



Long-Term Transmission Rights Allocation Proposal

Market and Reliability Committee
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- ARRs/FTRs allocated each year for one-year term using two stage process
- Process gives priority to historic transmission system usage
- Stage 1 allocations for historical resources to load
- Stage 2 gives opportunity to request ARRs/FTRs on alternative paths
 - 4-round sequential process in which customer may request 25% of load not supplied by Stage 1 allocation

- FTRs auctioned each year for one-year term
- 100% of transmission capability is auctioned in 4-round sequential process where 25% of system capability is available in each round
- ARRs may be self-scheduled as FTRs
- Auction revenues allocated to ARR holders

- Incremental ARRs associated with generation interconnection transmission network upgrades or merchant transmission allocated for 30-year term or life of project whichever is shortest
- ARRs allocated in three-stage process
- Customer requests a source-sink combination in each stage
- Customer receives incremental ARRs made available by the transmission upgrade between the requested source-sink pair

- current process provides long-term certainty for historical use but does not address needs associated with new resources and load growth
- Incremental changes needed to accommodate new resources and load growth into the existing process
- Any changes to current process should:
 - Recognize relationship of ARR/FTR allocation method and transmission rate design
 - Recognize relationship of Long-term rights access and transmission investment
 - Preserve allocation priority given to historical usage
 - Preserve ability to self schedule ARRs as FTRs

Long-Term Allocation proposal contains following key features:

- provides a 10 year ARR allocation for base load that ensures longer term certainty but also provides flexibility to choose to opt-out of the 10 year rights on an annual basis. This is accomplished through the introduction of Stage 1A in the annual ARR allocation process.
- Creates linkage between the long-term transmission planning process and the Stage 1A ARR allocation to ensure transmission system is upgraded to maintain ability to allocate ARRs for base load plus projected 10-year growth of base load.
- Provides a method for identifying upgrades and cost needed to support an LSE's request for 30-year ARRs.
- Provides a method to specify new sources to cover base load plus projected 10-year growth of base load.
- Provides a method to alter existing stage 1 source points subject to requirement that altered source does not consume additional flow on constrained facilities

Current Stage 1 process will be split into two sequential allocations

Stage 1A Allocation

- LSEs may elect ARR from historical resources up to base load level (minimum of daily peaks from previous year + 1 year projected growth)
- Qualifying PTP Customers may elect ARR for up to 50% of reservation MW level

Stage 1B Allocation

- LSEs may elect ARR from historical resources up to peak load for amount of peak load not covered by Stage 1A MWs
- Qualifying PTP Customers may elect ARR for up to 100% of reservation MW level for amount not covered by Stage 1B MWs

Stage 2 Allocation

- Same rules as today except reduced from 4 rounds to 3 rounds
 - In each round, an LSE may request ARR MWs for up to one-third of the LSE's NSPL not covered by Stage 1 ARR MWs
 - one-third of PTP-related requests are placed into each round
- Reduction in number of rounds is necessary to keep overall allocation/auction timeframe same as today
- Important for continued facilitation of State load auctions

- provides an annual allocation of 10-year ARRs for base load that ensures longer term certainty but also provides flexibility to choose to opt-out of the 10 year rights on an annual basis.
- If ARR allocation rule changes are made in the future, the Stage 1A process will, at a minimum, remain in place as the highest priority allocation for a ten-year period beyond implementation of the new rules, and the new rules will be consistent with this treatment of the Stage 1A allocation process
- The PJM Planning Process will include a new procedure to determining adequacy of the transmission system to support Stage 1A ARRs over the next 10-year period.
 - transmission upgrades needed to support Stage 1A ARRs over a 10-year period will be identified and included in the PJM RTEP

- New Base resources may be designated if the MW amount of a zone's Stage 1 resources are less than the zonal Base Load.
- New Base resources must be either self-owned resources or supply contracts for firm capacity and energy having a contract term of ten years or greater
- If new resource request is simultaneously feasible with all existing Stage 1 and 2 ARR's then resource can be added as new Stage 1 resource
- Network customer is responsible for cost of upgrades needed to make ARR from new base resource simultaneously feasible with all other existing ARR's
- Network customer who funds upgrades entitled to incremental ARR's created by upgrade consistent with existing rules

- Network Customers may replace, on a going forward basis, its current Stage 1 historic resource points and MWs with alternative Stage 1 source point(s) of an electrically and financially equivalent MW amount
- Electrically equivalent defined as consuming an equal or lesser amount of transmission capability on constrained without creating new overloads
- Alternative source points must be associated with either self-owned resources or supply contracts for firm capacity and energy having a contract term of ten years or greater
- Total Alternative Stage 1 source point(s) MWs allowed cannot exceed MWs associated with original Stage 1 ARRs

- Process will be developed to allow customer to request 30-year ARRAs provided customer is willing to pay for upgrades needed to accommodate request
- Customer request must specify source, sink and MW amount and sink must be zone or aggregate at which customer serves load
- Process will include an initial study to determine feasibility of request
- If customer wishes to proceed then PJM will determine upgrades and cost needed to make the request feasible
- In accordance with existing rules, the customer funding such transmission upgrades will be entitled to the incremental 30-year ARRAs created by the upgrade.