

# Residual Zone Pricing

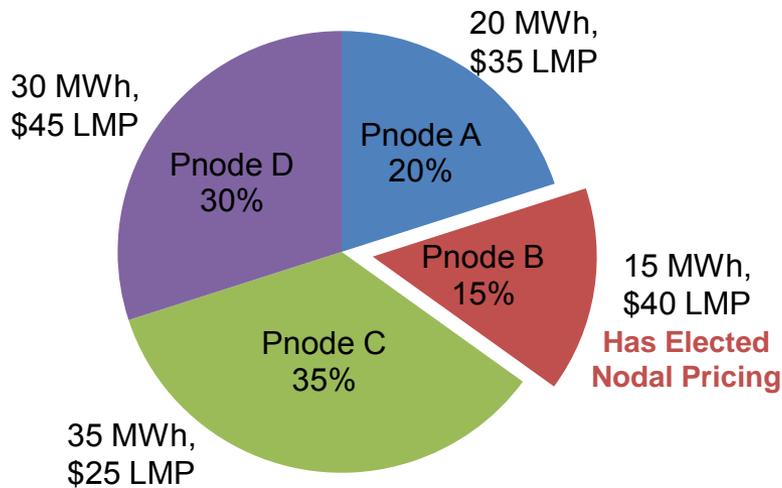
MRC

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October 12, 2011

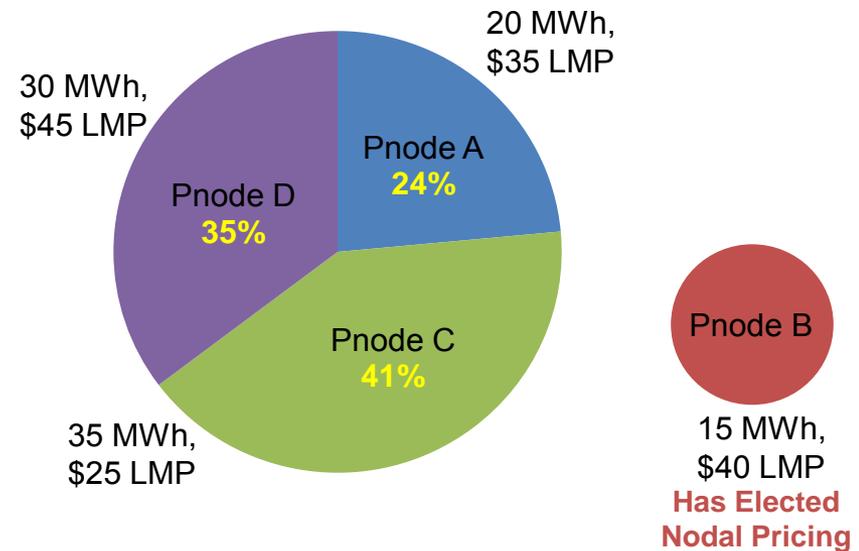
- Residual Zone
  - An aggregate containing all load buses in the physical zone, minus all load that has been designated to be priced at a specific non-zonal (or nodal) location
    - Zones with multiple EDCs will have residual metered EDC aggregates
- Residual Zone Pricing
  - Use of the residual zone LMP rather than the physical zone LMP for pricing real-time load
  - Residual zone price more accurately reflects the composition of non-nodal priced load in the zone

## Physical Zone Definition



**Total Zone Load Charges: \$ 3525**  
**Physical Zone LMP: \$ 35.25**

## Residual Zone Definition



**Total Zone Load Charges: \$ 3525**  
**Residual Zone LMP: \$ 34.41**

With the implementation of residual zone pricing:

- Residual zone aggregate is available for use in DA and RT energy market, FTR/ARR modeling, and bilateral transactions
- Physical zone pricing point remains available for use in all markets, except is not available for pricing RT load contracts
  - ARR will default to the physical zone, although LSEs may request to have ARR sink at the residual zone instead

- Implemented on a zone by zone basis
  - Automatically applies to all non-nodal load in the zone
- Zones shall use residual zone pricing upon implementation unless the EDC opts out on behalf of all non-nodal load in the zone
  - Once a zone switches to residual zone pricing, it cannot go back to physical zone pricing
  - Opt out elections must be provided to PJM annually
  - Implement opt out sunset date so all zones move to residual zone pricing by a specified year?

- In order for residual zone pricing to be available starting on June 1, 2012:
  - Tariff / OA changes must be filed by the end of the year in order to receive FERC approval prior to the 2012/2013 annual ARR/FTR process
  - MC approval is therefore required at November meeting

## OATT Attachment K – Appendix / Schedule 1 of OA

- New defined term: Residual Metered Load
- 5.2.3 Target Allocation of Transmission Congestion Credits - Added description of how the Day-ahead Congestion Price of residual metered load is calculated (mirrors language for how the price is calculated for the physical zone)
- 7.4.2 (b) and (d) Auction Revenue Rights - Specified ARR will default to sinking at the physical zone, unless the network customer requests ARRs at an aggregate that more specifically defines its load

## OATT Part III, Section 31.7

- Updated section to specify that all load in a zone will default to residual zone pricing unless:
  - The EDC opts out on behalf of all non-nodally priced load in the EDC's service territory or
  - The network customer defines a more specific aggregate for their load
- Minor revisions to existing wording to leverage defined terms

- Manual 27, Section 5.6
  - Additional peak load data requirement for nodal pricing settlement requests (used to determine residual zone definition for FTR Credit Target Allocation)
- Manual 28
  - Section 3.6 Residual Metered EDC Load Determination
  - Section 3.7 Residual Metered EDC Pricing Definitions and Business Rules
  - Section 7.3 & 8.3 – Reconciliation for Transmission Congestion & Loss Charges
- Manual 11, Section 2.3.2
  - Added description of Residual Metered EDC day-ahead default distribution