



Interregional Incremental Auction Revenue Rights

Problem / Opportunity Statement

Incremental Auction Revenue Rights (IARRs) are additional Auction Revenue Rights not previously feasible, created by the addition of Incremental Rights-Eligible Required Transmission Enhancements, Merchant Transmission Facilities, or one or more Customer-Funded Upgrades. These rights are available through the PJM Interconnection queue process. IARRs are granted to the customer only if the Transmission Enhancement provides incremental capability that makes the IARR request feasible. The objective is to ensure that existing ARR and requested IARRs are simultaneously feasible to ensure there are sufficient congestion revenues to satisfy all ARR/FTR obligations. For all IARR requests, PJM currently guarantees the final awarded IARR MWs represent at least 80% of studied IARR MWs.

PJM has identified a risk to Financial Transmission Right (FTR) market revenue funding when the awarding of IARRs for a Customer-Funded Upgrade request impacts current or future market-to-market flowgates. This risk of underfunding can occur because there is no mechanism for PJM to be granted the appropriate Firm Flow Entitlements (FTEs) associated with the external upgrades built for IARR requests. Any portion of the current FTEs for an impacted coordinated flowgate that is less than the 80% of the IARR MW total will result in FTR revenue inadequacy.

PJM has coordinated with MISO and because MISO's internal IARR rules they cannot guarantee future FTEs to PJM for PJM member requested IARRs. PJM wishes to receive member input on how to best document and implement any potential enhancements to address this concern.