

There are currently two broad issues related to the PJM planning process that need to be resolved. The first issue is related to the criteria and/or procedures used to identify the need for transmission upgrades. The second issue is related to the process and procedures that PJM uses to assign responsibility for constructing and owning RTEP upgrades.

Background / Introduction – Criteria Issue

The criteria used for the development of the RTEP is defined in the Operating Agreement and implemented in accordance with the procedures included in the PJM manuals (primarily manual 14B). These procedures were put in place initially to establish a clean baseline system that could then be used to study interconnection customer requests. As a result, the assumptions used in RTEP analyses with respect to generation and load levels are prescriptive and do not reflect the wide range of factors that can impact the need for new transmission. Recently, based on the existing RTEP criteria and procedures, the timing and need for baseline projects has been whipsawed back and forth which has limited PJM's ability to develop the most reliable, cost effective solutions. PJM believes that a more holistic approach that incorporates a broader range of assumptions including public policy initiatives around renewable generation, demand response, and energy efficiency as well as "at risk" generation should be included in the RTEP.

Problem Statement

PJM's reliability planning criteria utilizes a prescriptive set of assumptions that do not directly reflect the wide range of factors that can impact the need for transmission. This limits PJM's ability to develop optimum solutions to potential problems.

Charge

Develop proposed Tariff / Operating Agreement / Manual language as required to broaden the assumptions used in the RTEP to accommodate public policy initiatives including renewable resource integration, demand response and energy efficiency and environmental policy.

Background / Introduction - Designation of Construction Responsibility Issue

Traditionally the responsible entity for building and owning RTEP baseline upgrades has in large part been limited to incumbent transmission owners based on their service territories. In the recent FERC Order on Petition for Declaratory Order for Primary Power (Docket Nos. ER10-253-000 and EL10-14-000), the FERC indicated that PJM could designate an entity other than the local incumbent transmission owning member to build and own baseline upgrades.

Problem Statement

Currently, PJM does not have a process or procedures in place to select the most qualified, non-incumbent transmission owning entity to build a transmission project or the process and procedures to define of what constitutes an original project.

Charge

Considering the "Primary Power" case before FERC and the fact there are proposed projects to be included in this year's RTEP that may require a decision by Q3, PJM needs to develop the processes and procedures to define what constitutes a large, original project or proposal, the definition of a qualified developer and the process through which construction responsibility for RTEP projects is assigned.

There was a concern raised by a number of stakeholders that participated in the 5/13/10 RPPWG meeting that addressing the Primary Power issue at this time may be premature given the proceedings pending before the FERC. The MRC will review the need to address this issue at their June meeting pending anticipated action at the FERC.

Notes:

- Interconnection timing
- Load template changes
- Clarify criteria as opposed to creating new ones
- Concern on “open end” criteria in draft charter (related to Responsibility #4 in the original draft charter)
- Need a clear problem statement before solutions
- PJM needs to consider state policies and current acts/legislation in planning
- More scenarios and not multiple brightline tests
- Significant projects are being “whipsawed”
 - Changes in dates may reduce credibility in state siting process
 - Projects cannot be accelerated or placed in service quickly enough
 - Financial implications
 - Resource planning
 - Impacts on interconnection projects
 - Can impact the need for lower voltage upgrades
 - Incorporating the impact of changes in adjacent systems
- Timing Issues
 - Retiring resources requiring upgrades cannot be built in time
 - New resources not being captured resulting in projects constructed and not needed or needed sooner
- Prescriptive assumptions being used in RTEP
 - Too limiting
 - Results are too sensitive to changing assumptions
 - Precise decisions around imprecise assumptions/data
 - Establishment of assumptions around state mandated programs
 - Not including state programs could lead to sub-optimal solutions
 - Changing reliability standards/criteria
 - May lead to different or alternative solutions

- Reliability may suffer if assumptions about future generation mix are not accurate
 - Carbon legislation
 - Revenue streams
 - Large scale renewable integration
- Masking problems by disregarding for interaction between inputs
- Credibility for state siting processes
 - Need clear cut criteria that have been met/not met
- Incorporate or include real time operations in assumptions

Primary Power

- No clear definition of what constitutes a large project or proposal
 - No rules to determine whether a selected RTEP solution is materially different than a proposed project
 - PJM does not have a process to select the best entity to build a project
 - PJM serves 14 different jurisdictions with different regulatory rules
 - What constitutes an original idea/project?
- Need to define what constitutes a qualified developer
 - Need to define performance requirements
- There are projects proposed for inclusion in this year's RTEP
- PJM may need to make decisions on projects by Q3
 - Discussion of this issue in stakeholder process may be premature given FERC proceedings
- PJM will begin to get project proposals with assumed rights related to construction and ownership of the facilities without a defined process to address them