

PJM Transmission Owners Agreement –  
Administrative Committee Meeting,  
December 8, 2009

Entry/Exit Provisions Task Force  
Status Report

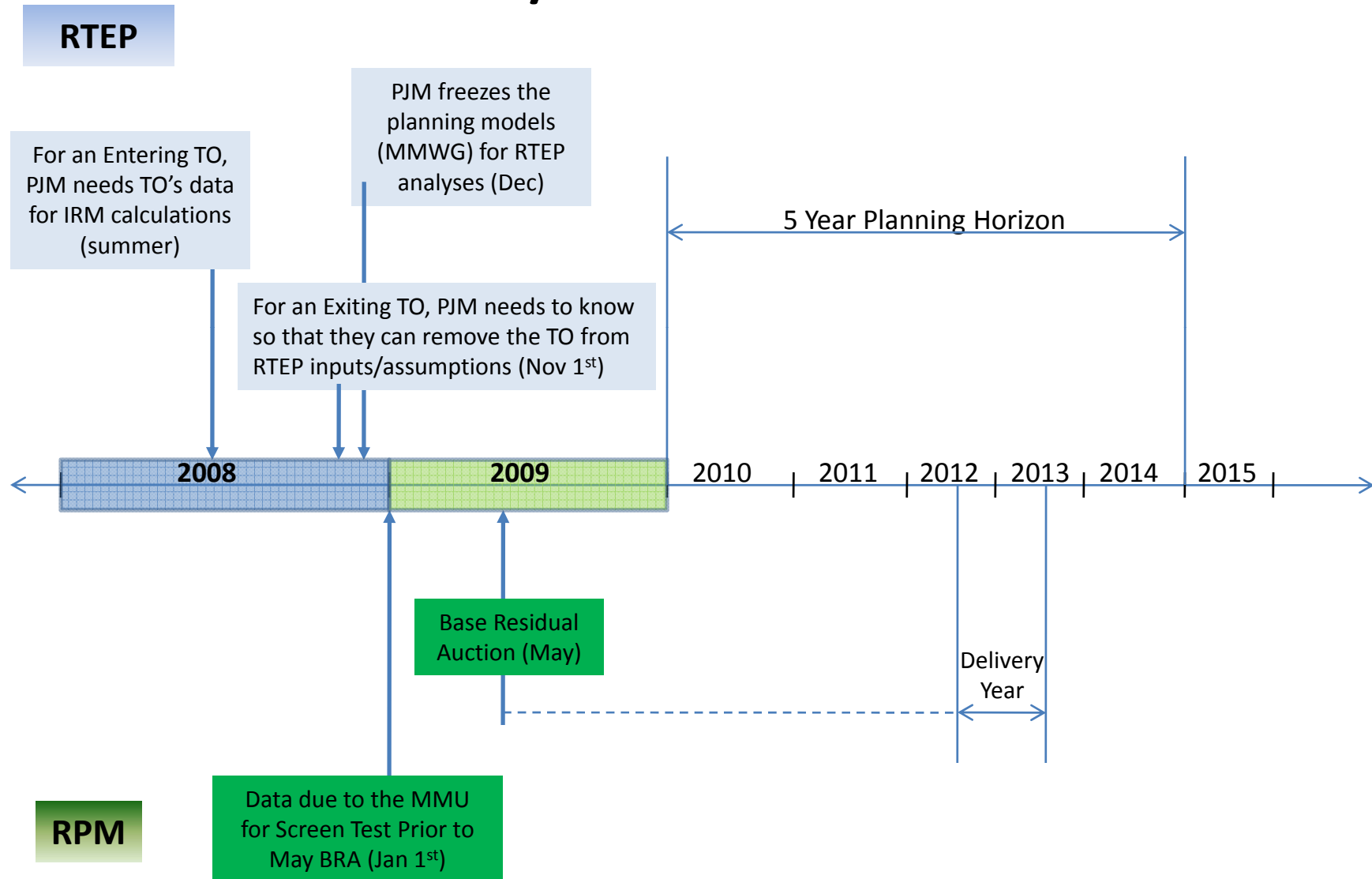
# Background

- At its October 15<sup>th</sup> meeting the TOA-AC discussed whether the entry and exit provisions in the Transmission Owner Agreement and TO-controlled portion of the PJM Tariff are sufficiently robust and compatible with potential movement.
- The Entry/Exit Provision Task Force was formed to discuss applicable topics and make recommendations back to the TOA-AC.
  - If approved, the concepts would be developed further by the Legal Issues Team.
- The Task Force conducted conference calls on November 6<sup>th</sup>, November 18<sup>th</sup>, and December 1<sup>st</sup>

# Progress to Date

- A charter was drafted, circulated, and comments received. The current version is included in the TOA-AC meeting materials.
- A timeline for key RTEP and RPM milestones was prepared to better understand the implications of notice provisions, withdrawal dates and continuing obligations.
- A template was developed to guide the discussion of RTEP exit scenarios.
- Material was disseminated about MISO's "RTO Exit Fee" tariff language, including analysis from the LGE/KU exit in 2005.

# RTEP/RPM Timeline



# Assumptions for RTEP Related Scenarios

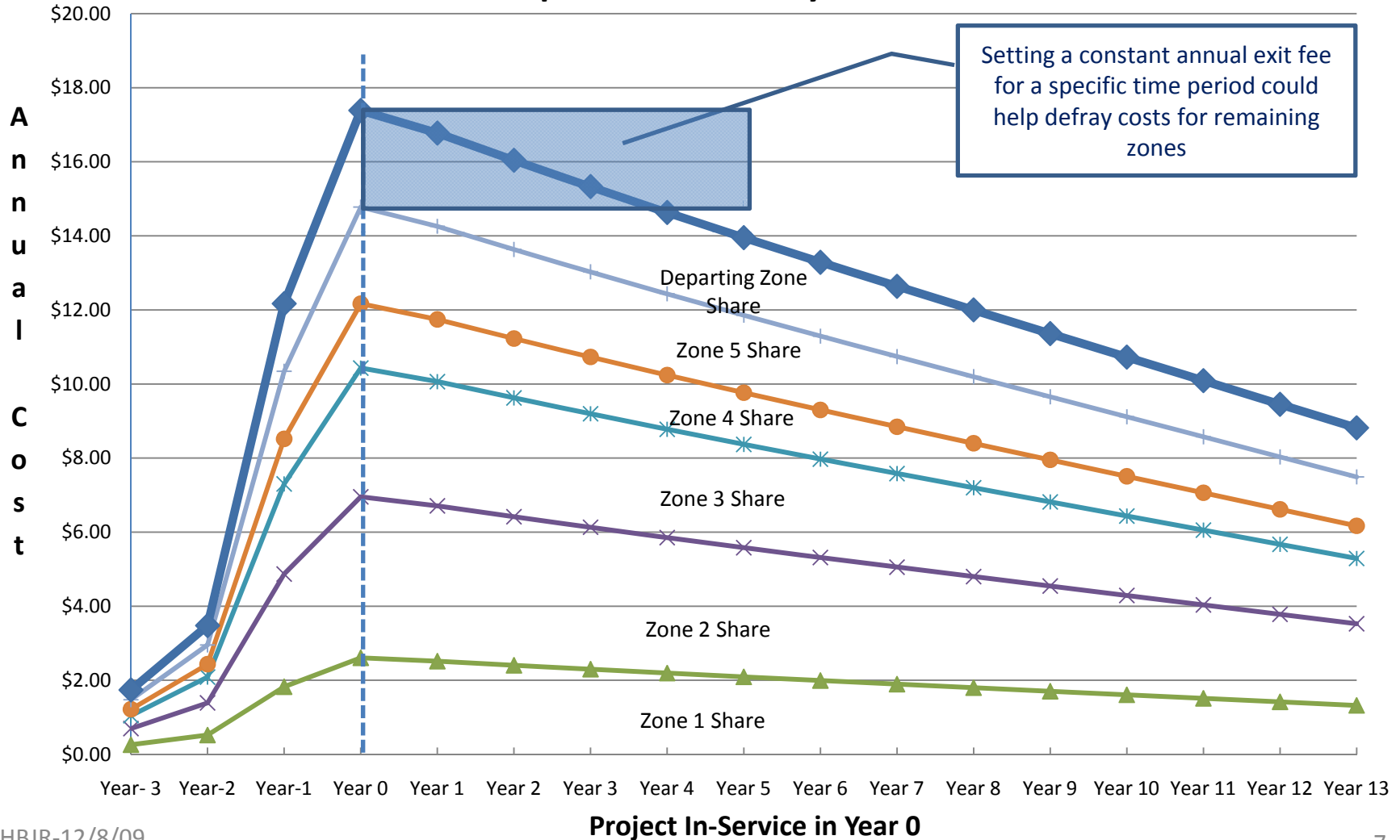
- The Task Force anticipates adding a provision that provides an option for a departing Transmission Owner to request PJM to revisit certain approved RTEP projects to confirm (or not) that they remain necessary for the PJM RTO. The scenarios assume that PJM has confirmed the justification for those projects that are planned but not yet constructed, are already under construction, or in service.
- The scenarios assume that the current approved cost allocation methodologies remain in place; i.e. load ratio share for >500 kV, DFAX allocation for projects <500 kV Lower Voltage Facilities, and 100% allocation of “supplemental” projects to the local zone.
- The scenarios assume that a mechanism will be put in place that allows the departing transmission owner to recover the costs associated with facilities it is required to construct, or has constructed, after it leaves PJM as well as paying continuing obligations.

# Exit Scenarios

Voltage Level and Cost Allocation	Departing Zone Construction Obligations As <u>Builder</u> (for projects with construction responsibility)		Departing Zone Payment Obligations as <u>Payer</u> (for projects with an LSE cost allocation)	
	Current Tariff Provisions	Possible Alternate(s)	Current Tariff Provisions	Possible Alternate(s)
500 kV or higher transmission project being constructed in multiple zones  <b>(Scenario #2)</b>	Recover costs from all remaining PJM zones	Retains construction responsibility; continues to collect the full RR from remaining PJM zones	No payment Obligation	Provides a credit to PJM zones equal to its previous zonal allocation; alternately collect an RTEP exit fee from its zone and credit to PJM zones
500 kV or higher project being constructed in a single departing zone <b>(Scenario #1)</b>	Recover costs from all remaining PJM zones	Zone assumes full cost responsibility, (or in accordance with new RTO rules)	No payment Obligation	Zone assumes full cost responsibility
Lower Voltage Facilities, DFAX to multiple zones including the departing zone	Not proscriptive but PJM Tariff suggests that the TO would continue to recover costs for applicable PJM zone(s)	Permanent lock-in of zonal allocation or retool analysis <b>(Scenario #4)</b>	Not proscriptive but PJM Tariff suggests that zones continue to pay DFAX share of costs to PJM TO(s)	Permanent lock-in of zonal allocation or retool analysis <b>(Scenario #5)</b>
Lower Voltage Facilities, DFAX to single departing zone <b>(Scenario #3)</b>	Recover all costs from its own zone		Recover all costs from its own zone	
Supplemental Project Allocated to Builder's Zone	Must construct and recover all costs from its own zone	Determined by builder and new RTO	Pay 100% of costs	Determined by zone and new RTO

# An RTEP Exit Fee Concept

## Sample Cost Recovery Curve



# Other Discussion Topics

- The current 90-day notice period may be too short; however, lengthening the notice period to 12+ months may provide more certainty in RTEP modeling but could have the unintended consequence of “routine” premature notifications (that are later revoked) in order to meet the TOA deadline. This was reported as a problem within MISO.
- For entities leaving PJM, the Task Force believes that requiring an Exit Plan makes sense.
  - The Agreement could elaborate on elements that would be included in the Exit Plan, such as the obligations to build transmission, obligations to pay for transmission, RPM obligations, other financial obligations, etc.
  - Developing provisions to cover every potential scenario in detail is impractical but some specific provisions could be “hard-wired” and other general guidelines developed.
- The concept of an RTO Exit Fee was discussed and details collected about the way MISO determines that fee.
  - Might be something better addressed by a PJM stakeholder committee.
- Depending on the scope of our recommendations, broader stakeholder involvement may be necessary because of the complexities involved and potential market and as well as reliability impacts.