

# PJM/MISO Cross Border Economic Projects

## Money Flow in PJM

*John Bustard  
For PJM Transmission Owners*

*August 27, 2008*

*Draft*

- A. PJM Builds and MISO Pays
- B. MISO Builds and PJM Pays
- C. Summary

## Provisions for cross border reliability projects in the PJM Tariff Schedule 12

- PJM Transmission Owner may be designated to construct and own and/or finance Required Transmission Enhancements
  - Required Transmission Enhancement can result from the Coordinated System Plan developed pursuant to the Joint Operating Agreement between the Midwest ISO and PJM
- Transmission Owner (TO) may seek to recover costs of Required Transmission Enhancements
  - Each TO makes its individual request to FERC
  - PJM posts approved charges in its PJM Tariff
- PJM is obligated to collect on behalf of the TO any charges established by a TO and remit collections to the TO
  - Called a Transmission Enhancement Charge in the PJM Tariff

# A. PJM Builds and MISO Pays, continued

4

- PJM designates customers subject to the Transmission Enhancement Charge
- Tariff provisions for designation that apply to MISO
  - Where Responsible Customers are subject to the MISO Tariff, MISO shall be the Responsible Customer
  - Cost responsibility shall be allocated within MISO in accordance with the MISO Tariff
- Schedule 12 – Appendix specifies the Responsible Customers and Associated Transmission Owner Revenue Requirements for each Required Transmission Enhancement

## Summary of the PJM Schedule 12 process for Cross Border Reliability

1. Coordinated System Plan identifies Required Transmission Enhancement
  2. PJM files with FERC a change to Schedule 12 – Appendix of its Tariff to include a Required Transmission Enhancement along with its cost allocation
    - Cost allocation goes to MISO for cross border projects
  3. Building TO files with FERC for a Transmission Enhancement Charge for the Required Transmission Enhancement
  4. PJM collects Transmission Enhancement Charge and remits to TO
- 
- Certain parts of the PJM Tariff can be changed by PJM and other parts can be changed by PJM TOs
    - Schedule 12 can be changed by the PJM TOs collectively
    - Schedule 12 – Appendix can be changed by PJM

- PJM Tariff Schedule 12 Allows for Transmission Enhancement Charges of one or more transmission owners within MISO to be collected within PJM
  - Amount of the Transmission Enhancement Charge to be determined in accordance with the MISO Tariff
- Allocation of charges internal to PJM varies depending on whether the facilities operate at or above 500 kV or below 500 kV
- PJM Tariff specifies how PJM should allocate projects required for economics
  - 500 kV and above allocated annually on a load-ratio share basis using zonal loads at the time of each Zone's annual peak load
  - Below 500 kV allocated based on a settlement approved by FERC on July 29, 2008

## B. MISO Builds and PJM Pays

7

- Below 500 kV acceleration of reliability projects due to economics
  - Perform two calculations for the period during acceleration
    - Calculate DFAX analysis as if advancement were needed for reliability
    - Calculate LMP benefits based on reduction in Locational Marginal Price payments due to the acceleration project
  - Allocate depending on difference in results between DFAX and LMP
    - If DFAX results and LMP results for any zone differ by ten percentage points or more, cost responsibility assignment is based on LMP
    - If DFAX results and LMP results for all zones differ by less than ten percentage points, cost responsibility assignment is based on DFAX
- Below 500 kV needed only for economics
  - PJM required to file an allocation methodology by July 29, 2009
  - Cost responsibility effective as of date TO establishes Transmission Enhancement Charge subject to refunds

- PJM Tariff provides for cross border charging for reliability projects using defined terms that could include economic projects
- If terms are broadened to include economic projects, the PJM Tariff requires no changes or minimal changes to accommodate cross border economic projects