discovery by individual market participants.[104] PJM has suggested that the bilateral market would evolve to this new construct and claim that, similar to when PJM converted to LMP pricing, the fears concerning bilateral agreements are misplaced. (Affidavit pg. 83-84) In terms of the bilateral capacity market evolving to this new structure, however, PJM has yet to offer a compelling explanation on what incentive most market participants would have to manage their risk and hedge exposure in such a way to enter into a bilateral not starting for five years on an item that would become a common pass through charge, much like capacity would become under RPM.

With regards to misplaced fears on bilateral contracts following PJM conversion to LMP, it is true that the bilateral energy market flourished particularly at hubs. However, in the shift to LMP, consider if a centralized auction had been added where 100% of the projected energy volume for four years would have been cleared against an administrative price curve on behalf of all participants, as in RPM. Under this scenario, the successful bilateral trading market that exists today would not have occurred. This is important because investment in new generation has tended to be based on bilateral contracts.

Fourth, concerns regarding RPM's potential interference with demand response continue to exist. This is troubling because eventually most hope that demand response can discipline the market and help deliver the benefits of competition.

---

[104] A market place is composed of buyers and sellers with a variety of horizons on which risk is managed. The interaction of buyers and sellers that tradeoff price and term ranging from the shortest horizon near delivery to several years out (especially year 2, 3, and 4) is how a competitive market price gets discovered. While the responsibility of an individual participant, there is a strong incentive to manage one's risk and avoid being "wrong" or too far off from market. Lengthening duration or the term to improve price on a capital asset is common and rationale. RPM eliminates this vital interaction and forces all buyers and sellers to be essentially fully hedged for four years and thereby removes the primary incentive that drives individuals to enter into a bilateral agreement and reduces the consequence of being wrong.

The CCR does not believe that RPM's forced clearing on extended horizons can be accomplished when the party serving the load is managing the obligation. Additionally, the CCR would suggest that any modifications should be directed towards improving the clarity of the future obligation (e.g. adjusting reserve margins with greater notice or adding a reasonable stable local element to the general resource adequacy obligation) for the market over arbitrary forced clearing of the market on extended horizons. In contrast to RPM, EITCC contains features that would workably define obligations further into the future over force clearing of the market on extended horizons, including a three-year horizon on the system IRM and a local area obligation for a portion of the obligation in a few relevant areas.

2. PJM overstates its argument that RPM is synchronized with the RTEP process and that transmission and generation compete.

PJM continues to claim that RPM yields an integrated solution by allowing generation (and demand response) to compete against transmission in the RPM auctions.[105] This is true only with respect to merchant transmission, which can offer into the RPM auction in the same manner as a generation resource.[106] Given potential differences in lead-times and the lack of detail behind how this occurs it is all together unclear how meaningful this merchant transmission would be in the market.[107]

RPM originally failed to consider a long enough planning horizon such that certain transmission upgrades may have been excluded from practical consideration, to consider economically at risk units, or to broadly evaluate if the transmission investment criteria were suitable for a competitive market place. As initially proposed,

---

105 Transmittal Letter p. 3, 81-83.

106 The same holds true for capacity auctions under the EITCC construct.

107 Given the little development in PJM's economic transmission, it would be hard to consider this merchant transmission as a significant element until shown otherwise.

the RPM construct unreasonably favored uncertain, short-term capacity commitments over longer-term regulated transmission upgrades for resolving deliverability violations. RPM implementation would then forestall long-term transmission solutions that provide certainty regarding local deliverability so long as sufficient local capacity commits for only one year to meet deliverability requirements. In this respect, RPM perpetuates and exacerbates the current problems of generators' local market power by failing to accommodate long-term transmission solutions, which may be more efficient in the long run.[108]

In the RPM filing, PJM effectively acknowledges many of the issues raised around the transmission planning process by pointing to a series of needed reforms.[109] Interestingly enough even, while conceding the transmission planning process is in need of reform, PJM states "While the current planning process inherently is biased towards transmission solutions, RPM will bring a neutral long-term auction approach that favors only the lowest-cost solution, regardless of whether that is transmission, generation, or load management."[110] This is very telling. The current transmission planning process is based on a minimalist reliability investment standard. Circumstances are such that PJM's Board recently directed certain initiatives associated with transmission such as longer planning horizons and a more robust economic planning process (May 31st 2005 letter from PJM Board to PJM Members).[111] This makes PJM's

---

108 Although not yet reviewed or explained in detail with the stakeholders, PJM did recently add a new provision intended to at least partially address the problem of continuing to pay higher prices for local areas by indicating that a regulated transmission solution would be eventually triggered after two years under the RTEPP process (Transmittal Letter pg. 17-18). While it is unclear if this sufficiently deals with all the underlying concerns, it is at least a positive step.

109 Transmittal Letter pg. 13-15.

110 Transmittal Letter pg. 14.

111 Many of the improvements being contemplated in transmission parallel many of the original suggestions included in EITCC.

description of the current transmission planning process as "inherently is biased towards transmission solutions" all the more amazing. In practice under the status quo or any capacity alternative including RPM and EITCC, regulated transmission necessarily leads resource investment as the basic equivalent of the highway system. The predominant question is what is the transmission investment standard or criteria. Given PJM's characterization, it is premature to credit either PJM or RPM with integrating or allowing regulated transmission to provide the necessary competitive infrastructure or to compete with generation.

With regard to the issue of simultaneously solving generation and transmission, and the growing importance of this issue under longer planning horizons, the CCR reaches different conclusions.[112] First, PJM understates the level of certainty that they have today for the overwhelming majority of resources. Second, PJM overstates the degree of higher certainty obtained under RPM because resources can still fail to perform or buy out of an auction. Also, the Joint Protesters do not consider the possible minor improvement in certainty under RPM worth the excessive cost of RPM. Third, transmission planning further out makes major improvements to the grid more likely which fosters a more competitive market place. Transmission planning that considers a certain range of "what ifs" is more likely better positioned to deal with the inherent uncertainties of a complex system and to offer more flexibility when encountering an unanticipated outcome.

---

[112] Herling Affidavit pg. 6-7

F. The Reliability Backstop mechanism is not sufficient to maintain reliability.

PJM includes in RPM a mechanism it refers to as a "Reliability Backstop."[113] The main component of this mechanism is an auction for capacity resources that will receive revenue through the PJM tariff for a period of up to fifteen years.[114] The proposed tariff states that PJM will seek permission from the Commission to hold such an auction if "the total Unforced Capacity of all Capacity Resources committed through Self-Supply or the Base residual Auctions for four consecutive Delivery Years, equates to an installed reserve margin that is more than one percentage point lower than the approved PJM Regional Installed Reserve Margin..."[115] PJM will begin the auction process after the Commission directs it to do so in response to PJM's filing.

The auction process begins with the opening of a bid period. The proposed tariff provisions state that the offer period will open no later than four months after the fourth consecutive Base Residual Auction that failed to procure sufficient capacity or base load generation.[116] However, that is subject to the prior approval by the Commission.[117] PJM proposes a six month offer period.[118] After which, winning bidders

---

113 Proposed Tariff Attachment Y, Section 16.

114 *Id.* at Section 16.4.

115 *Id.* at Section 16.3.1. Similarly, if there is insufficient Base Load Generation committed in four consecutive Base Residual Auctions, PJM will seek permission to hold an auction targeted to obtaining additional Base Load Generation Resources.

116 *Id.* at Section 16.4.a).

117 *Id.*

118 *Id.*

would be determined and a contract would be executed. The contract would become effective after filing and acceptance by the Commission.[119]

The mechanism proposed by PJM is deficient because it delays actions, in situations where new capacity is needed for a delivery year but developers are not willing to commit capital based on the market rules that comprise RPM until well beyond the point that a backstop mechanism can correct the deficiency. RPM is a new and untested concept, and there are many unanswered questions about how it will work in practice. There is a legitimate concern that one year of revenue certainty, albeit four years in the future, is not sufficient for developers of new capacity. Some mechanism to assure that reliability is achieved under RPM is necessary. However, PJM's proposal does not allow for a backstop auction to occur unless the Base Residual Auction, which is conducted four years ahead of the Delivery Year, does not procure enough capacity to be within one percentage point of meeting the Installed Reserve Margin for four consecutive years.

After the fourth consecutive Base Residual Auction that does not clear sufficient capacity, there will be only about a month before the beginning of the Delivery Year for the first in the series of four deficient auctions.[120] In the four years since the first deficient auction, no matter how deficient it was, no auction is held to procure needed capacity through long term contracting. By the time the trigger is met, there is no time to address anything about the failure to meet reliability standards for the Delivery Year for the first deficient auction. At that point, PJM's proposal only calls for a Commission filing, which PJM states will be acted on in four months, followed by a bid period that stays open for six months. Thus, it would be almost another year before PJM

---

119 *Id.* at Section 16.4.d).

120 RPM Base Residual Auctions would be held in May of each years.

selected winning bidders and new capacity could start the process of coming on line, which may take years for construction of a new unit. At this point in the process, the system would have been deficient for one year and within months of beginning of second deficient Delivery Year. Inexplicably, PJM prohibits Demand Resources from participating in the backstop auction.[121] By the time PJM proposes to hold the backstop auction, it may well be that a demand resource is the only type that can be online immediately. Yet, only supply resources are allowed to bid in the auction.

PJM's proposal potentially allows for all four of the Delivery Years for which the Base Residual Auction was deficient occur with no new capacity actually added to the system through this backstop mechanism. This is an unacceptable level of deficiency to allow in the system before holding an auction to see if the problem is that investors require more revenue certainty than the one year of revenue commitment for generators offered by RPM. It is also contrary to PJM's stated concerns that drive it to propose a system with a forward commitment. PJM cites the risk of insufficiency if a unit retires, despite the Reliability Must Run compensation that can be provided through the PJM tariff, on short notice.[122] And, PJM describes the difficulties it perceives in doing system planning without knowing all the resources that will serve the load in future years. Yet, the Reliability Backstop mechanism it proposes allows the system to get well beyond the point where the deficiency can be addressed without triggering a solution. This failure to act allows for the same type of capacity inadequacy that is a possibility with a generator retiring despite RMR compensation and also would eliminate the

---

[121] *See* Proposed Tariff Attachment Y, Section 16.4.b, which requires that Sell Offers in the Backstop Auction be from a "Generation Capacity Resources" and specify "the megawatts of Unforced Capacity to be provided by such resource . . [and] the specific location of the proposed plant."

[122] Herling Affidavit at 8.

possibility that the full set of generation of resources is known for planning purposes. Thus, the RPM model proposed by PJM, with this untested and unduly delayed auction mechanism as a reliability backstop, is unjust and unreasonable and should be rejected outright.

VII. To The Extent The Commission Determines That Portions Of PJM's Current Capacity Construct Is Unjust And Unreasonable, There Are Targeted Solutions That Would Be Just And Reasonable.

There are better, more efficient ways to address the perceived deficiencies in the current construct. Contrary to PJM's claims, RPM will result in higher costs because it would not create market efficiencies that would benefit consumers. The CCR worked together in an attempt to offer such a targeted market-oriented approach in developing the EITCC.

For consumers, the RPM is an unacceptable approach for maintaining reliability for customers. It will lead to high prices and does not provide reasonable assurances of attracting capital necessary to maintain reliability. There are both short-term and long-term approaches to addressing capacity adequacy. A properly structured local capacity requirement – one that reflects enduring rather than transitory scarcity – may provide price signals that attract generation developers within the context of a capacity adequacy model based on a single year commitment. The CCR observes that the EITCC model, described below, offers the sort of valid price signal without being compromised by the non-market pricing inherent in the RPM, and encourage the Commission to accept this approach. However, should the Commission determine that a pure market approach is insufficient to maintain resource adequacy, the long-term commitment model described below as an alternative may provide an appropriate alternative.

A. If the Commission is persuaded that the PJM capacity construct needs an incremental improvement to provide capacity revenues that vary by location, then the solution is EITCC.

The Capacity Model Modification Working Group was created in March 2005 by the PJM Electricity Markets Committee to consider alternatives to the RPM. The Enhanced Integrated Transmission and Capacity Construct ("EITCC") model, discussed in more detail in Tab B, was proposed to that Working Group as an alternative that can achieve long-term reliability through incremental changes to PJM's existing capacity construct. The EITCC principally relies on markets in order to secure needed capacity.

1. This model has three fundamental parts:

a. Voluntary commitments

Load may acquire required capacity throughout the three years prior to a planning year. To provide an appropriate incentive for compliance with capacity requirements, stringent penalties are assessed to any load serving entity that fails to secure its requirements prior to the planning year. Load serving entities may acquire capacity either through bilateral contracts or through regular, PJM-administered capacity auctions.

b. Locational capacity requirements

In areas with limited local resources and limited transmission transfer capability, an appropriate portion of capacity must be purchased from within the designated area. Thus, unless generation scarcity is transitory pending construction of new transmission resources, prices will rise and signal opportunity to generation developers.

c. Enhanced transmission planning

Modification to PJM's Regional Transmission Expansion Plan are made as an integral part of the capacity model. These changes should result in transmission construction that avoids future deliverability problems such as those identified in New Jersey.

The specific enhancements are:

- make planning more sensitive to the risks that generation plants will retire;
- incorporate longer lead times needed for major transmission system upgrades;
- be more comprehensive to consistently address local issues between a transmission owner and an LSE; and
- integrated currently unconnected planning functions related to reliability, operations and congestion relief.

The EITCC does not include a demand curve. The EITCC designers found that, given the incremental changes embodied in EITCC, a demand curve results in substantial capacity price increases without significantly improving reliability.

2. Response to Criticisms of the EITCC Model

PJM asserts that the EITCC construct fails to provide forward price signals.[123] This is not the case. The clearing prices from voluntary forward auctions signal market-participants' expectations regarding the future value of capacity, both locally and in the common market. EITCC facilitates forward price signals and provides price transparency through quarterly, voluntary Planning Year ("PY") auctions for both common and local capacity credits ranging from one to four years forward. Thus,

[123] Transmittal Letter at p. 22-23.

capacity prices will be revealed over the entire four years before those resources must be acquired. Clearing prices result from mutually agreeable prices set by willing buyers and willing sellers and not through an administrative price-setting mechanism, such as a demand curve.

In addition to the voluntary auction, a mandatory Final Clearing Auction ("FCA") is cleared two months prior to the start of the PY. The FCA is intended to be the final matching of buyers and sellers for their respective common and local obligations. Those short must offer to buy their full short volume at the deficiency rate (which is set at a premium to the net cost of new entry for a combustion turbine plant). The intent of the timing is to follow the last state default provider auction so, to the extent practical, a responsible load-serving entity ("LSE") has been established for all load. The common and local FCA clearing prices are also the transfer price for load shifts during the PY.

Because most market participants manage their obligations over long planning horizons, as evidenced by the fact that only 1% of total market volume clears in daily capacity markets today, the FCA would likely only see a relatively small volume. While the CCR considers the must-buy price to be sufficiently inspirational to allow the market to clear, the EITCC proposal explicitly calls for revisiting the deficiency rate if the market does not clear or if there appears to be inadequate investment levels.

Criticism that local areas under the EITCC model are too large ignores how improving the transmission planning process could reduce the need for such areas. These criticisms also do not consider EITCC's Local Reliability Auction ("LRA") used

in ultra-granular areas if a problem persists. Finally, this criticism fails to consider how longer retirement notification lead-time could assist in solving local reliability concerns.

PJM's criticisms of EITCC that the model unduly relies on Reliability Must Run ("RMR") contracts is unfounded. While Reliability Must Run ("RMR") contracts may be an appropriate interim component of a long-term transmission solution, EITCC does not unduly rely on RMRs. EITCC addresses local area issues at two levels.

First, EITCC adds LMAs for the two local areas of Eastern MAAC and Southwestern MAAC. EITCC's LMAs, which are broader and more stable than the local areas in RPM, allow for a market-oriented result in contrast to RPM. This results in a more liquid tradable commodity and allows for greater supplier diversity. Within these LMAs, EITCC intends for transmission planning to maintain deliverability within the area by taking into account existing and new resource response.

Second, for a more granular solution, EITCC deals with small area problems via a competitive procurement auction for solutions that can either be short or long-term. Every year, a Local Reliability Assessment ("LRA") is performed on a two-year prospective basis to the smallest study areas to identify narrow problems in a timely manner. As further detailed in the EITCC proposal, any bilateral transactions through this competitive procurement auction initiated from an LRA are incorporated into the surrounding market in such a way so as not to interfere with the balance of the capacity market.

B. If The Commission Is Persuaded By PJM's Arguments That Short-Term Markets For Capacity Are Not Sufficient To Maintain Reliability, Then The Solution Is A System That Directly Achieves Long-Term Contracts For Capacity.

PJM asserts that the short-term nature of the current capacity construct is incompatible with maintaining reliability.[124] This is so, PJM argues, because the nature of development and financing of new capacity and PJM's needs for planning the system require that "the PJM region return to a longer term forward capacity obligation to commit generation for future years."[125] Unfortunately, as discussed extensively above, RPM fails to address these perceived core deficiencies. In fact, the level of certainty that PJM insists upon may only be achievable through a commitment period that is longer than one year.

PJM has implied that RPM achieves long term commitment from generation, combined with a corresponding revenue commitment from load.[126] Unfortunately, PJM's notion of a long-term commitment fails by confusing its four year forward requirement, with only a one year commitment, with a true long-term commitment. Simply, RPM only demands a one-year commitment from generators and only guarantees revenue for one year. Under RPM, each year beyond the target planning year is an unknown. Developers must commit to supply capacity from proposed units based on only a one year revenue stream.

Also, PJM talks at great length about the need for firm capacity commitments for future years as necessary information for planning.[127] But RPM does

---

124 Transmittal Letter at p. 9.
125 Ott Affidavit, p. 15.
126 Transmittal Letter at p. 76.
127 Transmittal Letter at p. 81; Herling Affidavit at p. 7 et seq.

not even provide that information for all five years of the current planning horizon and gives no information for years in an expanded planning horizon.

PJM has correctly identified the unavoidable tension between certainty in planning and risk markets that is manifested in the PJM bulk power system. The most reliable system is a completely regulated system; the least reliable system is a pure market system. The challenge is to combine reliability and markets in a way that achieves an economically efficient and affordable system for providing electricity service. One middle ground approach is to develop a short-term market system that provides a one-year commitment that will encourage voluntary long-term commitments through bilateral contracts between load and supply. Another middle ground approach is to extend the commitment period to several years through an auction that explicitly purchases a long-term supply commitment to ensure reliability.

There are many ways that such a procurement process could be structured. Auction rules would need to optimize the lowest prices against the longest commitments that are offered. It might be prudent to spread out the procurement so that not all the capacity required for a given planning year is purchased at one time. One example is a model in which procurement might be accomplished on a rolling basis where long-term commitments of capacity are procured for a portion of the load and total requirements are provided by the sum of a series of overlapping, long-term commitments.[128] Any local capacity requirements would be established through rolling procurement combined with a

[128] As the rolling procurement plays out, reliability requirements are met with long-term capacity commitments and PJM has the forward information it needs for planning. Instead of establishing a "price signal" only one year at a time and hoping that it will satisfy the requirements of generation developers, this system will actually get needed capacity built and retain needed capacity.

planning process where the amount and contract term of local capacity procured would be tailored to the needs of the system.

C. Under any model, the notification period for generation retirement should be increased from 90 days.

Assuming RPM's four-year forced clearing might offer greater planning certainty over the status quo, the additional information and certainty has a very high price. Those paying the bill question if the incremental information and certainty gain is worth the tremendous cost and impact on progress towards market-oriented solutions. As evidenced by numerous comments during the technical conference, a great deal of the problem appears to originate from generators having as little as a 90-day notice obligation to announce a retirement. See PJM Interconnection, LLC, 110 FERC ¶ 61,053 at PP 136-137 (2005).

The CCR believes that it would be productive to explore alternative solutions for the exception rather than push the entire market to four years. At the most basic level, a longer retirement lead-time could be considered as a reasonable requirement. A product defined by an organized market has deadlines to participate and given the nature of the resource adequacy product a more substantial advance declaration may be suitable. This could be considered similar to PJM's requirement that energy bid in the day-ahead market must be submitted by noon the day prior. With a similar logic, to provide greater certainty to PJM for existing capacity resources, the retirement notice lead time could be changed from 90-days to 12 months. Certainly, this is not the only

approach, but it may be worthwhile to focus efforts on the exception rather than the system in total.[129]

[129] In this regard, the CCR note that the issue of an incentive as additional encouragement to provide a longer notice period is being addressed in the stakeholder process.

VIII. PJM's stakeholder process was protracted but consideration of stakeholder concerns about the substance of the RPM were severely limited

The CCR takes issue with PJM's representation that the stakeholder process around the RPM was open and inclusive. PJM maintains[130] that the model as filed represents changes from a number of stakeholders. However, substantive changes advocated by end-use customers, cooperatives, municipal utilities and others were universally rejected. The only change to PJM's proposal made in light of stakeholder concerns was a modification of the demand curve. In view of this disagreement regarding the process through which the RPM was developed, the CCR finds it necessary to briefly outline the profound defects in the stakeholder process. Several points are highlighted below:

- Opportunities for substantive debate were limited to a few months in the 14 month process from introduction of the model to filing of the RPM.
- PJM seeks to further exclude the stakeholders from this and future filing by shifting the capacity adequacy system from the Operating Agreement to the Tariff.
- PJM consistently rejected all stakeholder appeals for substantive modifications to the RPM.
- The large majority of voting PJM members repeatedly rejected the RPM.
- The large proportion of those supporting the RPM will benefit from it monetarily as they own generation either directly or through affiliates.

Contrary to PJM's portrayal of events, a broad spectrum of stakeholders comprised a substantial majority rejecting RPM while the bulk of RPM's supporters have a substantial, direct financial interest in seeing RPM implemented.

---

130 Transmittal letter p.13.

After the publication of a whitepaper in June 2004, the RPM stakeholder process began in earnest in August 2004, involving at least two stakeholder meetings a month through February 2005. PJM initially proposed to file the RPM by the end of 2004 but deferred this as the RPM continued to evolve. Prior to the January 2005 Members Committee meeting, the stakeholder working group process consisted of PJM presentations on the ongoing changes to the RPM. Thus, from June through December 2004 the schedule and amount of material to be covered often resulted in many questions not being addressed. As a rule, PJM requested that stakeholders focus on the evolving components of RPM and defer questions or concerns about the overall direction of RPM, its impacts and its appropriateness until the proposal was fully developed. As a result, it was not until late December 2004 and early January 2005 that a complete draft of PJM's proposal with simulated auction results was available for stakeholder review.

In other words, the first opportunity for open debate on the RPM occurred in mid-December. In fact, there was never an opportunity to discuss any alternatives to PJM's proposal prior to the January 2005 Members Committee meeting. Nonetheless, PJM proceeded with its sense of urgency, insisting that its RPM proposal must be filed with the Commission in early March 2005 in order to provide sufficient lead-time for implementation prior to the beginning of the planning year on June 1, 2006. PJM's self-imposed timeline led to incomplete information, unanswered questions and a process designed to produce a filing of the RPM rather than a model that had been seriously considered through the stakeholder process.

After failing to achieve even a majority vote to proceed with an RPM filing at the Members Committee meeting in January 2005, PJM convened a special two-

day stakeholder conference for February 17-18, 2005. The discussion revealed serious stakeholder concerns regarding the RPM. Of particular concern were PJM's simulation results showing substantial cost increases in the first four years of RPM implementation in all regions of the PJM footprint. The assumptions underlying the demand curve, and even the need for any demand curve, were sharply questioned. The necessity of a long forward commitment was rejected. The inability of demand resources to discipline capacity prices under the RPM was strongly emphasized. Many participants urged that alternatives to RPM be considered.[131]

Over the objections from PJM, the meeting facilitator at the February meeting agreed to a straw vote on a request that the Electricity Markets Committee ("EMC") sponsor a Working Group to examine alternatives to RPM. Approximately sixty percent of those voting supported the request and the Working Group began its deliberations in March 2005. At the subsequent Members Committee meeting on March 17, 2005, over two thirds of the members voted to reject RPM. Thus, it was almost nine months after the RPM was unveiled that alternatives were first examined in detail. Once those details became evident, a supermajority or close to a supermajority of members repeatedly rejected the RPM model.

PJM asserts erroneously[132] that opposition to RPM came primarily from load interests. In fact, as the vote totals in each stakeholder meeting from January through March of 2005 demonstrates, about two-thirds of members opposed the RPM. End-use customers comprise one of the five stakeholders sectors, accounting for 20% of the weighted vote. The other 40% to 47% of member votes opposing RPM came from

---

[131] See Stakeholder Comments and Panel Comments, http://www.pjm.com/committees/working-groups/pjmramwg/pjmramwg.html.

[132] Transmittal Letter p. 50.

other sectors. The conclusion must be that there was opposition to RPM from far more than end-use customers. Looking at the reverse of PJM's perspective is also instructive and it becomes clear that those consistently supporting the RPM are generation owners and transmission owners who have extensive affiliated generation. As the analysis of potential costs indicates above, these are precisely the interests who will benefit substantially from the implementation of the RPM.

In the final analysis, the meetings in February and March comprised the last substantive, stakeholder discussion of the RPM. Summaries of alternative models were presented to the PJM Board but there was no serious opportunity for evaluation or discussion. Two RPM alternatives were developed and proposed but RPM itself was never seriously on the table. Following the Commission's Technical Conference on June 16, there was no broad stakeholder discussion to examine changes to the RPM or to further examine alternatives.

The CCR is second to none in their strong support of the PJM stakeholder process. PJM's extraordinary efforts to achieve stakeholder consensus on previous issues has paid high dividends in its success as an RTO and the efficiency of is competitive marketplace. It is essential that PJM foster opportunities for meaningful stakeholder interaction as the competitive marketplace continues to evolve. Regrettably, the stakeholder process for RPM was atypical of PJM's previous record of superior facilitation.

Contrary to PJM's assertion, much progress has been made in the capacity construct debate. Indeed, it is a testament to PJM's previous track record of unbiased independence and charge to maintain reliability that has enabled load interests to

recognize the potential value of a capacity market with a local component and longer commitment requirements. This realization, however, was only possible via PJM's leadership to provide the necessary legitimacy to the previous speculative debates hosted by those who would gain the most by artificially increasing their revenues via non-market means. The RPM stakeholder process is the only forum where potential violations of local transmission reliability criteria have been raised.

That being said, over the past five years, the PJM stakeholders have not worked constructively to develop new capacity markets. No prior stakeholder effort was focused or solving actual reliability problems.

IX. Conclusion

PJM has proposed to replace its current capacity construct with a highly integrated set of changes to its Tariff, the Operating Agreement, and the Reliability Agreements. The RPM proposal was repeatedly rejected by the PJM stakeholders. Therefore, PJM has the burden under Section 206 of the FPA to show that the current construct is unjust and unreasonable. As demonstrated above, PJM has not met that burden. PJM has identified dysfunctions in the current construct that can be dealt with through targeted solutions. The creation of an entirely new approach to resource adequacy is a response that is disproportionate to the problems at hand. Even if the Commission finds that there are aspects of the current capacity construct that are unjust and reasonable, it has been demonstrated above that PJM's proposal must be rejected because it inflicts too much harm on consumers to be just and reasonable. These are ample reasons for the Commission to reject the RPM and order PJM to fully develop EITCC in concert with its stakeholders and within a specified time frame.

The Commission should reject PJM's filing outright as improperly filed. At the least, the foregoing has raised disputes of fact as to whether the Hobbs and Ott analyses provide useful information on whether RPM would produce resource adequacy at reasonable costs.

If not rejected outright, there are significant questions as to whether demand response can effectively participate under RPM and whether the reliability backstop provisions are adequate. Thus, if the filing is not rejected, there are sufficient disputes of material fact raised in this protest to require a full evidentiary hearing.

If not rejected outright, and in order to provide certainty to the markets, and allow for sufficient time to thoroughly examine the critical issue of how to ensure resource adequacy at just and reasonable prices, the Commission should order that the any changes will be prospective only and, in any event, will not be implemented prior to the planning year that begins June 1, 2007. PJM has made a suggestion to bifurcate review of this filing by requesting an order approving the "key features" of RPM without a hearing and the convening some type of technical conference to discuss "...final just and reasonable parameters of the VRR curve used to clear the RPM auctions."[133] The disputes raised in this protest go to whether the "key features" of RPM will ensure reliability at just and reasonable prices. Discussion on how to draw the VRR curve cannot cure the defects discussed herein. PJM's suggestion would prevent the Commission from having a sufficient record to judge the issues raised in this protest and should be rejected. If the Commission accepts this case as properly filed under Section 205, PJM's filing should be suspended for the maximum period allowable.

WHEREFORE, the Commission should:

a) reject PJM's filing as improperly filed;

b) if not rejected as improperly filed, hold PJM to the Section 206 burden of proof and reject the filing as failing to satisfy the Section 206 burden of proof;

c) if not reject outright, order that any changes will be prospective only and in any event will not be implement prior to the planning year that begins June 1, 2007;

d) reject PJM's request that the key features of RPM will be approved in the absence of a hearing;

e) and if not rejected outright and not made effective prospectively or no sooner than June 1, 2007, suspend for the maximum statutory period; and

---

133 Transmittal Letter at 2.

f) require that PJM return to the stakeholder process to develop consensus on the EITCC proposal to address any concerns with the existing capacity market design that the Commission finds have merit.

Respectfully Submitted,

/s/ - *Adrienne E. Clair*
Glen L. Ortman
Adrienne E. Clair
Stinson Morrison Hecker LLP
1150 18th Street NW, Suite 800
Washington, D.C. 20036
For: Old Dominion Electric Cooperative

/s/ - *D. Mathias Roussy Jr./*
C. Meade Browder Jr.
Senior Attorney General
D. Mathias Roussy Jr.
Assistant Attorney General
Virginia Division of Consumer Counsel
Office of the Attorney General
900 East Main Street
Richmond, VA 23219

/s/ *filed electronically*
Robert G. Mork
Deputy C.C. for Federal Affairs
Indiana Attorney No. 19146-49
INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR
Indiana Government Center North
100 North Senate Avenue, Room N501
Indianapolis, Indiana 46204-2215

/s/ *filed electronically*
Sean T. Beeny, Esq.
Denise C. Goulet, Esq.
Miller, Balis & O'Neil, P.C.
1140 Nineteenth Street, N.W., Suite 700
Washington, D.C. 20036-6602
Thomas K. Austin, Esq.

/s/ *filed electronically*
Aron J Beatty
David T. Evrard
Assistant Consumer Advocates
Pennsylvania Office of Consumer
Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisubrg, PA 17101-1923

/s/ - *Vincent F. Kaminski/*
Vincent F. Kaminski
Allegheny Electric Cooperative, Inc.
212 Locust Street
PO Box 1266
Harrisburg, PA 17108-1266

/s/ - *Robert J. Kelter*
Robert J. Kelter
Director of Litigation
Citizens Utility Board
208 S. LaSalle, Suite 1760
Chicago, IL 60604
For: Illinois Citizens Utility Board

/s/ *filed electronically*
John Michael Adragna
Denise C. Goulet
Miller, Balis & O'Neil, P.C.
1140 Nineteenth Street, N.W., Suite 700
Washington, D.C. 20036

Associate General Counsel
North Carolina Electric Membership Corporation
3400 Sumner Boulevard
Raleigh, NC 27616
For: North Carolina Electric Membership Corporation

/S – Randell J. Corbin
Randell J. Corbin
Senior Energy Policy Advisor
Governmental Relations
Ohio Consumers' Counsel
10 W. Broad St., Suite 1800
Columbus, OH 43215-3485
(614) 466-9469

/s/ filed elecroncailly
Patricia A. Smith, Esq.
People's Counsel
Theresa V. Czarski, Esq.
Deputy People's Counsel
William F. Fields, Esq.
Assistant People's Counsel
Maryland Office of People's Counsel
6 St. Paul St.
Suite 2102
Baltimore, MD 21202
Telephone: (410) 767-8150
Facsimile: (410) 333-3616

Mr. Richard Hamsher
Superintendent of Electric Department
Borough of Chambersburg
100 South Second Street
Chambersburg, PA 17201
For: Borough of Chambersburg

/s/ Thomas L. Rudebusch
Thomas L. Rudebusch
DUNCAN, WEINBERG, GENZER & PEMBROKE, P.C.
1615 M St., N.W.
Suite 800
Washington, D.C. 20036
For: Delaware Municipal Electric Corporation

/s/ Robert Weinberg
Robert Weinberg
DUNCAN, WEINBERG, GENZER & PEMBROKE, PC
1615 M Street, NW
Suite 800
Washington, DC 20036
For: Southern Maryland Electric Cooperative

/s/ filed electronically
Sandra Mattavous-Frye
Deputy People's Counsel
Lopa Parikh
Assistant People's Counsel
Office of the People's Counsel for the District of Columbia
1133 15th Street, N.W.
Suite 500
Washington, D.C. 20005
Telephone: 202-727-3071
Facsimile: 202-727-1014

200510195106 Received FERC OSEC 10/19/2005 04:14:00 PM Docket# ER05-1410-000, ET AL.

A PDF File is not generated for this File Type: Adobe Portable Document Format ver 1.6

200510195106 Received FERC OSEC 10/19/2005 04:14:00 PM Docket# ER05-1410-000, ET AL.

Tab B

Enhanced Integrated Transmission & Capacity Construct (EITCC)

200510195106 Received FERC OSEC 10/19/2005 04:14:00 PM Docket# ER05-1410-000, ET AL.

Enhanced Integrated Transmission & Capacity Construct (EITCC)

I. Introduction

The EITCC model is offered as a solution to concerns regarding future long-term reliability in PJM. The fundamental design of EITCC is an incremental and market-oriented change to PJM's existing capacity construct.

This model is offered as a method that avoids future reliability criteria violations caused by inadequate capacity resources. It is emphatically not designed to address the load deliverability limits that have been identified in New Jersey. It appears that only short-term RMR contracts and local transmission reinforcements will relieve those problems. Rather, the EITCC seeks to prevent similar problem from occurring in the future.

This model has three fundamental parts. First, it is based on a capacity market with voluntary commitments well ahead of planning years and stringent penalties for failure to have required capacity. Second, it includes locational capacity requirements for areas where local resources are limited and capacity transfer over the transmission system is also constrained. Third, it changes the PJM Regional Transmission Expansion Plan (RTEP) in order to: 1) make planning more sensitive to the risks that generation plants will retire; 2) incorporate longer lead times needed for major transmission system upgrades; 3) be more comprehensive to consistently address local issues between a transmission owner and an LSE; and 4) integrated currently unconnected planning functions related to reliability, operations and congestion relief.

II. Emphasizing Market Mechanisms within the Capacity Adequacy System

A. Overview - The EITCC sets the reserve margin three years ahead of a one year commitment period. The voluntary commitment is based on bilateral contracts bolstered by periodic PJM-administered capacity auctions. While the commitment is voluntary, compliance is encouraged with both a carrot and a stick. Specifically, fully-committed resources will be eligible to share in capacity deficiency revenues. LSEs that do not acquire all required capacity and generators that fail to commit into the capacity market do not share in capacity deficiency revenues. Any LSE that fails to obtain all of its capacity requirements is exposed to a high capacity deficiency penalty. Combined, these two features – encouraging commitment and punishing a failure to acquire capacity – create onerous consequences of failing to commit to supply or take capacity. Most importantly, prices in the general market are set through an auction process and not administratively.

B. Capacity Requirements Three Years in Advance – The EITCC model proposes to set the Installed Reserve Margin (IRM) for the third year forward. This permits market participants to flexibly arrange for needed capacity while informing potential resource developers about anticipated market conditions generally and in constrained areas. This approach gives ample time for bilateral contracts to be structured. Surplus conditions will work in favor of purchasers. Conversely, prices reflecting supply shortages, or the failure

of capacity resources to offer earlier in the process, will be seen well in advance of the commitment year. At any point, owners of existing resources as well as developers of new resources can observe prices evolving for three future planning years. Resource owners and developers will thus be well positioned to analyze potential generation profits.

C. Flexibility for Demand Response – The EITCC model treats demand response as it does generation so that DSR can directly moderate capacity prices. Demand response is provided by market participants whose primary business is not providing capacity resources. Each company that can provide demand response has business conditions that dictate the value of that response compared to continuing its core business. The EITCC permits each demand resource to offer in at points that are consistent with its primary line of business. Thus, demand response providers can evaluate their strategies over time rather than being forced to commit far in advance of the planning year.

D. Satisfying Capacity Requirements - Each LSE's capacity requirement applies to the full planning year and may be acquired through either bilateral contracts or periodic auctions administered by PJM. This emphasizes the market mechanism that is central to the EITCC but provides LSEs and suppliers of capacity credits to option to acquire resources through quarterly auctions if that fits their business needs.

E. How Capacity Acquisition Works

1. Auction

a. Routine Quarterly Auctions - Under the EITCC model, PJM conducts voluntary planning year auctions on a quarterly basis over the four years proceeding the planning year. This extended period for auctions, beginning even before reserve requirements are set for a given planning year, affords buyers and sellers the largest variety of options.

b. Final Quarterly Auctions - In the final two quarterly auctions proceeding the planning year, PJM will include the ability for participants to combine partial year positions into full planning year resources. This variety of approaches will encourage the development of secondary products so that market liquidity is enhanced. PJM will also implement a Final Clearing Auction (FCA) two months prior to the planning year and after all voluntary auctions are concluded. This auction will be mandatory for market participants who are short capacity (either resources or load) for the upcoming planning year and voluntary for all others. Precise capacity requirements will be established immediately prior to the final commitment auction with the setting of final EFORd amounts and load levels with all capacity obligations required to be satisfied in that auction. Any unfilled requirements must be purchased at the FCA clearing price.

c. Aligning Capacity Portfolios with Requirements - Under the EITCC, LSEs will be able to acquire total requirements based on contracts of varying lengths. A variety of full year contracts can be secured over the entire four years prior to the planning year. Participants may also acquire a

variety of part-year commitments. This permits new resources that cannot begin commercial operation by the beginning of a planning year to secure capacity revenues for the portion of the year following start-up. The annual obligation can be satisfied from any appropriate set of part-year and full-year contracts or from within multi-year contracts. These portfolios will be aggregated by PJM to ensure that all obligations are covered. The only limitation is that each LSE must have the full year's capacity requirement in hand at the conclusion of the FCA.

2. Capacity Costs

a. Capacity Price Capped at CDR - The price in the FCA reflects capacity market conditions and may range up to and include the capacity deficiency rate (CDR).

b. Capacity Cost for Load Shifting - The FCA clearing price is also the basis for transfers of capacity during each planning year that are needed to accommodate retail load that shifts between LSEs. This will enable market participants to accurately calculate the risk of load shifts.

3. How Resources Qualify - The EITCC model strives to encourage resource flexibility in capacity markets. In addition to traditional generation resources, demand response and merchant transmission may be used to satisfy requirements. A recent study found that demand responders are severely constrained in their ability to commit far in advance of a planning year. The EITCC's use of a long period of voluntary auctions and parallel bilateral contracting opportunities makes it possible for each potential demand responder to commit as a capacity resource in a way that best fits its business conditions. Also, LSEs in Local Market Areas (LMAs) may secure external capacity that is based on firm service from merchant transmission. The ability of merchant transmission to provide additional capacity deliverability into an LMA reduces the obstacles that have prevented merchant transmission from successfully developing projects that directly meet the needs of LSEs and their customers.

4. Penalties for Failure to Perform - Committed resources that fail to perform, including new resources that fail to come on line by the contracted start date, as well as LSEs who fail to cover their obligation, will pay the capacity deficiency rate for the entire planning year. Deficiency penalties, set at the gross cost of new peaking capacity, will apply across the entire planning year rather than an interval as today. Any participant short going into the FCA must offer to buy at the capacity deficiency rate. In contrast, sellers that supply capacity to the market and clear will directly receive revenues as well as share in capacity deficiency revenues. The incentives for buyers and sellers to finalize capacity requirements prior to the beginning of the planning year are in penalties and potential rewards.

5. Mitigation – The EITCC model includes Market Monitoring Unit review of participant behavior to identify price manipulation by both sellers and buyers. In particular, given the potential for very high prices in LMAs, review of bidding behavior within geographic areas will be critical.

The EITCC's capacity market approach encourages flexible acquisition of required capacity while providing a strong incentive for obligations to be resolved prior to the final auction that is operated by PJM. Where transmission solutions are not feasible, it resolves those risks by providing a reasonably priced capacity acquisition solution.

II. Satisfying Locational Requirements

The EITCC seeks to support reliability as the fundamental value for all PJM consumers. PJM's filing reports that the latest load deliverability analysis shows that some areas in PJM are expected to fail some reliability criteria by 2008[see filing]. The design of the EITCC focuses on preventing similar problems in the future. To the extent that the enhanced planning system fails to eliminate load deliverability issues, the EITCC responds by establishing required local capacity commitments in Local Market Areas (LMA).

A. Defining Local Market Areas - LMAs are defined by several logical characteristics. First, these are areas that share common technical and investment conditions. Next, they are generally homogeneous in terms of load and barriers to investment in transmission and generation. Also, they are distinguished by consistent price separation from other areas. Finally, these distinguishing characteristics must be enduring rather than existing over the short-term. All load in an LMA will be required to purchase a percentage of its capacity consistent with the limits of capacity transfers against demand.

B. Specific LMAs - The EITCC recognizes two areas that generally satisfy these criteria: Eastern MAAC and Southwestern MAAC. In order to ensure that existing contracts or state-mandated supply agreements are not undercut, new LMAs are established through the PJM stakeholder process only after five years advance notice.

C. Determining Local Capacity Requirements – The purpose of defining LMAs is to create long-term incentives for development of additional resources in the form of generation, demand response or merchant transmission. The threshold test for establishing local capacity requirements is price separation between the LMA and other areas. PJM's planning analysis will identify LMAs and determine the specified the overall amount of capacity that must be supplied from within the area. Each LSE within the market area must acquire a percentage of its capacity requirement from within the LMA. The remaining capacity, will be defined by area transfer limits and can be acquired the general market.

D. Qualifying Local Capacity Resources - All capacity resources within the LMA will be designated as to their eligibility to provide up to a specific level of local capacity credits.

E. Mitigation of Prices in LMAs - The Market Monitoring Unit screens each LMA for competitiveness. Mitigation only occurs where market conditions are found to not be competitive. Mitigation is anticipated to take only the form of offer capping with clearing prices permitted up to the Capacity Deficiency Rate. However, new resources will not be offer capped for the four years following market entry so that effective price signals are sent to resource developers.

F. Identifying New LMAs - New LMAs will be identified beginning with the 2007/2008 planning year. This is intended to mesh with existing state programs in New Jersey and Maryland where some commitments extend through the 2006/2007 planning year.

IV. Enhancing Transmission Planning

A. Overview - The recently identified load deliverability issues in New Jersey can be traced, at least in part, to gaps in the transmission planning process. The seriousness of these issues is linked to four unmet requirements.

1. First, the existing planning methodology has failed to recognize the impact of potential generation retirements. As a result of this analytical blind spot, PJM could only analyze the reliability impacts of generation retirements after they were declared by the generation owners.

2. In addition, the existing RTEP's five year horizon is widely recognized as too short to permit timely construction of larger transmission resources, such as those likely needed to resolve the reliability criteria violations in New Jersey, or those where the siting process will create substantial delays. The EITCC refines the planning process to incorporate generation retirement risk; addresses the reasonable time needed to bring major transmission projects on line and expands the scope of the planning analysis to include more interaction at the local level among the transmission owner and the local LSEs.

3. Also, the planning process is fragmented so that there is no overall perspective on planning requirements. Specifically, reliability requirements, operational needs and congestion relief are each analyzed separately. This frequently results in planning solutions that meet only some needs.

4. Finally, specific modifications to transmission planning are needed to ensure that the solutions in these three manor planning areas are effective.

B. Planning for Generation Retirement

1. Calculating the Impacts of Generation Retirement - The EITCC model directly incorporates generation retirement risk as a standard component of transmission planning. The analysis of generation retirement risk requires a method for determining the probability that any given unit will retire. Factors to be considered may include the age, condition, profitability, operational limits, anticipated

environmental restrictions and licensing status of existing generation. The result is a more accurate estimate of future supply conditions. Statistics reflecting the reliability, operational or economic impact of retirement can then be calculated for the set of generators in an LMA, a zone or across PJM as a whole. The result will be a RTEP that better responds to actual supply conditions

2. Preserving the Objectivity of the Planning Process - In order to avoid the risk that this process is self-fulfilling, i.e., that the identification of a generator as "at risk" will directly lead to its retirement, it will be necessary for this process to be confidential at some level. In practice, the risk that a specific generator may retire is statistical rather than predictive and thus must not be revealed. It will not be necessary for market participants to know which generators might retire because it is the general planning result, the identification of necessary transmission additions that is needed by market participants.

C. Expanded Planning Horizon - The EITCC expands the planning period from five years to as much as ten years. The existing RTEP incorporates a number of assumptions, including risks such as forced outage rates and uncertain load growth. These factors are evaluated within the planning methodology looking forward over the next ten years to identify where violations of reliability criteria are expected. These findings are used to pinpoint transmission projects that resolve potential violations of minimal MAAC and PJM transmission planning criteria. However, transmission planning is done only within a five-year window and thus, reliability criteria violations beyond that five year horizon will not be addressed. The EITCC modifies this by expanding the planning horizon from the current five years to seven to ten years. This provides adequate time for construction of even major transmission additions. Construction of projects with a shorter lead time can be deferred until needed so that costs of this class of projects do not prematurely impact consumers. The EITCC model incorporates another advantage of identifying future transmission requirements for which construction need not start for some years, namely, the explicit creation of an opportunity for market response from other resource options, including merchant transmission.

D. Integrated Planning – Transmission planning has evolved since the founding of PJM as an independent company. While information resources and analysis have been substantially refined, the connection between functional aspects of planning has been weak. In practice, reliability projects have undercut projects being studied for congestion relief. It appears that the ancillary economic benefits of the reliability projects do not equal what would have been achieved had the economic projects been implemented. It appears that a fractional increase in the scope of the reliability projects would have also produced the desired economic benefits. However, the existing planning system does not accommodate that sort of coordination. This is why the EITCC model includes such integration.

E. Additional Functional Refinements

1. Encouraging Congestion Relief - The EITCC incorporates the local capacity price premiums into the calculation of unhedgeable congestion in the planning process for economic expansion. This increases the benefits of transmission projects that link LMAs to the rest of PJM. The affect is encouraging transmission construction that addresses economic (congestion) issues beyond what is currently identified under the current system. This may also avoid future projects required to address reliability criteria violations.

2. Enhanced Coordination Among Parties - The EITCC advocates the establishment of planning standards and protocols whereby enhanced coordination between individual transmission owners and their affected LSEs can resolve local transmission deliverability issues. The goal of this approach is comprehensive- to plan the functionally distinct parts of the entire system as it is operated, not just the bulk grid.

3. Continued Review of RTEP Impact on Transfer Limits - Additionally, the RTEP will continue to evaluate deliverability into the established local deliverability areas as determined by the Capacity Emergency Transfer Obligation/Limit (CETO/CETL) test. This component of the current methodology will be an important component to addressing local reliability areas as a backstop for non-competitive areas as discussed below.

4. Response to Short-term Deliverability Problems - To further ensure local capacity adequacy, the EITCC will include an annual Local Reliability Assessment (LRA) for areas that are smaller than an LMA. This LRA will consist of an analysis similar to that run for an LDA during the RTEP process where PJM assesses the deliverability criteria of each LDA. The analysis will look ahead two years to identify changes in load, generation, or other factors that will cause a localized capacity problem before an RTEP approved transmission fix can be constructed. If such a problem appears in the analysis, PJM will issue a request for proposal for a reliability solution covering a term that is consistent with the problem. This solution could consist of building new generation, maintaining generation that would otherwise be retired, demand response, or short term transmission upgrades.

The need for transmission additions is identified consistent with reliability criteria violations that are identified in the planning process. This means that local problems, even those well below the zonal level, can be addressed. This fine level of planning granularity provides solutions that are appropriate regardless of market of competitive conditions.

5. Encouraging Merchant Transmission - The EITCC also encourages market responses to transmission deliverability problems by granting long-term capacity transfer rights (CTR) to merchants who construct transmission that addresses local issues. Where local requirements exist, new merchant transmission capacity does not increase the CETL. Instead, the merchant developer receives capacity transfer

rights equivalent to the summer loading limits of the facilities that it constructed. Customers in an area with a local capacity obligation can satisfy some of that from external sources by paying for firm transmission on the merchant transmission resource. To ensure that more efficient capacity solutions are not shut out of the market, the volume of the CTR will be established for a standard period, perhaps five years, and then revisited thereafter based on an updated assessment of transfer capability.

F. Summary – It is vital to emphasize that the EITCC model proposals regarding transmission planning are fundamental to generation adequacy and reliability. PJM has proposed that most of the steps proposed under EITCC be examined within the stakeholder process. However, that process will be time consuming and with no certainty regarding the final outcome. If this were strictly an issue of stakeholders working out compromises, the stakeholder process might be the appropriate approach. However, the transmission planning approach under the EITCC will significantly improve the ability of PJM's transmission planning to prevent reliability violations. This more robust approach will work to prevent the future evolution of transmission deliverability problems such as those in New Jersey.

V. Conclusion

The Enhanced Integrated Transmission and Capacity Construct is an incremental enhancement of existing PJM capacity and planning processes. Incremental change is the fundamental design principle of the EITCC model. The EITCC begins with a known set of rules, principles and practices and builds on them to create a capacity adequacy system that will protect reliability. The EITCC approach is designed to be understood and manageable for market participants. The ambition behind EITCC is to make a known system workable. This ambition, and the creativity it has inspired, is a reasonable approach that the Commission should encourage. In conclusion, the EITCC strikes a balance between security and flexibility so that future capacity shortages, locally or generally, are prevented.

86185.DOC

200510195106 Received FERC OSEC 10/19/2005 04:14:00 PM Docket# ER05-1410-000, ET AL.

Submission Contents

Protest and Request for rejections of Filing, or in the Alternative, for Hearing
00086247.pdf····· 1-86

Tab A - Affidavit of Jonathan A. Wallach
00086250.pdf····· 87-87

Tab B - Enhanced Integrated Transmission & Capacity Construct (EITCC)
00086248.doc····· 88-96