoring Analytics, LLC, in its capacity as the Independent Market Monitor for PJM; North Carolina Electric Membership Corporation; NRG Power Marketing LLC and GenOn Energy Management, LLC; and Wabash Valley Power Association.

14. Financial Marketers Coalition filed comments. AMP submitted a protest. IMEA submitted a protest and a motion to consolidate the instant proceeding with the proceedings in Docket No. ER18-136-003 and ER18-137-003 pertaining to the RTOs' Phase 1 Revisions. On July 12, 2018, PJM filed an answer to the protests. On July 27, 2018, AMP filed a motion to consolidate the instant proceeding with the complaint

¹⁵ *Id.* at 3.

¹⁶ *Id.* at 6.

¹⁷ Financial Marketers Coalition represents a group of marketers engaged in transactions in the markets operated by PJM, including congestion hedging similar to that proposed in the instant filing.

proceedings pending against PJM in Docket Nos. EL17-31-000 and EL17-37-000 and a motion for leave to answer and an answer to PJM's answer.

IV. Discussion

A. Procedural Matters

15. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2017), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

16. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2017), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We accept PJM's answer to the protests because it has provided information that has assisted us in our decision-making process. We are not persuaded to accept AMP's answer to PJM's answer, and, therefore, reject it.¹⁸

B. Substantive Matters

17. We accept PJM's Phase 2 Revisions as just and reasonable and not unduly discriminatory or preferential because they provide a mechanism for market participants to balance real-time deviations between the day-ahead and the real-time energy markets. We find that PJM's proposed Phase 2 Revisions address the overlapping congestion charges by providing: (1) a charge or credit to a pseudo-tied market participant for the balancing deviation congestion associated with the overlapping portion of the pseudo-tie path from MISO to the PJM-MISO border; (2) a proposed new type of transaction, Day-Ahead Pseudo-Tie Transactions, to allow resources pseudo-tied from PJM to MISO to hedge against transmission congestion charges; and (3) an administrative charge to recover costs for activities performed by PJM to support the bidding of Day-Ahead Pseudo-Tie Transactions in the energy markets. We find PJM's Phase 2 Revisions address concerns about the potential for congestion charge overlap. We discuss each of the contested issues below.

¹⁸ Since Commission regulations do not permit answers to answers, parties that feel compelled to seek leave to file answers need to do so with sufficient time for such answers to be considered.

1. Charges or Credits for Deviations

a. Comments and Protests

18. AMP argues that PJM's balancing congestion charge neither eliminates overlapping congestion charges nor does it provide rebates either prospectively or with respect to past double-charges. Instead, AMP contends that PJM's proposed mechanism serves only as a narrowly focused true-up mechanism which depends on perpetuating pseudo-tie import charges for congestion costs arising in MISO, in violation of PJM's Tariff.¹⁹ IMEA argues that PJM's proposed charge or credit will not be reflected in the PJM LMP or dispatch of a pseudo-tied resource because PJM's Phase 2 Revisions include a settlement component (i.e., the charge or credit to market participants) that will only be known after settlements are completed.²⁰ IMEA further argues that because PJM proposes to charge or credit a pseudo-tied resource after the fact through the balancing charges congestion fund, there is a lack of transparency on how charges are calculated and distributed on an hourly basis.²¹

b. Determination

19. We find that PJM's proposed revisions account for the difference in flow between the day-ahead and real-time markets for congestion resulting from market-to-market coordination pursuant to the JOA, which was not accounted for under the RTOs' Phase 1 Revisions.²² Further, as PJM notes, its Phase 2 Revisions will result in more comparable treatment of pseudo-tied resources into PJM with local PJM resources by consistently charging or crediting congestion on the overlap portion of the pseudo-tie path.²³ We disagree with AMP's claims that PJM's proposal does not provide rebates to eliminate overlapping congestion charges. Market participants will be credited or charged based on real-time congestion LMP (for the path from the location of the pseudo-tie generator to MISO-PJM border) and the MW deviation between the cleared MW in the day-ahead market and the real-time market MW output for congestion resulting from market-to-

¹⁹ AMP Protest at 5.

²⁰ IMEA Protest at 5.

²¹ *Id.* at 6.

²² PJM Transmittal at 4.

²³ *Id.* at 4-5.

market coordination pursuant to the JOA.²⁴ The proposed credit or charge is for the deviations of the overlap portion on only market-to-market constraints and, as PJM noted, credits or charges for normal balancing deviations (i.e., deviations not associated with market-to-market constraints) will not be impacted by the proposed change. With regard to IMEA's concerns that PJM's proposed charge or credit will not be reflected in the PJM LMP or dispatch of a pseudo-tied resource, we disagree. As the RTOs explained in their Phase 1 Revisions, under the coordination procedure, the costs of relieving any constraints are reflected in the LMPs in both MISO and PJM.²⁵

2. Hedging Mechanism

a. Comments and Protests

20. AMP contends that PJM's proposed hedging mechanism, which AMP characterizes as a "schedule-cutting option," is unduly discriminatory because it is exclusively available to pseudo-tied resources exporting out of PJM into MISO.²⁶ AMP argues that PJM's filing does not explain the origin of this proposal or why the proposal is limited only to exporting pseudo-ties and does not apply to importing pseudo-ties. AMP also contends that PJM fails to address the potential consequences of pseudo-tied transactions sinking in MISO, which could include non-performance penalties assessed by MISO.²⁷

21. Financial Marketers Coalition explains that it supports PJM's recognition that a congestion hedging product brings benefit to the market, as the Up-To Congestion (UTC) product, which is available to all market participants within the PJM footprint, does. Financial Marketers Coalition notes that the Phase 2 Revisions give a congestion hedge to pseudo-tied resources, essentially creating a new type of virtual transaction, only a few months after PJM asserted in a Virtual Transaction Whitepaper that "data clearly shows that generation owning companies do not generally use any type of Virtual Transaction in any meaningful volume let alone the specific use of a UTC to hedge congestion to the

²⁴ *Id.* at 6; proposed Section 3.8, Appendix to Attachment K of the PJM Tariff and Schedule 1 of the Operating Agreement.

²⁵ Prepared Direct Testimony of Kevin A. Vannoy in support of the RTOs' filing, at 12, Tab A (Docket No. ER18-136-000) and Attachment C (Docket No. ER18-137-000).

²⁶ AMP Protest at 3.

²⁷ *Id.* at 3.

PJM border.”²⁸ Financial Marketers Coalition questions whether limiting this new financial product to a limited set of market participants (i.e., pseudo-tied market participants) implicates open access, non-discriminatory policies. Financial Marketers Coalition suggests that PJM expand the set of points available for the UTC product that would include resources and pseudo-tied resources, which would then allow a pseudo-tied resource to link the clearing of a UTC transaction to the clearing of its offers, which would absolve the need to create an entirely new financial product.²⁹

b. Answer

22. PJM argues that AMP mischaracterizes PJM’s proposed new hedging mechanism as a “schedule cutting” option.³⁰ PJM asserts that the term “schedule cutting” implies that schedules are cut in real-time and that PJM determines whether the schedule is cut. PJM asserts that, in contrast, the proposed new product is voluntary because it allows, but does not require, the market participants to determine whether to schedule the transaction in the day-ahead market based on congestion costs to manage risk. Further, PJM states that a pseudo-tie’s schedule will exist in the real-time market whether or not market participants elect to schedule in the day-ahead market. PJM reiterates that if the congestion charges are greater than the amount specified by a market participant, a transaction would not be scheduled.³¹ PJM states the RTOs noted in their respective Phase 1 Revisions that each RTO would file respective tariff revisions to effectuate the Phase 2 Revisions. PJM asserts that its proposal is designed to provide benefits to its market participants and expects MISO to make a similar filing, in the future, for pseudo-tied resources from MISO to PJM.³²

23. PJM asserts that the new financial product for hedging pseudo-tie transactions is only available to PJM’s pseudo-tie transactions that follow PJM’s dispatch signal while also being subject to congestion on the Native Balancing Authority system. PJM explains that the financial product is tied to transmission service, which demonstrates a

²⁸ Financial Marketers Coalition Comments at 1-2 (quoting PJM Deficiency Response, *PJM Interconnection, L.L.C.*, Docket No. ER18-88-001, at 7 (filed Dec. 22, 2017)).

²⁹ *Id.* at 2-3.

³⁰ PJM Answer at 5-6.

³¹ *Id.* at 5.

³² *Id.* at 6.

physical delivery of energy from a resource-specific location to physical load in an external Balancing Authority.³³

24. PJM disagrees with AMP's argument that PJM's proposal to only charge exporting generators for congestion costs arising within PJM is unduly discriminatory. PJM argues that AMP's argument is beyond the scope of this proceeding. PJM explains that section 205 of the FPA requires the Commission to determine whether the proposed rate is just and reasonable. Further, PJM states that the proposed tariff revisions do not change the source or sink for assessing congestion on either imports or exports. PJM further clarifies that it charges all transactions (including generators pseudo-tied into PJM) in a comparable, just and non-discriminatory manner. For import transactions, PJM explains that it assesses congestion charges from the generator's location to the load within PJM. For all export transactions, PJM asserts that it assesses congestion charges between the generator and the MISO-PJM interface.³⁴

c. Determination

25. We disagree with AMP's assertion that PJM's proposed hedging mechanism is unduly discriminatory because its hedging mechanism is available only for pseudo-tied resources that are exporting from PJM into MISO and not for resources importing from MISO to PJM. Resources that are importing into PJM from MISO, and thus are not in PJM's geographic footprint, are not similarly situated to resources exporting from PJM, which are in PJM's geographic footprint. In AMP's situation, AMP is not exporting energy from PJM to MISO, but rather is pseudo-tied from MISO to PJM. Thus, PJM's Phase 2 Revisions do not provide nor require a hedging mechanism for AMP's transactions. However, as PJM notes in its answer, PJM expects that in MISO's respective Phase 2 filing, MISO will develop a similar hedging mechanism that will address pseudo-tied resources from MISO to PJM.

26. We also agree with PJM that its proposed hedging mechanism is voluntary because the market participant, and not PJM, will determine whether a transaction is scheduled in the day-ahead market. In addition, PJM's hedging mechanism does not require, but permits a pseudo-tied resource to specify a maximum amount that it is willing to pay for congestion between the source and sink in PJM's day-ahead market.

27. We also dismiss AMP's argument regarding non-performance penalties assessed by MISO as outside the scope of this proceeding, which concerns only the PJM Tariff and not any charges or credits assessed by MISO.

³³ *Id.* at 12.

³⁴ *Id.* at 7-8.

28. Financial Marketers Coalition submits what is essentially an alternative proposal to increase the number of bidding points available to existing UTC transactions. The only issue in this proceeding, however, is whether PJM's filing is just and reasonable and not unduly discriminatory or preferential, not whether an alternative approach might also be just and reasonable.³⁵ The hedging mechanism proposed in PJM's Phase 2 Revisions is designed specifically to hedge against the risk that pseudo-tie transactions out of PJM would face as the result of congestion arising on a neighboring transmission system. This is distinct from the existing UTC product and from the associated reduction in biddable points for UTC transactions, which the Commission previously accepted.³⁶ The existing UTC product is a virtual transaction that does not require, among other things, a pseudo-tied generator to reserve transmission service³⁷ while this product is a physical hedge against a specific risk resulting from a pseudo-tie. As PJM explains, the financial product is tied to transmission service, which demonstrates a physical delivery of energy from a resource-specific location to physical load in an external Balancing Authority.³⁸ As such, we do not find PJM's proposal to allow a hedging mechanism violates open access policies, nor do we find it unduly discriminatory or preferential.

3. Administrative Charges

a. Comments and Protests

29. AMP argues that PJM's proposed assessment of administrative charges on Day-Ahead Pseudo-Tie Transactions should not apply to pseudo-tie imports because PJM has already collected those charges for pseudo-tie imports from MISO to PJM.³⁹ AMP

³⁵ See, e.g., *Cal. Indep. Sys. Operator Corp.*, 128 FERC ¶ 61,265, at P 21 (2009) (“the issue before the Commission is whether the CAISO's proposal is just and reasonable and not whether the proposal is more or less reasonable than other alternatives”); see also *OXY USA Inc. v. FERC*, 64 F.3d 679, 692 (D.C. Cir. 1995) (finding that under the FPA, as long as the Commission finds a methodology to be just and reasonable, that methodology “need not be the only reasonable methodology, or even the most accurate one”); *Cities of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984) (when determining whether a rate was just and reasonable, the Commission properly did not consider “whether a proposed rate schedule is more or less reasonable than alternative rate designs”).

³⁶ See *PJM Interconnection, L.L.C.*, 162 FERC ¶ 61,139 (2018).

³⁷ See PJM Operating Agreement at Schedule 1, Section 1.10.1(b).

³⁸ PJM Answer at 12.

³⁹ AMP Protest at 7.

asserts that any attempt to assess any additional administrative charges on pseudo-tie imports would be duplicative, unjust and unreasonable and unduly discriminatory.⁴⁰

b. Answer

30. PJM asserts that the proposed revision to Schedule 9-3 of its Tariff applies only to entities that voluntarily elect to use the Day-Ahead Pseudo-Tie Transactions for exports from PJM into MISO and that the purpose of the administrative charge is to administer such transactions.⁴¹

c. Determination

31. As described above, proposed Schedule 9-3, Appendix to Attachment K of the PJM Tariff and Schedule 1 of the Operating Agreement, provides that PJM include the Day-Ahead Pseudo-Tie Transactions among the transactions from which PJM recovers costs for administering the energy markets. We find appropriate PJM's proposal to charge Day-Ahead Pseudo-Tie Transactions for the administrative costs of submitting offers to sell or bids to buy energy in the PJM Interchange Energy Market as it affords comparable treatment among similarly situated resources. As PJM explains, it assesses these administrative charges to recover costs for activities performed by PJM for the operation of its energy markets and related functions. In addition, we note that, in response to AMP's concern, PJM confirms that the administrative charge proposal applies only to Day-Ahead Pseudo-Tie Transactions, which do not include pseudo-tied import transactions from MISO into PJM.

4. Inefficient Dispatch

a. Comments and Protests

32. AMP and IMEA argue that PJM's proposed Phase 2 Revisions will exacerbate inefficient dispatch issues that currently exist in part because PJM's dispatch signals do not include congestion charges assessed by MISO.⁴² Further, IMEA requests that the Commission direct PJM to work with MISO on a single dispatch proposal that would provide correct price signals.⁴³

⁴⁰ *Id.*

⁴¹ PJM Answer at 11-12.

⁴² AMP Protest at 6; IMEA Protest at 5.

⁴³ IMEA Protest at 6.

33. AMP asserts that the Phase 2 Revisions do not address the dispatch issues raised in a series of complaints pertaining to overlapping and unauthorized charges for congestion the RTOs assessed against generators that are pseudo-tied from the MISO Balancing Authority Area into the PJM Balancing Authority Area (the MISO/PJM Pseudo-Tie Congestion Complaints)⁴⁴—principally, that resources that follow PJM’s dispatch are compensated at a price level that is inconsistent with dispatch because PJM’s dispatch is based on an LMP that does not include congestion charges assessed by MISO.⁴⁵

34. IMEA argues that the out-of-market congestion deviation settlements proposed in PJM’s Phase 2 Revisions will further exaggerate the inefficient dispatch issue IMEA raised in the proceeding addressing the Phase 1 Revisions. IMEA reiterates that PJM’s price signals to pseudo-tied resources are inaccurate because MISO congestion charges and losses are billed separately by MISO after the fact and are not included in the coordinated LMP from PJM. IMEA contends that this results in inflated price signals to pseudo-tied resources and inhibits PJM’s ability to make an informed decision whether to dispatch a resource. IMEA avers that PJM’s proposed charge or credit for congestion resulting from market-to-market coordination will not be reflected in the LMPs that PJM used to dispatch pseudo-tied resources, and therefore, will further exaggerate PJM’s inefficient dispatch signals to pseudo-tied resources.⁴⁶

35. IMEA also asserts that the shift factors and the associated data used in the calculation of charges or credits are not available to pseudo-tied resources in order to make efficient dispatch decisions.

b. Answer

36. PJM states that IMEA’s request for a single dispatch solution is equivalent to an alternative proposal and, therefore, is beyond the scope of this proceeding. PJM states

⁴⁴ The MISO/PJM Pseudo-Tie Congestion Complaints consist of five pending complaints against MISO and PJM under sections 206, 306, and 309 of the FPA, which allege, among other claims, that PJM and MISO lack authority to assess congestion charges. The complaints also claim that the congestion charge overlap is unjust and unreasonable. The complaints were filed in Docket Nos. EL17-31-000 and EL17-37-000 (against PJM), and in Docket Nos. EL16-108-000, EL17-29-000, and EL17-54-000 (against MISO). *See, e.g.*, AMP Protest at 1-2 & n.5.

⁴⁵ *Id.* at 6.

⁴⁶ IMEA Protest at 5-6.

that it made its filing under section 205 of the FPA and the standard legal review requires the Commission to determine whether the proposed rate is just and reasonable.⁴⁷

c. Determination

37. We find AMP's and IMEA's concerns with the efficiency of the dispatch signal unconvincing. The protesters argue that the deviation settlements will exacerbate what they claim are PJM's inefficient dispatch signals because, among other things, charges or credits, which are included after the fact, are not reflected in the LMP used by PJM's dispatch decisions. While AMP and IMEA are correct that the charges or credits occur after the fact, the purpose of PJM's proposed charges or credits is to ensure that pseudo-tied resources are appropriately charged or credited for the amount of congestion they cause to the system. As such, we are not persuaded by AMP's and IMEA's arguments that PJM's proposal will contribute to alleged inefficient dispatch issues. Further, we find that PJM's proposed charges and credits are calculated based on real-time LMP, which reflects congestion and loss, for the path from a pseudo-tied generator in MISO to the MISO-PJM interface for deviations between that generator's day-ahead schedule and its real-time generation.⁴⁸

38. With respect to AMP's and IMEA's requests that the Commission direct PJM to work with MISO on a single dispatch proposal, we find this request to be outside the

⁴⁷ PJM Answer at 3-4.

⁴⁸ See proposed Section 3.8, Appendix to Attachment K of the PJM Tariff and Schedule 1 of the Operating Agreement.

scope of this proceeding.⁴⁹ As stated above, the Commission is tasked under section 205 of the FPA with determining whether a proposal is just and reasonable, and not unduly discriminatory or preferential, not to determine whether alternative proposals are more or less reasonable.⁵⁰

39. Regarding IMEA's concerns over shift factors⁵¹ and the unavailability of associated data, we note that while PJM does not post market data related to shift factors, PJM provided a thorough explanation on how the RTOs will calculate the weighted shift factor for each market-to-market flowgate in its deficiency response to Commission staff's data request in the Phase 1 filings.⁵²

5. Related Proceedings and Other Issues

a. Comments and Protests

40. IMEA requests that the Commission consolidate the instant proceeding with the proceedings in Docket Nos. ER18-136-003 and ER18-137-003 regarding the RTOs' Phase 1 Revisions. IMEA asserts that consolidating the proceedings will, among other things, promote administrative efficiency.⁵³

41. AMP asserts that PJM's proposed Phase 2 Revisions do not meaningfully address the issues raised by generators, who are pseudo-tied from MISO to PJM, in the MISO/PJM Pseudo-Tie Congestion Complaints.⁵⁴ On July 27, 2018, AMP filed a motion to consolidate the instant proceeding with the complaint proceedings pending against PJM in Docket Nos. EL17-31-000 and EL17-37-000, arguing that the issues of fact that are raised by PJM's proposed Phase 2 Revisions encompass the issues of fact that are raised in the complaints.⁵⁵

⁴⁹ See *Wisconsin Pub. Serv. Corp. v. Midwest Indep. Transmission Sys.*, 118 FERC ¶ 61,089, *reh'g denied*, 120 FERC ¶ 61,269 (2007) (denying a request to institute a single dispatch in the combined MISO-PJM footprint).

⁵⁰ See *supra* note 35.

⁵¹ A shift factor measures the generation impact on a flowgate.

⁵² See PJM Phase 1 Deficiency Response at 6-8.

⁵³ IMEA Protest at 8-9.

⁵⁴ AMP Protest at 2.

⁵⁵ AMP Motion at 3.

b. Answer

42. PJM states that while it acknowledges the pending MISO/PJM Pseudo-Tie Congestion Complaints, it does not believe that complainants have met their burden to demonstrate that the RTOs' filings or the JOA are unjust and unreasonable. PJM argues that the complaints should not prevent the Commission from ruling on PJM's proposal and that in due time, the Commission will address any claims made in the MISO/PJM Pseudo-Tie Congestion Complaints.⁵⁶

c. Determination

43. We deny IMEA's request to consolidate the RTOs' Phase 1 Revisions in Docket Nos. ER18-136-003 and ER18-137-003 with PJM's Phase 2 Revisions. These are separate filings raising different issues. The Commission sees no administrative efficiency in consolidating these proceedings as the Commission is resolving them without a trial-type hearing.⁵⁷

44. Further, we deny AMP's motion to consolidate the instant proceeding with the complaint proceedings against PJM in Docket Nos. EL17-31-000 and EL17-37-000.⁵⁸ The fact that there are other proceedings with issues related to the issues PJM seeks to address in the instant filing does not limit the Commission's ability to render a decision on this filing. We recognize that there are complaints related to pseudo-ties currently pending with the Commission. We will address arguments raised in the MISO/PJM Pseudo-Tie Congestion Complaints in those complaint dockets.

The Commission orders:

⁵⁶ PJM Answer at 4-5.

⁵⁷ The Commission's policy is to consolidate matters only if a trial-type evidentiary hearing is required to resolve common issues of law and fact and consolidation will ultimately result in greater administrative efficiency. *See Southern Cal. Edison Co.*, 129 FERC ¶ 61,304, at P 26 (2009), *amended by* 130 FERC ¶ 61,092 (2010); *Midcontinent Express Pipeline LLC*, 124 FERC ¶ 61,089, at P 27 (2008), *order on reh'g*, 127 FERC ¶ 61,164 (2009), *order on remand*, 134 FERC 61,155, *reh'g denied*, 136 FERC 61,222 (2011); *Startrans IO, L.L.C.*, 122 FERC ¶ 61,253, at P 25 (2008).

⁵⁸ We note that, under our regulations, parties have 15 days to respond to AMP's motion, but AMP did not file the motion in time to allow an opportunity for other parties to respond.

PJM's proposed Phase 2 Revisions are hereby accepted, to become effective August 1, 2018, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix A

Tariff Records Accepted PJM Interconnection, L.L.C. FERC FPA Electric Tariff Intra-PJM Tariffs

[PJM OATT Table of Contents, 33.0.1](#)

[OATT Definitions – A - B, 13.0.0](#)

[OATT Definitions – C-D, 15.0.0](#)

[OATT Definitions – L – M - N, 19.0.0](#)

[OATT SCHEDULE 9-3, 10.0.0](#)

[OATT Attachment K Appendix Sec 1.10 - Scheduling, 33.0.0](#)

[OATT ATT K APPX Sec 3.8 Market-to-Market Coordination, 0.0.0](#)

[OA - Table of Contents, 10.0.0](#)

[A Definitions A - B, 6.0.0](#)

[OA Definitions C - D, 18.0.0](#)

[OA Definitions M - N, 11.0.0](#)

[OA Schedule 1 Sec 1.10 - Scheduling, 33.0.0](#)

[OA Schedule 1 Sec 3.8 - Market-to-Market Coordination, 0.0.0.](#)