



Modifications to Insurance Language for Interconnection Service Agreements

Planning Committee
September 8, 2011
Pauline Foley

- Pursuant to Order No. 2003, transmission providers were required to include insurance provisions in their *pro forma* interconnection service agreements (LGIA).

- The coverages included:
 - *Employers' Liability and Workers' Compensation Insurance,*
 - *Commercial General Liability Insurance,*
 - *Professional Liability Insurance*
 - *Comprehensive Automobile Liability Insurance and*
 - *Excess Public Liability Insurance.*

- In its compliance filings, PJM proposed insurance provisions similar to the *pro forma* language contained in the LGIA.
- Relevant PJM *pro forma* interconnection service agreements in the PJM Tariff include:
 - *Interconnection Service Agreement (Attachment O) (see Insurance Provisions at Appendix 2, section 13);*
 - *Interconnection Construction Service Agreement (Attachment P) (see Insurance Provisions at Appendix 2, section 11); and*
 - *Upgrade Construction Service Agreement (Attachment GG) (see Insurance Provisions at Appendix III, section 11).*

- The language in the *pro forma* service agreements contained in the PJM Tariff are not in keeping with current insurance industry terminology.
- A number of interconnection customers have requested that PJM change the Tariff language in their individual agreement to be consistent with the current industry terminology in order to ensure that they are compliant with the ISA.
- This Tariff modification would :
 - Help eliminate requests to negotiate the *pro forma* language and
 - Clarify exactly what insurance is required to comply with the agreement.

Proposal to Update the Insurance Language Contained in the Interconnection Service Agreements

- PJM proposes to modernize/update the *pro forma* insurance language contained in the interconnection service agreements to be consistent with the terminology currently used in the insurance industry:
 - ISA: Attachment O, Appendix 2, section 13
 - ICSA: Attachment P, Appendix 2, section 11
 - UCSA Attachment GG, Appendix III, section 11
- Additionally, PJM proposes to modify the *pro forma* agreements to clarify what is meant by “each policy shall contain provisions that specify that it is primary:”
 - ISA: Attachment O, Appendix 2, section 13.3,
 - ICSA: Attachment P, Appendix 2, section 11.3
 - UCSA: Attachment GG, Appendix III, section 11.3(a) to clarify

- Use of *pro forma* agreements ensures that:
 - Interconnection Customer is receiving non-discriminatory service
 - Interconnection Customers are being treated on a consistent and fair basis.
 - Streamlines the interconnection process by eliminating the need for an Interconnection Customer to negotiate each individual agreement.
 - Reduces the need to file interconnection agreements with FERC on a case-by-case basis.

- Commission precedent dictates that in order to make changes to the *pro forma* agreement PJM bears the burden of “explaining the unique circumstances of the interconnection and why these circumstances necessitate the filing of a non-conforming interconnection agreement.
- FERC contemplated that there would be a small number of instances where reliability concerns, novel legal issues or other unique factors would require non-conforming terms and conditions. However,
 - There is nothing unique with the changes proposed.
 - Once PJM changed in the *pro forma* terminology in one agreement, PJM would have to make the change to every agreement, if requested.