



## Organization of PJM States, Inc. (OPSI)

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### OPSI RESOLUTION #2012-9

#### RESOLUTION REGARDING THE DISPOSITION OF CAPACITY INTERCONNECTION RIGHTS FOLLOWING DEACTIVATION OF A GENERATING UNIT

**WHEREAS**, PJM had 16,214 MW of future generator deactivations pending as of April 6, 2012,<sup>1</sup> and more generator deactivation announcements are expected due to power market economics; *and*

**WHEREAS**, PJM's tariff provides that the owner of a deactivating generator (or its transferee) may unconditionally avoid termination of its capacity interconnection rights ("CIRs") associated with the generator for one year after the generator is deactivated;<sup>2</sup> *and*

**WHEREAS**, the owner of such CIRs may therefore wait for up to a year before submitting to PJM a new generation interconnection request that would use the CIRs, thereby prolonging uncertainty about new generator entry in response to the generating unit deactivation; *and*

**WHEREAS**, PJM must assure that the transmission grid can operate reliably after a generator deactivates, and therefore develop plans for transmission expansion as needed due to generating unit deactivation announcements; *and*

**WHEREAS**, such transmission expansion might ultimately not be needed if a new generator is built that uses the CIRs associated with a deactivated generating unit; *and*

**WHEREAS**, industry participants should strive to uphold the principle that transmission upgrades will be planned and built only if they will be used and useful for the long-term; *and*

**WHEREAS** in its April 30 Order in Docket ER 12-1177 the Federal Energy Regulatory Commission indicated that whether CIRs are "property rights," the extent to which CIRs

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<sup>1</sup> See <http://www.pjm.com/~media/planning/gen-retire/pending-deactivation-requests.ashx>

<sup>2</sup> Section 230.3.3

should be transferred after deactivation, and the extent to which the current treatment of CIRs serves as a barrier to entry for new generators are important issues:<sup>3</sup> *and*

**WHEREAS** State commissions would better understand the need for new electric infrastructure if they had a clear understanding of the origin of CIRs, their economic justification, the administrative process for maintaining, and a market impact of the current CIRs construct : *and*

**NOW THEREFORE BE IT RESOLVED** that OPSI recommends that PJM produce a white paper to explain the origin of CIRs, their current economic justification, the administrative procedures associated with executing CIRs and a market impact analysis of the current CIR construct by August 2012; *and*

**NOW THEREFORE BE IT FURTHER RESOLVED** that OPSI States be given an opportunity to comment on the white paper by October 2012; *and*

**NOW THEREFORE BE IT FURTHER RESOLVED** that OPSI recommends that PJM pursue a reevaluation of its treatment of CIRs based upon its white paper and OPSI State comments, with proposed tariff changes to be filed at FERC no later than January, 2013.

<sup>3</sup> PJM Interconnection L.L.C. 139 FERC ¶ 61,079 at P. 21 (2012).

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Adopted by the OPSI Board of Directors on May 11, 2012.

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