

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

<b>Duquesne Light Company</b>	)	<b>Docket Nos.</b>	<b>ER08-194-000</b>
	)		<b>ER08-194-001</b>
	)		<b>ER08-194-002</b>
	)		

**EMERGENCY REQUEST FOR RULING  
OF THE PJM POWER PROVIDERS GROUP**

Pursuant to Rule 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.212 (2007), the PJM Power Providers Group (“P3”) hereby files this Emergency Request for Ruling regarding the treatment of the capacity resources in the Duquesne zone for purposes of the upcoming Reliability Pricing Model (“RPM”) Base Residual Auction to be held in May, 2008 (“May Auction”) for Delivery Year 2011-2012.<sup>1</sup> The Commission should clarify that capacity resources located in the Duquesne zone are external to PJM for purposes of the May Auction and must meet all of the requirements under the PJM Tariff and Manual. P3 hereby requests that the Commission rule on this request by April 15, 2008.

In its order allowing Duquesne Light Company (“Duquesne”) to withdraw from PJM, the Commission held that PJM should remove the Duquesne load from the May Auction for Delivery Year 2011-2012 if Duquesne notified PJM by February 1, 2008 that it was withdrawing from PJM prior to the 2011-12 Delivery

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<sup>1</sup> The comments contained in this filing represent the position of P3 as an organization, but not necessarily the views of any particular member with respect to any issue.

Year.<sup>2</sup> Duquesne so notified the Commission and PJM on February 1 and PJM has removed approximately 3000 MW of load in the Duquesne zone from the May Auction.

On February 26, 2008, PJM informed the stakeholders that the RPM “must offer” requirement does not apply to the Duquesne zone capacity resources included in the 2011-12 RPM Resource List because the Duquesne zone load has been removed from the auction model. Unless a waiver is granted, the “must offer” requirement applies to all unforced capacity of Existing Generation Capacity Resources located in the PJM Region.<sup>3</sup> Thus, PJM’s clarification that the “must offer” requirement does not apply is, in effect, a determination that these resources will be treated as external resources for the upcoming auctions.

In the RPM Resource List published by PJM, PJM affirmed its determination with respect to the “must offer” requirement, but stated that “because an official withdrawal date for Duquesne has not yet been approved by FERC, . . . the transmission and other requirements that would be required of external resources do not yet apply to the Duquesne zone generators. . .” The entire text of the note is as follows:

\*Note: The must offer requirement does not apply to the DUQ zone resources included in the resource list because the Duquesne Zone load has been removed from the auction model. However, the

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<sup>2</sup> *Duquesne Light Company*, 122 FERC ¶ 61,039 at P 142 (2008).

<sup>3</sup> Waivers from the “must offer” requirement may be granted for resources that (i) are reasonably expected to be physically unable to participate in the relevant Delivery Year, (ii) have a financially and physically firm commitment to an external sale of capacity, or (iii) were interconnected to the Transmission System as Energy Resources and not subsequently converted to a Capacity Resource. See Section 6.6 (c) of Attachment DD to the PJM Open Access Transmission Tariff.

units remain on the list because an official withdrawal date for Duquesne has not yet been approved by FERC, and as such the transmission and other requirements that would be required of external resources do not yet apply to the Duquesne zone generators. PJM will update the resource list appropriately when final disposition of the Duquesne withdrawal from PJM occurs.<sup>[4]</sup>

As such, it appears that Duquesne zone capacity resources – including capacity owned by Duquesne affiliates located in that zone – will not be required by PJM to satisfy the transmission and other requirements that would apply to external resources before participating in the upcoming May Auction.

The rules governing capacity resource participation in RPM auctions are clear. Section 5.5 of Attachment DD to the PJM Open Access Transmission Tariff, entitled “Eligibility for Participation in RPM Auctions”, specifies that “[c]apacity [r]esources must satisfy the capability and deliverability requirements of Schedules 9 and 10 of the PJM Reliability Assurance Agreement [“RAA”], and, as applicable, the requirements for Demand Resources in Attachment DD-1 and Schedule 6 of such Reliability Assurance Agreement.” Schedule 10 of the RAA further provides:

Generation Capacity Resources must be deliverable . . . to the total system load . . . [F]or Generation Capacity Resources located outside the metered boundaries of the PJM Region that are used to meet an Unforced Capacity Obligation, the capacity and energy of such Generation Capacity Resources must be delivered to the metered boundaries of the PJM Region through firm transmission service.

Certification of deliverability means that the physical capability of the transmission network has been tested by the Office of the Interconnection and found to provide that service consistent

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<sup>4</sup> See RPM Resource Model at Cell A19, available at <http://www.pjm.com/markets/rpm/downloads/rpm-resource-model-2011-2012.xls>.

with the assessment of available transfer capability as set forth in the PJM Tariff . . . .<sup>[5]</sup>

Moreover, PJM Manual 18 (PJM Capacity Manual) explicitly requires:

Existing generation located outside the PJM region is eligible to be offered into the Base Residual Auction, First Incremental Auction, Second Incremental Auction, or Third Incremental Auction if it meets the following requirements:

- An indication of the intended ATC path to deliver the external capacity into PJM is provided.<sup>[6]</sup>

There is currently no available transfer capability (“ATC”) path posted in the Midwest Independent Transmission System Operator (“MISO”) OASIS indicating what, if any, ATC will be available to deliver Duquesne zone generation during the 2011-12 Delivery Year. Thus, there can be no assurance that Duquesne zone capacity will be available to meet PJM’s reliability needs in 2011-2012.

In its Request for Clarification or Alternatively Rehearing at 6-7 (filed Feb. 15, 2008), Exelon asked the Commission to clarify, prior to the May Auction, that generators connected to the Duquesne system will not be considered internal PJM resources for that auction (as well as subsequent RPM auctions for delivery years further in the future) and may participate in those RPM auctions only if they satisfy all the requirements for a capacity resource located outside of PJM,<sup>7</sup> just as any other generator in the MISO seeking to qualify as an RPM resource.

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<sup>5</sup> See Schedule 10 to the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region, Rate Schedule FERC No. 44, Original Sheet No. 50.

<sup>6</sup> PJM Manual 18 (PJM Capacity Manual) at 29, <http://www.pjm.com/contributions/pjm-manuals/pdf/m18.pdf>.

<sup>7</sup> See Schedule 10 to the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region, Rate Schedule No. 44, Sheet 50.

FirstEnergy filed an answer to Exelon's pleading, asking the Commission to deny Exelon's request for clarification.<sup>8</sup> FirstEnergy states that the clarification sought by Exelon would unduly restrict participation of generators located in the Duquesne zone in future RPM auctions, even while Duquesne's transmission facilities continue to be made available under PJM's tariff. FirstEnergy argues that Duquesne's withdrawal from the PJM Transmission Owners Agreement is not yet effective and will not be effective by the time of the May Auction.

However, removing load in the Duquesne zone from the May Auction, while leaving the capacity in the Duquesne zone creates a critical mismatch between loads and resources that will distort market outcomes and undermine reliability for the 2011-12 Delivery Year. It is also inconsistent with the requirements of Section 5.5 of the PJM Tariff, Schedule 10 of the RAA, and PJM Manual 18. If PJM disregards these requirements and allows capacity resources in the Duquesne zone to participate in the May Auction without requiring the "transmission and other requirements that would be required of external resources" or "an indication of the intended ATC path", the basic purpose of RPM – assurance that sufficient capacity is available to meet the reliability requirements – will be undermined. While capacity in the Duquesne zone sold into PJM for delivery in May 2008 does not need transmission, capacity for delivery beginning on June 1, 2011 (*i.e.*, the relevant Delivery Year) will need ATC to be delivered since by that time Duquesne will have left PJM. It is logically inconsistent to assume that the Duquesne load will have departed by June 1,

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<sup>8</sup> Answer to Motion for Clarification and Motion for Leave to File Answer and Answer to Request for Rehearing of FirstEnergy Service Company (filed Mar. 5, 2008).

2011, but the capacity resources located within Duquesne's control area will remain internal. Unless the external deliverability requirements are met, the May Auction will be transformed from a Reliability Auction to something less than that.

Moreover, permitting Duquesne zone capacity to participate in the May Auction without meeting the ATC requirements is unduly discriminatory. Capacity resources in PJM along with external capacity have relied on the assumption that PJM will follow its tariff in formulating their bidding strategies. Artificially altering the balance between loads and resources to benefit certain capacity resources will not lead to a just and reasonable outcome. Permitting Duquesne zone capacity to participate notwithstanding the rules will inevitably discourage future RPM auction participation and undermine PJM's new capacity market. Thus, it is essential that the Commission clarify the applicability of Section 5.5 of the PJM Tariff and PJM Manual 18 to the resources in the Duquesne zone in light of the seemingly contradictory language contained in the RPM Resource List.

Accordingly, P3 requests that the Commission immediately direct PJM to treat capacity resources located in the Duquesne zone as external to PJM and to require those resources to demonstrate that they meet all of the requirements of the PJM Tariff and PJM Manuals before they are permitted to participate in the May Auction, including the requirement that they demonstrate an indication of the intended ATC path to deliver such external capacity into PJM.

Nonetheless, P3 emphasizes that, regardless of the substance of the Commission's ruling, the most critical issue here is that the Commission rule prior

to the May Auction in order to provide certainty to all market participants. Prompt Commission action is required here to ensure that the May Auction operates properly, and so that participants in the May Auction know what resources will be considered internal to PJM and which will need to demonstrate import capability to bid into the Auction. Otherwise, significant harm could result from inappropriate price signals in this important capacity auction.

Accordingly, while P3 believes that capacity located in the Duquesne zone should be permitted to participate in future RPM auctions, such capacity should not be relieved of its obligation to comply with the PJM Tariff and Manuals governing the auctions. P3 respectfully requests that the Commission issue an order regarding the treatment of capacity resources in the Duquesne zone as set forth herein prior to April 15, 2008.

Respectfully submitted,

/s/ Glen Thomas

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*On behalf of the PJM Power Providers Group*

March 18, 2008

## CERTIFICATE OF SERVICE

I hereby certify that I served a copy of the foregoing pleading this 18th day of March 2008, upon each person designated on the official service list compiled by the Secretary in this proceeding.

*/s/ Brandi A. Hargwood*

Brandi A. Hargwood