

Projects, Cost Allocation and Public Policy

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Disclaimer: While materials are current at the time of publishing, applicable requirements may change. PJM Governing Documents control.

Types of Transmission Enhancements

Enhancements to Existing Infrastructure

Generally, provide small improvements to system capability with minimal impacts.

New Infrastructure

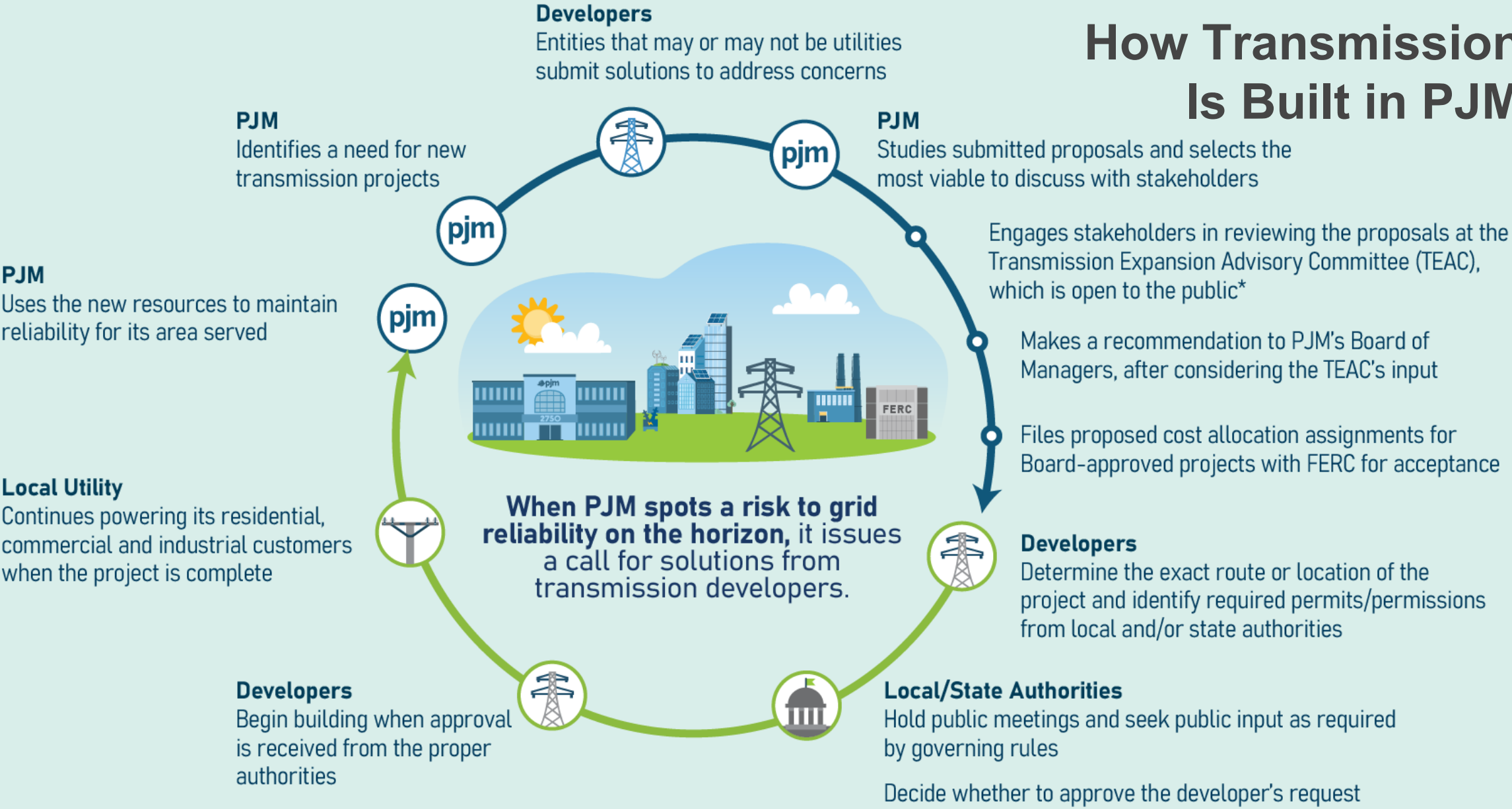
Can provide large gains to the system but can be impactful to the local areas.

EXAMPLES:

- Replacement of existing equipment
- Reconductoring existing transmission lines

- New transmission lines
- New equipment within existing substations

How Transmission Is Built in PJM



**TEAC participants include local utilities, transmission and generation owners, public power entities, consumer advocates, regulatory agencies and other groups from 13 states and Washington, D.C.*

Funding Transmission Enhancements

History: In 2011, FERC assigns the responsibility of creating cost allocation methodology to Transmission Owners.



Transmission Owners in the PJM region form a committee and collectively develop a wholesale cost allocation formula.

FERC approves the methodology, and PJM incorporates the rules into its Tariff.

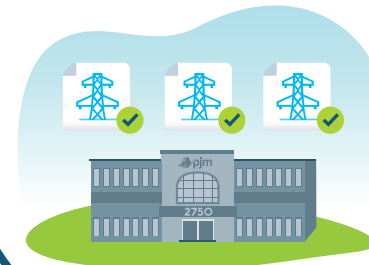


PJM applies the FERC-approved wholesale formula to transmission upgrades to allocate costs to the transmission zones that will benefit from the improvements.

FERC reviews individual cost allocations only for accuracy.

Transmission Owners individually develop their own retail rate structures to allocate their wholesale costs to their customers.

State commissions review and approve these retail rate structures.



Cost Allocation



The **local electric utility** or other **Load Serving Entity** applies the retail formula to their allocated portion and assigns it to their retail customers.



This cost is what a consumer sees in their electricity bill.



Incorporating Public Policies

States have a voice in the Planning process to ensure their goals are incorporated in future Planning assumptions.

Common policy initiatives include:

- Household electrification – incentives to convert from natural gas to electric appliances
- Electric vehicle incentives
- Incentives to install rooftop solar
- Retirement of fossil fuel power plants

Public Policy Influences on Load Forecast (Demand)

Increase

- Electrification
- Electric vehicles
- Incentives for new manufacturing

Decrease

- Energy efficiency
- Rooftop solar

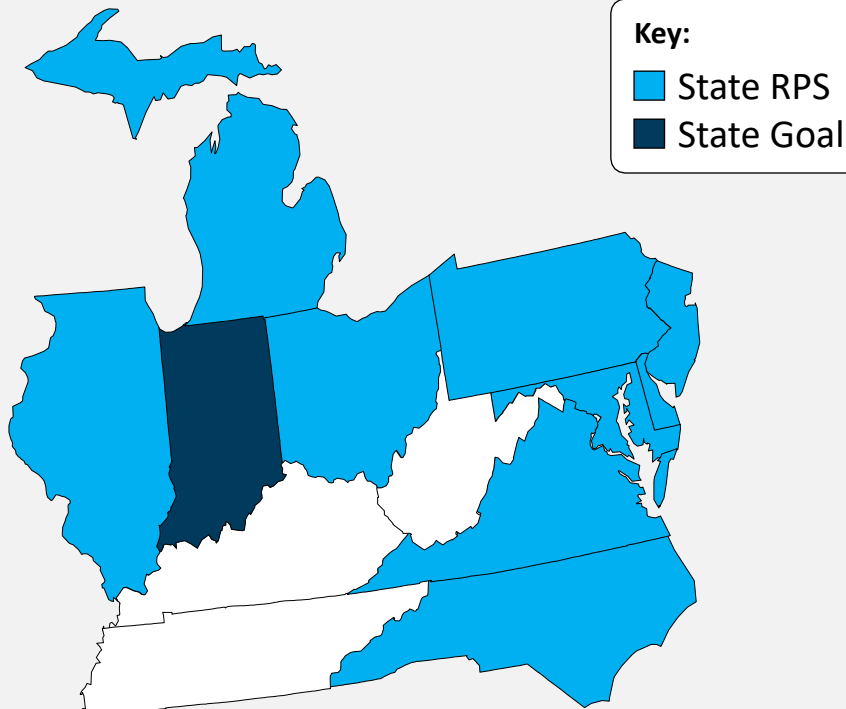
Increase

- Incentives for new, clean generation
- PJM market prices

Decrease

- Emission standards

State Renewable Portfolio Standards (RPS) require suppliers to utilize renewable resources to serve an increasing percentage of total demand.



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State RPS Targets*

NJ: 50% by 2030**



VA: 100% by 2045/2050 (IOUs)



MD: 50% by 2030**



NC: 12.5% by 2021 (IOUs)



DE: 40% by 2035



OH: 8.5% by 2026

DC: 100% by 2032



MI: 60% by 2035

PA: 18% by 2021***



IN: 10% by 2025***

IL: 50% by 2040



 Minimum solar requirement

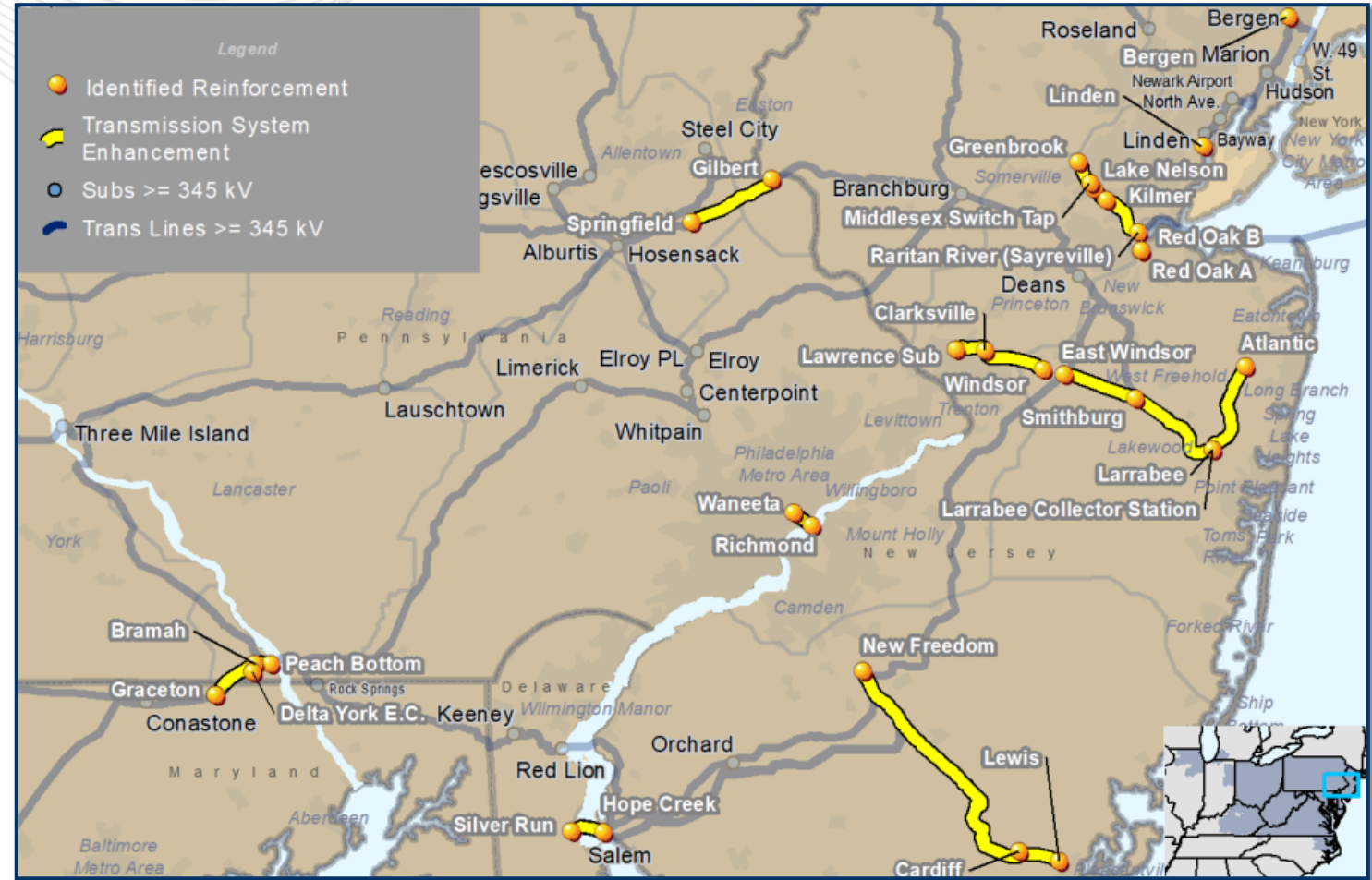
* Targets may change over time; these are recent representative snapshot values.

** RPS also requires an additional 2.5% of Class II resources each year.

*** Includes nonrenewable “alternative” energy resources

- States can elect to work independently to advance their policy goals.
- The State Agreement Approach (SAA) allows states to request a separate study from PJM to identify transmission needs to support their public policy.
- The sponsoring state would be responsible for the costs of new transmission needed to effectuate its public policy, even if it is outside of the state.

- New Jersey is the only state to date to complete the SAA process and move forward with an SAA project.
- New Jersey requested to prepare the transmission system to support the policy goal of 7,500 MW of offshore wind.



Independent State Agencies Committee (ISAC)

<https://www.pjm.com/committees-and-groups/state-commissions/isac>

2026 ISAC Policy Workbook

<https://www.pjm.com/-/media/DotCom/committees-groups/state-commissions/isac/postings/2026-rtep-isac-assumptions-submission.xlsx>

(XLS)

RTEP Process Education

Public Policy and Planning

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