

COMMENTS ON EASILY RESOLVED  
CONSTRAINTS:  
HIGH POTENTIAL COST EXPOSURE  
FOR  
POTENTIALLY NO BENEFIT

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- CURRENT PROPOSAL COULD BE TRIGGERED BY A SHIFT AS SMALL AS 1% IN CETL, POTENTIALLY EVEN 1 MW OF CETL CHANGE
- COSTS CAN BE AS MUCH AS \$5 MILLION (NOT CAPPED, ONLY EXPECTED NOT TO EXCEED)
- SMALLEST CETL VALUE IS LESS THAN 2,000 MWs
- THUS CAN SPEND \$5 MILLION TO GET 20 MW OF CETL **WITHOUT REVIEW OF VALUE OR BENEFIT** (ACTUALLY COULD BE FOR JUST 1 MW)

- Key Observation: The trigger simply relates to the modeling of the constraint or constraint level, the constraint may never bind.
- This means that the easily resolved constraint upgrade may have no value other than to avoid modeling a CETL limit that doesn't/wouldn't bind.
- E.G. Undertake a project that moves CETL from 115% to 116%; but the BRA wouldn't bind in either case resulting in no price separation in either case and thus no value.

- IMPLIED SPREAD FOR 20 MW OF CETL FOR \$5 MILLION:
  - FIXED CHARGE RATE 20% (e.g. MISO was using a rate higher than 25% for ITC transmission charges related to exit fees with 30 year life)
  - \$1 million for 20 MW per year equals \$137 per MW day spread for 30 years
  - This is the implied “value” a third party would seek to make the upgrade
  - Obviously worse for smaller upgrades

- Absent any benefits test, this third party perspective is appropriate
- If PJM undertakes to define a benefits metric, which could consider load payments for example, that may or may not be appropriate, but it would at least introduce the notion of incurring cost for benefit which is absent now
- This mandated charge to load without a benefits test is inappropriate, consider 7<sup>th</sup> Circuit decisions

- QUESTION: Where else do we allow spending of \$5 million with no evaluation of benefits, the potential for zero benefits, and guaranteed returns to TO's?
- QUESTION: Why aren't potential benefits and upgrades being captured in RTEP process efficiency evaluations, what is different here?

**Table 3 – LDA Reliability Requirements and Capacity Import Limits for 2015/2016 and 2016/2017 BRAs**

Locational Deliverability Area	2015/2016 BRA		2016/2017 BRA		Delta	
	Reliability Requirement (UCAP MW)	CETL (UCAP MW)	Reliability Requirement (UCAP MW)	CETL (UCAP MW)	Reliability Requirement (UCAP MW)	CETL (UCAP MW)
MAAC	71,623	6,156	72,299	6,495	676	339
EMAAC	39,370	9,177	39,694	8,916	324	-261
SWMAAC	17,238	8,373	17,316	8,342	78	-31
PS	12,824	6,220	12,870	6,581	46	361
PSNORTH	6,462	2,972	6,440	2,936	-22	-36
DPL SOUTH	3,062	1,822	3,160	1,864	98	42
PEPCO	8,973	6,522	9,012	6,655	39	133
ATSI	16,201	5,418	16,255	7,881	54	2,463
Cleveland	--	--	6,164	5,245	--	--

Notes: (1) Cleveland LDA was not modeled in 2015/2016 BRA

Table 3: <http://www.pjm.com/~media/markets-ops/rpm/rpm-auction-info/2016-2017-planning-period-parameters-report.ashx>