

# Ancillary Services (Eliminating Pan-caked Rate)



**Joint and Common Market  
Carmel, IN  
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# Ancillary Services: Agenda

- ▶ Stakeholder objectives
- ▶ Options

# Stakeholder Objectives

- ▶ Reduce cost per transaction
  - Reduce administrative fees (hurdle rate)
- ▶ Price convergence at RTO borders

# Overall Objectives

- ▶ Objectives should be to reduce the hurdle rate – not just reduce pan-caked rate without cost recovery
  - Transmission owners may have to absorb some 1A costs or file rate revisions.
  - Some Point to Point and Network Customers experience incremental cost increase.
  - MISO may not have the ability to recoup under-recovered reactive revenues

# Options

- **Depancake Pt-to-Pt Ancillary Service Charges**
  - Eliminate the Ancillary Service charges associated with Pt-to-Pt through and out service sinking in the Combined Region.
    - Reactive, Black Start, RTO control area services, FERC, TO services.
  - **Potential Benefits**
    - **Reduced Hurdle Rate:** only charges by one RTO (reduce transmission customer cost per transaction)
    - **Anticipated Price Convergence:** reduced hurdle rate may encourage further convergence of RTO border prices.

\*assume cost to maintain overall joint system does not reduce headcount in each RTO

# Overview of Options: PJM (June 2005)

PTP Ancillary Service	Customer	Total	Under Recovery	Current Charge	Adder
<b>2 Reactive</b>	Pt-to-Pt (MW reserved)	\$15,481,600	\$827,100 (5%)	\$ 0.1549 MW / h	+ \$0.01 / MW-hr
	Network (peak load MW)			Varies by sink zone	+ \$0.21 /MW-day avg.
<b>6A Black Start</b>	Pt-to-Pt (MW reserved)	\$1,289,900	\$68,900 (5%)	\$ 0.0129 MW / h	+ \$0.0007 /MW-hr
	Network (peak load MW)			Varies by sink zone	+ \$0.0175 /MW-day

# Overview of Options: PJM (June 2005)

PTP Ancillary Service	Customer	Total	Under Recovery	Current Charge	Adder
9-1 RTO CA	Pt-to-Pt (MWh energy) and Network (MWh load served)	\$9,613,100	\$211,300 (2%)	\$ 0.145 / MWh	\$0.0032 / MWh
9-3 RT Market	All Market participants (MWh import, export, gen., load)	\$8,222,700	\$90,600 (1%)	\$ 0.0318 / MWh	\$0.0007 / MWh *

\* PJM expenses are collected in Schedule 9-1 from all Pt-to-Pt and Network customers. But, after annual rate revision, applicable Market Participants would pay an additional \$0.0007/MWh.

# Overview of Options: PJM (June 2005)

PTP Ancillary Service	Customer	Total	Under Recovery	Current Charge	Adder
9-FERC	Pt-to-Pt (MWh energy) and Network (MWh load served)	\$2,108, 400	\$46,300 (2%)	\$ 0.0318 / MWh	\$0.0007 / MWh
1A TO CA Services	Pt-to-Pt (MWh energy) and Network (MWh load served)	\$5,523, 100	\$148,500 (3%)	\$ 0.1019 / MWh	\$0.05 / MWh *

\* PJM Transmission Owners based on their allocation shares unless Pt-to-Pt rate is revised, then Pt-to-Pt Customers would pay additional \$0.05 / MWh.

# Overview of Options: MISO (June 2005)

PTP Ancillary Service	Customer	Total	Under Recovery	Current Charge	Adder
Sch 2- Reactive	Pt-to-Pt (MW reserved) and Network (peak load MW)	\$4.7 million	\$770,540 (16%)	Varies by sink, for out/thru \$0.3734 / MWh	\$0.0097 / MWh
Sch 17	Market Participants based on share of injections, withdraws and virtual transactions	\$11.0 million	\$211,933 (1.9%)	\$0.075 / MWh	\$0.0014 / MWh

# Overview of Options: MISO (June 2005)

<b>PTP Ancillary Service</b>	<b>Customer</b>	<b>Total</b>	<b>Under Recovery</b>	<b>Current Charge</b>	<b>Adder</b>
<b>Sch 10</b>	Pt-to-Pt (MW reserved) and Network (peak load MW)	\$11.16 million	\$520,854 (4.6%)	Capped at \$0.15 / MWh	\$0.0066 / MWh
<b>Sch 10-FERC</b>	Pt-to-Pt (MW reserved) and Network (peak load MW)	\$3.0 million	\$197,878 (6.6%)est	\$0.05 / MWh	\$0.0033 / MWh
<b>Sch 1-TO Svcs</b>	Pt-to-Pt (MW reserved) and Network (peak load MW)	\$2.76 million	\$320,848 (11.6%)	\$0.1542 / MWh	\$0.004 / MWh

# Options Supporting Objectives

	Cost		Potential Benefit		
	Ongoing (Incremental \$/year)	Implement	\$/ transaction	\$/ year	Intangible
<b>Mid Term: Eliminate Pt-to-Pt Ancillaries</b>	<b>Minimal costs (\$5k / month) for manual exception processing</b>	<b>\$400k for both RTOs</b>	<b>\$0.45 - \$0.65 per MW h</b>	<b>Variable by customer</b>	<b>Reduced hurdle rate should encourage further convergence of RTO border prices</b>

# Options Supporting Objectives

## Obstacles

- ▶ Transmission owners may have to absorb some 1A costs or file rate revisions.
- ▶ Some Point to Point and Network Customers experience incremental cost increase.
- ▶ Quantification of benefits of reduced hurdle rate.
- ▶ MISO may not have the ability to recoup under-recovered reactive revenues