



# Preemption of Non-firm Transmission Service First Read/Endorsement: Quick Fix

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- Education
  - What is Preemption-ROFR Process?
  - Implementation Concerns
- Proposed Solution
- Quick Fix Process Timeline

# Education – What is Preemption-ROFR Process?

- Preemption-Right of First Refusal (ROFR)
- Process related to evaluation of Transmission service requests
  - Competition based on service duration
  - New longer duration requests can take away service from previously granted shorter duration service
  - ROFR gives previously granted service an opportunity to extend duration rather than being superseded

## Education – What is Preemption-ROFR Process?

- New Preemption-ROFR requirements included in North American Energy Standards Board (NAESB) version 3.2 Business Practice Standards
  - WEQ-001-025 defines detailed timing and implementation
  - Requirements become enforceable on October 27, 2021
  - PJM will incorporate, by reference, NAESB 3.2 standards into OATT
    - Preemption-ROFR could cause significant problems for PJM non-firm transmission service processes and OASIS customers

## Education – Implementation Concerns

- **Transmission Service evaluation delays**
  - Non-firm evaluation engine processes requests instantaneously
  - Preemption-ROFR introduces unmanageable delay potential
    - More than 2 hours for hourly Challenger requests
    - More than 24 hours for daily Challenger requests
  - Delays compound when multiple preemption events queued
- **OASIS customer uncertainty**
  - Hourly transmission service at greatest risk of preemption
    - 2018-2020 over 90% of 45,000+ confirmed reservations were hourly
  - Preemption of service near Start Time exacerbates uncertainty
    - 2018-2020, 90% of reservations granted within 24 hours of Start Time, and 97% granted within 48 hours of Start Time

- **Day Ahead Market and Real-time impacts**
  - Delays in evaluating transmission service requests could impact ability to bid into Day Ahead Market
  - Preemption of confirmed service used to support Day Ahead bid could prevent customer from fulfilling position in real-time
  - Preemption of service used to support interchange schedule will result in transaction curtailment

## Proposed Solution - How NAESB Compliance Works

- NAESB Business Practices incorporated into OATT by reference
  - PJM must comply with requirements unless:
    - FERC approves waiver of specific requirements as part of compliance filing
    - PJM OATT contains contradictory language
      - Transmission Provider OATT takes precedence

## Proposed Solution – Quick Fix Issue

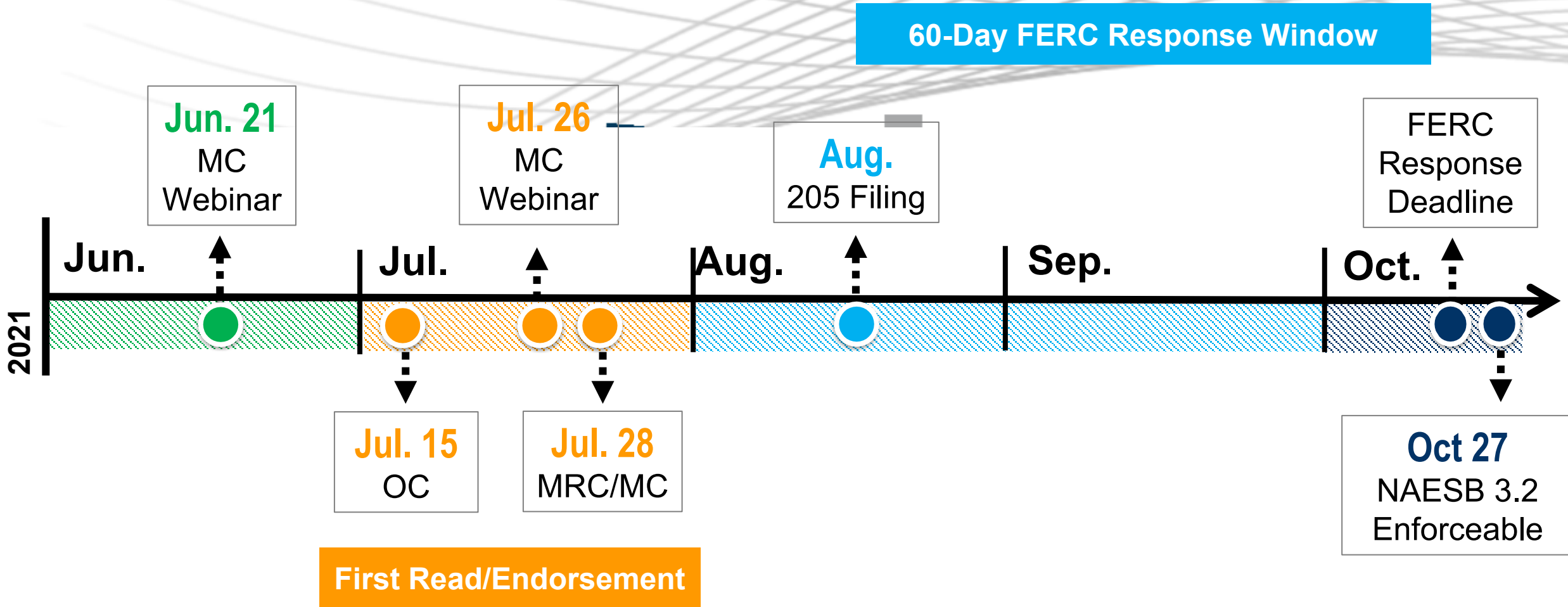
- OATT revisions to exclude Preemption-ROFR
  - Existing language in Section 13.2 excludes preemption from short term firm evaluations
  - Proposing OATT revisions to extend similar language to Section 14.2, excluding preemption from non-firm request evaluation
    - Section 205 FERC filing targeting August 2021



## Proposed Solution - Dual-path Approach

- Plan A: Full Exemption
  - No preemption of non-firm service (OATT revisions)
    - Quick Fix stakeholder process
    - Section 205 FERC filing to revise OATT section 14.2
- Plan B: Partial Exemption
  - PJM customized preemption approach
    - Preemption-ROFR implemented in streamlined manner
      - Avoids delays in request processing, but other impacts still apply
  - NAESB v3.2 compliance filing
  - Plan B only implemented if Plan A unsuccessful

# Quick Fix Process Timeline



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## Preemption of Non-firm Transmission Service



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# Appendix

## Expanded Timeline of NAESB Preemption Effort

- **Dec 2017** NAESB v3.2 published and filed with FERC
- **May 2019** FERC Notice of Public Rulemaking (NOPR)
- **Feb. 2020** FERC Final Rule accepting v3.2 requirements
  - Jul. 2021 Compliance Filing
  - Oct. 2021 Enforcement date
- **Apr. 2021** PJM OASIS Changes Deployed for NAESB v3.2
  - Streamlined preemption code ready if needed
- **May 2021** Discussion on FERC Filing
  - Goal to avoid preemption entirely
  - Alternate plan to implement streamlined approach

## Options Considered for Preemption-related FERC Filing

1. Compliance Filing: Full Preemption Waiver
  - a. OATT revisions cannot be accomplished via compliance filing
  - b. FERC rejection would necessitate full compliance
2. Compliance Filing: Partial Waiver (streamlined approach)
  - a. Uncertainty for hourly service and risk of curtailment still exists
3. Quick Fix 205 Filing + Compliance Filing
  - a. 205 Filing would revise OATT to exclude non-firm preemption, Compliance Filing would contain streamlined approach as fallback
  - b. MC approval in September pushes FERC 205 response past Oct. 27
    - i. Potential for implementing, then removing preemption
    - ii. Creates confusion and unnecessary coding for OASIS users
  - c. MC approval in July allows for timely FERC 205 response