



Order No. 1000
Transmission Planning and Cost Allocation Reforms
Compliance Requirements
Docket No. RM10-23-000

Planning Committee
September 8, 2011

- **Compliance**

- October 11, 2011. Effective Date of the Order
- October 11, 2012. PJM must make a compliance filing to:
 - Revise Tariff and FERC jurisdictional documents to include local and regional transmission planning processes consistent with the Final Rule.
 - Revise Tariff and FERC jurisdictional documents to include a cost allocation method(s) for regional cost allocation consistent with principles of the Final Rule.
- April 11, 2013. PJM must make a compliance filing for interregional transmission coordination and interregional cost allocation.
 - Revise Tariff and FERC jurisdictional documents to include interregional transmission coordination procedure(s) consistent with the Final Rule.
 - Revise Tariff and FERC jurisdictional documents to include a cost allocation method(s) for interregional cost allocation consistent with principles of the Final Rule.

- Order No. 1000 addresses the following topics:
 - Planning Requirements: Local, regional and interregional transmission planning processes
 - Public Policy Requirements: Consideration of transmission needs driven by Public Policy Requirements
 - Right of First Refusal
 - Non-incumbent Developers Requirements: Development of transmission facilities by non-incumbent developers
 - Cost Allocation Requirements: Transmission cost allocation policies

To the extent TP believes its existing Tariff or agreements satisfy any of these compliance requirements in whole or in part, TP should describe in its compliance filing how the relevant requirements are satisfied by reference to tariff sheets on file with the Commission.

Planning Requirements for Regional Facilities:

- Amend OATT to develop, in consultation with stakeholders, procedures to identify and evaluate the set of potential solutions that may meet the region's needs more efficiently and cost-effectively.
 - For guidance: review Order No. 890 and 890-A and PJM compliance filings.
 - Stakeholder Input. Develop procedures that provide stakeholders (i) an opportunity to provide information in order to participate in identification and evaluation of regional solutions; and (ii) greater access to information, e.g., models and data used in the regional planning process.
 - Alternative Transmission Solutions. Develop procedures to evaluate alternative transmission solutions and consider non-transmission alternatives.
 - New Facilities. Explain how PJM will determine which facilities will be subject to the Final Rule.
 - Comparability. Tariff language must be clear how one type of investment would be considered against another and how the TP would choose one resource over another or a competing proposal.

Public Policy Requirements:

- Amend OATT to describe procedures that will:
 - (i) identify transmission needs driven by Public Policy Requirements in the planning process;
 - (ii) evaluate potential solutions to the transmission needs driven by Public Policy Requirements; and
 - (iii) allow stakeholders an opportunity to provide input and offer proposals regarding the transmission needs they believe are driven by Public Policy Requirements.

- Interregional Transmission Coordination Requirements obligate each TP, through its regional planning process, to:
 - coordinate with the TPs in each of its neighboring planning region within its interconnection;
 - develop and implement procedures for sharing of information regarding the respective needs of each neighboring transmission planning region and potential solutions to those needs, and
 - Describe the methods by which the TPs will identify and jointly evaluate interregional transmission alternatives to those regional needs by the neighboring transmission planning region.
- TPs in neighboring regions must include a description of the type of transmission studies that will be conducted to evaluate conditions on their neighboring systems for the purpose of determining whether interregional transmission facilities are more efficient or cost-effective than regional facilities.

- TP must eliminate provisions in its Tariff(s) and agreements that establish a federal ROFR for an incumbent TP with respect to transmission facilities selected in a regional plan for purposes of cost allocation.
- In place of a ROFR, each TP must include in its Tariff language that identifies how they will evaluate and select among competing solutions and resources, including identification of criteria by which TP will evaluate the relative economics and effectiveness of performance for each alternative offered for consideration.

- The Final Rule promotes competition in regional transmission planning by removing federal ROFR provisions from FERC-approved tariffs or agreements, subject to the following four limitations. This requirement:
 - Does not apply to transmission facilities that are not included in a TP's regional transmission plan for purposes of cost allocation;
 - Does not apply to upgrades of existing facilities, *e.g.*, tower change outs or reconductoring;
 - Allows, but does not require, competitive bidding to solicit new projects or project developers; and
 - Does not void state or local laws.

- Each TP must revise its Tariff to:
 - establish appropriate qualification criteria for determining an entity’s (incumbent or nonincumbent) eligibility to propose a transmission project for selection in the RTEP for purposes of cost allocation;
 - Identify the information that must be submitted by a prospective developer in support of a project proposed in the RTEP;
 - Identify the date by which information must be submitted to be considered in a given planning cycle;
 - Describe a transparent and not unduly discriminatory process for evaluating whether to select a proposed project in the RTEP for cost allocation;
 - Establish procedures to ensure that all projects are eligible to be considered for selection in RTEP for purposes of cost allocation
 - Describe circumstances and develop procedures for ROFR backstop for delays in development of RTEP facility to ensure incumbent meets its reliability needs or service obligations.

- TP must have in place a method or set of methods for allocating the costs of new transmission facilities selected in the RTEP for purposes of cost allocation.
- RTO: Cost allocation method(s) must be set forth in the RTO Tariff
- Each planning region may develop a method(s) for different types of transmission projects

- The regional and interregional cost allocation methods must comply with the following six principles:
 - (i) cost must be allocated commensurate with estimated *benefits*;
 - (ii) no benefits, no involuntary cost allocation;
 - (iii) no costs allocated outside a transmission planning region unless the other region agrees;
 - (iv) a benefit to cost ratio threshold not required; however, if used, it must not exceed 1.25 to 1 unless justified and accepted by the Commission;
 - (v) the cost allocation method(s) for determining benefits and identifying beneficiaries must be transparent
 - (vi) a planning region may use different cost allocation methods for different types of transmission facilities in the regional plan