



Broader Regional Markets Solutions to Lake Erie Loop Flow Update

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- In order to improve coordination of power transactions, enhance efficiency, and provide cost-savings to consumers, the NYISO, in conjunction with grid operators serving the Mid-Atlantic, Midwest, and New England regions of the United States and the Canadian province of Ontario, proposed a series of “Broader Regional Markets” initiatives to FERC in January 2010.
- The effort was in response to a FERC directive to develop and submit a report on a long-term, comprehensive solution to address issues that affect grid operators and market participants in the region. The NYISO collaborated extensively with Ontario’s Independent Electricity System Operator (IESO), the Midwest Independent Transmission System Operator (MISO), PJM Interconnection (PJM), and ISO New England (ISO-NE) in developing the proposals. The proposals submitted in the filing with FERC include both market-based and physical solutions.

- January 12, 2010 – NYISO submitted their compliance filing report outlining proposed solution options to address Lake Erie Loop Flows through the Broader Regional Markets
- FERC issued an Order on July 15, 2010 commending NYISO efforts through the Broader Regional Markets development efforts and ordered PJM, NYISO and Midwest ISO to respond to specific questions raised by interveners by August 16.
- Another Joint Stakeholder Technical Conference to review work efforts to date and to receive stakeholder input was hosted by PJM on September 27 at the Lowes Hotel in Philadelphia

- On October 20, 2010, Midwest ISO and the International Transmission Company (ITC) submitted a 205 filing with FERC to establish a methodology to allocate and recover from the PJM, NYISO and MISO regions the cost of the ITC Phase Angle Regulating Transformers at Bunce Creek on the Michigan-Ontario border.
- PJM staff submitted a protest to this filing on November 17, 2010. The filing is available on [pjm.com](http://www.pjm.com/~media/documents/ferc/2010-filings/20101117-er11-1844-000.ashx) at the following link:
<http://www.pjm.com/~media/documents/ferc/2010-filings/20101117-er11-1844-000.ashx>
 - PJM's protest requested the Commission direct the Midwest ISO to engage an open and transparent stakeholder process to jointly develop a cross border cost allocation methodology for the Replacement PARs

- Interchange Distribution Calculator (IDC) Upgrade Testing Underway
 - The North American Electric Reliability Corporation (NERC) began the parallel testing of an upgrade to the Interchange Distribution Calculator (IDC) on November 2.
 - PJM Staff, however, is concerned the current NAESB implementation of the calculation of firm and non-firm generation-to-load impacts
- The Broader Regional Markets Whitepaper update was completed December 2010
 - Distributed to the PJM MIC and PJM MRC members via e-mail
 - Available at <http://www.pjm.com/committees-and-groups/stakeholder-meetings/stakeholder-groups/brmjsg.aspx>

- FERC issued two orders on December 30, 2010 related to the Broader Regional Markets efforts
 - 1st Order on the Midwest ISO/ITC PARs Cost Allocation Proposal in Docket No. ER11-1844-000
 - http://elibrary.ferc.gov/idmws/File_list.asp?document_id=13877434
 - 2nd Order on the Order on Rehearing and Compliance Issued in the NYISO Loopflow/Broader Regional Markets proceeding Docket Nos. ER08-1281-005, 006
 - http://elibrary.ferc.gov/idmws/File_list.asp?document_id=13877435
 - PJM Staff is currently reviewing these orders both internally and with other ISO/RTO Organizations at the present time

- The Commission's preliminary analysis indicates that the MISO's proposed tariff sheets have not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful.
- The Commission also finds the MISO's proposed tariff sheets raise issues of material fact that cannot be resolved based on the record and that are more appropriately addressed in hearing and settlement judge procedures.
- While the Commission accepts MISO's proposed Tariff sheets effective January 1, 2011, subject to refund, it sets them for hearing and settlement judge procedures.
- The Commission directs the Chief Administrative Law Judge to appoint a settlement judge within fifteen days of the date of this order.
 - Within thirty days of the appointment of the settlement judge, the settlement judge shall file a report with the Commission and the Chief Judge on the status of the settlement discussions.
 - Based on this report, the Chief Judge shall provide the parties with additional time to continue their settlement discussions, if appropriate, or assign this case to a presiding judge for a trial-type evidentiary hearing, if appropriate.
 - If settlement discussions continue, the settlement judge shall file a report at least every sixty days informing the Commission and the Chief Judge of the parties' progress toward settlement.

- The Commission denies PSEG's rehearing requests on interregional planning and cost allocation issues and in response to filings and data responses submitted by various parties, including PJM, the Commission establishes compliance obligations and reporting requirements for the purpose of assuring that the Lake Erie loop flow concerns giving rise to this proceeding are resolved expeditiously.
- The Commission agrees that interface pricing reform and congestion management/market-to-market coordination can address and resolve many of the price incentives that create loop flow related concerns. In addition, the Commission agrees with the PJM IMM that implementing these two market solutions sooner will be more cost effective than implementing all four initiatives at a later date.

- Therefore, the Commission finds that it is appropriate, at this time, to re-prioritize the implementation schedule and establish revised, firm deadlines as follows:
 - First, the Commission requires that interface pricing revisions be completed concurrently for the U.S. RTO/ISOs by the second quarter of 2011.
 - Second, the Commission requires congestion management/market-to-market coordination for the U.S. RTO/ISOs to be completed concurrently by the second quarter of 2011. The Commission agrees with the PJM IMM that its proposal can build on the existing framework developed and implemented by the Midwest ISO and PJM.
 - Third, one year after the implementation of interface pricing reform and congestion management/market-to-market coordination, and every six months thereafter until the market initiatives are fully implemented, the NYISO is required, in collaboration with its neighboring RTO/ISOs, NERC and other market participants, to submit a report addressing:
 - (i) the effects of the reforms on reducing congestion that results from loop flows and the costs associated with mitigating congestion;
 - (ii) the effects of the implementation of the enhanced interregional transaction coordination initiative; and
 - (iii) recommendations and analyses as to whether the buy-through congestion proposal is required, and if so, when it should be implemented.

- Continue to provide updates through individual stakeholder meetings
 - Establish additional stakeholder working groups as needed
- Plan another Joint Stakeholder Technical Conference to review updated whitepaper and receive stakeholder input
 - Dates to be determined
 - Planning for 1st Quarter 2011 and late May 2011
- Continue to work with NAESB to address firm and non-firm generation-to-load calculation impacts