

178 FERC ¶ 61,045  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Richard Glick, Chairman;  
James P. Danly, Allison Clements,  
Mark C. Christie, and Willie L. Phillips.

Illinois Municipal Electric Agency

Docket No. EL21-79-000

v.

PJM Interconnection, L.L.C.

ORDER DENYING COMPLAINT

(Issued January 20, 2022)

1. On May 28, 2021 Illinois Municipal Electric Agency (IMEA), pursuant to sections 206, 306, and 309 of the Federal Power Act (FPA),<sup>1</sup> and Rule 206 of the Commission's Rules of Practice and Procedure,<sup>2</sup> filed a complaint (Complaint) against PJM Interconnection, L.L.C. (PJM) regarding the interpretation and implementation of the PJM Open Access Transmission Tariff (Tariff) provisions determining the level of Incremental Capacity Transfer Rights (ICTR) for the 2021/2022 Delivery Year. In this order, we deny the Complaint.

**I. Background**

**A. PJM CTRs and ICTRs**

2. The PJM Reliability Pricing Model (RPM)<sup>3</sup> uses a locational capacity pricing design which allows capacity market clearing prices to differ between Locational Deliverability Areas and the unconstrained PJM region which is referred to as the "Rest-

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<sup>1</sup> 16 U.S.C. §§ 824e, 825e, and 825h.

<sup>2</sup> 18 C.F.R. § 385.206 (2021).

<sup>3</sup> See PJM, Intra-PJM Tariffs, OATT, attach. DD.5.4 (Reliability Pricing Model Auctions) (7.0.0). PJM shall conduct for each Delivery Year a Base Residual Auction to secure commitments of Capacity Resources as needed to satisfy the portion of the RTO Unforced Capacity Obligation not satisfied through Self-Supply of Capacity Resources for such Delivery Year.

of-RTO.”<sup>4</sup> Locational Deliverability Areas are modeled as constrained areas if they have a Capacity Emergency Transfer Limit (CETL)<sup>5</sup> less than 115 percent of the Capacity Emergency Transfer Objective (CETO).<sup>6</sup> This relationship is used to determine whether there is sufficient import capability to meet local reliability objectives or to signal whether Capacity Resources internal to a particular Locational Deliverability Area should be procured.<sup>7</sup>

3. When a Locational Deliverability Area is considered constrained, i.e., when PJM defines a capacity need exceeding the physical constraints imposed by the CETL values for a given geographic location, the clearing price for Capacity Resources in the constrained Locational Deliverability Area during an RPM Auction (termed Zonal Capacity Price)<sup>8</sup> may “separate” from the Rest-of-RTO and from other constrained

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<sup>4</sup> See PJM, Intra-PJM Tariffs, OATT, Definitions – L – M - N (30.0.0). Locational Deliverability Area is defined as a geographic area within the PJM Region that has limited transmission capability to import capacity to satisfy such area’s reliability requirement, as determined by PJM in connection with preparation of the Regional Transmission Expansion Plan, and as specified in Reliability Assurance Agreement, Schedule 10.1. See also PJM, Intra-PJM Tariffs, RAA ARTICLE 1 -- DEFINITIONS (36.0.0). Capacity Resources are defined as megawatts of net capacity from Existing Generation Capacity Resources or Planned Generation Capacity Resources, or load reduction capability provided by Demand Resources or Energy Efficiency Resources meeting the requirements of the Reliability Assurance Agreement.

<sup>5</sup> CETL values provide transfer limits into a Locational Deliverability Area based on a combination of thermal or voltage limits. CETL is defined as the capability of the transmission system to support deliveries of electric energy to a given area experiencing a localized capacity emergency as determined in accordance with the PJM Manuals.

<sup>6</sup> CETO is defined as the amount of electric energy that a given area must be able to import in order to remain within a loss of load expectation of one event in 25 years when the area is experiencing a localized capacity emergency, as determined in accordance with the PJM Manuals.

<sup>7</sup> See PJM, Intra-PJM Tariffs, OATT, attach. DD.5.12 (Conduct of RPM Auctions) (20.0.0) (The optimization algorithm shall be applied to calculate the overall clearing result to minimize the cost of satisfying the reliability requirements across the PJM Region).

<sup>8</sup> See PJM, Intra-PJM Tariffs, RAA ARTICLE 1 -- DEFINITIONS (36.0.0). Zonal Capacity Price is defined as the clearing price required in each zone to meet the demand for Unforced Capacity and satisfy Locational Deliverability Requirements for the Locational Deliverability Area or Locational Deliverability Areas associated with such

Locational Deliverability Areas.<sup>9</sup> This occurs because PJM cannot select lower-priced capacity offers from Capacity Resources outside of the constrained Locational Deliverability Area to meet capacity needs within that area due to transmission constraints. As a result, the clearing price for the constrained Locational Deliverability Area can exceed the Rest-of-RTO's clearing price.

4. In the event of such price separation, PJM pays the Capacity Resources in the constrained Locational Deliverability Area the higher Zonal Capacity Price and pays the Capacity Resources outside the constrained Locational Deliverability Area the lower Zonal Capacity Price or Rest-of-RTO clearing price.<sup>10</sup> This difference between the higher constrained Locational Deliverability Area clearing price and the PJM region-wide price is defined in the PJM Tariff as the Locational Price Adder. The Locational Price Adder is "an addition to the marginal value of Unforced Capacity within a Locational Deliverability Area as necessary to reflect the price of resources required to relieve the applicable binding locational constraints."<sup>11</sup> The Locational Price Adder represents the locational congestion charge and reflects locational differences in Capacity Resource offers and the transmission system's ability to import capacity into a given constrained Locational Deliverability Area. The Locational Price Adder times the imported capacity is the total capacity congestion revenue collected by PJM. As described below, PJM distributes that capacity congestion revenue to the holders of Capacity Transfer Rights and Interconnection Capacity Transfer Rights.

5. At the same time, PJM charges Load Serving Entities in the constrained Locational Deliverability Area the Zonal Capacity Price for all of the area's capacity.

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zone. If the zone contains multiple Locational Deliverability Areas with different Capacity Resource Clearing Prices, the Zonal Capacity Price shall be a weighted average of the Capacity Resource Clearing Prices for such Locational Deliverability Areas, weighted by the Unforced Capacity of Capacity Resources cleared in each such Locational Deliverability Area.

<sup>9</sup> See PJM, Intra-PJM Tariffs, OATT, attach. DD.5.14 (Clearing Prices and Charges) (32.0.0) § 5.14(e). [E]ach [Load Serving Entity] shall incur a Locational Reliability Charge...equal to such [Load Serving Entity's] Daily Unforced Capacity Obligation in a Zone during such Delivery Year multiplied by the applicable Final Zonal Capacity Price in such Zone.

<sup>10</sup> PJM June 29 Answer at 27 ("Those external resources [that] did clear, are committed in the auction, but are paid the Capacity Resource Clearing Price (including any [Locational Price Adder]) for the [Locational Deliverability Area] where they are located").

<sup>11</sup> See PJM, Intra-PJM Tariffs, OATT, Definitions – L – M - N (30.0.0).

Load Serving Entities pay capacity charges during each Delivery Year based on their Unforced Capacity (UCAP) Obligation in the Zone, where UCAP is defined as the installed capacity rated at summer conditions that is not, on average, experiencing a forced outage or forced derating. A Load Serving Entity's UCAP Obligation is its capacity obligation in a given the Delivery Year and is determined by PJM.<sup>12</sup> This practice results in the amount PJM charges to load exceeding the average amount PJM pays to Capacity Resources.

6. When a Locational Deliverability Area is constrained, the higher price paid by the Load Serving Entities is partially offset by providing each Load Serving Entity a share of the import capability into that Locational Deliverability Area. Load Serving Entities in the constrained Locational Deliverability Area are therefore eligible to receive Capacity Transfer Rights (CTR) to offset their *pro rata* share of the costs of capacity imported into the Locational Deliverability Area (equal to the Locational Price Adder times their respective *pro rata* shares). PJM defines a CTR as a "right, allocated to [Load Serving Entities] serving load in a Locational Deliverability Area, to receive payments, based on the transmission import capability into such Locational Deliverability Area, that offset, in whole or in part, the charges attributable to the Locational Price Adder, if any, included in the zonal Capacity Price calculated for a Locational Delivery Area."<sup>13</sup> CTRs provide a Load Serving Entity with a payment that offsets, in whole or in part, the higher capacity price it pays for its UCAP Obligation. Section 5.15 of Attachment DD of the Tariff provides:

To recognize the value of Import Capability and provide a partial offset to potential Locational Price Adders that may be determined for an [Locational Deliverability Area] (as to any Zone that encompasses two or more [Locational Deliverability Areas], the term "[Locational Deliverability Area]" as used herein shall refer to such Zone, rather than to the [Locational Deliverability Areas] it encompasses), the Office of the Interconnection shall allocate Capacity Transfer Rights to each [Load Serving Entity] serving load in such [Locational Deliverability Area] *pro rata* based on such [Load Serving Entity's] Daily Unforced Capacity Obligation

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<sup>12</sup> See PJM, Intra-PJM Tariffs, RAA ARTICLE 1 -- DEFINITIONS (36.0.0). A Load Serving Entities' UCAP Obligation in a zone is a *pro rata* share of the UCAP Obligation for that zone, based on the peak loads of the customers served by that Load Serving Entity, and each zonal UCAP Obligation is a *pro rata* share (based on the zone's share of the peak load) of the total RTO UCAP Obligation.

<sup>13</sup> See PJM, Intra-PJM Tariffs, OATT, Definitions – C-D (30.0.0).

in such [Locational Deliverability Area]. The total megawatts of Capacity Transfer Rights available for allocation shall equal the megawatts of Unforced Capacity imported into such [Locational Deliverability Area] determined based on the results of the Base Residual Auction and Incremental Auctions (“Capacity Imported”), less any megawatts of CETL increase into such [Locational Deliverability Area] attributable to Qualifying Transmission Upgrades cleared in an RPM Auction and any Incremental Capacity Transfer Rights into such [Locational Deliverability Areas] allocated pursuant to Tariff, Attachment DD, section 5.16 (but not less than zero), and shall be subject to change in subsequent Delivery Years as a result of changes in the quantity of such Capacity Imported into such [Locational Deliverability Area]. Each change in an [Load Serving Entity’s] Daily Unforced Capacity Obligation during a Delivery Year shall result in a corresponding change in the Capacity Transfer Rights allocated to such [Load Serving Entity].<sup>14</sup>

7. Generators or other customers (New Service Customers)<sup>15</sup> that build transmission facilities or network upgrades which increase a Locational Deliverability Area’s import capability are eligible to receive ICTRs based on whether those network upgrades result in the increased transmission capacity of a constrained Locational Deliverability Area. ICTRs are determined during PJM’s interconnection process and the Tariff defines ICTRs as “a [CTR] allocated to a Generation Interconnection Customer or Transmission Interconnection Customer obligated to fund a transmission facility or upgrade, to the extent such upgrade or facility increases the transmission import capability into a Locational Deliverability Area, or a [CTR] allocated to a Responsible Customer in accordance with Tariff, Schedule 12A.”<sup>16</sup> ICTRs are allocated to a New Service Customer obligated to fund a transmission facility or upgrade through a rate or charge specific to such transmission facility or upgrade, to the extent such transmission facility

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<sup>14</sup> See PJM, Intra-PJM Tariffs, OATT attach. DD.5.15 (Capacity Transfer Rights) (2.0.0).

<sup>15</sup> See PJM, Intra-PJM Tariffs, OATT, Definitions – L – M - N (30.0.0). New Service Customers are defined as mean all customers that submit an Interconnection Request, a Completed Application, or an Upgrade Request that is pending in the New Services Queue.

<sup>16</sup> See PJM, Intra-PJM Tariffs, OATT, Definitions - I - J - K (9.0.0) (Incremental Capacity Transfer Right).

or upgrade increases the transmission import capability into a Locational Deliverability Area.<sup>17</sup> Section 5.16 of Attachment DD of the Tariff provides (in pertinent part):

The megawatt quantity of Incremental Capacity Transfer Rights allocated to such a New Service Customer shall equal the megawatt quantity of the increase in Import Capability across a locational constraint resulting from such upgrade or facility, provided that the total Incremental Capacity Transfer Rights awarded as to an [Locational Deliverability Area] (including those allocated pursuant to Tariff, Schedule 12A) may not exceed the total Capacity Transfer Rights determined as to such [Locational Deliverability Area].<sup>18</sup>

8. An ICTR is based on the incremental increase in import capability for a constrained Locational Deliverability Area that is eased by the transmission facility or upgrade.<sup>19</sup> For Locational Deliverability Areas in which a Base Residual Auction (BRA) for a Delivery Year results in a positive Locational Price Adder with respect to the surrounding next, less-constrained Locational Deliverability Area, the holder of an ICTR for a Customer-Funded Upgrade<sup>20</sup> is eligible to receive payment depending on the relationship between the applicable ICTRs and CTRs.

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<sup>17</sup> See PJM, Intra-PJM Tariffs, OATT attach. DD.5.16 (Incremental Capacity Transfer Rights), (3.0.0) § 5.16 (a).

<sup>18</sup> *Id.*

<sup>19</sup> See PJM, Intra-PJM Tariffs, OATT, § 234.4 (Duration of Incremental Capacity Transfer Rights) (0.0.0). ICTRs received by a New Service Customer are effective for 30 years from commencement of Interconnection Service, Transmission Service, or Network Service for the affected New Service Customer; or the life of the pertinent facility or upgrade, whichever is shorter; subject to any subsequent *pro rata* reallocations of all CTRs (including ICTRs) in accordance with the PJM Manuals.

<sup>20</sup> See PJM, Intra-PJM Tariffs, OATT, Definitions – C-D (30.0.0). A Customer-Funded Upgrade is defined as all facilities and equipment owned and/or controlled, operated and maintained by Interconnection Customer on Interconnection Customer's side of the Point of Interconnection identified in the appropriate appendices to the Interconnection Service Agreement and to the Interconnection Construction Service Agreement, including any modifications, additions, or upgrades made to such facilities and equipment, that are necessary to physically and electrically interconnect the Customer Facility with the Transmission System.

9. Regarding the relationship between ICTRs and CTRs, PJM's Tariff states "the total [ICTRs] awarded as to an [Locational Deliverability Area]...may not exceed the total [CTRs] as determined to such [Locational Deliverability Area]." <sup>21</sup> To ensure that the quantity of ICTRs does not exceed the quantity of CTRs for a specific Locational Deliverability Area, PJM will proportionally reduce ICTRs.

**B. IMEA's ICTRs**

10. On March 8, 2018, IMEA entered into an Upgrade Construction Service Agreement in which IMEA undertook the responsibility to fund 100% of a transmission system upgrade that increased the import capability into the Commonwealth Edison Company (ComEd) Locational Deliverability Area via the East Frankfort-University Park 345 kV line. Pursuant to Section 234.2 of PJM's Tariff, <sup>22</sup> PJM allocated IMEA 1,097 MW of ICTRs for its upgrade, as established in the IMEA Upgrade Construction Service Agreement. <sup>23</sup>

11. For the BRA for Delivery Year 2021/2022, PJM allocated 1,097 MW of ICTRs to IMEA. Following the Third Incremental Auction for the 2021/2022 Delivery Year and pursuant to Section 5.16(a) of Attachment DD of the Tariff, PJM implemented a *pro rata* reduction to the 1,097 MW of ICTRs awarded to IMEA for the 2021/2022 Delivery Year. As noted above, Section 5.16(a) provides that ICTRs cannot be greater than the quantity of CTRs for a specific Locational Deliverability Area. <sup>24</sup> For the ComEd Locational Deliverability Area the CTRs available in Delivery Year 2020/2021 were 647.5 MW, 728.5 MW less than the 1,376 MW of ICTRs awarded for that delivery year. As a result of the *pro rata* reduction from the ComEd Locational Delivery Area's ICTRs, PJM allocated 516.2 MW of ICTRs to IMEA, and thus compensated IMEA for an amount equal to 516.2 MW times the applicable locational price adder of \$56.27/MW-day for the

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<sup>21</sup> See PJM, Intra-PJM Tariffs, OATT attach. DD.5.16 (Incremental Capacity Transfer Rights), (3.0.0) § 5.16 (a).

<sup>22</sup> See PJM, Intra-PJM Tariffs, OATT 234.2 (Procedures for Assigning Incremental Capacity Transfer Rights) (2.0.0).

<sup>23</sup> Complaint at 2-3.

<sup>24</sup> PJM also implemented a *pro rata* reduction in the 279 MW of ICTRs previously allocated to Radford's Run Wind Farm, LLC (Radford) for the 2021/2022 Delivery Year. On April 16, 2020, the Commission issued an order requiring PJM to determine whether Radford would have been entitled to payment relating to the Base Residual Auctions (BRAs) held in 2016, 2017, and 2018. See *Radford's Run Wind Farm, LLC v. PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,025 (2020), *order on reh'g*, 173 FERC ¶ 61,200, *clarified*, 177 FERC ¶ 61,161 (2021).

2021/2022 Delivery Year. As discussed below, IMEA challenges PJM's *pro rata* reduction of the ICTRs for the 2021/2022 Delivery Year.

## II. Complaint

12. IMEA claims that PJM violated its tariff in implementing the *pro rata* reduction of the previously awarded ICTRs.<sup>25</sup> IMEA further argues that PJM violated its tariff in calculating CTRs pursuant to Section 5.15(a) of Attachment DD of the Tariff, which ultimately affects the level of ICTRs.<sup>26</sup> As relief, IMEA requests that the Commission: (a) direct PJM to adhere to Sections 5.15 and 5.16 of Attachment DD of the Tariff, and (b) direct PJM to revise the ICTR and CTR results of PJM's 2021/2022 Delivery Year auctions (including Incremental Auctions) and all future Delivery Years to afford IMEA the full value of the 1,097 MW of ICTRs it was allocated under the Upgrade Construction Service Agreement and certified to receive by PJM, including through refunds calculated with interest in accordance with FERC's regulations.<sup>27</sup> IMEA's arguments are described further below.

13. IMEA also contends that PJM Manual 18 provisions are inconsistent with the Tariff and requests that the Commission direct PJM to revise PJM Manual 18 sections that are inconsistent with the aforementioned Tariff provisions.<sup>28</sup> Specifically, IMEA contends that Sections 6.1.2 and 6.2 of PJM Manual 18 permit PJM to determine the MW quantity of ICTRs allocated to a CTR and ICTR holders through the RPM. IMEA asserts the Tariff does not permit PJM to determine the allocation ICTRs through the BRA process. Alternatively, if PJM is permitted to continue with its methodology of calculating ICTRs and CTRs, IMEA requests that the auction results for the 2021/2022 Delivery Year be resettled through make-whole payments that would not disadvantage ICTR holders.<sup>29</sup>

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<sup>25</sup> Complaint at 24 (citing PJM, Intra-PJM Tariffs, OATT, attach. DD.5.16 (Incremental Capacity Transfer Rights) (3.0.0)).

<sup>26</sup> *Id.* at 55 (citing PJM, Intra-PJM Tariffs, OATT, attach. DD.5.15 (Capacity Transfer Rights) (2.0.0)).

<sup>27</sup> With the Complaint, IMEA included the affidavits of Kevin M. Gaden and Rakesh Kothakapu.

<sup>28</sup> *Id.* at 46.

<sup>29</sup> *Id.* at 100.



### **III. Notice and Interventions**

14. Notice of the Complaint was published in the *Federal Register*, 86 Fed. Reg. 30,459 (2021), with interventions and protests due on or before June 17, 2021, and a motion to extend the filing date for interventions and protests to June 28, 2021 was granted.

15. Timely motions to intervene were filed by PJM; Monitoring Analytics, Inc.;<sup>30</sup> Old Dominion Electric Cooperative; Calpine Corporation, Exelon Corporation (Exelon);<sup>31</sup> RWE Renewables Americas, LLC; NRG Power Marketing, LLC and Midwest Generation, LLC; Boston Energy Trading and Marketing LLC (Boston Energy Trading); Radford's Run Wind Farm, LLC (Radford); and H-P Energy Resources LLC (H-P Energy).

### **IV. Pleadings**

16. On June 28, 2021, PJM filed an answer to the Complaint,<sup>32</sup> Radford and H-P Energy Resources filed answers, and Exelon filed a protest. On July 13, 2021, IMEA and Boston Energy Trading filed answers to the answer of PJM and the protest of Exelon. On July 14, 2021, the Market Monitor filed an answer to the Complaint and on July 21, 2021, IMEA filed a response. On August 2, 2021, PJM filed an answer to pleadings of IMEA, Radford, H-P Energy Resources, and Boston Energy Trading. On August 6, 2021, the Market Monitor filed an answer to IMEA. On August 11, 2021, IMEA filed an answer to the answers of PJM and Market Monitor, and on August 26, 2021 the Market Monitor filed a response.

### **V. Discussion**

#### **A. Procedural Matters**

17. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2021), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

18. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2021), prohibits an answer to a protest or an answer unless otherwise ordered by the decisional authority. We accept the answers filed by IMEA, PJM, the

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<sup>30</sup> As the independent market monitor for PJM (Market Monitor).

<sup>31</sup> With Exelon Generation Company, LLC, and its affiliates.

<sup>32</sup> On June 29, 2021, PJM filed for leave to file a corrected answer.

Market Monitor, Radford, Boston Energy Trading, and H-P Energy Resources because they provided information that assisted us in our decision-making process.

**B. Substantive Issues**

19. As discussed further below, we deny the Complaint and find that PJM has correctly interpreted and implemented its Tariff. Further, we find that IMEA has not met its burden to demonstrate that Section 5.16 of Attachment DD of the Tariff is unjust and unreasonable.

**1. Pro Rata Reduction in ICTRs**

**a. IMEA's Position**

20. IMEA contends that PJM violated its Tariff and its Upgrade Construction Service Agreement with IMEA and ComEd by reducing the quantity of ICTRs to which IMEA is entitled. IMEA argues that PJM does not have the discretion to revise the allocation of IMEA's ICTRs. Rather, IMEA contends that it is entitled to compensation in the 2021/2022 Delivery Year, and every delivery year for the term awarded in the Upgrade Construction Service Agreement, for Incremental Capacity Transfer Rights based on the full 1,097 MW that PJM allocated for the investment IMEA made in transmission upgrades to the ComEd Locational Deliverability Area.<sup>33</sup> IMEA contends that while Section 5.16(a) of Attachment DD of the Tariff specifies the compensation for ICTRs into a Locational Deliverability Area, Section 234.2 of the Tariff sets the allocation of ICTRs associated with a Customer-Funded Upgrade to the New Service Customer(s).<sup>34</sup> As a result, IMEA contends that PJM is misapplying the condition that ICTRs not exceed total CTRs at any time other than when PJM makes the determination of the allocation of ICTRs following the execution of an Upgrade Construction Service Agreement per Section 234.2 of the Tariff. IMEA argues that Section 5.16(a) of Attachment DD does not provide for a reduction in the ICTRs identified in the Upgrade Construction Service Agreement.<sup>35</sup>

21. IMEA also argues that PJM sends the wrong signal to market participants in its attempt to compensate IMEA for less than the full amount of ICTRs initially allocated to IMEA. IMEA contends that this practice will have a negative effect on the willingness of

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<sup>33</sup> Complaint at 24-25.

<sup>34</sup> *Id.* at 28-29 (citing PJM, Intra-PJM Tariffs, OATT, attach. DD.5.16 (Incremental Capacity Transfer Rights) (3.0.0) § 5.16 (a) (emphasis added)), and 36-37 (citing Gaden Aff. at PP 24-26).

<sup>35</sup> *Id.* at 37, 39.

entities to invest in transmission projects that are necessary to increase import capability on constrained paths.<sup>36</sup>

**b. Answers**

**i. Supporting Complaint**

22. Boston Energy Trading and H-P Energy Resources filed comments in support of IMEA. Boston Energy Trading argues that neither Section 5.16 of Attachment DD of the Tariff nor any other provision of the PJM Tariff authorizes PJM to adjust the quantity of ICTRs initially awarded to a customer.<sup>37</sup> Boston Energy Trading further argues that PJM, in their answer, attempts to rewrite Section 5.15(a) of Attachment DD of the Tariff by replacing the reference to “Unforced Capacity imported” with “Unforced Capacity Obligation import,” and is conflating separate terms that apply to distinct entities and services in order to justify its reduction in ICTRs. H-P Energy Resources add that import capability plus capacity imported provides reliability value that is essentially the same as internal capacity, and PJM devalued import capability while making no adjustment to the capacity value of internal resources is unduly discriminatory.<sup>38</sup>

23. Radford supports the relief requested in the IMEA Complaint and states the Commission should compel PJM to apply its allocation of ICTRs without reduction in the 2020/2021 Delivery Year and future Delivery Years.<sup>39</sup> However, Radford opposes any prioritization of ICTRs for IMEA. Radford contends that the Commission provided for payment to Radford during the 2020/2021 Delivery Year and 2021/2022 Delivery Year, and IMEA’s claim is, in effect, a collateral attack on issues that have already been decided by the Commission.<sup>40</sup>

**ii. Opposing Complaint**

24. PJM argues that IMEA’s interpretation of the relevant Tariff provisions of the CTR and ICTR determinations is unreasonable.<sup>41</sup> PJM contends that Section 5.16(a) of

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<sup>36</sup> *Id.* at 7, 70-71.

<sup>37</sup> Boston Energy Trading Answer at 3-4.

<sup>38</sup> H-P Energy Resources at 4-5.

<sup>39</sup> Radford Answer at 2-3.

<sup>40</sup> *Id.* at 6-7.

<sup>41</sup> PJM included the affidavit of Jeffrey D. Bastian.

Attachment DD provides that “the total [CTRs] determined as to a Locational Deliverability Area” is determined anew for each Delivery Year and thus can change every Delivery Year.<sup>42</sup> Further, PJM states that Section 5.15(a) of Attachment DD plainly states that “the *total* [ICTRs] *awarded as to an* [Locational Deliverability Area] ... may not exceed the total [CTRs] *determined as to such* [Locational Deliverability Area].”<sup>43</sup> PJM argues that Section 5.15(a) of Attachment DD directs PJM to make a CTR determination for each Delivery Year, and it explicitly cautions that the amount of CTRs can change every Delivery Year, since the amount of capacity imported can change each Delivery Year.<sup>44</sup> Accordingly, PJM contends that IMEA is mistaken in reading PJM’s Tariff to infer that CTRs are set once, only at the time ICTRs are first determined.<sup>45</sup>

25. PJM explains that if the total ICTRs awarded to a Locational Deliverability Area exceeds the total CTRs as determined to that Locational Deliverability Area, then Load Serving Entities would not only receive zero CTRs, they would be exposed to negative CTRs, requiring additional payments to ICTR holders. PJM states that Section 5.16(a) of Attachment DD of the Tariff provides that CTRs cannot be less than zero, and the Tariff contains no mechanism for the Load Serving Entities to make payments to ICTR holders that are above and beyond the Locational Price Adder. PJM explains, in simpler terms, that it cannot compensate IMEA more for its ICTRs than it collects in capacity congestion revenues, and as such the Tariff requires a *pro rata* reduction of ICTRs allocated to a given Locational Delivery Area.<sup>46</sup> PJM states that it has consistently applied its Tariff provisions to require a *pro rata* reduction of ICTRs when total ICTRs awarded as to a Locational Deliverability Area exceed the total CTRs determined as to such Locational Deliverability Area for a Delivery Year, even in instances where there was no price separation in the impacted Locational Deliverability Areas.<sup>47</sup>

26. PJM maintains that Manual 18 does not conflict with the Tariff. Specifically, PJM maintains that Manual 18 provides the details for the settlement of RPM charges and

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<sup>42</sup> PJM June 29 Answer at 13 (citing PJM, Intra-PJM Tariffs, OATT attach. DD.5.16 (Incremental Capacity Transfer Rights) (3.0.0) § 5.16(a)).

<sup>43</sup> *Id.* (citing PJM, Intra-PJM Tariffs, OATT attach. DD.5.15 (Capacity Transfer Rights) (2.0.0) (emphasis in original)).

<sup>44</sup> *Id.* at 13-14.

<sup>45</sup> *Id.* at 15.

<sup>46</sup> *Id.* at 19-20.

<sup>47</sup> *Id.* at 23 (citing Bastian Aff., Exhibit No. JDB-3).

credits during the Delivery Year to implement the Tariff provisions that govern CTRs and ICTRs and the related provisions on determining Regional Transmission Organization (RTO), zonal, and Load Serving Entities UCAP Obligations, Capacity Imported, Locational Reliability Charges, and Capacity Resource Clearing Prices. PJM answers that IMEA's argument that proration of ICTRs will dilute the investment signal for participant funding, ignores the facts that: (i) IMEA, along with the rest of load in ComEd Locational Deliverability Area, benefits from a lower Locational Price Adder as a result of the increase in CETL provided by the IMEA upgrade, as IMEA itself concedes; and (ii) IMEA has been rewarded for its investment in the upgrade that created 1,097 MW in ICTRs, noting that IMEA paid \$613,000 once for an approximately \$10 million payout for one Delivery Year.<sup>48</sup>

27. Both Exelon and the Market Monitor state that they agree with PJM's statements that the ICTRs in a given Delivery Year are limited by the available CTRs.<sup>49</sup> The Market Monitor contends that IMEA's interpretation of the Tariff would unreasonably require other customers to subsidize their asserted rights to nonexistent capacity congestion revenue for unused import capability in the form of uplift payments and IMEA cites no market rules that support this suggestion.<sup>50</sup> Exelon states that Sections 5.15 and 5.16 of Attachment DD of the Tariff codify, and the corresponding provisions of the PJM Manuals reinforce, that the MW volumes and total dollar value of CTRs vary from Delivery Year to Delivery Year and that the MW volumes of ICTRs allocated to the new service customer shall not exceed the CTRs. Additionally, Exelon notes that even though IMEA's ICTR allocation was reduced for the 2021/2022 Delivery Year, IMEA is slated to receive \$10.58 million in payments from PJM for its pro-rated level of ICTRs.

**c. IMEA Response**

28. IMEA responds that contrary to PJM's Answer, under the existing Tariff, CTRs can indeed be less than zero and Load Serving Entities can be exposed to negative CTR charges.<sup>51</sup> IMEA points to the Third Incremental Auction for the 2020/2021 Delivery Year, where three Locational Deliverability Areas had negative CTR charges, including in the Mid-Atlantic Area Council (MAAC) Locational Deliverability Area, and all were

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<sup>48</sup> *Id.* at 34. PJM states that IMEA makes many of the same arguments PJM made in the Radford proceedings, and in this proceeding agrees are nothing more than collateral attacks on the Radford orders. *Id.* at 33.

<sup>49</sup> Exelon Protest at 2-3; Market Monitor July 14 Comments at 2-3.

<sup>50</sup> Market Monitor July 14 Comments at 2-3.

<sup>51</sup> IMEA July 13 Response at 12.

credited with a negative CTR charge.<sup>52</sup> IMEA contends that a similar mechanism could be used to compensate ICTR holders that will conform with prior practices and also does not violate the Tariff.<sup>53</sup> IMEA acknowledges that negative CTR charges were applied in a situation involving the payment of a Capacity Resource, rather than an ICTR holder, and contends that PJM is attempting to limit the awarding of negative CTR charges in situations where there are ICTRs. IMEA argues that such an interpretation or implementation would be unduly discriminatory to ICTR holders and preferential to generators.<sup>54</sup>

**d. PJM Response**

29. In response to IMEA's argument that ICTR holders should be compensated similar to Capacity Resources, PJM contends that IMEA is misapplying past instances of negative CTR charges. PJM contends that such situations are simply the means by which Load Serving Entities in a Locational Deliverability Area bear the cost of the Locational Price Adder when the MW of cleared Capacity Resources located inside the Locational Deliverability Area exceed the MWs of the zonal UCAP Obligation allocated to that Locational Deliverability Area in the Delivery Year, and are not analogous to the situation IMEA contemplates with ICTRs.<sup>55</sup> PJM states that negative CTRs refer to Load Serving Entities' payment of the Locational Price Adder for the MW of cleared internal Capacity Resources above the zonal UCAP Obligation, and IMEA's suggestion that "a similar mechanism could be used" to pay more money to ICTR holders highlights the flaw in their argument: the Tariff contains no mechanism for the payments IMEA seeks, in contrast to the payments for cleared Capacity Resources that it expressly requires.<sup>56</sup>

**e. Commission Determination**

30. We deny the Complaint on this issue. We find that IMEA's arguments regarding PJM's allocation of ICTRs for the ComEd Locational Deliverability Area in the 2021/2022 Delivery Year are based on a misinterpretation of the Tariff, and the requested relief would unjustly and unreasonably result in load overpaying for congestion.

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<sup>52</sup> *Id.*

<sup>53</sup> *Id.* at 12-13.

<sup>54</sup> *Id.* at 13.

<sup>55</sup> PJM August 2 Response at 4.

<sup>56</sup> *Id.* at 4-5.

31. The ICTRs allocated to IMEA in the IMEA Upgrade Construction Service Agreement are based on an analysis of the transmission system at the time of the interconnection System Impact Study and were based on whether the upgrade was expected to result in an increase in the CETL to the ComEd Locational Deliverability Area. However, the number of ICTRs that are memorialized in the Upgrade Construction Service Agreement was dependent on the configuration of the system and modeling used at that time for a specific delivery year and represent the maximum available ICTRs for IMEA's upgrade during the 30-year time frame in which the ICTRs are allocated (or the life of the pertinent facility or upgrade, whichever is shorter).<sup>57</sup> From delivery year to delivery year and between a BRA and subsequent Incremental Auctions for the same delivery year, many auction planning parameters can, and often do, change leading up to an RPM Auction, based on changes in the forecast load, system topology, capacity resource retirement/development, or new transmission upgrades, and also the number of ICTR holders. The Tariff recognizes that, in subsequent delivery years, the system configuration may change the number of ICTRs available for payment in those subsequent delivery years. Section 5.16(a) of Attachment DD of the Tariff provides for a reduction of ICTRs based on the number of CTRs, specifically referencing that ICTRs may not exceed the total CTRs.

32. In order to arrive at the number of ICTRs available for payment in a particular delivery year, the Tariff requires that PJM first calculate the number of CTRs available for a Locational Deliverability Area. The number of CTRs available is equal to the MW of UCAP imported into a Locational Deliverability Area, which is determined based on the results of the applicable BRA or Incremental Auction (i.e., the applicable RPM Auction determines the "Capacity Imported" into a given Locational Deliverability Area). As previously noted, ICTRs received by a New Service Customer shall be effective for 30 years from, as applicable, commencement of Interconnection Service, Transmission Service, or Network Service for the affected New Service Customer or the life of the pertinent facility or upgrade, whichever is shorter, subject to any subsequent pro rata reallocations of all CTRs (including ICTRs) in accordance with the PJM Manuals.<sup>58</sup> PJM then determines, under Section 5.16(a) of Attachment DD of the Tariff, the quantity of ICTRs it awards to a New Service Customer by reducing its total ICTRs such that the ICTRs allocated in any Delivery Year to a given Locational Deliverability Area do not exceed the total number CTRs available to that Locational Deliverability

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<sup>57</sup> See PJM, Intra-PJM Tariffs, OATT, § 234.4 (Duration of Incremental Capacity Transfer Rights) (0.0.0).

<sup>58</sup> See PJM, Intra-PJM Tariffs, OATT attach. DD.5.15 (Capacity Transfer Rights), (2.0.0) § 5.15(a).

Area. As previously noted, Section 5.16(a) of Attachment DD, provides (in pertinent part) that:

The megawatt quantity of Incremental Capacity Transfer Rights allocated to such a New Service Customer shall equal the megawatt quantity of the increase in Import Capability across a locational constraint resulting from such upgrade or facility, *provided that the total Incremental Capacity Transfer Rights awarded as to an [Locational Deliverability Area] ... may not exceed the total Capacity Transfer Rights determined as to such [Locational Deliverability Area].*” (emphasis added).<sup>59</sup>

33. As PJM points out, this calculation benefits ICTR holders as they receive preference over CTR holders in the Locational Deliverability Area with respect to the allocation of the capacity congestion revenue collected by PJM.<sup>60</sup> Under the Tariff, the CTRs available to Load Serving Entities are limited to the total CTRs less any increase in import capability (in MW) into such Locational Deliverability Area attributable to Qualifying Transmission Upgrades cleared in an RPM Auction and any ICTRs, but CTRs shall not be less than zero.<sup>61</sup> If the ICTRs exceed the total CTRs, as occurred in this case,

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<sup>59</sup> See PJM, Intra-PJM Tariffs, OATT attach. DD.5.16 (Incremental Capacity Transfer Rights), (3.0.0) § 5.16(a). Incremental Capacity Transfer Rights shall be available for a facility or upgrade for a Delivery Year only if the Office of the Interconnection certifies the quantity of Import Capability provided by such facility or upgrade at least 45 days prior to the Base Residual Auction for such Delivery Year.

<sup>60</sup> PJM Answer at 27 (“Those external resources [that] did clear, are committed in the auction, but are paid the Capacity Resource Clearing Price (including any [Locational Price Adder]) for the [Locational Deliverability Area] where they are located”). The capacity congestion revenue represents the difference between the amount paid by load for their full UCAP Obligation at the marginal price of the constrained Locational Deliverability Area and the amount PJM pays to capacity resources, which is based on the average value of the resources in the constrained Locational Deliverability Area at the higher price plus the external resources at the lower price. See *supra* text accompanying note 12.

<sup>61</sup> See PJM, Intra-PJM Tariffs, OATT attach. DD.5.15 (Capacity Transfer Rights), (2.0.0) § 5.15(a) (“The total megawatts of Capacity Transfer Rights available for allocation [to load] shall equal the megawatts of Unforced Capacity imported into such Locational Deliverability Area determined based on the results of the Base Residual Auction and Incremental Auctions (“Capacity Imported”), less any megawatts of CETL increase into such Locational Deliverability Area attributable to Qualifying Transmission



Load Serving Entities receive no offset and the full amount of the capacity congestion revenue is *pro rata* allocated to the holders of ICTRs. The total CTRs at the end of the Third Incremental Auction for the 2021/2022 Delivery Year were 647.5 MW and the total certified ICTRs in the ComEd Locational Deliverability Area were 1,376 MW, which results in negative 728.5 MW, or zero MW of CTRs available for allocation to load.<sup>62</sup> Thus, ICTR holders received the entire 647.5 MW of ICTRs available for payment and the full amount of the capacity congestion revenue. IMEA is arguing that it is entitled not only to the full amount of the capacity congestion revenue, but that load must incur additional capacity congestion charges, beyond those PJM collected in the Third Incremental Auction for the 2021/2022 Delivery Year, in order to pay the full amount of IMEA's initially allocated ICTR amount. As PJM notes in its response, the Tariff simply does not provide that ICTR holders receive additional payments above the capacity congestion revenue collected and paid by PJM.<sup>63</sup>

34. IMEA contends that the phrase in Section 5.16(a) of Attachment DD of the Tariff stating that “[t]he megawatt quantity of [ICTRs] allocated to such a New Service Customer shall equal the megawatt quantity of the increase in Import Capability across a locational constraint resulting from such upgrade or facility” should be read as a snapshot in time, and that payment for ICTRs should be based on the level of the ICTRs initially awarded in the Upgrade Construction Service Agreement. However, IMEA's interpretation ignores the subsequent provision in Section 5.16(a) that the total of ICTRs “may not exceed the total [CTRs] determined as to such [Locational Deliverability Area].” This latter provision supports PJM's interpretation that the ICTRs allocated for any given Delivery Year and BRA Auction must be proportionally reduced when the total ICTRs exceed the total CTRs. Importantly, while the ICTRs are proportionally reduced when the total ICTRs exceeds the CTRs in a given Delivery Year, the potential level of ICTRs available to IMEA for use in subsequent Delivery Years, as identified in the Upgrade Construction Service Agreement, is not reduced.<sup>64</sup>

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Upgrades cleared in an RPM Auction and any Incremental Capacity Transfer Rights into such Locational Deliverability Area allocated pursuant to Tariff.”)

<sup>62</sup> PJM June 29 Answer, Exh. No. JDB, at 1. In this proceeding, no Qualifying Transmission Upgrades are involved.

<sup>63</sup> *Id.* at 20.

<sup>64</sup> We also note that IMEA does not support its statement that a proration of ICTRs will dilute any investment signal. Indeed, as Exelon points out, IMEA received a payment for the 2021/2022 Delivery Year greater than the full cost of its upgrade. Exelon Protest at 2-3.

35. Section 5.16(a) of Attachment DD of the Tariff explicitly states that ICTRs cannot exceed the CTRs available to a given Locational Deliverability Area, and IMEA's interpretation would, as it concedes, result in the ICTRs exceeding the CTRs for the 2021/2022 Delivery Year, necessitating charges to load via negative CTR payments. As PJM explains, if CTRs are negative, ICTRs exceed CTRs and PJM would be required to pay out more in congestion credits to ICTR holders than it receives from loads in congestion revenues. This payout would be made at the expense of Load Serving Entities throughout the Locational Deliverability Area and the Tariff contains no mechanism providing that Load Serving Entities should be responsible for any extra payment, above and beyond the Locational Price Adders that are part of their Locational Reliability Charges, to ICTR holders.<sup>65</sup>

36. IMEA argues that a payment of excess congestion to fund ICTRs is equivalent to the Load Serving Entities' payment of the Locational Price Adder to the quantity of cleared internal Capacity Resources above the final zonal UCAP Obligation.<sup>66</sup> We disagree. First, as noted above, the Tariff does not provide for the payment of a negative ICTR credit. IMEA's analogy fails to recognize that the Tariff explicitly sets forth such a credit for Capacity Resources that clear in the BRA, even if their capacity turns out to be excess due to a reduction in load. Second, the rationale for payment of ICTRs and payments to Capacity Resources are different. Capacity Resources are paid the BRA clearing price because they have committed to being available during a delivery year three years in the future. Even if PJM determines that their capacity is not needed in subsequent Incremental Auctions, such Capacity Resources are entitled to payment of the BRA clearing price because they have been awarded a capacity obligation and incurred costs to do so. In contrast, ICTRs are a right that may result in payments to offset congestion costs associated with an upgrade to the transmission system. However, the impact the upgrade has on the capacity congestion revenues PJM collects in a given BRA varies with system conditions, including forecasted load, generation, the transmission topology, and market conditions, including capacity supply offers in the BRA, and thus

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<sup>65</sup> PJM June 29 Answer at 19-20 ("the Tariff provides that CTRs cannot be less than zero, and the Tariff contains no mechanism for the [Load Serving Entities] to make an extra payment, above and beyond the Locational Price Adders that are part of their Locational Reliability Charges, to ICTR holders."); PJM August 2 Answer at 4-5 ("the Tariff contains no mechanism for the payments [IMEA] seek[s], in contrast to the payments for cleared Capacity Resources that the Tariff expressly requires.").

<sup>66</sup> Under the Tariff, resources that clear a BRA auction three years ahead of the auction are guaranteed payment of the capacity price even if load changes render their capacity superfluous. See PJM, Intra-PJM Tariffs, OATT, attach. DD.5.4 (Reliability Pricing Model Auctions) (7.0.0).

this impact is not known until after the Third Incremental Auction. IMEA has not supported its contention that ICTRs represent a guaranteed ICTR level in each auction.

37. Further, we are not persuaded by IMEA's arguments that ICTR holders should be compensated in a manner similar to Capacity Resources. The Tariff does not provide for such compensation and IMEA has failed to demonstrate that such a distinction is unjust and unreasonable. Specifically, Capacity Resources that clear in a capacity auction are compensated at the Capacity Resource Clearing Price because they incur costs to meet their capacity supply obligation, whereas ICTRs are determined based on the results of the auctions, including the Incremental Auctions, for the Delivery Year once the CTRs are known. As explained above, the Tariff requires Load Serving Entities to bear the cost of the Locational Price Adder paid to cleared Capacity Resources located in the Locational Deliverability Area when the quantity of cleared Capacity Resources for a Delivery Year located inside the Locational Deliverability Area exceeds the zonal UCAP Obligation allocated to that Locational Deliverability Area for the Delivery Year,<sup>67</sup> while the CTRs available are not known until the final Incremental Auction for the Delivery Year.

38. As the Market Monitor argues,<sup>68</sup> IMEA's interpretation of the Tariff would require other loads to subsidize IMEA in the form of uplift or make-whole payments, yet the Tariff includes no separate mechanism for the payments IMEA seeks. IMEA cites no market rules to support the suggestion that other loads should be required to pay a subsidy – to IMEA in this instance – that exceeds the actual available capacity market congestion revenues, nor does IMEA present any persuasive arguments supporting that the existing Tariff language, which does not include a mechanism for the payment IMEA seeks, is unjust and unreasonable or unduly discriminatory. Accordingly, we find that IMEA has not shown that the Tariff requires the payment of negative ICTR credits or that not paying negative CTR credits to ICTR holders is unjust and unreasonable.

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<sup>67</sup> See PJM June 29 Answer at 27 (citing PJM, Intra-PJM Tariffs, OATT, attach. DD.5.14 (Clearing Prices and Charges) (32.0.0) § 5.14(a)).

<sup>68</sup> Market Monitor July 14, 2021 Answer at 3 (“IMEA's interpretation of the tariff would require other customers to subsidize their asserted rights to nonexistent surplus revenue for unused import capability in the form of uplift payments. IMEA cites no market rules and no logical reasons that support the suggestion that other load should pay a subsidy in excess of the actual available capacity market congestion revenues.”); *see also id.* at 2.

## 2. Calculation of ICTRs and CTRs

### a. IMEA's Position

39. IMEA argues that even if the Commission were to approve of PJM's process of adjusting CTRs based on the Incremental Auction results, PJM's 2021/2022 Delivery Year calculations for CTRs were not based on UCAP imports that cleared in the RPM Auctions as specified in Section 5.15(a) of Attachment DD of the Tariff. IMEA contends that by calculating the difference in the UCAP Obligation of the Locational Deliverability Area and internal resources cleared in the zone, PJM failed to abide by the Tariff and incorrectly determined the amount of CTRs for the 2021/2022 Delivery Year.<sup>69</sup> IMEA states that had PJM calculated the amount of CTRs for the 2021/2022 Delivery Year correctly, 5,574 MW of CTRs would be allocated to the ComEd Locational Deliverability Area, 1,097 MW of which is provided by IMEA. Instead, IMEA claims that PJM incorrectly allocated 2,624.9 MW of CTRs to the ComEd Locational Deliverability Area.<sup>70</sup> IMEA contends that Section 5.15(a) of Attachment DD of the Tariff does not permit PJM to make post-auction adjustments to CTRs based on the amount of internal resources cleared. IMEA argues that Section 5.15(a) of Attachment DD of the Tariff requires PJM to use the amount of imports that clear the auctions for the Delivery Year as the basis for the CTRs allocated to a Locational Deliverability Area, irrespective of how many internal resources clear in the auctions for a given Delivery Year. IMEA argues that PJM's implementation of the CTR provisions of the Tariff leads to an unjust and unreasonable, unduly discriminatory, and preferential implementation of the RPM.<sup>71</sup>

40. Further, IMEA contends that the level of CTRs calculated pursuant to Section 5.15(a) of Attachment DD were further reduced as a result of load reductions and were the product of PJM selectively netting Market Participant transactions. IMEA contends that there is no basis in the Tariff to permit PJM to reduce CTRs based on select market transactions, and PJM's decision to fail to incorporate the internal cleared transactions in the calculations of a Locational Delivery Area's CTRs exacerbates the unjust and unreasonable impact of its Tariff violations.<sup>72</sup>

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<sup>69</sup> IMEA contends that PJM's method of calculating CTRs based on the difference in the UCAP Obligation of the Locational Deliverability Area and internal resources cleared in the zone stems from Sections 6.1.2 and 6.2 of PJM Manual 18, and that these sections of the manual are inconsistent with PJM's Tariff. Complaint at 46-50.

<sup>70</sup> *Id.* at 62.

<sup>71</sup> *Id.* at 57.

<sup>72</sup> *Id.* at 77-78.

**b. Pleadings****i. PJM Answer**

41. PJM answers that IMEA's interpretation of the Tariff does not comport with the Tariff requirement to calculate "the megawatts of [UCAP] imported into such Locational Deliverability Area determined based on the results of the [auctions]."<sup>73</sup> PJM contends that IMEA's approach would disregard the allocation among the Locational Deliverability Areas of the RTO UCAP Obligation resulting from the auctions. PJM states that the allocation among the Locational Deliverability Areas of the RTO UCAP Obligation resulting from the auctions is an essential step which is mandated by the Tariff and Reliability Assurance Agreement (RAA) in determining the Locational Reliability Charges paid by Load Serving Entities in the Locational Deliverability Area. PJM maintains that the Tariff requires that "the megawatts of [UCAP] imported into such Locational Deliverability Area determined be based on the results of the [auctions]."<sup>74</sup> PJM explains that the calculation of Locational Reliability Charge provides that "each [Load Serving Entity] shall incur a Locational Reliability Charge ... equal to such Load Serving Entity's Daily Unforced Capacity Obligation in a Zone during such Delivery Year multiplied by the applicable Final Zonal Capacity Price in such Zone."<sup>75</sup> As such, PJM states that the Tariff's measure of CTRs is simply the difference between the zonal UCAP Obligation and the total MWs of Capacity Resources located inside the Locational Deliverability Area that cleared and were committed as a result of the RPM Auctions for the Delivery Year.

42. PJM further explains that the 5,574 MW of imports in the ComEd Locational Deliverability Area for the 2021/2022 Delivery Year does not reflect the external resources specifically committed to the ComEd Locational Deliverability Area. Rather, as explained above, the quantity of imports reflects the difference between the zonal UCAP obligation and the cleared capacity resourced located in the ComEd Locational Deliverability Area. PJM also notes that for the 2020/2021 Delivery Year, the ComEd Locational Deliverability Area saw a decline in its share of the RTO UCAP Obligation, dropping from 15.3% for the Base Residual Auction, to 14.1% for the Third Incremental Auction.<sup>76</sup> PJM contends that the final quantity of internal resources located in the

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<sup>73</sup> PJM June 29 Answer at 25 (citing PJM, Intra-PJM Tariffs, OATT, attach. DD.5.15 (Capacity Transfer Rights) (2.0.0)).

<sup>74</sup> *Id.*

<sup>75</sup> *Id.* (citing PJM, Intra-PJM Tariffs, OATT, attach. DD.5.14 (Clearing Prices and Charges) (32.0.0) § 5.14(e)).

<sup>76</sup> *Id.* at 30.

ComEd Locational Deliverability Area is not known until after all the RPM Auctions are held. PJM states that identifying the final difference between the zonal UCAP Obligation and the internal resources in the Locational Deliverability Area is essential because it defines the share of Capacity Resources counting toward the zonal UCAP Obligation that is not paid the ComEd Locational Deliverability Area Capacity Resource Clearing Price.<sup>77</sup> PJM states that this distinction is critical because Load Serving Entities in the ComEd Locational Deliverability Area (like those in any other constrained Locational Deliverability Area) pay for their zonal UCAP Obligation at the constrained Locational Deliverability Area clearing price, even if a portion of their capacity obligation was met by resources that receive a lower price.<sup>78</sup>

43. PJM also explains that it is required by the Tariff and RAA to update the peak load forecasts prior to the Delivery Year, which affects the zonal UCAP Obligation values used in the Incremental Auctions.<sup>79</sup> PJM reiterates that for the 2021/2022 Delivery Year, the zonal UCAP Obligation for ComEd dropped from 24,983 MW in the BRA to 22,721 MW for the Third Incremental Auction. In addition, PJM notes that the committed internal resources for ComEd dropped from 22,358 MW in the BRA to 22,110 MW after the Third Incremental Auction was held, reflecting that buy bids from committed internal resources exceeded sell offers within the ComEd Locational Deliverability Area. PJM explains that these facts created a difference between the zonal UCAP Obligation and committed internal resources of 648 MW, and this difference was used consistent with the Tariff as the basis for the final CTR value for the ComEd Locational Deliverability Area in the 2021/2022 Delivery Year.

44. In response to IMEA's arguments over the netting of market participant transactions, PJM explains that Section 5.12 of Attachment DD of the Tariff requires PJM to submit bids to buy previously committed capacity for a Delivery Year.<sup>80</sup> PJM contends that IMEA overlooks that such buy bids are only bids, not transactions, and PJM puts forth those bids at the quantity and price as required by Section 5.12 of Attachment DD of the Tariff, and such bids are not obligated to clear. PJM states that when they do clear, it is because a market participant submitted a sell offer in the Incremental Auction with quantity and price terms that matched PJM's bid. PJM states

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<sup>77</sup> *Id.* at 28.

<sup>78</sup> *Id.*

<sup>79</sup> *Id.* at 26-27.

<sup>80</sup> *Id.* at 30-31 (citing PJM, Intra-PJM Tariffs, OATT, attach. DD.5.12 (Conduct of RPM Auctions) (20.0.0) (PJM "shall employ an optimization algorithm for each Base Residual Auction and each Incremental Auction to evaluate the Sell Offers and other inputs to such auction to determine the Sell Offers that clear such auction.")).

that the resulting market participant transaction is necessary to determine the committed internal resources that define the need for imported Unforced Capacity. PJM adds that Section 5.12 of Attachment DD of the Tariff requires PJM, in certain circumstances, to bid to buy previously committed capacity for a Delivery Year, based on certain thresholds for perceived over-procurement.

**ii. IMEA Response**

45. In response, IMEA contends that PJM is attempting to change the requirement in the Tariff, Attachment DD, Section 5.15(a) to revise “[UCAP] imported” into “[UCAP] Obligation imported.”<sup>81</sup> IMEA argues that UCAP applies to Capacity Resources and supply, whereas UCAP Obligation applies to a Load Serving Entity’s load or demand. Since, according to IMEA, CTRs are intended to provide credits for the amount of supply resources enabled into the Locational Deliverability Area, PJM’s attempted revision of the requirement in Section 5.15(a) of Attachment DD of the Tariff into one that bases the amount of CTRs on the load or demand of a Load Serving Entity is inconsistent with the purpose of Section 5.15(a) of Attachment DD of the Tariff.<sup>82</sup> IMEA reiterates that the plain language reading of Section 5.15(a) of Attachment DD of the Tariff means that total CTRs for the Locational Deliverability Area must “equal” the MWs of imports that were used to clear the auction, and it does not say that CTRs are based on a load ratio share of imports.<sup>83</sup>

**iii. PJM Response**

46. PJM answers that IMEA continues to advance a tenuous argument focused on two subsections of the Tariff and fails to account for multiple other sections of the Tariff and the RAA. PJM argues that IMEA does not acknowledge the different timing and function of the BRA and the capacity market settlements during the Delivery Year.<sup>84</sup>

**c. Commission Determination**

47. We deny the Complaint on this issue. We find that IMEA’s interpretation of PJM’s tariff results in a calculation that fails to account for the provisions of Section 5.15(a) of Attachment DD of the Tariff, where the quantity of CTRs determined for a Locational

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<sup>81</sup> IMEA July 13 Response at 26-27.

<sup>82</sup> *Id.* at 27.

<sup>83</sup> *Id.* at 28-30.

<sup>84</sup> PJM August 2 Answer at 2.

Deliverability Area can change for each Delivery Year “based upon the results of the [auctions].” Specifically, Section 5.15(a) of Attachment DD of the Tariff provides:

To recognize the value of Import Capability and provide a partial offset to potential Locational Price Adders that may be determined for an [Locational Deliverability Area] ..., [PJM] shall allocate Capacity Transfer Rights to each [Load Serving Entity] serving load in such [Locational Deliverability Area] *pro rata based on such [Load Serving Entity's] Daily Unforced Capacity Obligation in such [Locational Deliverability Area]*. The total megawatts of Capacity Transfer Rights available for allocation shall equal the megawatts of Unforced Capacity imported into such [Locational Deliverability Area] *determined based on the results of the Base Residual Auction and Incremental Auctions* (“Capacity Imported”), less any megawatts of CETL increase into such [Locational Deliverability Area] attributable to Qualifying Transmission Upgrades cleared in an RPM Auction and any Incremental Capacity Transfer Rights into such [Locational Deliverability Area] allocated pursuant to Tariff, Attachment DD, section 5.16 (but not less than zero), and shall be subject to change in subsequent Delivery Years as a result of changes in the quantity of such Capacity Imported into such [Locational Deliverability Area].<sup>85</sup>

48. IMEA’s argument that Section 5.15(a) of Attachment DD of the Tariff requires PJM to use the amount of imports that clear the RPM Auctions for the Delivery Year as the basis for the CTRs allocated to a Locational Deliverability Area, irrespective of how many internal resources clear in the auctions for a given Delivery Year, is flawed. We agree with PJM that IMEA’s interpretation reads out the Tariff requirement to calculate “the megawatts of [UCAP] imported into such Locational Deliverability Area determined based on the results of both the Base Residual Auction and the Incremental Auctions.”<sup>86</sup> The Tariff provision refers only to determination of the amount of capacity imported into the Locational Deliverability Area and requires that capacity imports be calculated by

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<sup>85</sup> See PJM, Intra-PJM Tariffs, OATT, attach. DD.5.15 (Capacity Transfer Rights) (2.0.0) § 5.15(a) (emphasis added).

<sup>86</sup> See *Id.* Section 5.15(a) includes both the BRA and the Incremental Auctions in the comparison of UCAP Obligation of the Locational Deliverability Area and the cleared zonal internal Capacity Resources.



subtracting the internal resources committed in the BRA and Incremental Auctions from the Locational Deliverability Area's UCAP Obligation.<sup>87</sup> This calculation results in the CTR value for a Locational Deliverability Area, and PJM is required to determine the amount of capacity imports into the Locational Deliverability Area (excluding internal resources) because the quantity of CTRs to be allocated reflects the congestion revenue collected by PJM from using the lower priced external resources while charging load the higher constrained Locational Deliverability Area clearing price.<sup>88</sup> As noted above, for the 2020/2021 Delivery Year, the ComEd Locational Deliverability Area saw a decline in its share of the RTO UCAP Obligation, dropping from 15.3% for the Base Residual Auction, to 14.1% for the Third Incremental Auction and by the terms of the RAA, these peak load forecast changes also changed the Zonal UCAP Obligation for the ComEd Locational Deliverability Area. PJM explains that the UCAP Obligation following the Third Incremental Auction sets the UCAP for which ComEd Zone Load Serving Entities must actually pay during the delivery year. The funds that remain after distributing the total charges collected from Locational Deliverability Area loads, which is based on the UCAP Obligation of the load to the Capacity Resources that cleared the Base Residual Auction to satisfy the UCAP Obligation of the load, is the total congestion charge associated with the Locational Deliverability Area. The total congestion charge associated with the Locational Deliverability Area is allocated as CTR credits.<sup>89</sup>

49. IMEA argues that 5,574 MW of UCAP were imported into the ComEd Locational Deliverability Area "because the entire import capability of 5,574 MW . . . was used to clear that auction for the ComEd Locational Deliverability Area."<sup>90</sup> As PJM explains, the calculation of CTRs is based on the difference between the total zonal UCAP Obligation and the total MWs of Capacity Resources located inside the Locational Deliverability Area that cleared and were committed as a result of the BRA Auctions for the that delivery year.<sup>91</sup> The 5,574 MW of capacity IMEA references does not reflect external

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<sup>87</sup> *See Id.*

<sup>88</sup> As discussed, inflating the number of CTRs would result in paying out to ICTR holders more than the congestion revenue created by the constraint.

<sup>89</sup> PJM June 29 Answer at 30; Bastian Aff. at 3-4.

<sup>90</sup> Complaint at 63.

<sup>91</sup> PJM June 29 Answer at 25. *See* PJM June 29 Answer, Bastian Aff., Exhibit No. JDB-2.

resources specifically committed to the ComEd Locational Deliverability Area.<sup>92</sup> PJM explains that the extent to which the ComEd Locational Deliverability Area actually needs any part of that 5,574 MW is not known until after all the BRA Auctions are complete, and the final quantity of Capacity Resources located, and cleared, inside the ComEd Locational Deliverability Area for that delivery year is known.<sup>93</sup> The determination of UCAP Obligation is therefore necessary; otherwise, the provision “based on the results of the [auctions]” would have no meaning in determining CTRs available for allocation. Consistent with this interpretation, the calculation of Locational Reliability Charge provides that “each [Load Serving Entity] shall incur a Locational Reliability Charge ... equal to such [Load Serving Entity’s] Daily Unforced Capacity Obligation in a Zone during such Delivery Year multiplied by the applicable Final Zonal Capacity Price in such Zone.”<sup>94</sup> IMEA has not demonstrated that the determination of UCAP Obligation is unjust and unreasonable, and we agree with PJM that the allocation among the Locational Deliverability Areas of the RTO UCAP Obligation resulting from the auctions is an essential step mandated by the Tariff, and that IMEA’s interpretation would disregard this requirement.<sup>95</sup>

50. With respect to load forecasting adjustments, we agree with PJM that the process that PJM used in the 2021/2022 Delivery Year to adjust the forecast demand in the BRA and Incremental Auctions, as well as its use of buy bids in those auctions is consistent with the Tariff. PJM explained that the lower load forecast in the Third Incremental Auction for the 2021/2022 Delivery Year resulted in a lower CTR value for the ComEd Local Deliverability Area and a lower allocation of ICTR payments to IMEA. Finally, in response to IMEA’s claims regarding PJM’s use of buy bids in Incremental Auctions, we agree with PJM that IMEA misrepresents PJM’s actions. Pursuant to Section 5.12 of

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<sup>92</sup> The UCAP Imported into the Locational Deliverability Area is equal to that portion of the Locational Deliverability Area UCAP Obligation that is not satisfied by cleared internal Capacity Resources. PJM June 29 Answer, Bastian Aff. at 4.

<sup>93</sup> PJM June 29 Answer at 27-28.

<sup>94</sup> *Id.* (citing PJM, Intra-PJM Tariffs, OATT, attach. DD.5.14 (Clearing Prices and Charges) (32.0.0) § 5.14(e)).

<sup>95</sup> IMEA’s concern that Manual 18 conflicts with the Tariff are based on its interpretation, which we have found mistaken. Instead, Manual 18 provides implementation details consistent with PJM’s interpretation of the Tariff.

Attachment DD, PJM is required to match sell offers with capacity supply offers,<sup>96</sup> wherein capacity is accounted for in the zonal UCAP Obligation. IMEA does not provide any basis to indicate that PJM did not follow its Tariff and RAA requirements for updating load forecasts for the 2021/2022 Delivery Year, nor did IMEA provide a compelling argument for why PJM is restricted from offering buy bids into the capacity auctions.

### C. Other Issues

#### 1. Market Monitor

51. The Market Monitor contends that PJM correctly applied the existing market rules in the case of the CTR determination for the ComEd Locational Deliverability Area for the 2021/2022 Delivery Year. However, the Market Monitor states that the certain capacity market rules should be revised, arguing that “the total MW needed, the internal MW and the imported MW should all be defined by the market clearing and not redefined later.”<sup>97</sup> Further, the Market Monitor states that it “agrees that the rules governing the definition and payment of CTRs are confusing,” that they “are not consistent with the operation of an efficient and competitive market,” and that they “should be significantly modified to address the substantive issues and to add clarity.”<sup>98</sup>

52. Although the Market Monitor supports PJM’s interpretation of the current Tariff, it highlights the possibility of moving the calculation of ICTRs for the Delivery Year from the final Incremental Auction held prior to the Delivery Year to the BRA for that Delivery Year. We find that the Market Monitor’s concerns lack sufficient specificity and, therefore, do not provide an adequate record for us to take action at this time.<sup>99</sup>

#### 2. Radford

53. IMEA contends that it is unjust and unreasonable for PJM to reduce IMEA’s ICTRs based on retroactively awarding ICTRs to Radford that were not certified prior to

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<sup>96</sup> See PJM, Intra-PJM Tariffs, OATT, attach. DD.5.12 (Conduct of RPM Auctions) (20.0.0) ([PJM] shall employ an optimization algorithm for each Base Residual Auction and each Incremental Auction to evaluate the Sell Offers and other inputs to such auction to determine the Sell Offers that clear such auction).

<sup>97</sup> Market Monitor August 5 Answer at 2.

<sup>98</sup> Market Monitor August 26 Answer at 2.

<sup>99</sup> The Market Monitor, of course, is free to pursue these through the PJM stakeholder process.

the BRA for the 2021/2022 Delivery Year as required by the Tariff.<sup>100</sup> While supporting the relief requested in the Complaint, Radford opposes any prioritization of ICTRs for IMEA. Radford contends that the Commission provided for payment during the 2020/2021 Delivery Year and 2021/2022 Delivery Year, and IMEA's claim is, in effect, a collateral attack on issues that have already been decided by the Commission. PJM also argues that IMEA's arguments related to prioritizing IMEA over Radford in order to receive additional ICTRs because Radford had not certified its ICTRs in time for the auction is a collateral attack on the Commission's prior orders.<sup>101</sup> The level of ICTRs available for allocation of Radford's ICTRs for the 2020/2021 Delivery Year and 2021/2022 Delivery Year has been decided, and is not at issue in this proceeding.<sup>102</sup>

The Commission orders:

The IMEA Complaint is hereby denied, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

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<sup>100</sup> Complaint at 62.

<sup>101</sup> PJM June 29 Answer at 32-33 (citing *Radford's Run Wind Farm, LLC v. PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,025, order on reh'g, 173 FERC ¶ 61,200 (2020)).

<sup>102</sup> *Radford's Run Wind Farm, LLC v. PJM Interconnection, L.L.C.*, 177 FERC ¶ 61,161 (2021).

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