



# **RTOR Elimination**

## **Proposed Measures to Address Hoarding**

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## FERC Order EL02-111-000

- FERC Order EL02-111-000 mandates the elimination of regional through and out rates (RTOR) for transactions sinking within the combined PJM/MISO footprint



## FERC Order EL02-111-000

- The objective of PJM's implementation of this order is to eliminate rate pancaking for transactions which have a point of delivery (POD) in the combined region



## FERC Order EL02-111-000

- The Order in EL02-111-000 states:

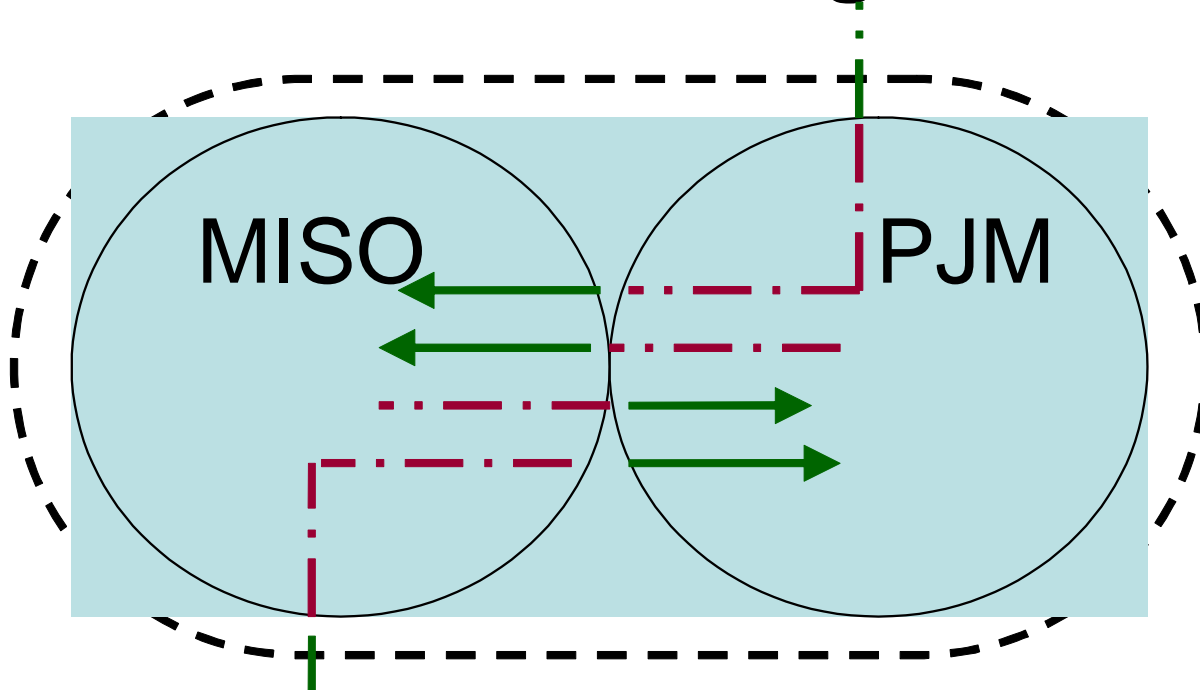
“We will direct the market monitors of PJM and Midwest ISO to assess the potential for, and to look for signs of, hoarding of transmission capacity. Should they detect any, they should notify us and their respective RTOs immediately, and the RTOs should promptly file a proposal to rectify the matter.” (Paragraph 38)



## RTOR Elimination

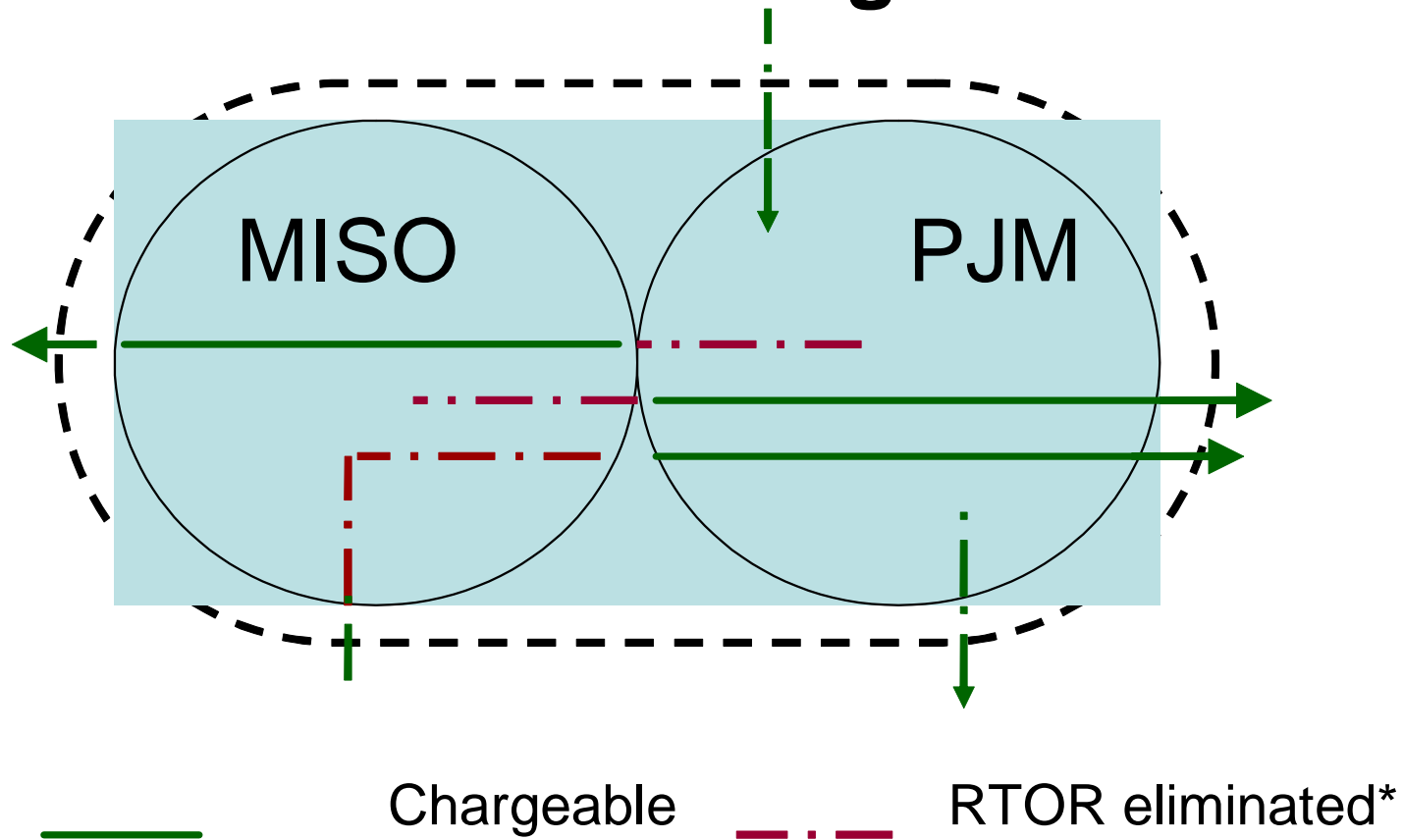
- PJM will not charge for a transmission reservation with a Point of Delivery in MISO
- PJM will charge for a transmission reservation with a Point of Delivery not in MISO (including PJM imports)
- PJM will charge for firm transmission reservations redirected from having a Point of Delivery in MISO to having a Point of Delivery not in MISO
- PJM will charge for firm transmission reservations redirected from a non-exempt path to an exempt path based on the initial reservation.

## Combined Region



———— Chargeable      - - - - RTOR eliminated\*

## Combined Region



- Definition of transaction
- Redirection of transactions from exempt path to non-exempt path
- Hoarding
- Gaming transmission rate differentials
- Gaming interface pricing differentials





## Monitoring Issues – Definition of Transaction

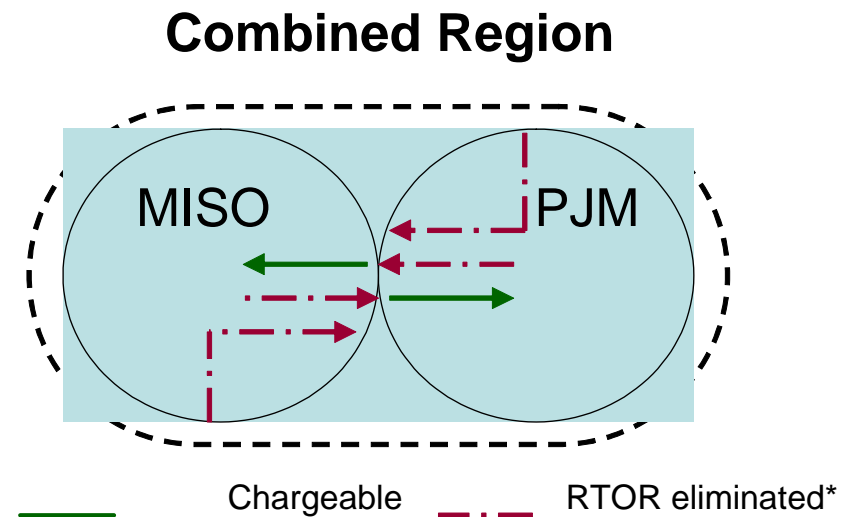
- Definition of “transactions that sink in the combined region.”
  - A transmission reservation with a point of delivery in the combined MISO/PJM footprint
  - (OASIS reservations through or out of MISO to PJM, or through or out of PJM to MISO.)
  - Not an energy transaction that sinks in the combined MISO/PJM footprint based on its NERC tag.



## Monitoring Issues – Definition of Transaction

- Implications:
  - POD (OASIS) definition should not be interpreted to permit the equivalent of parking and hubbing. PJM definition is for transmission service pricing purposes only, i.e. elimination of pancaking.
  - POD (OASIS) definition does not include final sink.
  - POD (OASIS) definition exempts significantly more transactions from rate pancaking.
  - Evaluation of energy transactions should capture economic transactions from initial source to final sink, e.g. appropriate view for defining parking and hubbing.

- PJM will continue to charge for “into” service.
- PJM will not apply “through and out” charges to transactions with a POD in MISO.
- Coordination with MISO is necessary for successful implementation.
- Treatment of similar transactions needs to be similar.





## Monitoring Issues – Firm Redirects

- Redirects from an exempt path to a non-exempt path will be chargeable.
  - PJM to MISO transaction (exempt)
  - Redirect as PJM to NYISO transaction (non-exempt)
- ATC associated with the original reservation will be incremented to ensure its availability to other participants.
- ATC associated with redirected transaction will be reduced.
- Redirects from a non-exempt path to an exempt path will continue to be charged based on the initial reservation.

- Hoarding is the holding of transmission capability without using it
  - Prevents efficient use of transmission system
  - Prevents optimal level of energy transactions
- Hoarding includes frequent redirects from exempt to non-exempt path
- Market design goal is the efficient utilization of reservations on exempt paths
- Quantitative definition of hoarding
  - Capacity factor definition



## Monitoring Issues – Gaming

- Frequent redirects involving exempt paths
- Gaming of PJM/MISO transmission charges
  - Schedule transaction to use lower out rate
  - MISO out rates > PJM out rates
  - MISO to IMO transaction
  - MISO to PJM to IMO
- Gaming of interface prices (hypothetical example)
  - Scheduling transaction to receive better export-import price differential
  - MISO to TVA transaction
  - MISO to PJM to TVA

- The PJM MMU will monitor participant behavior with respect to the utilization of transmission service addressed by the Commission Order
- The MMU will monitor for behaviors indicative of hoarding, gaming or inefficient utilization of transmission service addressed by the Commission Order



- Monitoring:
  - If the Market Monitor identifies hoarding behavior, it will take action in compliance with the Commission's directives.
  - Such action will include notification of the PJM RTO and FERC.



- Market design:
  - Define explicit rules governing parking and hubbing.
  - Develop incentives for participants to match the magnitude and duration of their service requests to their expected usage profile
    - Utilization thresholds
  - Charge participants for unused portion of transmission reservations exempt from RTOR charges
  - Development of new transmission products to allow more efficient utilization of service
  - Modify PJM rules to facilitate trading of transmission products