Interconnection Security Requirement Revisions for VIPDs

Presentation to PJM MRC/MC
November 18, 2026

Dominion Energy

Overview of Proposal

- Tariff revisions proposed to:
  - Define Vertically Integrated Project Developer (VIPD)
  - Exempt developers that are the same exact corporate entity as Transmission Owner (TO), i.e. VIPD, from posting Security
  - Make clear VIPD developer remains responsible for all interconnection costs owed to VIPD TO
  - Reinstates requirement to post Security if VIPD status lost
  - Protect against VIPD default through setoff, recoupment and netting
  - Add protection for non-defaulting developers under NUCRAs, placing them in better position than they are in today, by eliminating responsibility for default of VIPD

Why Are These Changes Being Sought?

Customer affordability resulting from reduced cost to customers - avoiding payment of millions of dollars in bank fees to procure letters of credit from VIPD developer *to itself* as VIPD TO

Eliminate administrative burden on PJM, developer and FERC related to repeatedly seeking waivers of security requirement

FERC recommended changes be made

Requiring a VIPD to post Security to or for its own benefit is unnecessary

Purpose of Posting Security

Security for interconnection agreements is provided for the benefit of Transmission Owner (TO) to ensure the TO is paid for the cost to construct facilities for developers:

- GIA, sections 5.0 and 14.0:

5.0 Security.

In accord with the GIP, Project Developer shall provide the Transmission Provider (for the benefit of the Transmission Owner) with a letter of credit from an agreed provider or other form of security reasonably acceptable to the Transmissions Provider and that names the Transmission Provider as beneficiary ("Security") in the amount of $_____. Such Security can also be applied to unpaid Cancellation Costs

14.0 Third Party Beneficiaries. No third party beneficiary rights are created under this GIA, except, however, that, subject to modification of the payment terms stated in section 10 of this GIA pursuant to the Negotiated Contract Option, payment obligations imposed on Project Developer under this GIA are agreed and acknowledged to be for the benefit of the Transmission Owner(s). Project Developer expressly agrees that the Transmission Owner(s) shall be entitled to take such legal recourse as it deems appropriate against Project Developer for the payment of any Costs or charges authorized under this GIA or the GIP with respect to Interconnection Service for which Project Developer fails, in whole or in part, to pay as provided in this GIA, the GIP and/or the Operating Agreement.

- CSA, section 2.1 (UCSA, section 2.1 has similar language):

2.1 Obligation to Provide Security.

Unless Security is provided pursuant to a Generation Interconnection Agreement, Developer Party shall provide Security to collateralize Developer Party's obligation to pay the Costs incurred by Transmission Owner to construct the Network Upgrades identified in this CSA, Appendix I, less any Costs already paid by Developer Party, in accordance with the GIP. Developer Party shall deliver such Security to Transmission Provider prior to the Effective Date of this CSA, as described in this CSA, Appendix III. Unless otherwise specified by Transmission Provider, such Security shall take the form of a letter of credit, in the amount of $_____ naming Transmission Provider and Transmission Owner as beneficiaries.

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FERC Precedent

- History of granting waivers of requirement to post Security for developers that are the same corporate entity as TO because:
  - "security provisions . . . exist to protect the Transmission Owner from financial risk associated with the construction of interconnection facilities or upgrades requested by an *independent* Interconnection Customer," and "that protection is unnecessary" when "the Transmission Owner and Interconnection Customer are one and the same."
  - "failure by the Interconnection Customer to provide security or funding will **not** result in undue discrimination inasmuch as the Customer and the Transmission Provider are the same entity." Thus, found "under such circumstances . . . the requirement to provide security to oneself to be impractical and obviously unnecessary."
- Recommended Transmission Providers consider revising tariffs to eliminate security requirement "where the Transmission Owner is also the Interconnection Customer . . . so that all similarly situated parties would be treated in the same manner without having to file individual non-conforming agreements and requests for waiver of the security requirements."
- August 2026, approved elimination of requirement to post Security in CAISO where developer and TO are the same legal entity – **with the addition of only two sentences**

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CAISO Tariff Revision – Docket No. ER26-2747

Section 11 Commercial Readiness Deposit and GIA Deposit

11.1 Types of Commercial Readiness Deposit and GIA Deposit

The Commercial Readiness Deposit and GIA Deposit posted by an Interconnection Customer may be any combination of the following types of Commercial Readiness Deposit or GIA Deposit:

(a) an irrevocable and unconditional letter of credit issued by a bank or financial institution that has a credit rating of A or better by Standard and Poors or A2 or better by Moody's;

(b) an irrevocable and unconditional surety bond issued by an insurance company that has a credit rating of A or better by Standard and Poors or A2 or better by Moody's;

(c) an unconditional and irrevocable guaranty issued by a company has a credit rating of A or better by Standard and Poors or A2 or better by Moody's;

(d) a cash deposit standing to the credit of the applicable Participating TO(s) in an interest-bearing escrow account maintained at a bank or financial institution that is reasonably acceptable to the applicable Participating TO(s);

(e) a certificate of deposit in the name of the applicable Participating TO(s) issued by a bank or financial institution that has a credit rating of A or better by Standard and Poors or A2 or better by Moody's; or

(f) a payment bond certificate in the name of the applicable Participating TO(s) issued by a bank or financial institution that has a credit rating of A or better by Standard and Poors or A2 or better by Moody's.

Commercial Readiness Deposit and GIA Deposit instruments as listed above shall be in such form as the CAISO and applicable Participating TO(s) may reasonably require from time to time by notice to Interconnection Customers or in such other form as has been evaluated and approved as reasonably acceptable by the CAISO and applicable Participating TO(s).

The CAISO shall publish and maintain standardized forms related to the types of deposits listed above which shall be accessible on the CAISO Website. The CAISO shall require the use of standardized forms of Commercial Readiness Deposit and GIA Deposit to the greatest extent possible. If at any time the guarantor of the Commercial Readiness Deposit or GIA Deposit fails to maintain the credit rating required by this Section, the Interconnection Customer shall provide to the applicable Participating TO(s) replacement Commercial Readiness Deposit or GIA Deposit meeting the requirements of this Section within five (5) Business Days of the change in credit rating.

The Participating TO shall, upon receipt, deposit all Commercial Readiness Deposit, GIA Deposit, and other deposit amounts in an interest-bearing account at a bank or financial institution designated by the Participating TO. Interest on a cash deposit standing to the credit of the applicable Participating TO(s) in an interest-bearing escrow account under subpart (d) of this Section will accrue to the Interconnection Customer's benefit and will be added to the Interconnection Customer's account on a monthly basis. Any interest earned on such amounts, based on the actual rate of the account, shall be allocated and disbursed in the same manner as the principal, in accordance with the methodology set forth in this Section 7.6.

Notwithstanding any other provision, Interconnection Customers owned by Participating TOs, and interconnecting to their own Participating TO service area, are not required to post Commercial Readiness Deposits or GIA Deposits to themselves. If the Interconnection Customer withdraws, it must remit all funds that would have been forfeited upon withdrawal or termination absent this exemption.

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Key Differences Between DEV Proposed Revisions and PJM's Friendly Amendments

- Dominion proposed revisions are in the substantive tariff sections to which they relate, not in a definition, or in a separate section that requires the reader to flip back and forth between sections to get a full understanding of the applicable requirements; PJM's friendly amendments puts substantive language in a definition and in a new section at the end of the interconnection agreements that cross-reference to the substantive sections to which they relate
- Dominion does not believe it is appropriate for PJM to apply market related setoff and recoupment requirements to unrelated interconnection agreements, particularly when PJM does not have this requirement for entities that are not vertically integrated utilities if they default –this is discriminatory treatment
- Dominion does not believe it is appropriate to require facility owners to obtain PJM's consent to assign an interconnection agreement to the new owner of a facility when PJM does not require this to be done for non-vertically integrated utilities – this is discriminatory treatment
- Security exemption should not become void prior to FERC approval of assignment of agreement
- Security is in place primarily for protection of TO; PJM should not require more protection for the TO than the TO has determined it needs

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Define Vertically Integrated Utility

- Add a new defined term Vertically Integrated Project Developer:

Vertically Integrated Project Developer:

"Vertically Integrated Project Developer" shall mean a single Member entity, operating as both a Transmission Owner and as a Project Developer, Upgrade Customer, Wholesale Market Participant, Developer Party, Affected System Customer or Eligible Customer for a New Service Request or interconnection agreement.

Tariff, Part VIII, Subpart A, section 400, Definitions V

Security Exemption in Substantive Tariff Sections

- Add exemption to post Security limited only to situation in which the developer and transmission owner are the *exact same corporate entity*; does not apply when developer is an affiliated entity of transmission owner
- Same proposed revision in several sections of Tariff; only difference is developer title:

"Notwithstanding the foregoing, [Project Developer] [Eligible Customer] [Upgrade Customer] [Generation Project Developer] shall be exempt from providing Security under this section where [Project Developer] [Eligible Customer] [Upgrade Customer] [Generation Project Developer] and Transmission Owner are the same Vertically Integrated Project Developer."

Tariff, Part VII, Subpart D, section 313 (Decision Point III)
Tariff, Part VIII, Subpart C, section, 408 (Decision Point II)
Tariff, Part VIII, Subpart H, section 435 (Upgrade Requests)

Tariff, Part VIII, Subpart C, section 406 (Decision Point I)
Tariff, Part VIII, Subpart C, section 410 (Decision Point III)
Tariff, Part X, Subpart C, section 603 (Expedited Interconnection Track Process)

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Non-Substantive Revision in Interconnection Agreements

- Add the following non-substantive reference to the developer being a VIPD in intro paragraph of applicable agreements as follows:

"[Use as/when applicable: [Project Developer] [Upgrade Customer] and Transmission Owner, together, constitute a Vertically Integrated Project Developer subject to the Vertically Integrated Project Developer provisions of this [GIA] [E&P Agreement] [Upgrade CSA].]"

Tariff, Part IX, Subpart B, intro section (GIA)
Tariff, Part IX, Subpart D, intro section (E&P Agreement)
Tariff, Part IX, Subpart E, intro section (Upgrade CSA)
Tariff, Part IX, Subpart J, intro section (CSA)

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Security Exemption in Interconnection Agreements

- Add exemption to post Security limited only to situation in which the developer and transmission owner are the *exact same corporate entity*; does not apply when developer is an affiliated entity of transmission owner
- Exemption only applies while VIPD status continues
- Same proposed revision in several sections of Tariff; only difference is developer title and agreement reference:

"Notwithstanding the foregoing, Project Developer shall be exempt from providing Security under this [GIA] [E&P Agreement] [Upgrade CSA] [CSA] where [Project Developer] [Upgrade Customer] [Developer Party] and Transmission Owner are the same Vertically Integrated Project Developer. If at any time [Project Developer] [Upgrade Customer] [Developer Party] and Transmission Owner no longer constitute the same Vertically Integrated Project Developer, [Project Developer] [Upgrade Customer] [Developer Party] shall be required to provide Security at the earlier of any Tariff prescribed deadline, or at least thirty (30) Business Days prior to the effective date of the change in status of the Vertically Integrated Project Developer. Exempting [Project Developer] [Upgrade Customer] [Developer Party] from any Security obligation under this [GIA] [E&P Agreement] [Upgrade CSA] [CSA] does not relieve [Project Developer] [Upgrade Customer] [Developer Party] from cost responsibility for any Network Upgrade(s) under this [GIA] [E&P Agreement] [Upgrade CSA] [CSA]."

Tariff, Part IX, Subpart B, section 5.0 (GIA)
Tariff, Part IX, Subpart D, sections 4.0, 20.1.4.1 (E&P Agreement)
Tariff, Part IX, Subpart E, section 2.1 (Upgrade CSA)
Tariff, Part IX, Subpart J, section 2.1 (CSA)

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Protections Against Default in Interconnection Agreements

- Protect against VIPD default through setoff, recoupment and netting
- Same proposed revision in several agreements; only difference is developer title and agreement reference:

[15.4.1.3] [13.3.1.3]][13.4.1.3][[21.4.1.3]

The following additional provisions shall apply only where the [Project Developer] [Upgrade Customer] [Developer Party] and Transmission Owner under this [GIA] [E&P Agreement] [Upgrade CSA] [CSA] constitute a Vertically Integrated Project Developer.

If [Project Developer] [Upgrade Customer] [Developer Party] defaults under this [GIA] [E&P Agreement] [Upgrade CSA] [CSA], PJM retains it right to set off any amount owed by [Project Developer] [Upgrade Customer] [Developer Party] under this this [GIA] [E&P Agreement] [Upgrade CSA] [CSA] against any amounts owed to Transmission Owner under this [GIA] [E&P Agreement] [Upgrade CSA] [CSA]. Similarly, if [Project Developer] [Upgrade Customer] [Developer Party] defaults under this [E&P Agreement] [Upgrade CSA] [CSA], PJM may net remittances of Transmission Owner, against any amounts owed by [Project Developer] [Upgrade Customer] [Developer Party], under the Tariff. [Similarly, if Project Developer defaults under this this GIA, PJM retains its right under this GIA, Appendix 2, section 11.1.1 to net remittances of Transmission Owner, against any amounts owed by Project Developer, under the Tariff.]

For avoidance of doubt, PJM's rights of setoff, recoupment, and netting, including in the event of bankruptcy, shall apply notwithstanding that the Vertically Integrated Project Developer is acting in different capacities under this [GIA] [E&P Agreement] [Upgrade CSA] [CSA] and PJM's governing documents. The Vertically Integrated Project Developer is recognized as a single legal entity for purposes of all such rights, and PJM may offset any amounts owed to the Tranmission Owner against any amounts owed to the Project Developer, under this [GIA] [E&P Agreement] [Upgrade CSA] [CSA].

Tariff, Part IX, Subpart B, Appendix 2, new section 15.4.1.3 (GIA)
Tariff, Part IX, Subpart D, Appendix 3, new section 21.4.1.3 (E&P Agreement)
Tariff, Part IX, Subpart E, Appendix 3, new section 13.3.1.3 (Upgrade CSA)
Tariff, Part IX, Subpart J, Appendix 3, new section 13.4.1.3 (CSA)

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Additional Protection for Non-Defaulting Developers

- Revisions put non-defaulting developers under NUCRAs in better position than today, by eliminating reallocation of costs of defaulting VIPD to non-defaulting developers; held harmless by VIPD
- Same proposed revision in CSA and GIA; only difference is developer title and agreement reference:

[15.4'1.3] [13.4.1.3]

The following additional provisions shall apply only where the [Project Developer] [Developer Party] and Transmission Owner under this [GIA] [CSA] constitute a Vertically Integrated Project Developer:

. . .

If [Project Developer] [Developer Party] defaults under this [GIA] [CSA] and any associated Network Upgrade Cost Responsibility Agreement ("NUCRA"), Transmission Owner agrees not to seek payment for any amounts due from [Project Developer] [Developer Party] under this [GIA] [CSA] or any associated NUCRA from any non-defaulting Project Developers, Transmission Provider or any third party.

Tariff, Part IX, Subpart B, Appendix 2, new section 15.4.1.3 (GIA) Tariff, Part IX, Subpart J, Appendix 3, new section 13.4.1.3 (CSA)

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Additional Protection for Non-Defaulting Developers

[15.4.1.4][13.4.1.4]

The following additional conditions shall apply only where the [Project Developer] [Developer Party] and Transmission Owner under this [GIA] [CSA] constitute a Vertically Integrated Project Developer and the [GIA] [CSA] includes Common Use Upgrades for which a NUCRA is required:

1. If [Project Developer] [Developer Party] defaults under this [GIA] [CSA], any non-defaulting Project Developer that is a party to any related NUCRA shall not be liable for any portion of defaulting [Project Developer] [Developer Party]'s cost responsibility under the applicable NUCRA;

2. Upon a default under any applicable NUCRA by [Project Developer] [Developer Party], no portion of defaulting [Project Developer] [Developer Party]'s unpaid cost responsibility for a Common Use Upgrade shall be reallocated to the non-defaulting Project Developers; and,

3. Transmission Owner and defaulting [Project Developer] [Developer Party] agree to hold all non-defaulting Project Developers harmless from any cost responsibility that is allocated to defaulting [Project Developer] [Developer Party] under any applicable NUCRA.

While Transmission Owner agrees that it is a signatory for acknowledgment purposes of any NUCRA(s) associated with this [GIA] [CSA], exemption of [Project Developer] [Developer Party]'s otherwise applicable requirement to provide Security under this [GIA] [CSA] specifically obligates Transmission Owner to incur cost responsibility for any Network Upgrade(s) under this [GIA] [CSA] for which the [Project Developer] [Developer Party] defaults under the associated NUCRA(s).

Tariff, Part IX, Subpart B, Appendix 2, new section 15.4.1.4 (GIA) Tariff, Part IX, Subpart J, Appendix 3, new section 13.4.1.4 (CSA)

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Additional Protection for Non-Defaulting Developers

7.2 Upon Default by Project Developer:

7.2.1 Consequences of Default by Project Developer:

If one or more, but not all, Project Developers that are parties to this NUCRA are in Default, such Project Developers shall remain liable for any portion of their cost responsibility for the Costs of the Common Use Upgrades, and Cancellation Costs, in accordance with Schedule B of this NUCRA. Transmission Provider shall draw on and apply such defaulting Project Developer's Security, or, in the case of a Vertically Integrated Project Developer may exercise its rights of setoff, recoupment and netting, to any amount under this NUCRA not paid by that Project Developer. Upon drawing on such Security, or the exercise of setoff, recoupment, and netting rights, Project Developer is automatically in default of this NUCRA, and Project Developer's GIA and Construction Service Agreement; and all such agreements shall be deemed terminated and withdrawn, and Project Developer's project shall be removed from the relevant Cycle.

7.2.2 Reallocation of Costs upon Default by Project Developer:

If a defaulting Project Developer cannot pay its amount due after exhausting all available Security, the unpaid costs shall be reallocated to the remaining Project Developers in proportion to the cost responsibility percentages set forth in Schedule B unless the defaulting Project Developer is a Vertically Integrated Project Developer. If the defaulting Project Developer is a Vertically Integrated Project Developer, any portion of cost responsibility for the Common Use Upgrades that are unpaid by such Project Developer shall not be reallocated to the non-defaulting Project Developers, and the Transmission Owner will hold non-defaulting Project Developers harmless from any cost responsibility for the Common Use Upgrades and Cancellation Costs that are allocated to the defaulting Project Developer through the rights of setoff, recoupment and netting conferred to Transmission Provider under the GIA. A remaining Project Developer shall be entitled to exercise such other rights and remedies as it may have in equity or at law against the defaulting Project Developer that caused the reallocation of Costs under this section.

Tariff, Part IX, Subpart H, section 3.1, Appendix 2, section 7.2 (NUCRA)

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Additional Requirements for Assignment of Agreement

- Adding requirements for assignment of GIA, CSA, UCSA to new owner and VIPD status ends, including posting Security, amending GIA at least 30 days before assignment effective date:

In addition to the above, if [Project Developer] [Developer Party] [Upgrade Customer] has not provided Security under the [GIA] [CSA] [Upgrade CSA] because it and Transmission Owner are a Vertically Integrated Project Developer, the following additional conditions must be satisfied:

(a) [Project Developer] [Developer Party] [Upgrade Customer] must provide PJM with at least sixty (60) days advance written notice prior to assignment of this [GIA] [CSA] [Upgrade CSA] and any related PJM service agreements, including NUCRAs, that would terminate the Vertically Integrated Project Developer status.

(b) At least thirty (30) days prior to the effective date of the assignment, an amended [GIA] [CSA] must be executed by the assignee, at which point the Security requirements referenced in amended [GIA, section 5.0 and amended GIA, Specifications, section 4.7] [CSA/Upgrade CSA, section 2.1] (and any adjustments thereof) shall apply under the amended [GIA] [CSA] [Upgrade CSA].

(c) PJM must receive the required Security from the assignee (or someone on its behalf) in the amount and form required no later than thirty (30) days prior to the effective date of such assignment.

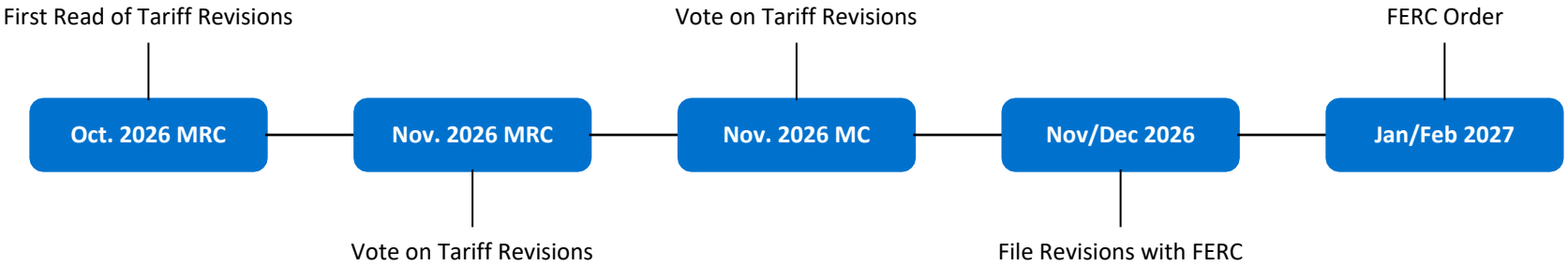
(d) After receipt of the executed amended [GIA] [CSA] [Upgrade CSA], [any associated NUCRAs,] and any other related service agreements, and all required Security is provided to PJM, PJM will file the amended agreement(s) with FERC or report them in PJM's Electric Quarterly Reports to the extent required by FERC regulation.

(e) Subject to any necessary regulatory acceptance, the effective date of the amended [GIA] [CSA] [Upgrade CSA], [any associated amended NUCRAs,] and any other related service agreements subject to an assignment will be the same as the effective date of the assignment.

Tariff, Part IX, Subpart B, Appendix 2, section 12.2.1(GIA) Tariff, Part IX, Subpart J, Appendix 3, section 10.2.1(CSA) Tariff, Part IX, Subpart E, Appendix 3, section 10.2.1(UCSA)

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Timeline – Quick Fix



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Key Takeaways

Limited applicability

Security is waived, but cost responsibility remains

Clear transition rules apply if VIPD status ends

Increased default protections - other Project Developers are better protected than they are today; held harmless

Cost savings to customers

Consistent with FERC precedent;

FERC recommended changes be made

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Questions?