

## Definitions C - D

### **Critical Substation Planning Analysis Project**

“Critical Substation Planning Analysis Project” or “CSPA Project” shall be defined to mean a Regional RTEP Project or Subregional RTEP Project ~~(1) with an anticipated in-service date of more than three years but no more than five years from the year in which the Office of the Interconnection identifies the need for the potential CSPA Project and (2) which is~~ identified, developed, and selected by the Office of the Interconnection as the more efficient or cost-effective solution to address potential reliability violations stemming from the contingency loss of a critical substation, as set forth in Operating Agreement, Schedule 6, section 1.5.11(b). Such violations are based upon NERC Reliability Standard TPL-001 (referred to as “extreme events”). Prior to termination of Tariff, Attachment M-4, a CSPA Project shall be considered only to mitigate substations for which Tariff, Attachment M-4 is inapplicable.

## **1.2 Conformity with NERC *Reliability Standards* and Other Applicable Reliability Criteria.**

- (a) NERC establishes Reliability Standards to promote the reliability, adequacy and security of the North American bulk power supply as related to the operation and planning of electric systems.
- (b) ReliabilityFirst Corporation is responsible for ensuring the reliability, adequacy and security of the bulk electric supply systems in the geographic region described in the applicable agreements between NERC and ReliabilityFirst Corporation, as approved by the FERC, through coordinated operations and planning of generation and transmission facilities. Toward that end, it has adopted the NERC Reliability Standards and has established detailed Reliability Principles and Standards for Planning the Bulk Electric Supply System of the ReliabilityFirst Corporation.
- (c) [Reserved]
- (c.01) [Reserved]
- (c.02) SERC is responsible for ensuring the reliability, adequacy and security of the bulk electric supply systems in the VACAR subregion of SERC. Toward that end, it has adopted the NERC Reliability Standards and has established detailed Reliability Principles and Standards for Planning the Bulk Electric Supply System for SERC.
- (d) The Regional Transmission Expansion Plan shall conform at a minimum to the applicable reliability principles, guidelines and standards of NERC, ReliabilityFirst Corporation and SERC, and other Applicable Regional Entities in accordance with the planning and operating criteria and other procedures detailed in the PJM Manuals. In addition, the Regional Transmission Expansion Plan shall include a planning process to address needs associated with CSPA based upon TPL-001 extreme events.
- (e) The Regional Transmission Expansion Plan planning criteria shall include, Office of the Interconnection planning procedures, NERC Reliability Standards, Regional Entity reliability principles and standards, and the individual Transmission Owner FERC filed planning criteria as filed in FERC Form No. 715, and posted on the PJM website. FERC Form No. 715 material will be posted to the PJM website, subject to applicable Critical Energy Infrastructure Information (CEII) requirements.
- (f) The Office of the Interconnection will also provide access through the PJM website, to the planning criteria and assumptions used by the Transmission Owners for the development of the current Local Plan.

## **1.5 Procedure for Development of the Regional Transmission Expansion Plan.**

### **1.5.8 Development of Long-lead Projects, Short-term Projects, Immediate-need Reliability Projects, and Economic-based Enhancements or Expansions.**

#### **(a) Pre-Qualification Process.**

(a)(1) On September 1 of each year, the Office of the Interconnection shall open a thirty-day pre-qualification window for entities, including existing Transmission Owners and Nonincumbent Developers, to submit to the Office of the Interconnection: (i) applications to pre-qualify as eligible to be a Designated Entity; or (ii) updated information as described in the Operating Agreement, Schedule 6, section 1.5.8(a)(3). Pre-qualification applications shall contain the following information: (i) name and address of the entity; (ii) the technical and engineering qualifications of the entity or its affiliate, partner, or parent company; (iii) the demonstrated experience of the entity or its affiliate, partner, or parent company to develop, construct, maintain, and operate transmission facilities, including a list or other evidence of transmission facilities the entity, its affiliate, partner, or parent company previously developed, constructed, maintained, or operated; (iv) the previous record of the entity or its affiliate, partner, or parent company regarding construction, maintenance, or operation of transmission facilities both inside and outside of the PJM Region; (v) the capability of the entity or its affiliate, partner, or parent company to adhere to standardized construction, maintenance and operating practices; (vi) the financial statements of the entity or its affiliate, partner, or parent company for the most recent fiscal quarter, as well as the most recent three fiscal years, or the period of existence of the entity, if shorter, or such other evidence demonstrating an entity's or its affiliate's, partner's, or parent company's current and expected financial capability acceptable to the Office of the Interconnection; (vii) a commitment by the entity to execute the Consolidated Transmission Owners Agreement, if the entity becomes a Designated Entity; (viii) evidence demonstrating the ability of the entity or its affiliate, partner, or parent company to address and timely remedy failure of facilities; (ix) a description of the experience of the entity or its affiliate, partner, or parent company in acquiring rights of way; and (x) such other supporting information that the Office of Interconnection requires to make the pre-qualification determinations consistent with this Operating Agreement, Schedule 6, section 1.5.8(a).

(a)(2) No later than October 31, the Office of the Interconnection shall notify the entities that submitted pre-qualification applications or updated information during the annual thirty-day pre-qualification window, whether they are, or will continue to be, pre-qualified as eligible to be a Designated Entity. In the event the Office of the Interconnection determines that an entity (i) is not, or no longer will continue to be, pre-qualified as eligible to be a Designated Entity, or (ii) provided insufficient information to determine pre-qualification, the Office of the Interconnection shall inform that the entity it is not pre-qualified and include in the notification the basis for its determination. The entity then may submit additional information, which the Office of the Interconnection shall consider in re-evaluating whether the entity is, or will continue to be, pre-qualified as eligible to be a Designated Entity. If the entity submits additional information by November 30, the Office of the Interconnection shall notify the entity of the results of its re-evaluation no later than December 15. If the entity submits additional information after November 30, the Office of the Interconnection shall use reasonable efforts to

re-evaluate the application, with the additional information, and notify the entity of its determination as soon as practicable. No later than December 31, the Office of the Interconnection shall post on the PJM website the list of entities that are pre-qualified as eligible to be Designated Entities. If an entity is notified by the Office of the Interconnection that it does not pre-qualify or will not continue to be pre-qualified as eligible to be a Designated Entity, such entity may request dispute resolution pursuant to the Operating Agreement, Schedule 5.

(a)(3) In order to continue to pre-qualify as eligible to be a Designated Entity, such entity must confirm its information with the Office of the Interconnection no later than three years following its last submission or sooner if necessary as required below. In the event the information on which the entity's pre-qualification is based changes with respect to the upcoming year, such entity must submit to the Office of the Interconnection all updated information during the annual thirty-day pre-qualification window and the timeframes for notification in the Operating Agreement, Schedule 6, section 1.5.8(a)(2) shall apply. In the event the information on which the entity's pre-qualification is based changes with respect to the current year, such entity must submit to the Office of the Interconnection all updated information at the time the information changes and the Office of the Interconnection shall use reasonable efforts to evaluate the updated information and notify the entity of its determination as soon as practicable.

(a)(4) As determined by the Office of the Interconnection, an entity may submit a pre-qualification application outside the annual thirty-day pre-qualification window for good cause shown. For a pre-qualification application received outside of the annual thirty-day pre-qualification window, the Office of the Interconnection shall use reasonable efforts to process the application and notify the entity as to whether it pre-qualifies as eligible to be a Designated Entity as soon as practicable.

(a)(5) To be designated as a Designated Entity for any project proposed pursuant to the Operating Agreement, Schedule 6, section 1.5.8, existing Transmission Owners and Nonincumbent Developers must be pre-qualified as eligible to be a Designated Entity pursuant to this Operating Agreement, Schedule 6, section 1.5.8(a). This Operating Agreement, Schedule 6, section 1.5.8(a) shall not apply to entities that desire to propose projects for inclusion in the recommended plan but do not intend to be a Designated Entity.

(b) **Posting of Transmission System Needs.** Following identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance in the enhancement and expansion analysis process described in this Operating Agreement, Schedule 6 and the PJM Manuals, and after consideration of non-transmission solutions, and prior to evaluating potential enhancements and expansions to the Transmission System, the Office of the Interconnection shall publicly post on the PJM website all transmission need information, including violations, system conditions, and economic constraints, and Public Policy Requirements, including (i) federal Public Policy Requirements; (ii) state Public Policy Requirements identified or agreed-to by the states in the PJM Region, which could be addressed by potential Short-term Projects, Long-lead Projects or projects determined pursuant to the State Agreement Approach in the Operating Agreement, Schedule 6, section 1.5.9, as applicable. Such posting shall support the role of the Subregional RTEP Committees in the development of the Local Plans and support the role of the Transmission

Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection also shall post an explanation regarding why transmission needs associated with federal or state Public Policy Requirements were identified but were not selected for further evaluation.

(c) **Project Proposal Windows.** The Office of the Interconnection shall provide notice to stakeholders of a 60-day proposal window for Short-term Projects and a 120-day proposal window for Long-lead Projects and Economic-based Enhancements or Expansions. The specifics regarding whether or not the following types of violations or projects are subject to a proposal window are detailed in the Operating Agreement, Schedule 6, section 1.5.8(m) for Immediate-need Reliability Projects; Operating Agreement, Schedule 6, section 1.5.8(n) for reliability violations on transmission facilities below 200 kV; and Operating Agreement, Schedule 6, section 1.5.8(p) for violations on transmission substation equipment. The Office of Interconnection may shorten a proposal window should an identified need require a shorter proposal window to meet the needed in-service date of the proposed enhancements or expansions, or extend a proposal window as needed to accommodate updated information regarding system conditions. The Office of the Interconnection may shorten or lengthen a proposal window that is not yet opened based on one or more of the following criteria: (1) complexity of the violation or system condition; and (2) whether there is sufficient time remaining in the relevant planning cycle to accommodate a standard proposal window and timely address the violation or system condition. The Office of the Interconnection may lengthen a proposal window that already is opened based on or more of the following criteria: (i) changes in assumptions or conditions relating to the underlying need for the project, such as load growth or Reliability Pricing Model auction results; (ii) availability of new or changed information regarding the nature of the violations and the facilities involved; and (iii) time remaining in the relevant proposal window. In the event that the Office of the Interconnection determines to lengthen or shorten a proposal window, it will post on the PJM website the new proposal window period and an explanation as to the reasons for the change in the proposal window period. During these windows, the Office of the Interconnection will accept proposals from existing Transmission Owners and Nonincumbent Developers for potential enhancements or expansions to address the posted violations, system conditions, economic constraints, as well as Public Policy Requirements.

(c)(1) All proposals submitted in the proposal windows must contain: (i) the name and address of the proposing entity; (ii) a statement whether the entity intends to be the Designated Entity for the proposed project; (iii) the location of proposed project, including source and sink, if applicable; (iv) relevant engineering studies, and other relevant information as described in the PJM Manuals pertaining to the proposed project; (v) a proposed initial construction schedule including projected dates on which needed permits are required to be obtained in order to meet the required in-service date; (vi) cost estimates and analyses that provide sufficient detail for the Office of Interconnection to review and analyze the proposed cost of the project; and (vii) with the exception of project proposals submitted with cost estimates of \$5 million or less, a \$5,000 non-refundable deposit must be included with each project proposal submitted by a proposing entity that indicates an intention to be the Designated Entity.

(c)(1)(i) In addition, any proposing entity indicating its intention to be the Designated Entity will be responsible for and must pay all actual costs incurred by the Transmission Provider to evaluate the submitted project proposal. To the extent the Transmission Provider incurs costs to evaluate multiple submitted project proposals where such costs are not severable by individual project proposal, the Transmission Provider shall invoice equal shares of the non-severable costs among the project proposals that cause such non-severable costs to be incurred. Notwithstanding this method of invoicing non-severable costs, non-severable costs will be jointly and severally owed by the proposing entities that cause such costs to be incurred.

(c)(1)(ii) All non-refundable deposits will be credited towards the actual costs incurred by the Transmission Provider as a result of the evaluation of a submitted project proposal.

(c)(1)(iii) Following the close of a proposal window but before the Transmission Provider incurs any third-party consultant work costs to evaluate a submitted project proposal, the Transmission Provider will issue to the proposing entity an initial invoice seeking payment of estimated costs to evaluate each submitted project proposal. The estimated costs will be determined by considering the: potential cost of consultant work, historical estimates for project proposals of similar scope, complexity and nature of the need, and/or technology and nature of the project proposal. The Transmission Provider may issue additional invoices to the proposing entity prior to the completion of the evaluation activities associated with a project proposal if the Transmission Provider receives updated actual cost information and/or upon consideration of the factors specified in this section.

(c)(1)(iv) At the completion of the evaluation activities associated with a project proposal, the Transmission Provider will reconcile the actual costs with monies paid and, to the extent necessary, issue either a final invoice or refund.

(c)(1)(v) The proposing party must pay any invoiced costs within fifteen (15) calendar days of the Transmission Provider sending the invoice to the proposing entity or its agent. For good cause shown, this fifteen (15) calendar day time period may be extended by the Transmission Provider. If the proposing entity fails to pay any invoice within the time period specified and/or extended by the Transmission Provider in accordance with this section, the proposing entity's pre-qualification status may be suspended and the proposing entity will be ineligible to be a Designated Entity for any projects that do not yet have an executed Designated Entity Agreement. Such a suspension and/or ineligibility will remain in place until the proposing entity pays in full all outstanding monies owed to the Transmission Provider as a result of the evaluation of the proposing entity's project proposal(s).

(c)(2) Proposals from all entities (both existing Transmission Owners and Nonincumbent Developers) that indicate the entity intends to be a Designated Entity, also must contain information to the extent not previously provided pursuant to the Operating Agreement, Schedule 6, section 1.5.8(a) demonstrating: (i) technical and engineering qualifications of the entity, its affiliate, partner, or parent company relevant to construction, operation, and maintenance of the proposed project; (ii) experience of the entity, its affiliate, partner, or parent

company in developing, constructing, maintaining, and operating the type of transmission facilities contained in the project proposal; (iii) the emergency response capability of the entity that will be operating and maintaining the proposed project; (iv) evidence of transmission facilities the entity, its affiliate, partner, or parent company previously constructed, maintained, or operated; (v) the ability of the entity or its affiliate, partner, or parent company to obtain adequate financing relative to the proposed project, which may include a letter of intent from a financial institution approved by the Office of the Interconnection or such other evidence of the financial resources available to finance the construction, operation, and maintenance of the proposed project; (vi) the managerial ability of the entity, its affiliate, partner, or parent company to contain costs and adhere to construction schedules for the proposed project, including a description of verifiable past achievement of these goals; (vii) a demonstration of other advantages the entity may have to construct, operate, and maintain the proposed project, including any binding cost commitment proposal the entity may wish to submit; and (viii) any other information that may assist the Office of the Interconnection in evaluating the proposed project. To the extent that an entity submits a cost containment proposal the entity shall submit sufficient information for the Office of Interconnection to determine the binding nature of the proposal with respect to critical elements of project development. PJM may not alter the requirements for proposal submission to require the submission of a binding cost containment proposal, in whole or in part, or otherwise mandate or unilaterally alter the terms of any such proposal or the requirements for proposal submission, the submission of any such proposals at all times remaining voluntary.

(c)(3) The Office of the Interconnection may request additional reports or information from an existing Transmission Owner or Nonincumbent Developers that it determines are reasonably necessary to evaluate its specific project proposal pursuant to the criteria set forth in the Operating Agreement, Schedule 6, sections 1.5.8(e) and 1.5.8(f). If the Office of the Interconnection determines any of the information provided in a proposal is deficient or it requires additional reports or information to analyze the submitted proposal, the Office of the Interconnection shall notify the proposing entity of such deficiency or request. Within 10 Business Days of receipt of the notification of deficiency and/or request for additional reports or information, or other reasonable time period as determined by the Office of the Interconnection, the proposing entity shall provide the necessary information.

(c)(4) The request for additional reports or information by the Office of the Interconnection pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c)(3) may be used only to clarify a proposed project as submitted. In response to the Office of the Information's request for additional reports or information, the proposing entity (whether an existing Transmission Owner or Nonincumbent Developer) may not submit a new project proposal or modifications to a proposed project once the proposal window is closed. In the event that the proposing entity fails to timely cure the deficiency or provide the requested reports or information regarding a proposed project, the proposed project will not be considered for inclusion in the recommended plan.

(c)(5) Within 30 days of the closing of the proposal window, the Office of the Interconnection may notify the proposing entity that additional per project fees are required if the Office of the Interconnection determines the proposing entity's submittal includes multiple

project proposals. Within 10 Business Days of receipt of the notification of insufficient funds by the Office of the Interconnection, the proposing entity shall submit such funds or notify the Office of the Interconnection which of the project proposals the Office of the Interconnection should evaluate based on the fee(s) submitted.

(d) **Posting and Review of Projects.** Following the close of a proposal window, the Office of the Interconnection shall post on the PJM website all proposals submitted pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c). All proposals addressing state Public Policy Requirements shall be provided to the applicable states in the PJM Region for review and consideration as a Supplemental Project or a state public policy project consistent with the Operating Agreement, Schedule 6, section 1.5.9. The Office of the Interconnection shall review all proposals submitted during a proposal window and determine and present to the Transmission Expansion Advisory Committee the proposals that merit further consideration for inclusion in the recommended plan. In making this determination, the Office of the Interconnection shall consider the criteria set forth in the Operating Agreement, Schedule 6, sections 1.5.8(e) and 1.5.8(f). The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee for review and comment descriptions of the proposed enhancements and expansions, including any proposed Supplemental Projects or state public policy projects identified by a state(s). Based on review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary conduct further study and evaluation. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee the revised enhancements and expansions for review and comment. After consultation with the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the more efficient or cost-effective transmission enhancements and expansions for inclusion in the recommended plan consistent with this Operating Agreement, Schedule 6.

(e) **Criteria for Considering Inclusion of a Project in the Recommended Plan.** In determining whether a Short-term Project or Long-lead Project proposed pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c), individually or in combination with other Short-term Projects or Long-lead Projects, is the more efficient or cost-effective solution and therefore should be included in the recommended plan, the Office of the Interconnection, taking into account sensitivity studies and scenario analyses considered pursuant to the Operating Agreement, Schedule 6, section 1.5.3, shall consider the following criteria, to the extent applicable: (i) the extent to which a Short-term Project or Long-lead Project would address and solve the posted violation, system condition, or economic constraint; (ii) the extent to which the relative benefits of the project meets a Benefit/Cost Ratio Threshold of at least 1.25:1 as calculated pursuant to the Operating Agreement, Schedule 6, section 1.5.7(d); (iii) the extent to which the Short-term Project or Long-lead Project would have secondary benefits, such as addressing additional or other system reliability, operational performance, economic efficiency issues or federal Public Policy Requirements or state Public Policy Requirements identified by the states in the PJM Region; and (iv) the ability to timely complete the project, and project development feasibility; and (v) other factors such as cost-effectiveness, including the quality and effectiveness of any voluntary-submitted binding cost commitment proposal related to Transmission Facilities which caps project construction costs (either in whole or in part), project total return on equity (including incentive adders), or capital structure. In scrutinizing the cost of

project proposals, the Office of Interconnection shall determine for each project finalist's proposal, including any Transmission Owner Upgrades, the comparative risks to be borne by ratepayers as a result of the proposal's binding cost commitment or the use of non-binding cost estimates. Such comparative analysis shall detail, in a clear and transparent manner, the method by which the Office of Interconnection scrutinized the cost and overall cost-effectiveness of each finalist's proposal, including any binding cost commitments. Such comparative analysis shall be presented to the TEAC for review and comment. In evaluating any cost, ROE and/or capital structure proposal, PJM is not making a determination that the cost, ROE or capital structure results in just and reasonable rates, which shall be addressed in the required rate filing with the FERC. Stakeholders seeking to dispute a particular ROE analysis utilized in the selection process may address such disputes with the Designated Entity in the applicable rate proceeding where the Designated Entity seeks approval of such rates from the Commission. PJM may modify the technical specifications of a proposal, as outlined in the PJM Manuals, which may result in the modified proposal being determined to be the more efficient or cost-effective proposal for recommendation to the PJM Board. Neither PJM, the Designated Entity nor any stakeholders are waiving any of their respective FPA section 205 or 206 rights through this process. Challenges to the Designated Entity Agreements are subject to the just and reasonable standard.

**(f) Entity-Specific Criteria Considered in Determining the Designated Entity for a Project.** In determining whether the entity proposing a Short-term Project, Long-lead Project or Economic-based Enhancement or Expansion recommended for inclusion in the plan shall be the Designated Entity, the Office of the Interconnection shall consider: (i) whether in its proposal, the entity indicated its intent to be the Designated Entity; (ii) whether the entity is pre-qualified to be a Designated Entity pursuant to Operating Agreement, Schedule 6, section 1.5.8(a); (iii) information provided either in the proposing entity's submission pursuant to the Operating Agreement, Schedule 6, section 1.5.8(a) or 1.5.8(c)(2) relative to the specific proposed project that demonstrates: (1) the technical and engineering experience of the entity or its affiliate, partner, or parent company, including its previous record regarding construction, maintenance, and operation of transmission facilities relative to the project proposed; (2) ability of the entity or its affiliate, partner, or parent company to construct, maintain, and operate transmission facilities, as proposed, (3) capability of the entity to adhere to standardized construction, maintenance, and operating practices, including the capability for emergency response and restoration of damaged equipment; (4) experience of the entity in acquiring rights of way; (5) evidence of the ability of the entity, its affiliate, partner, or parent company to secure a financial commitment from an approved financial institution(s) agreeing to finance the construction, operation, and maintenance of the project, if it is accepted into the recommended plan; and (iv) any other factors that may be relevant to the proposed project, including but not limited to whether the proposal includes the entity's previously designated project(s) included in the plan.

**(g) Procedures if No Long-lead Project or Economic-based Enhancement or Expansion Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Long-lead Projects received during the Long-lead Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation, or system condition, the Office of the Interconnection may re-evaluate and re-post on the PJM website the unresolved violations, or system conditions pursuant to the

Operating Agreement, Schedule 6, section 1.5.8(b), provided such re-evaluation and re-posting would not affect the ability of the Office of the Interconnection to timely address the identified reliability need. In the event that re-posting and conducting such re-evaluation would prevent the Office of the Interconnection from timely addressing the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion, the Office of the Interconnection shall propose a project to solve the posted violation, or system condition for inclusion in the recommended plan and shall present such project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the project is to be located shall be the Designated Entity(ies) for such project. In determining whether there is insufficient time for re-posting and re-evaluation, the Office of the Interconnection shall develop and post on the PJM website a transmission solution construction timeline for input and review by the Transmission Expansion Advisory Committee that will include factors such as, but not limited to: (i) deadlines for obtaining regulatory approvals, (ii) dates by which long lead equipment should be acquired, (iii) the time necessary to complete a proposed solution to meet the required in-service date, and (iv) other time-based factors impacting the feasibility of achieving the required in-service date. Based on input from the Transmission Expansion Advisory Committee and the time frames set forth in the construction timeline, the Office of the Interconnection shall determine whether there is sufficient time to conduct a re-evaluation and re-post and timely address the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion. To the extent that an economic constraint remains unaddressed, the economic constraint will be re-evaluated and re-posted.

(h) **Procedures if No Short-term Project Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Short-term Projects received during a Short-term Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation or system condition, the Office of the Interconnection shall propose a Short-term Project to solve the posted violation, or system condition for inclusion in the recommended plan and will present such Short-term Project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the Short-term Project is to be located shall be the Designated Entity(ies) for the Project.

(i) **Notification of Designated Entity.** Within 15 Business Days of PJM Board approval of the Regional Transmission Expansion Plan, the Office of the Interconnection shall notify the entities that have been designated as the Designated Entities for projects included in the Regional Transmission Expansion Plan of such designations. In such notices, the Office of the Interconnection shall provide: (i) the needed in-service date of the project; and (ii) a date by which all necessary state approvals should be obtained to timely meet the needed in-service date of the project. The Office of the Interconnection shall use these dates as part of its on-going monitoring of the progress of the project to ensure that the project is completed by its needed in-service date.

(j) **Acceptance of Designation.** Within 30 days of receiving notification of its designation as a Designated Entity, the existing Transmission Owner or Nonincumbent Developer shall notify the Office of the Interconnection of its acceptance of such designation and submit to the Office of the Interconnection a development schedule, which shall include, but not be limited to,

milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary authorizations and approvals, including but not limited to, state approvals. For good cause shown, the Office of the Interconnection may extend the deadline for submitting the development schedule. The Office of the Interconnection then shall review the development schedule and within 15 days or other reasonable time as required by the Office of the Interconnection: (i) notify the Designated Entity of any issues regarding the development schedule identified by the Office of the Interconnection that may need to be addressed to ensure that the project meets its needed in-service date; and (ii) tender to the Designated Entity an executable Designated Entity Agreement setting forth the rights and obligations of the parties. To retain its status as a Designated Entity, within 60 days of receiving an executable Designated Entity Agreement (or other such period as mutually agreed upon by the Office of the Interconnection and the Designated Entity), the Designated Entity (both existing Transmission Owners and Nonincumbent Developers) shall submit to the Office of the Interconnection a letter of credit as determined by the Office of Interconnection to cover the incremental costs of construction resulting from reassignment of the project, and return to the Office of the Interconnection an executed Designated Entity Agreement containing a mutually agreed upon development schedule. In the alternative, the Designated Entity may request dispute resolution pursuant to the Operating Agreement, Schedule 5, or request that the Designated Entity Agreement be filed unexecuted with the Commission.

(k) **Failure of Designated Entity to Meet Milestones.** In the event the Designated Entity fails to comply with one or more of the requirements of the Operating Agreement, Schedule 6, section 1.5.8(j); or fails to meet a milestone in the development schedule set forth in the Designated Entity Agreement that causes a delay of the project's in-service date, the Office of the Interconnection shall re-evaluate the need for the Short-term Project or Long-lead Project, and based on that re-evaluation may: (i) retain the Short-term Project or Long-lead Project in the Regional Transmission Expansion Plan; (ii) remove the Short-term Project or Long-lead Project from the Regional Transmission Expansion Plan; or (iii) include an alternative solution in the Regional Transmission Expansion Plan. If the Office of the Interconnection retains the Short-term or Long-term Project in the Regional Transmission Expansion Plan, it shall determine whether the delay is beyond the Designated Entity's control and whether to retain the Designated Entity or to designate the Transmission Owner(s) in the Zone(s) where the project is located as Designated Entity(ies) for the Short-term Project or Long-lead Project. If the Designated Entity is the Transmission Owner(s) in the Zone(s) where the project is located, the Office of the Interconnection shall seek recourse through the Consolidated Transmission Owners Agreement or FERC, as appropriate. Any modifications to the Regional Transmission Expansion Plan pursuant to this section shall be presented to the Transmission Expansion Advisory Committee for review and comment and approved by the PJM Board.

(l) **Transmission Owners Required to be the Designated Entity.** Notwithstanding anything to the contrary in this Operating Agreement, Schedule 6, section 1.5.8, in all events, the Transmission Owner(s) in whose Zone(s) a project proposed pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c) is to be located will be the Designated Entity for the project, when the Short-term Project or Long-lead Project is: (i) a Transmission Owner Upgrade; (ii) located solely within a Transmission Owner's Zone and the costs of the project are allocated solely to the Transmission Owner's Zone; (iii) located solely within a Transmission

Owner's Zone and is not selected in the Regional Transmission Expansion Plan for purposes of cost allocation; or (iv) proposed to be located on a Transmission Owner's existing right of way and the project would alter the Transmission Owner's use and control of its existing right of way under state law. Transmission Owner shall be the Designated Entity when required by state law, regulation or administrative agency order with regard to enhancements or expansions or portions of such enhancements or expansions located within that state.

**(m) Immediate-need Reliability Projects:**

(m)(1) Pursuant to the expansion planning process set forth in Operating Agreement, Schedule 6, sections 1.5.1 through 1.5.6, the Office of the Interconnection shall identify immediate reliability needs that must be addressed within three years or less. For those immediate reliability needs for which PJM determines a proposal window may not be feasible, PJM shall identify and post such immediate need reliability criteria violations and system conditions for review and comment by the Transmission Expansion Advisory Committee and other stakeholders. Following review and comment, the Office of the Interconnection shall develop Immediate-need Reliability Projects for which a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(m)(2) is infeasible. The Office of the Interconnection shall consider the following factors in determining the infeasibility of such a proposal window: (i) nature of the reliability criteria violation; (ii) nature and type of potential solution required; and (iii) projected construction time for a potential solution to the type of reliability criteria violation to be addressed. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the Immediate-need Reliability Projects for which a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(m)(2) is infeasible. Stakeholders shall be afforded no less than ten days to review Immediate-need Reliability Project materials prior to providing comments at stakeholder meetings. However, PJM may review Immediate-need Reliability Project materials with stakeholders without the requisite ten-day notice so long as: (i) stakeholders do not object to reviewing the materials or (ii) PJM identifies in its posting to the meeting materials extenuating circumstances identified by PJM that require review of the materials at the stakeholder meeting. The descriptions shall include an explanation of the decision to designate the Transmission Owner as the Designated Entity for the Immediate-need Reliability Project rather than conducting a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(m)(2), including an explanation of the time-sensitive need for the Immediate-need Reliability Project, other transmission and non-transmission options that were considered but concluded would not sufficiently address the immediate reliability need, the circumstances that generated the immediate reliability need, and why the immediate reliability need was not identified earlier. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments to the Office of the Interconnection. All comments received by the Office of the Interconnection shall be publicly available on the PJM website. Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee, the Office of the Interconnection shall, if necessary, conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee. The PJM Board shall approve the Immediate-need Reliability Projects for inclusion in the recommended plan. In January of each year, the Office of the Interconnection shall post on the PJM website and file

with the Commission for informational purposes a list of the Immediate-need Reliability Projects for which an existing Transmission Owner was designated in the prior year as the Designated Entity in accordance with this Operating Agreement, Schedule 6, section 1.5.8(m)(1). The list shall include the need-by date of Immediate-need Reliability Project and the date the Transmission Owner actually energized the Immediate-need Reliability Project.

(m)(2) If, in the judgment of the Office of the Interconnection, there is sufficient time for the Office of the Interconnection to accept proposals in a shortened proposal window for Immediate-need Reliability Projects, the Office of the Interconnection shall post on the PJM website the violations and system conditions that could be addressed by Immediate-need Reliability Project proposals, including an explanation of the time-sensitive need for an Immediate-need Reliability Project and provide notice to stakeholders of a shortened proposal window. Proposals must contain the information required in the Operating Agreement, Schedule 6, section 1.5.8(c) and, if the entity is seeking to be the Designated Entity, such entity must have pre-qualified to be a Designated Entity pursuant to the Operating Agreement, Schedule 6, section 1.5.8(a). In determining the more efficient or cost-effective proposed Immediate-need Reliability Project for inclusion in the recommended plan, the Office of the Interconnection shall consider the extent to which the proposed Immediate-need Reliability Project, individually or in combination with other Immediate-need Reliability Projects, would address and solve the posted violations or system conditions and other factors such as cost-effectiveness, the ability of the entity to timely complete the project, and project development feasibility in light of the required need. After PJM Board approval, the Office of the Interconnection, in accordance with the Operating Agreement, Schedule 6, section 1.5.8(i), shall notify the entities that have been designated as Designated Entities for Immediate-need Projects included in the Regional Transmission Expansion Plan of such designations. Designated Entities shall accept such designations in accordance with the Operating Agreement, Schedule 6, section 1.5.8(j). In the event that (i) the Office of the Interconnection determines that no proposal resolves a posted violation or system condition; (ii) the proposing entity is not selected to be the Designated Entity; (iii) an entity does not accept the designation as a Designated Entity; or (iv) the Designated Entity fails to meet milestones that would delay the in-service date of the Immediate-need Reliability Project, the Office of the Interconnection shall develop and recommend an Immediate-need Reliability Project to solve the violation or system needs in accordance with the Operating Agreement, Schedule 6, section 1.5.8(m)(1).

(n) **Reliability Violations on Transmission Facilities Below 200 kV.** Pursuant to the expansion planning process set forth in the Operating Agreement, Schedule 6, sections 1.5.1 through 1.5.6, the Office of the Interconnection shall identify reliability violations on facilities below 200 kV. The Office of the Interconnection shall not post such a violation pursuant to the Operating Agreement, Schedule 6, section 1.5.8(b) for inclusion in a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c) unless the identified violation(s) satisfies one of the following exceptions: (i) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV that are impacted by a common contingent element, such that multiple reliability violations could be addressed by one or more solutions, including but not limited to a higher voltage solution; or (ii) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV and the Office of the Interconnection determines that

given the location and electrical features of the violations one or more solutions could potentially address or reduce the flow on multiple lower voltage facilities, thereby eliminating the multiple reliability violations. If the reliability violation is identified on multiple facilities rated below 200 kV that are determined by the Office of the Interconnection to meet one of the two exceptions stated above, the Office of the Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with the Operating Agreement, Schedule 6, section 1.5.8(c). If the Office of the Interconnection determines that the identified reliability violations do not satisfy either of the two exceptions stated above, the Office of the Interconnection shall develop a solution to address the reliability violation on below 200 kV Transmission Facilities that will not be included in a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c). The Office of Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the below 200 kV reliability violations that will not be included in a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the below 200 kV reliability violation(s) in Operating Agreement, Schedule 6, section 1.5.8(c) proposal window, a description of the facility on which the violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such below 200 kV reliability violation will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. With the exception of Immediate-need Reliability Projects under the Operating Agreement, Schedule 6, section 1.5.8(m), PJM will not select an above 200 kV solution for inclusion in the recommended plan that would address a reliability violation on a below 200 kV transmission facility without posting the violation for inclusion in a proposal window consistent with the Operating Agreement, Schedule 6, section 1.5.8(c). All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

(o) **[Reserved]**

(p) **Thermal Reliability Violations on Transmission Substation Equipment.** Pursuant to the regional transmission expansion planning process set forth in the Operating Agreement, Schedule 6, sections 1.5.1 through 1.5.6, the Office of the Interconnection shall identify thermal reliability violations on existing transmission substation equipment. The Office of the Interconnection shall not post such thermal reliability violations pursuant to the Operating Agreement, Schedule 6, section 1.5.8(b) for inclusion in a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c) if the Office of the Interconnection determines that the reliability violations would be more efficiently addressed by an upgrade to replace in kind transmission substation equipment with higher rated equipment, excluding power transmission transformers, but including station service transformers and instrument transformers. If the Office of the Interconnection determines that the reliability violation does not meet the exemption stated above, the Office of the Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with the Operating Agreement, Schedule 6, section 1.5.8(c). If the Office of the Interconnection determines that the identified thermal reliability violations satisfy the above exemption to the proposal window process, the Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the transmission substation

equipment thermal reliability violations that will not be included in a proposal window pursuant to Operating Agreement, Schedule 6, section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the transmission substation equipment thermal reliability violation(s) in Operating Agreement, Schedule 6, section 1.5.8(c) proposal window, a description of the facility on which the thermal violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such transmission substation equipment thermal violations will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

### **1.5.11 Critical Substation Planning Analysis Project Process**

(a) The Critical Substation Planning Analysis (“CSPA”) process is designed to allow the Office of the Interconnection to identify, develop and select the more efficient or cost-effective solution to address potential reliability violations stemming from the contingency loss of a critical substation; and, if appropriate consistent with Operating Agreement, Schedule 6, section 1.5.11(f), solicit and manage proposals submitted through a competitive request for proposal (“RFP”) process to allow selection of CSPA Projects by the Office of the Interconnection.

(b) The Office of the Interconnection shall conduct its annual CSPA process to identify a potential need to mitigate the impacts of potential loss of a critical substation, such substation shall be defined by analysis that includes, but is not limited to, (i) the loss of load approaching 1,000 MW; (ii) three levels of facility trips; or (iii) the model failing to converge after the substation outage.

(c) In determining whether to mitigate the impacts as a result of the potential loss of a critical substation, the Office of the Interconnection, in coordination with the potentially affected Transmission Owners and State(s), shall consider the following:

(c)(1) The impact to customers due to the loss of the critical substation, including but not limited to, any plans for recovery from the loss of the substation that could help to restore the load, whether the load can be restored, generally, within 72 hours, and the criticality of the load to be recovered;

(c)(2) Whether there exists distribution system-level solutions, or changes in operating procedures, or some combination thereof, to mitigate the impact resulting from the loss of the critical substation;

(c)(3) The feasibility of developing the proposed CSPA Project;

(c)(4) The estimated cost of the proposed CSPA Project; and

(c)(5) The affected state(s)’ ability to maintain the confidentiality of the reliability need during siting process.

(d) If, pursuant to Operating Agreement, Schedule 6, section 1.5.11(c), the Office of the Interconnection identifies a need to mitigate the impacts as a result of the potential loss of a critical substation, the Office of the Interconnection, in coordination with the Transmission Owner of the critical substation, shall develop transmission solution(s) that address the identified needs. The Office of the Interconnection shall select the more efficient or cost-effective solution that mitigates the CSPA violation, including consideration of alternative transmission and non-transmission solution(s). Provided it would not potentially disclose the location of or vulnerabilities associated with the critical substation contingencies and associated facilities, the Office of the Interconnection shall post on the PJM website the more efficient or cost-effective proposed solution(s) as determined by PJM to mitigate the CSPA violation. Based on review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection, may, if necessary, conduct further study and evaluation and re-post on the PJM website and re-present to the Transmission Expansion Advisory Committee any revisions for review and comment before including the selected CSPA Project in the recommended plan submitted to the PJM Board for approval and inclusion in the Regional Transmission Expansion Plan.

(e) The Office of the Interconnection shall include the estimated costs of a CSPA Project as a part of the information: (i) posted on the PJM website and submitted to the Transmission Expansion Advisory Committee; (ii) provided to the PJM Board for approval; and (iii) included in any cost allocation filings required to be submitted to the FERC consistent with the Operating Agreement, Schedule 6, section 1.6(b).

(f) Any CSPA Project selected by the Office of the Interconnection and approved by the PJM Board shall be eligible for inclusion in an RFP proposal window process unless:

(f)(1) The Office of the Interconnection determines that including the proposed CSPA Project in an RFP proposal window process would publicly disclose the location of or vulnerabilities associated with the critical substation contingencies and associated facilities (an example includes, but is not limited to, disclosure of rerouting an existing line(s) associated with a critical substation). However, if the Office of the Interconnection determines that any component of such CSPA Project can be included in an RFP proposal window without disclosing the location of or vulnerabilities associated with the critical substation contingencies and associated facilities, the Office of the Interconnection may include those project components in an RFP window; or

(f)(2) The proposed CSPA Project is (i) a Transmission Owner Upgrade; (ii) located solely within a Transmission Owner's Zone and the costs of the project are allocated solely to the Transmission Owner's Zone; (iii) located solely within a Transmission Owner's Zone and is not selected in the Regional Transmission Expansion Plan for purposes of cost allocation; (iv) proposed to be located on a Transmission Owner's existing right of way and the project would alter the Transmission Owner's use and control of its existing right of way under state law; or (v) Transmission Owner must be the Designated Entity when required by state law, regulation or administrative agency

order with regard to enhancements or expansions or portions of such enhancements or expansions located within that state.

(g) For any CSPA Project ineligible for inclusion in an RFP proposal window process pursuant to section 1.5.11(f) above, within 15 Business Days of the PJM Board approval of the CSPA Project, the Office of the Interconnection shall notify the incumbent transmission owner(s) in whose zone the CSPA Project will be located that it has been designated such project. In such notices, the Office of the Interconnection shall provide: (i) the needed in-service date of the project; and (ii) a date by which all necessary state approvals should be obtained to timely meet the needed in-service date of the project. The Office of the Interconnection shall use these dates as part of its on-going monitoring of the progress of the project to ensure that the project is completed by its needed in-service date.

(h) If, pursuant to Operating Agreement, Schedule 6, section 1.5.11(f), a PJM Board-approved CSPA Project is eligible to be included in an RFP proposal window, the Office of the Interconnection shall provide notice to stakeholders of a 60-day RFP proposal window during which RFP bidders pre-qualified pursuant to Operating Agreement, Schedule 6, section 1.5.8(a) may submit specific proposals to finance, construct, own, operate, and maintain all or a portion of the PJM Board-approved CSPA Project made available through the RFP process. In evaluating whether the project bidder and its RFP proposal(s) meets the qualifications to be further evaluated, the Office of the Interconnection shall take the steps necessary for selecting the approved project bidder(s) according to the PJM Tariff and PJM Manuals for the CSPA planning process.

(i) **CSPA Project RFP Proposal Window.** Following PJM Board approval of a CSPA Project, the Office of the Interconnection shall provide notice to stakeholders of a 60-day RFP window. The Office of Interconnection may shorten an RFP proposal window should the need for the CSPA Project require a shorter RFP proposal window to meet the needed in-service date of the CSPA Project, or extend an RFP proposal window as needed to accommodate updated information regarding, but not limited, system conditions. The Office of the Interconnection may shorten or lengthen an RFP proposal window that is not yet opened based on one or more of the following: (1) complexity of the CSPA Project; and (2) whether there is sufficient time remaining in the relevant planning cycle to accommodate a standard RFP proposal window and timely bid the CSPA Project. The Office of the Interconnection may lengthen a proposal window that already is opened based on one or more of the following: (i) changes in assumptions or conditions relating to the underlying need for the CSPA Project, such as, but not limited to, load changes or Reliability Pricing Model auction results; (ii) availability of new or changed information regarding the nature of the identified violations driving the selection of the CSPA Project and the facilities involved; and (iii) time remaining in the relevant RFP proposal window. In the event that the Office of the Interconnection determines to lengthen or shorten an RFP proposal window, it will post on the PJM website the new RFP proposal window period and an explanation as to the reasons for the change in the window period. During these RFP proposal windows, the Office of the Interconnection will accept proposals from existing Transmission Owners and Nonincumbent Developers that are pre-qualified under Operating Agreement, Schedule 6, section 1.5.8(a) to finance, construct, own, operate and

maintain the PJM Board-approved CSPA Project and have executed necessary confidentiality agreements.

(i)(1) All RFP proposals submitted in the RFP proposal windows must contain: (i) the name and address of the RFP bidder; (ii) the location of proposed CSPA Project, including source and sink, if applicable; (iv) relevant engineering studies, and other relevant information as described in the PJM Manuals pertaining to the CSPA Project; (v) a proposed initial construction schedule including projected dates on which needed permits are required to be obtained in order to meet the required in-service date; (vi) cost estimates and analyses that provide sufficient detail for the Office of Interconnection to review and analyze the proposed cost of the project; and (vii) with the exception of project proposals submitted with cost estimates of \$5 million or less, a \$5,000 non-refundable deposit must be included with each project proposal submitted by a RFP bidder that indicates an intention to be the Designated Entity.

(i)(1)(i) In addition, the RFP bidder will be responsible for and must pay all actual costs incurred by the Office of the Interconnection to evaluate the submitted RFP proposal. To the extent the Office of the Interconnection incurs costs to evaluate multiple submitted RFP proposals where such costs are not severable by individual submittals, the Office of the Interconnection shall invoice equal shares of the non-severable costs among the RFP proposals that cause such non-severable costs to be incurred. Notwithstanding this method of invoicing non-severable costs, non-severable costs will be jointly and severally owed by the RFP bidders that cause such costs to be incurred.

(i)(1)(ii) All non-refundable deposits will be credited towards the actual costs incurred by the Office of the Interconnection as a result of the evaluation of a submitted RFP proposal.

(i)(1)(iii) Following the close of an RFP proposal window but before the Office of the Interconnection incurs any third-party consultant work costs to evaluate a submitted RFP proposal, the Office of the Interconnection will issue to the RFP bidder an initial invoice seeking payment of estimated costs to evaluate each submittal. The estimated costs will be determined by considering the: potential cost of consultant work, historical estimates for RFP proposals of similar scope, complexity and nature of the need, and/or technology and nature of the RFP proposal. The Office of the Interconnection may issue additional invoices to the RFP bidder prior to the completion of the evaluation activities associated with a RFP proposal if the Office of the Interconnection receives updated actual cost information and/or upon consideration of the factors specified in this section.

(i)(1)(iv) At the completion of the evaluation activities associated with a RFP proposal, the Office of the Interconnection will reconcile the actual costs with monies paid and, to the extent necessary, issue either a final invoice or refund.

(i)(1)(v) The RFP bidder must pay any invoiced costs within fifteen (15) calendar days of the Office of the Interconnection sending the invoice to the RFP bidder or its agent. For good cause shown, this fifteen (15) calendar day time period may be extended by the Office of the Interconnection. If the RFP bidder fails to pay any invoice within the time period specified and/or extended by the Office of the Interconnection in accordance with this section, the RFP bidder's pre-qualification status may be suspended and the RFP bidder will be ineligible to be a Designated Entity for any projects for which the Designated Entity has not yet executed a Designated Entity Agreement. Such a suspension and/or ineligibility will remain in place until the RFP bidder pays in full all outstanding monies owed to the Office of the Interconnection as a result of the evaluation of the RFP bidder's proposal(s).

(i)(2) RFP proposals from all bidders (both existing Transmission Owners and Nonincumbent Developers) must contain information to the extent not previously provided pursuant to the Operating Agreement, Schedule 6, section 1.5.8(a) demonstrating: (i) technical and engineering qualifications of the entity, its affiliate, partner, or parent company relevant to construction, operation, and maintenance of the proposed project; (ii) experience of the entity, its affiliate, partner, or parent company in developing, constructing, maintaining, and operating the type of transmission facilities provided for in the approved CSPA Project; (iii) the emergency response capability of the entity that will be operating and maintaining the CSPA Project; (iv) evidence of transmission facilities the entity, its affiliate, partner, or parent company previously constructed, maintained, or operated; (v) the ability of the entity or its affiliate, partner, or parent company to obtain adequate financing relative to the CSPA Project, which may include a letter of intent from a financial institution approved by the Office of the Interconnection or such other evidence of the financial resources available to finance the construction, operation, and maintenance of the proposed project; (vi) the managerial ability of the entity, its affiliate, partner, or parent company to contain costs and adhere to construction schedules for the CSPA Project, including a description of verifiable past achievement of these goals; (vii) a demonstration of other advantages the entity may have to construct, operate, and maintain the CSPA Project, including any binding cost commitment proposal the entity may wish to submit; and (viii) any other information that may assist the Office of the Interconnection in evaluating the RFP proposal. To the extent that an entity submits a cost containment proposal with its RFP proposal, the entity shall submit sufficient information for the Office of Interconnection to determine the binding nature of the cost commitment with respect to critical elements of project development. The Office of the Interconnection may not alter the requirements for the RFP submission to require the submission of a binding cost containment proposal, in whole or in part, or otherwise mandate or unilaterally alter the terms of any such proposal or the requirements for proposal submission, the submission of any such proposals at all times remaining voluntary.

(i)(3) The Office of the Interconnection may request additional reports or information from an existing Transmission Owner or Nonincumbent Developers that the Office of the Interconnection determines are reasonably necessary to evaluate the RFP bidder's

specific RFP proposal pursuant to the criteria set forth in the Operating Agreement, Schedule 6, sections 1.5.11(k) and 1.5.11(l). If the Office of the Interconnection determines any of the information provided in an RFP proposal is deficient or requires additional reports or information to analyze the submitted proposal, the Office of the Interconnection shall notify the RFP bidder of such deficiency or request. Within 10 Business Days of receipt of the notification of deficiency and/or request for additional reports or information, or other reasonable time period as determined by the Office of the Interconnection, the RFP bidder shall provide the necessary information.

(i)(4) The request for additional reports or information by the Office of the Interconnection pursuant to the Operating Agreement, Schedule 6, section 1.5.11(i)(3) may be used only to clarify an RFP proposal as submitted. In response to the Office of the Information's request for additional reports or information, the RFP bidder (whether an existing Transmission Owner or Nonincumbent Developer) may not submit a new RFP proposal or modifications to an RFP proposal once the RFP window is closed. In the event that the RFP bidder fails to timely cure the deficiency or provide the requested reports or information regarding an RFP proposal, the proposal will not be considered for inclusion in the recommended plan.

(i)(5) Within 30 days of the closing of the RFP window, the Office of the Interconnection may notify the RFP bidder that additional per proposal fees are required if the Office of the Interconnection determines the RFP bidder's submittal includes multiple RFP proposals. Within 10 Business Days of receipt of the notification of insufficient funds by the Office of the Interconnection, the RFP bidder shall submit such funds or notify the Office of the Interconnection which of the RFP proposals the Office of the Interconnection should evaluate based on the fee(s) submitted.

(j) **Posting and Review of CSPA Project Proposals.** Following the close of an RFP window, the Office of the Interconnection shall post on the PJM website all RFP proposals submitted pursuant to the Operating Agreement, Schedule 6, section 1.5.11(h). The Office of the Interconnection shall review all RFP proposals submitted during an RFP window and determine and present to the Transmission Expansion Advisory Committee the RFP proposals that merit further consideration. In making this determination, the Office of the Interconnection shall consider the criteria set forth in the Operating Agreement, Schedule 6, sections 1.5.11(k) and 1.5.11(l). The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee the proposals submitted for review and comment. After consultation with the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the more efficient or cost-effective RFP proposal.

(k) **Criteria for Considering the RFP Project Proposal.** In determining whether an RFP proposal submitted pursuant to the Operating Agreement, Schedule 6, section 1.5.11(i), individually or in combination with other RFP proposals, is the more efficient or cost-effective solution, the Office of the Interconnection, taking into account to the extent applicable: (i) the extent to which the RFP proposal is consistent with the PJM Board-approved CSPA Project addressing and mitigating the CSPA violation, (ii) the ability to timely complete the CSPA Project, and project development feasibility; and (iii) cost-effectiveness, including the

quality and effectiveness of any voluntary-submitted binding cost commitment proposal related to the CSPA Project which caps project construction costs (either in whole or in part), project total return on equity (including incentive adders), or capital structure. In scrutinizing the cost of RFP proposals, the Office of Interconnection shall determine for each RFP bidder's proposal, the comparative risks to be borne by ratepayers as a result of the RFP proposal's binding cost commitment or the use of non-binding cost estimates. Such comparative analysis shall detail, in a clear and transparent manner, the method by which the Office of Interconnection scrutinized the cost and overall cost-effectiveness of each RFP proposal, including any binding cost commitments. Such comparative analysis shall be presented to the Transmission Expansion Advisory Committee for review and comment. In evaluating any cost, ROE and/or capital structure proposal, PJM is not making a determination that the cost, ROE or capital structure results in just and reasonable rates, which shall be addressed in the required rate filing with the FERC. Stakeholders seeking to dispute a particular ROE analysis utilized in the selection process may address such disputes with the Designated Entity in the applicable rate proceeding where the Designated Entity seeks approval of such rates from the Commission. Neither PJM, the Designated Entity nor any stakeholders are waiving any of their respective FPA section 205 or 206 rights through this process. Challenges to the Designated Entity Agreements are subject to the just and reasonable standard.

(l) **Entity-Specific Criteria for the CSPA Project.** With respect to the entity submitting a proposal for the CSPA Project, the Office of the Interconnection shall consider: (i) whether the entity is pre-qualified to be a Designated Entity pursuant to Operating Agreement, Schedule 6, section 1.5.8(a); (ii) information provided either in the RFP bidder's submission pursuant to the Operating Agreement, Schedule 6, section 1.5.8(a) or 1.5.11(g) relative to the CSPA Project that demonstrates: (1) the technical and engineering experience of the entity or its affiliate, partner, or parent company, including its previous record regarding construction, maintenance, and operation of transmission facilities relative to the project proposed; (2) ability of the entity or its affiliate, partner, or parent company to construct, maintain, and operate transmission facilities, as proposed, (3) capability of the entity to adhere to standardized construction, maintenance, and operating practices, including the capability for emergency response and restoration of damaged equipment; (4) experience of the entity in acquiring rights of way; (5) evidence of the ability of the entity, its affiliate, partner, or parent company to secure a financial commitment from an approved financial institution(s) agreeing to finance the construction, operation, and maintenance of the project, if it is accepted into the recommended plan; and (iv) any other factors that may be relevant to the proposed project, including but not limited to whether the proposal includes the entity's previously designated project(s) included in the plan.

(m) **Procedures if No Bid is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the RFP bidders submitting proposals during the RFP window are eligible to be the Designated Entity for the CSPA Project, the Office of the Interconnection may (i) re-evaluate the need for the CSPA Project and, if the project continues to be needed, open a new RFP window provided such re-evaluation and new window process would not affect the ability of the Office of the Interconnection from timely addressing the need for the project; or (ii) determine not to proceed with the proposed CSPA Project.

(n) **Notification of Designated Entity.** Within 15 Business Days after the Office of Interconnection notifies the PJM Board that it has selected the Designated Entity for the CSPA Project, the Office of the Interconnection shall notify the entities that have been designated to be the Designated Entity for the CSPA Project. In such notices, the Office of the Interconnection shall provide: (i) the needed in-service date of the project; and (ii) a date by which all necessary state approvals should be obtained to timely meet the needed in-service date of the project. The Office of the Interconnection shall use these dates as part of its on-going monitoring of the progress of the project to ensure that the project is completed by its needed in-service date.

(o) **Acceptance of Designation.** Within 30 days of receiving notification of its designation as a Designated Entity, the existing Transmission Owner or Nonincumbent Developer shall notify the Office of the Interconnection of its acceptance of such designation and submit to the Office of the Interconnection a development schedule, which shall include, but not be limited to, milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary authorizations and approvals, including but not limited to, state approvals. For good cause shown, the Office of the Interconnection may extend the deadline for submitting the development schedule. The Office of the Interconnection then shall review the development schedule and within 15 days or other reasonable time as required by the Office of the Interconnection: (i) notify the Designated Entity of any issues regarding the development schedule identified by the Office of the Interconnection that may need to be addressed to ensure that the project meets its needed in-service date; and (ii) tender to the Designated Entity an executable Designated Entity Agreement setting forth the rights and obligations of the parties. To retain its status as a Designated Entity, within 60 days of receiving an executable Designated Entity Agreement (or other such period as mutually agreed upon by the Office of the Interconnection and the Designated Entity), the Designated Entity (both existing Transmission Owners and Nonincumbent Developers) shall submit to the Office of the Interconnection a letter of credit as determined by the Office of Interconnection to cover the incremental costs of construction resulting from reassignment of the project, and return to the Office of the Interconnection an executed Designated Entity Agreement containing a mutually agreed upon development schedule. In the alternative, the Designated Entity may request dispute resolution pursuant to the Operating Agreement, Schedule 5, or request that the Designated Entity Agreement be filed unexecuted with the Commission.

(p) **Failure of Designated Entity to Meet Milestones.** In the event the Designated Entity fails to comply with one or more of the requirements of the Operating Agreement, Schedule 6, section 1.5.8(j); or fails to meet a milestone in the development schedule set forth in the Designated Entity Agreement that causes a delay of the project's in-service date, the Office of the Interconnection shall re-evaluate the need for the CSPA Project. Based on that re-evaluation, the Office of the Interconnection may: (i) retain the CSPA Project; (ii) remove the CSPA Project; or (iii) include an alternative solution in the Regional Transmission Expansion Plan. If the Office of the Interconnection retains the CSPA Project, it shall determine whether the delay is beyond the Designated Entity's control and whether to retain the Designated Entity or to designate the Transmission Owner(s) in the Zone(s) where the project is located the Designated Entity (ies) for the CSPA Project. If the Designated Entity is the Transmission Owner(s) in the Zone(s) where the project is located, the Office of the Interconnection shall seek

recourse through the Consolidated Transmission Owners Agreement or FERC, as appropriate. Any modifications to the Regional Transmission Expansion Plan pursuant to this section shall be presented to the Transmission Expansion Advisory Committee for review and comment, provided that such presentation shall not disclose the location of or vulnerabilities associated with the critical substation contingencies and associated facilities, and approved by the PJM Board.

(q) **Consultations with State Commissions.** The Office of the Interconnection shall ensure that all consultations with State Commissions as set forth in this Operating Agreement, Schedule 6, section 1.5.11(p) are subject to appropriate confidential safeguards. The Office of the Interconnection shall be required to engage in consultations with or provide information to a State Commission upon request by the State Commission if and to the extent the Office of the Interconnection can ensure that such consultations and information will be subject to appropriate confidential safeguards.

(q)(1) Upon completion of its review and selection of a proposed CSPA Project, the Office of the Interconnection and the Designated Entity(ies) may seek to meet with any State Commission with jurisdiction in the Zone in which the proposed CSPA Project will be located, as needed. The Transmission Owner in the Zone in which the proposed CSPA Project will be located, if different than the Designated Entity(ies), shall be invited to participate in any such meeting(s). Topics for discussion may include, but are not be limited to, the Office of the Interconnection's assessment of the need for an CSPA Project, the proposed solution and alternatives considered, the proposed CSPA Project and whether the proposed CSPA Project is eligible to be included in an RFP proposal window.

(q)(2) For CSPA Projects not eligible to be included in an RFP proposal window must be designated to the Transmission Owner in the Zone in which the proposed CSPA Project will be located, the designated Transmission Owner, prior to initiating construction, shall seek to meet with the State Commission with jurisdiction in the Zone in which the proposed CSPA Project will be constructed. The Office of the Interconnection shall be invited to participate in any such meeting. Topics for discussion may include, but are not be limited to, the Office of the Interconnection's assessment of the need for and selection of the CSPA Project, the rationale for location of and specifications of the proposed CSPA Project and potential siting issues, particularly those that could affect the estimated project cost and need date. To facilitate the discussion and enable an understanding of the benefits of costs assessed, the Transmission Owner(s) shall be prepared to present an explanation of the reasons and rationale for its intention to proceed to construct the proposed CSPA Project and the reasonableness of that proposal. The Transmission Owner shall be prepared to address the following:

(q)(2)(i) The customer impact that would result from the loss of the critical substation, taking into account any plans for recovering from the loss of the critical substation that could help to restore all or some of the load that was lost, the amount of time that it would take for such load to be restored and the nature of

the load to be recovered or not able to be recovered, as compared to these same factors as they relate to that station or substation assuming that the proposed CSPA Project is constructed;

(q)(2)(ii) Whether there exists distribution system-level solutions, or changes in operating procedures, or some combination, to mitigate the loss of the critical substation;

(q)(2)(iii) Whether the proposed CSPA Project requires new or expanded right-of-way;

(q)(2)(iv) Whether the proposed CSPA Project requires a greenfield project;

(q)(2)(v) Whether the proposed CSPA Project will displace costs associated with maintaining physical security for stations/substations on the CIP-014 List; and

(q)(2)(vi) The estimated cost of the proposed CSPA Project.

(r) **Confidentiality for CSPA Projects.** With respect to CSPA Projects designated pursuant to this Operating Agreement, Schedule 6, section 1.5.11:

(r)(1) For CSPA Projects that the Office of Interconnection determines are not eligible for inclusion in an RFP proposal window process pursuant to Operating Agreement, Schedule 6, section 1.5.11(f), the Transmission Owner designated to carry out construction of such project shall take the necessary safeguards to ensure confidentiality of the CSPA Project as appropriate until the CSPA Project is placed in service.

(r)(2) For all other CSPA Projects, the Transmission Owner or Nonincumbent Developer shall take the necessary safeguards to ensure confidentiality of the need of the CSPA Project.

(r)(3) If at any step in the process, the level of confidentiality needed is eliminated with respect to elements of CSPA Project information, such confidentiality restrictions shall be reduced or eliminated, as applicable.