

Impacts of Proposed Solutions to Manipulation Arising from the Allocation of Marginal Loss Surplus

Members Committee
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Monitoring Analytics

MMU Proposal

- **The Monitoring Analytics proposal is intended to provide a short term solution to the market manipulation issue that has arisen as a result of the fact that non-firm transmission customers may receive an allocation of the marginal losses surplus which exceeds the cost of transmission service and thus exceeds the contribution of such customers to the fixed costs of the transmission grid.**



MMU Short-Term Proposal

OA Schedule 1 § 5.5 (Sheet No. 399C)

5.5 Distribution of Total Transmission Loss Charges.

The total Transmission Loss Charges accumulated by the Office of Interconnection in any hour shall be distributed pro-rata to each Network Service User and Transmission Customer in proportion to its ratio shares of the total MWhs of energy delivered to load (net of operating Behind The Meter Generation, but not to be less than zero) in the PJM Region (that paid for transmission service during such hour), or the total exports of MWh of energy from the PJM Region, or the total MWh of cleared Up-To Congestion transactions (that paid for transmission service during such hour), except that no such distribution to any non-firm Transmission Customer for such hour shall exceed the total charges for transmission service for such hour.



Marginal Loss Allocations Proposal Comparisons

Allocations			
Service Type	Current Allocation	PJM: No Up-to transmission and 30% of Non-Firm Allocation	MA: Cap Allocation for Non-Firm at \$0.67
RT Load	\$99,151,130.93	\$117,544,325.81	\$109,536,198.89
FIRM RT Exports	\$991,825.71	\$1,172,762.81	\$1,089,207.62
NF RT Exports	\$519,695.53	\$180,458.49	\$350,611.10
Total RT Exports	\$1,511,521.23	\$1,353,221.30	\$1,439,818.72
Firm Up-To Congestion Transactions	\$0.00	\$0.00	\$0.00
NF Up-To Congestion Transactions	\$18,234,894.94	\$0.00	\$7,921,529.50
Total Up-TO	\$18,234,894.94	\$0.00	\$7,921,529.50
TOTAL Allocation	\$118,897,547.11	\$118,897,547.11	\$118,897,547.11

Based on July 2010 Data



Marginal Loss Transmission Charge Proposal Comparisons

Non-Firm Transmission Costs			
Service Type	Current Allocation	PJM: No Up-to transmission and 30% of Non-Firm Allocation	MA: Cap Allocation for Non-Firm at \$0.67
NF RT Export Transmission	\$370,572.33	\$370,572.33	\$370,572.33
Allocation	\$519,695.53	\$180,458.49	\$350,611.10
Net	\$149,123.20	(\$190,113.84)	(\$19,961.23)
NF Up-to Congestion Transmission	\$8,045,596.78	\$0.00	\$8,045,596.78
Allocation	\$18,234,894.94	\$0.00	\$7,921,529.50
Net	\$10,189,298.17	\$0.00	(\$124,067.28)
TOTAL NET	\$10,338,421.37	(\$190,113.84)	(\$144,028.50)

Based on July 2010 Data

MMU: Cap Allocation for Non-Firm at \$0.67

- Addresses market manipulation issue
- Minimizes impact on non-firm transmission users
- Minimizes impact on transmission customers
- Non-Firm additional net transmission costs ~\$145K

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PJM: No UTC Transmission and 30% of Non-Firm Allocation

- Addresses market manipulation issue
- Large impact on collected transmission revenue (~\$8M)
- Non-Firm additional net transmission costs ~\$190K
- Still provides for allocation in excess of non-firm transmission charges in some hours
- Requires business rule changes and software development

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Marginal Loss Allocations Proposal Comparisons

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Total RT Exports	\$ 1,511,521.23	\$ 1,353,221.30	\$ 1,439,818.72
Firm Up-To Congestion Transactions	\$ -	\$ -	\$ -
NF Up-To Congestion Transactions	\$ 18,234,894.94	\$ -	\$ 7,921,529.50
Total Up-TO	\$ 18,234,894.94	\$ -	\$ 7,921,529.50
TOTAL Allocation	\$ 118,897,547.11	\$ 118,897,547.11	\$ 118,897,547.11

Based on July 2010 Data



Marginal Loss Transmission Charge Proposal Comparisons

Transmission			
Service Type	Current Allocation	PJM: No Up-to transmission and 30% of Non-Firm Allocation	MA: Cap Allocation for Non-Firm at \$0.67
NF RT Export Transmission	\$ 370,572.33	\$ 370,572.33	\$ 370,572.33
Allocation	\$ 519,695.53	\$ 180,458.49	\$ 350,611.10
Net	\$ 149,123.20	\$ (190,113.84)	\$ (19,961.23)
NF Up-to Congestion Transmission	\$ 8,045,596.78	\$ -	\$ 8,045,596.78
Allocation	\$ 18,234,894.94	\$ -	\$ 7,921,529.50
Net	\$ 10,189,298.17	\$ -	\$ (124,067.28)

Based on July 2010 Data



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