

**Developer comments on PJM's proposed "TC1 Agreement Milestone Requirements"
presented at the Interconnection Process Subcommittee meeting**

At the May 28th Interconnection Process Subcommittee meeting, PJM staff presented a proposal to add several new project milestones to all issued Generator Interconnection Agreements (GIA). Several of the proposed "enhancements" are unduly burdensome, unworkable, or exceed any necessary measure to assure the purported goals of transparency, flexibility, and consistency. This proposal would impose unnecessary hurdles and administrative burdens on both PJM staff and the developer.

We believe PJM's existing milestone requirements are largely sufficient. To be clear, the undersigned support PJM's effort to move viable projects toward operation, but the proposed "enhancements" reach beyond this. The most concerning is the proposed financing milestone which would be incredibly difficult to implement in any workable manner, as detailed below. We encourage PJM to scrap its proposed *pro forma* milestone "enhancements" and seek more surgical methods to measure project viability. Further, if PJM wishes to make universal changes to all issued GIAs, then PJM should file the universal *pro forma* additions with the FERC as a tariff amendment. It is improper to try to employ tariff provisions that permit unit-specific milestone additions for the purposed of making universally-applicable amendments to the *pro forma* GIA.

PJM's existing GIA milestones are working to ensure project viability

PJM's milestone requirements and the current monitoring during project development meetings are already functioning to track project progress and ensure project viability. The *pro forma* milestones cover the most material, universally-applicable steps in project development, serving as reasonable benchmarks to assess project viability. Further, PJM can add additional project-specific milestones to any GIA if warranted.

In application, PJM intensely reviews progress toward the existing milestones and carefully assesses any developer milestone extension requests. Developers are required to provide detailed evidence to support an extension and to formalize an Agreement to Amend. The existing detailed review process suffices for developers to obtain reasonable accommodation and for PJM to maintain reasonable certainty regarding project progress.

In contrast to other RTOs, PJM's scrutiny of GIA milestones is an outlier. During PJM project coordination calls, milestone discussions are always a main agenda item that consume much of the scheduled time. In contrast, other RTOs leave project construction and required upgrade

coordination to the Transmission Owner and the developer, limiting direct RTO involvement until the energization of the facilities and COD.

Project developers share PJM's aims to assure transparency, flexibility, and consistency in GIA milestone application to ensure project viability. However, the introduction of new and additional milestones into all future GIAs goes well beyond those aims, ignoring the realities of project development. All are administratively burdensome, some are problematic and at least one is unworkable, as described in detail below.

PJM's proposed milestones create significant and unreasonable challenges

PJM's proposed milestone 'enhancements' would create a number of practical challenges if implemented, including:

- **The Project Financing Milestone is Unworkable** – The most significant milestone of concern is on project financing. This milestone is unnecessary given the significant financial deposits by companies throughout the interconnection process and during development to achieve existing milestones, which collectively demonstrates project viability. Moreover, not all developers employ project financing. Some companies do not require financing at all, while some bring in financing at COD. Among those that do employ project financing, structures are not universal. Companies vary in the timing of bringing in financing on a project (if required) driven by corporate structure variations, project type, project size, financing size, and project COD timing relative to the GIA execution date. There are material differences between projects, with structuring nuances and complexities that are not amenable to standardized milestone checks. In short, each project is financed uniquely making a standard milestone unworkable.

Even if a financing milestone was required (which it should not be), it is particularly unreasonable to require project financing 60 days after GIA execution. Typically, a project's interconnection costs are only finalized at GIA and therefore the level of financing required is not known until that time. The proposed milestone would require a developer to execute project financing within 60 days, which is nearly impossible. Additionally, the project's COD may not be known for several years after GIA execution depending on the TO and network upgrades timelines. Therefore, requiring financing at this time is unnecessary, while adding additional costs to the project and potentially jeopardizing the project. This is counter to the goals PJM is trying to achieve with these milestone enhancements.

- Additional Requirements Will Add to PJM Administrative Burden and Complexity –**
 PJM’s project managers already are challenged to administer and track milestones for the many projects with existing agreements. The proposed milestones would only add to this burden. For example, there is currently one milestone related to the equipment acquisition, but PJM proposes three – that require distinct tracking and scheduling. Similarly, developers would be burdened with maintaining compliance with many more milestone requirements, adding burden and project risk. The administrative burdens on both PJM and developers that would be posed by the proposed milestones will add little value in assuring project viability, but they will reduce developer flexibility and add material burden and undue complexity.
- Advancing the Delivery of As-Built Data is Unnecessary -** Providing as-built data before COD is not possible. Final as-built documentation is unavailable until after COD when all installed equipment is surveyed and final documentation is completed by the EPC contractor. This occurs after the project is functionally complete and able to declare COD. If required prior to COD, PJM would have to accept Issued for Construction (IFC) drawings, which can ultimately be different from the final as-builts. It would be better to wait until the final as-built data is provided. In addition, currently, PJM staff does not have the capacity to look at the as-built drawings until months after submission. Changing this milestone is not meaningful if the engineers cannot look at the data within a few weeks of it being provided.

PJM already has sufficient tools to assess project development progress

In 2022, PJM enacted significant requirements to decrease the number of speculative requests, including posting security for 100% of the cost of facilities, providing network upgrade security at GIA execution, and removing the ability to suspend. The at-risk security posting itself is a sufficient indication that the developer is serious to move the project forward. PJM has failed to demonstrate that the universal application of several new milestones is necessary to ensure project viability.

To satisfy the existing requirements to enter and proceed through the queue, Project Developers must invest heavily and post significant financial security just to obtain a GIA. All developers are very motivated to move projects with a GIA to commercial operation on schedule. It is unreasonable for PJM to assume that any developer will invest millions of dollars to bring “non-viable” projects to GIA execution.

PJM's proposed universal milestone "enhancements" ignore project development realities

PJM's proposed milestones add development risk, compound administrative burden and increase the potential for *slowing* the output of GIAs. PJM is on the wrong track with the proposed reforms; particularly the financing and "as-built" data requirements. The reforms will impede development at a time when PJM is already under fire for slow queue administration. The undersigned developers have ideas that PJM could institute to provide greater transparency and certainty to post-GIA milestone achievement and stand ready to work collaboratively with PJM to achieve its aims.

Respectfully Submitted,

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