

Creating a Durable, Cost-Effective Approach to Long-Term Planning

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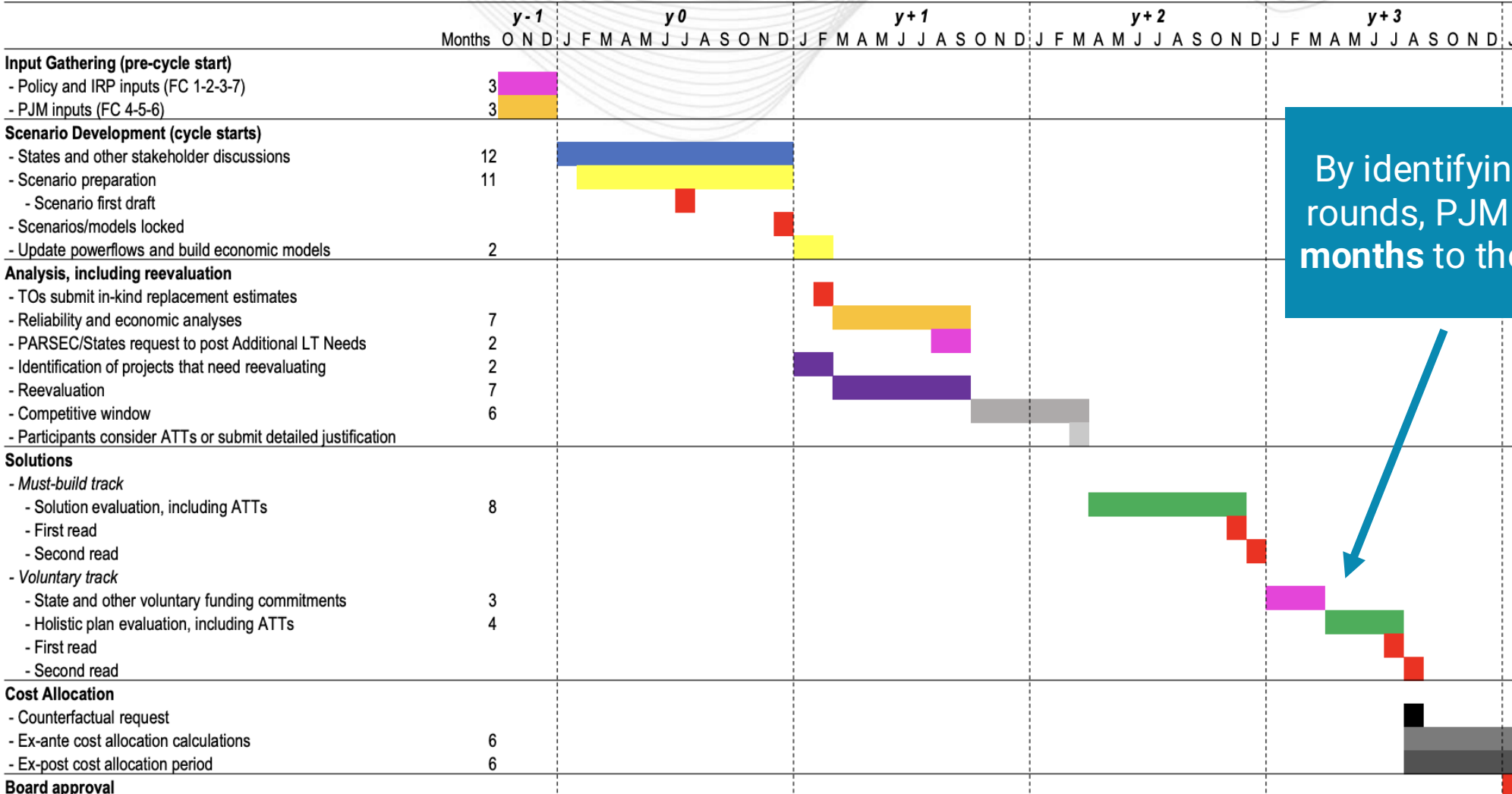
Holistic long-term planning involves integrating all needs into solution identification

- MISO Long-Range Transmission Planning (LRTP) designs three “Futures” before opening up one competitive bidding window for a single set of identified projects
 - Projects are designed to ensure **each state benefits**
 - Costs are seamlessly allocated via a **simple load-ratio share**
- SPP Consolidated Planning Process (CPP) will integrate generator interconnection with transmission planning
 - Costs are seamlessly allocated via SPP’s **Highway Byway approach**

Separating needs into “Core” and “Additional” categories is unnecessarily complicated & hurts all PJM ratepayers

- Having *two* bidding windows results in **less efficient planning** that **takes longer** and **will cost more**
- **This stands to hurt *all* ratepayers in PJM** by costing them more
 - “Additional” needs are defined as all “resource-specific carve-outs”—*what if a state passes a carve-out 10 years from now?*
 - “Additional” needs separate out economic congestion—*who’s to say what congestion will look like in PJM in 10 years? 20?*
- **Durable long-term planning is defined not by the status quo of the present but by the unanticipated realities of the future**

Separating needs into “Core” and “Additional” categories is unnecessarily lengthy



By identifying solutions in two rounds, PJM adds at least **nine months** to the planning process

“Core” and “Additional” categories inappropriately pre-determines cost allocation

- As PJM itself has acknowledged, cost allocation is *not* PJM’s role
- By pre-defining needs identification to rely on the two categories of “Core” and “Additional,” **PJM is pre-determining which needs will be planned for by default and which needs may be subject to alternate, more complex cost allocation regimes**
- PJM should leave cost allocation up to the states & Transmission Owners and instead focus on holistic planning, *not* arbitrary pre-definition of needs as “Core” and “Additional”

“Additional” needs are necessary for maintaining resource adequacy, but PJM’s proposal fails to acknowledge this & results in overbuild

- By separating out resource-specific policy carve-outs as “Additional,” **PJM is overbuilding the system** in its “backstop” plan for “Core” needs, as it fails to account for the “Additional” resources’ value in terms of resource adequacy to the “backstop” plan in its capacity expansion modeling
- This will **cost ratepayers more** in the long run, especially if “Additional” needs are not planned for

By not planning for “Additional” needs by default, PJM is back-door discounting them

- Order 1920 requires that *all* policies be incorporated *without discounting*
- By categorizing *some* state policy driven needs as “Additional” and *not* planning for them by default, PJM is “back-door discounting” these policies
- **This is not PJM’s job, nor it is compliant with Order 1920, nor will it lead to cost-effective long-term planning outcomes**

Defining some needs as “Core” and others as “Additional” is likely not Order 1920 compliant

Paragraph 366 (Order 1920-A): “...transmission providers may not use any such additional analyses to identify Long-Term Transmission Needs, identify Long-Term Regional Transmission Facilities... or condition the selection of a Long-Term Regional Transmission Facility...”



To categorize needs as “Additional,” PJM will need to utilize non-compliant analyses that intentionally exclude certain policies. These analyses will be used to identify facilities and condition facility selection, which is **not compliant with Order 1920**.

The solution: Remove the arbitrary “Core” and “Additional” needs definition

- To achieve reliable, least-cost planning outcomes that benefit all states and are durable, PJM should remove the arbitrary distinction of “Core” and “Additional” needs and **holistically plan for all needs at once through a single competitive bidding window**
 - At bare minimum, redefine economic needs as “Core”
- This will save time & money and **lead to more efficient, durable outcomes**
- States & Transmission Owners can then determine how they want to approach cost allocation for these holistically identified upgrades
 - PJM can use non-compliant scenarios for the purposes of cost allocation, *not* for the purposes of needs identification and planning