Stakeholders' Proposal for End of Life Transmission Facilities

Markets and Reliability Committee
April 30, 2020

Goals of the Issue Charge

- Improve transparency in EOL determination
- Integrate EOL with PJM RTEP planning

From the Issue Charge:

- Consider the development of governing document changes to:
  - Establish requirements for an end of life (EOL) determination process;
  - Improve transparency in the TO EOL determination process such that stakeholders can confirm that EOL processes were followed (e.g., development or adoption of TO EOL criteria, development of minimum requirements for EOL determinations, etc.);
  - Establish requirements for EOL replacement planning process in the RTEP plan, including specification of the planning horizon requirements and;
  - Improve consistency by having PJM review, plan and ultimately approve as part of the RTEP approved by the PJM Board EOL replacement projects.

Goals of the Issue Charge Accomplished by Package A

- Improve transparency in EOL determination process
  - Establish requirements for an EOL determination process that coordinates with the PJM RTEP process
  - Determination of EOL is still a TO decision with stakeholder review for consistency
- Planning of EOL projects by PJM once TO EOL notification is made
  - Aligns TO EOL requirements with existing Order 1000 competitive process
  - Developed Operating Agreement changes

Reminder
Why this is so important…

2019 Data Continues to Show Massive Supplemental Project Spending

- $4.8 billion in proposed TO Planned Supplemental Projects
  - Roughly 75% are EOL related
- $1.5 billion in PJM Planned RTEP Projects, including
  - $866 million in Regionally Planned Form 715 projects (including some EOL projects, Dominion and PSEG)
  - $32 million in Competitive market efficiency projects
  - $230 million in Baseline Reliability Projects
    - Many competition exclusions – voltage, upgrades, $50 million in Immediate Need Projects
    - Only $5.5 million in Competitive Reliability Projects awarded, after all exclusions
- 2017 and 2018 Data much higher!

Package A Overview

Forward look-ahead process

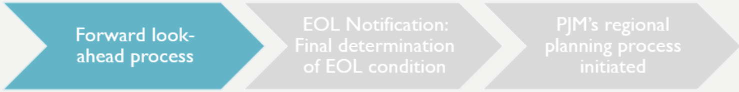
EOL Notification: Final determination of EOL condition

PJM's regional planning process initiated

Package A

Forward look-ahead process

- TO specific, 10-year look-ahead program on all PJM Transmission Facilities for increased transparency to stakeholders
- TO presents their program on an annual basis to stakeholders and highlights any changes in approach by the TO
- TO presents a list of look-ahead facilities on annual basis to advise stakeholders of likely future notifications (non-binding)

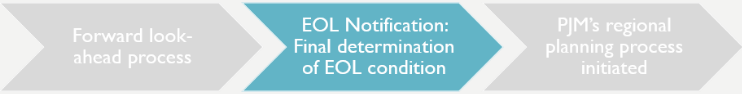


Transparency

Package A

EOL Notification: Final determination of EOL condition

- TO specific EOL determination on all PJM Transmission Facilities
- TO provides EOL notification to PJM and stakeholders 6 years from EOL
  - Ensures inclusion in 5-year PJM RTEP planning models
  - Enables PJM to hold open window competition for EOL projects subject to applicable exclusions
- TO provides specific information to allow stakeholders to ensure determination was consistent with TO program



Transparency

Package A

PJM's regional planning process initiated

- Once EOL Notification provided, PJM regionally plans as part of RTEP.
  - Existing governing documents clearly define that PJM plans the RTEP (Section 4 of the CTOA (Consolidated Transmission Owners Agreement))
- PJM, in its RTEP study processes, looks for solutions that now would include EOL Notifications from Transmission Owners
- PJM, in its their RTEP study processes, ensures solution does not result in the creation of CIP-014 critical facilities
- Allows for EOL Needs to be placed in competitive open windows and for EOL Needs to be potentially combined with other needs, for most cost-effective solutions
  - Subject to competition exemptions under existing OA (i.e., Upgrades, State law, etc.)
  - EOL Needs not subject to 200 kV reliability competition exemption
- Placing EOL Needs under PJM regional planning has the added benefit of greatly reducing the need to 'retool' generation queues because of Supplemental Projects coming in throughout the year

PJM Plans

Package A - OA Highlights

- Stakeholders have the 205 rights to change the PJM Operating Agreement
  - No required changes to the Tariff or CTOA
- Created new definitions for EOL look-ahead transparency programs and EOL notifications by the TOs
- Revises definition of Supplemental Projects to align with new EOL definition
- Section 4 of the CTOA says PJM has full rights over RTEP, most everything else is for local planning by the TOs

Request to PJM Stakeholders

- There is a divergence of opinion among the PJM stakeholders on the FERC legal issues associated with this initiative
- Neither PJM nor any other PJM stakeholders have the authority to decide on the legal merits of these arguments - FERC must rule on these issues
- As such, we believe it is important for the PJM stakeholders to have the opportunity to inform FERC of their preference regarding these critical issues
- There are two competing proposals:
  - PJM proposal effectively maintains the status quo and maintains planning of the majority of EOL transmission projects with the TOs, or
  - Package A which creates needed transparency, promotes the benefit of regional transmission RTO planning, introduces competition into the EOL replacement projects, and adds consistency and coordination between EOL and RTEP projects since both will be planned by PJM

Tenets of Package A

PJM ***can*** plan EOL projects

- Nothing in the CTOA prohibits PJM from planning EOL projects IF they are a part of the RTEP
  - Section 4 of the Consolidated Transmission Owners Agreement (CTOA) allows for PJM planning under the RTEP, all other transmission planning is local planning by the TOs under M-3
- Members have 205 authority of the Operating Agreement and have the right to amend it
- PJM already plans EOL projects under 715 criteria for PSEG and Dominion
- Once a TO determines a facility is at its end of life, the replacement project is a new facility, and the TO can no longer can claim planning for the replacement facility is an asset management function. PJM plans the appropriate solution and not the TO.

Tenets of Package A

FERC's California Orders ***do not apply here***:

- FERC's CAISO Orders specifically state that this applies only to the California market
- PJM Reliance on California Orders have no application here
- In 2019, PJM (again) asked FERC for clarification that California orders apply to PJM - FERC declined to provide such clarification
- To the extent that there is an issue, it can be taken squarely to FERC in the context of a stakeholder 205 filing with the Members' wishes and FERC can rule

Concerns with PJM Package

- No requirement for the TOs to have EOL determination criteria
- No requirement for the TOs to share EOL list with PJM or stakeholders
  - Much of what any TO elects to share is provided only to PJM - stakeholders left in the dark
- No forward-looking information from the TOs on future EOL projects
  - Limits ability of stakeholders to assess TOs planning
- Allows TOs to continue to use the M-3 process to submit their EOL projects
  - Immediate Needs projects may not be reduced in number - bypasses competition
  - FERC issued a Show Cause Order against PJM in October 2019 related to its use of its Immediate Needs competition exemption - awaiting FERC decision
  - Mainly applies to EOL projects

Not Transparent

PJM Package = TO Business as Usual

Concerns with PJM Package

- PJM will plan for the voluntary 5-year notices ONLY if:
  - There is a related PJM reliability violation, and
  - The EOL need can be combined with a PJM reliability violation, and
  - The EOL project is over 200 kV, and
  - The EOL project relates only to poles and wires
- From 2015-2019 for PJM reliability violation projects, less than 10% of projects would qualify for EOL and then the TO must voluntarily offer in an EOL candidate project in the same location
- If a project doesn’t qualify or is not voluntarily submitted, the solution is planned by the TOs and not by PJM
  - Average timeframe for EOL project identification under M-3 is 2.1 years, allows for continued open widow exclusion by the TOs

PJM Doesn’t Plan

RTO Mission = Not Accomplished

Conclusions

PJM's Proposal

- Might reduce transparency and certainly does not increase it
- Allows the TOs to continue to plan the majority of EOL transmission projects
- Does not coordinate the EOL and RTEP processes so PJM will continue to have to "retool" their generation queue for EOL projects
- Fails to meet PJM's mission to be "the electric industry leader – today and tomorrow – …in infrastructure planning"

Stakeholder Proposal

- Increases transparency with the 10-year look-ahead
- Improves transparency and consistency amongst PJM market functions with coordination within the RTEP timeline
- Allows for Order 1000 competition for EOL projects, lowers costs to ratepayers
- Improves the overall transmission system performance because PJM is planning EOL and RTEP projects

Timeline

- 4/30/2020 – MRC
    - First read
- 5/28/2020 – MRC
    - Seek approval of package and associated OA language
- 6/18/2020 – MC
    - Seek approval of package and associated OA language

- Questions – please contact Mark Ringhausen, mringhausen@odec.com