

IMM Marginal Loss Methodology Recommendations

TITF

September 30, 2010

Joseph Bowring

John Dadourian



Monitoring Analytics

Background

- **February 24th Order On Request For Clarification**

The Commission “clarify[ied] that we did not intend to exclude virtual traders to the extent that those traders make transmission payments that contribute to the fixed costs of the transmission grid. Accordingly, ... PJM must either propose tariff revisions that allocate transmission losses equitably among all parties that support the fixed costs of the transmission system, **without regard to whether such parties serve load**... .. In addition to virtual traders who pay transmission charges associated with Up-To congestion transactions, such proposed revisions also would include any customer with point to point transmission service or grandfathered transmission service.”

Background

- **The IMM recommended that the allocation methodology be modified to reflect the Commission's Orders to allocation Marginal Loss Surplus to all entities that contribute to the fixed costs of the transmission system.**
- **FERC's September 17th Order stated "... [the IMM concerns] may be considered in the stakeholder process to analyze possible alternatives to PJM's proposed changes to which PJM is committed, including *inter alia* the various issues raised by Monitoring Analytics."**



IMM Concerns / Issues

- **The current marginal loss surplus distribution method does not comport with the Commission's February 24th directive that all transactions that contribute to the fixed costs of the transmission system should receive an allocation of the surplus marginal losses.**
- **The current marginal loss surplus allocation is still based on scheduled transmission service which does not capture all of the contributions to the fixed costs of the transmission system.**



IMM Recommendation

DA/RT	Schedule Type	Transmission	Direction	Pays for transmission	Receives Allocation
DA	Fixed	Non-firm	Import	Y	N
DA	Fixed	Non-firm	Export	Y	N
DA	Fixed	Non-firm	Wheel	Y	N
DA	Dispatchable	Non-firm	Import	Y	N
DA	Dispatchable	Non-firm	Export	Y	N
DA	Dispatchable	Non-firm	Wheel	Y	N
DA	Up-To	Non-firm	Import	N	N
DA	Up-To	Non-firm	Export	N	N
DA	Up-To	Non-firm	Wheel	N	N
DA	Fixed	Firm	Import	Y	N
DA	Fixed	Firm	Export	Y	N
DA	Fixed	Firm	Wheel	Y	N
DA	Dispatchable	Firm	Import	Y	N
DA	Dispatchable	Firm	Export	Y	N
DA	Dispatchable	Firm	Wheel	Y	N
DA	Up-To	Firm	Import	N	N
DA	Up-To	Firm	Export	N	N
DA	Up-To	Firm	Wheel	N	N
RT	Normal	Non-firm	Import	Y	N
RT	Normal	Non-firm	Export	Y	Y
RT	Normal	Non-firm	Wheel	Y	Y
RT	Dispatchable	Non-firm	Import	Y	N
RT	Dispatchable	Non-firm	Export	Y	Y
RT	Dispatchable	Non-firm	Wheel	Y	Y
RT	Normal	Firm	Import	Y	N
RT	Normal	Firm	Export	Y	Y
RT	Normal	Firm	Wheel	Y	Y
RT	Dispatchable	Firm	Import	Y	N
RT	Dispatchable	Firm	Export	Y	Y
RT	Dispatchable	Firm	Wheel	Y	Y

IMM Recommendation

- **Allocate marginal loss surpluses to all transmission customers based on their contributions to the fixed costs of the transmission system**
- **Base allocations on cost of reserved transmission, whether used or not**
- **Most equitable methodology for all transmission customers**
- **Easy to implement**
- **Still addresses the market manipulation issues**
- **Consistent with FERC Orders**



Monitoring Analytics, LLC
2621 Van Buren Avenue
Suite 160
Eagleville, PA
19403

(610) 271-8050

MA@monitoringanalytics.com

www.MonitoringAnalytics.com

