Problem/Opportunity Statement

Interconnection Security Requirements Revisions

Problem / Opportunity Statement

The problem to be addressed is the requirement that a Project Developer that is the exact same corporate entity as the Transmission Owner, a vertically integrated utility, post Security for a generator interconnection project for the benefit of the Transmission Owner.

Specifically, Section 5.0 of the *pro forma* Generator Interconnection Agreement ("GIA") states: "In accord with the GIP, Project Developer shall provide the Transmission Provider (for the benefit of the Transmission Owner) with a letter of credit . . . or other form of security reasonably acceptable to the Transmission Provider and that names the Transmission Provider as beneficiary ("Security") . . ." (emphasis added)

Section 14.0 of the *pro forma* GIA provides: "Third Party Beneficiaries. No third party beneficiary rights are created under this GIA, except, however, . . . 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. . . ." (emphasis added)

Section 2.1 of the *pro forma* Construction Service Agreement ("CSA") states, in relevant part: "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 Appendix I to this CSA, less any Costs already paid by Developer Party, in accordance with the GIP. . . . Unless otherwise specified by the Transmission Provider, such Security shall take the form of a letter of credit . . . naming the Transmission Provider and Transmission Owner as beneficiaries." (emphasis added)

There are other interconnection agreements that have similar requirements to post Security.

FERC has previously indicated "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."[1]

FERC has granted numerous waivers of tariff requirements that require project developers/interconnection customers to post security to themselves as transmission owners for their own benefit.[2] In granting the waivers FERC found that "the 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."[3] The Commission also held, "under such circumstances as here the requirement to provide security to oneself to be impractical and obviously unnecessary."[4]

FERC has also recommended that Transmission Providers consider revising their tariffs to eliminate the 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."[5] In August 2026, FERC issued an order approving revisions to CAISO's tariff that removed the requirement to post Readiness Deposits and GIA Deposits when the developer and transmission owner were one in the same.[6]

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[1] *See Pacific Gas and Electric Co.,* 128 FERC ¶61,175, at P 16 (2009) emphasis added); *Midcontinent Independent System Operator*, 156 FERC ¶ 61,166, at P 12 (2016); *San Diego Gas & Elec. Co.,* 191 FERC ¶ 61,064, PP 10 and 11 (2025).

[2] *See*, *e.g.*, *Pacific Gas and Elec. Co.*, 165 FERC ¶ 61,009 (2018) ("*PG&E*").

[3] *Pacific Gas and Elec. Co*., 128 FERC ¶ 61,175 at P 17 (2009).

[4] *Id*. at P 18.

[5] *Id.* at P 20; see also *MidAmerican Energy Co.*, 116 FERC ¶ 61,018 at P 11 (2006). *Midcontinent Indep. Sys. Operator*, 156 FERC ¶ 61,166, at P 12; *San Diego Gas & Elec. Co.,* 191 FERC ¶ 61,064, PP 10 and 11.

[6] *California Independent System Operator Corporation*, 196 FERC ¶ 61,101 (2026) (approving revisions to CAISO Tariff, Appendix KK, section 11.1 that state: "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

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Dominion is proposing additional protections in the tariff language to address FERC's concerns regarding eliminating the requirement to post Security for Network Upgrade Cost Responsibility Agreements[7] to ensure that non-defaulting Project Developers are not required to cover the default of a vertically integrated utility Project Developer, which changes put those non-defaulting Project Developers in a better position than they are in under the existing Tariff language.

At a time when PJM is under pressure from state and federal governments to get as many generators connected to the grid to address resource adequacy concerns, and the entire energy industry is being pressured to find ways to lower costs to customers, to require a corporate entity to incur millions of dollars of bank fees to procure letters of credit to post Security for its own benefit is not consistent with these efforts. **The PJM Tariff should be revised to remove the requirement to post Security in the limited circumstance when the Project Developer and the Transmission Owner are the same corporate entity per FERC's recommendation since this issue is clearly capable of repetition for vertically integrated utilities.**[8]

Proposed revisions to PJM Tariff:

(a) Part VII, Subpart D, section 313;

(b) Part VIII, Subpart A, section 400, Definitions V; Subpart C, sections 406, 408, 410; and Subpart H, section 435;

(c) Part IX, Subpart B, sections 1.0, 5.0, Appendix 2, sections 12.2.1, 15.4; Subpart D, sections 1.0, 4.0, 20.1.4.1, 21.4; Subpart E, intro paragraph, section 2.1, Appendix 3, section 10.2.1, 13.3, 13,4; Subpart H, section 3.1, Appendix 2, section 7.2; Subpart J, intro paragraph, section 2.1, Appendix 3, sections 10.2.1, 13.3, 13.4; and

(d) Part X, Subpart C, section 603.

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remit all funds that would have been forfeited upon withdrawal or termination absent this exemption.") (emphasis added) (In CAISO, GIA Deposits are a form of security for GIAs).

[7] *Dominion Energy Services, Inc.,* 192 FERC ¶ 61,214 (2025), *reh'g denied,* 194 FERC ¶ 61,090 (2026).

[8] *Midcontinent Indep. Sys. Operator, Inc*., Motion to Intervene, Protest and Request for Waiver of Duke Energy Indiana, Inc, LLC at 4, Docket No. ER16-2173-000 (filed July 15, 2016).