UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.	)))	Docket No. EL17-84-000

COMMENTS OF THE INDEPENDENT MARKET MONITOR FOR PJM

Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM[1] ("Market Monitor"), submits these comments on the filing of PJM Interconnection, L.L.C. ("PJM") on October 10, 2017, in response to the order to show cause that was issued in this proceeding on September 8, 2017.[2] The Market Monitor wishes to draw to the attention of the Commission relevant issues that have not yet been raised by participants in this proceeding. These issues are central to this proceeding and should be considered when deciding whether the inability to convert Firm Transmission Withdrawal Rights ("FTWRs") to Non-Firm Transmission Withdrawal Rights ("NFTWRs") is just and reasonable.

On June 2, 2017, Hudson Transmission Partners (HTP) sent a letter to PJM and PSEG requesting that their original Interconnection Service Agreement (ISA) be amended to reflect the conversion of their 320 MW of FTWRs to NFTWRs. On June 22, 2017, PSEG notified PJM and HTP that it did not agree to the ISA amendment. Because PSEG did not agree to the amendment to the ISA, HTP requested that PJM file an unexecuted amended interconnection service agreement with the Commission to convert their FTWRs to

1 Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff ("OATT"), the PJM Operating Agreement ("OA") or the PJM Reliability Assurance Agreement ("RAA").

2 *PJM Interconnection, L.L.C.*, 160 FERC ¶ 61,056 (2017).

NFTWRs.[3] On September 8, 2017, the Commission rejected the amended ISA and instituted a proceeding "to examine the justness and reasonableness of HTP being unable to convert its Firm Transmission Withdrawal Rights to Non-Firm Transmission Withdrawal Rights."[4]

At the request of Linden VFT, LLC ("Linden" or "Linden VFT"), PJM also filed an unexecuted amended ISA under Docket No. ER17-2267-000. That proceeding remains pending.

Currently, the only participants to ever request and obtain FTWRs in PJM are HTP, Neptune Regional Transmission System, LLC ("Neptune") and Linden, each of which owns a high voltage direct current transmission line ("DC tie line") originating in the PSEG Zone of PJM and terminating in Zone J (New York City) of NYISO. Owning FTWRs allows participants to export capacity from PJM to NYISO when all other conditions for such export are met, including firm transmission service in PJM. FTWRs are allocated a share of RTEP upgrade costs.

In 2014, approved RTEP cost allocations included the Bergen-Linden Corridor (BLC) project. PSEG explained:

> [The BLC project] is designed to replace the existing 138kV transmission system from Bergen to Linden with a double circuit 345kV transmission system. PJM determined that this new transmission system is necessary to ensure reliable electric service, eliminate anticipated transmission constraints, and respond to PJM/Federal Energy Regulatory Commission (FERC)-mandated infrastructure expansion. The project will eliminate electric system capacity issues in Northern New Jersey, providing better power quality in the region.[5]

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3 *PJM Interconnection, L.L.C.*, Docket No. ER17-2073-000 (July 10, 2017).

4 *PJM Interconnection, L.L.C.*, 160 FERC ¶ 61,056 (2017).

5 PSEG, "*Bergen-Linden Corridor Project*," <https://www.psegtransmission.com/reliability-projects/bergen-linden-corridor> (October 30, 2017).

Using the solution-based DFAX cost allocation method, PJM initially allocated BLC's estimated costs: $720 million to Con Edison; $103 million to HTP; $10 million to Linden VFT; no costs to Neptune; and $88 million to PSEG. [6] To avoid its share of the cost allocation, Con Edison elected to terminate its 1,000 MW of long-term firm transmission service (the Con Ed Wheel) effective April 30, 2017. PJM reallocated the costs: $634 million to HTP; $132 million to Linden VFT; and the remaining $128 million to PSEG.[7] The Commission denied complaints about the cost allocation, ruling that PJM applied the Commission accepted regional cost allocation method.[8]

In June 2017, HTP and Linden separately initiated the process to amend their interconnection service agreements to reflect the conversion of FTWRs to NFTWRs in an apparent effort to avoid paying their allocated share of the RTEP cost allocations. Linden has already requested PJM long-term firm transmission through the long-term firm queue.[9] PJM's Initial Study Long-Term Firm Transmission Service notes:

> … For the purpose of this study, and as requested by the Customer, PJM assumed FERC approval to amend the pre-existing Linden VFT Interconnection Service Agreements (Queue

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[6] PJM's solution-based DFAX methodology is set forth in Schedule 12 of the PJM Tariff and establishes the cost allocation methodology for baseline upgrades ("Required Transmission Enhancements") included in PJM RTEP. *See* OATT Schedule 12 § (b)(iii).

[7] The Commission accepted these updated BLC cost allocations on March 29, 2017, subject to a nominal suspension period, refund and further Commission order. *PJM Interconnection, L.L.C.*, 158 FERC ¶ 62,250 (2017).

[8] *See Linden VFT, LLC v. PJM Interconnection, L.L.C.*, 155 FERC ¶ 61,089 (2016).

[9] Long term firm queues AC2-052 (submitted February 14, 2017 for transmission service June 1, 2019 through to June 1, 2024) and AD1-021 (submitted on June 13, 2017 for service from November 1, 2017 to June 1, 2019).

U2-077 and W1-001) and resulting termination of the associated firm rights. [10]

Linden has requested that PJM provide an initial study with the assumption that FERC approves the termination of their FTWRs. Linden VFT apparently expects to maintain the ability to export capacity to NYISO from PJM with the same level of transmission service level they currently have under the FTWR construct while avoiding payment of their RTEP cost allocations. Linden VFT has obtained assurance from NYISO that NFTWRs in conjunction with firm point to point transmission service from PJM to the Linden VFT point of delivery, will allow Linden VFT to continue to export capacity from PJM to NYISO exactly as they did with FTWRs.[11]

HTP has, to date, only requested conversion of its FTWRs to NFTWRs.[12] Neptune was not allocated any RTEP costs and has not requested a change in service.

The claim that Linden and/or HTP could use NFTWRs in conjunction with firm point to point transmission to continue to export capacity from PJM to NYISO while avoiding RTEP costs is not correct.

Section 232.2 of the OATT states: (emphasis added):

> … A Transmission Interconnection Customer that is granted Firm Transmission Withdrawal Rights *and/or transmission customers that have a Point of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities may be responsible for a reasonable allocation of transmission upgrade costs added to the Regional Transmission Expansion Plan* after such Transmission Interconnection Customer's Queue Position is

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10 *See* PJM, "*Initial Study Long-Term Firm Transmission Service OASIS Assignment Reference 4885734*," (August 11, 2017) <http://www.pjm.com/pub/planning/project-queues/ltf-phase-1/4885734_ltf1.pdf>.

11 *See* NYISO, "Discussion of UDR Deliverability Requirements" (September 18, 2017) at 8, <http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2017-09-18/UDR%20Deliverability%20Requirements.pdf>.

12 *PJM Interconnection, L.L.C.*, Docket No. ER17-2073-000 (July 10, 2017).

> established, in accordance with Section 3E and Schedule 12 of the Tariff…

Section 232.2 of the OATT explicitly requires the same RTEP cost allocation when a transmission customer has FTWRs and when a transmission customer has "a Point of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities." That is the situation here. Identical treatment of RTEP costs is appropriate because the service is the same. Linden, if it relinquishes its FTWRs and instead uses firm point to point transmission service from PJM to the Linden VFT point of delivery and NFTWRs across the Linden VFT Line, would have the same service before and after the change. These two methods would be appropriately treated the same under Section 232.2, and HTP, if it follows Linden VFT's approach also would be treated the same.

Converting FTWRs to NFTWRs and acquiring firm point to point transmission, with Point of Delivery at the Border of PJM where the Transmission System interconnects with a merchant D.C. transmission facility, does not and should not allow avoidance of RTEP cost responsibilities. Such modification results in no difference in service level, and should result in no change in responsibility for RTEP costs.

Schedule 12 of the OATT defines the allocation of Reliability Projects to transmission customers, as required in Section 232.2. Schedule 12 includes specific reference to transmission customers with merchant ties lines with FTWRs but omits any reference to transmission customers with merchant tie lines with the combination of NFTWRs and transmission service.[13] No conversion of FTWRs to NFWRs in conjunction with

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[13] More precisely: transmission customers that have a Point of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities.

transmission service can be accommodated unless and until Schedule 12 is modified to provide for this option.[14]

The tariff provides for the allocation of RTEP charges to DC merchant lines with FTWRs and/or transmission service with Points of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities. Section 232.2 makes explicit that the quality of service under both options is identical and the RTEP transmission upgrades required to continue to provide this service are identical. Customers that relinquish FTWRs in favor of using NFTWRs in conjunction with firm transmission service in the hope that they can continue to export capacity from PJM to NYISO while avoiding the same allocation of RTEP charges are misguided.

If HTP and/or Linden convert their FTWRs to NFTWRs and acquire long-term firm point to point transmission service from PJM to the point of interconnection with their DC tie line, HTP and/or Linden would continue to be assigned a portion of the RTEP cost responsibilities. But such assignment requires PJM to modify Schedule 12 of the OATT to include the options defined in Section 232.2. Once Schedule 12 is modified, HTP and/or Linden would become eligible to export capacity from PJM to the NYISO over their DC tie lines. Section 232.2 of the PJM Tariff combined with the NYISO deliverability requirements for capacity imports[15] makes this explicit. This outcome would be just and reasonable.

It would not be just and reasonable to permit HTP and/or Linden to retain the same capacity export service with a different name and avoid an allocation of RTEP costs.[16]

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14 Including HVDC, VFT or, when applicable, controllable PAR facilities.

15 *See* NYISO "Deliverability Requirements for Capacity Imports," (October 11, 2017) at 7, <*http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2017-10-11/Import%20Right%20Deliverability%20Requirements.pdf*>.

16 The IMM recognizes that there are legitimate questions about the underlying allocation of costs. That decision has been made by the Commission.

I. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to these comments as it resolves the issues raised in this proceeding.

Respectfully submitted,

Jeffrey W. Mayes

Joseph E. Bowring
Independent Market Monitor for PJM
President
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8051
joseph.bowring@monitoringanalytics.com

General Counsel
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@monitoringanalytics.com

John Dadourian
Senior Analyst
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8050
john.dadourian@monitoringanalytics.com

Dated: November 1, 2017

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Eagleville, Pennsylvania,
this 1st day of November, 2017.

Jeffrey W. Mayes
General Counsel
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@monitoringanalytics.com