



Vistra Perspective on FERC Co-Located Load Proceeding

Key Findings of FERC Show Cause Order

- **Urgency to Act**

- “Referring to Agenda Item E-1, the Co-Location Show Cause Order, at yesterday’s meeting I said, ‘We want to act quickly. We want to move on it.’ That is worth emphasizing. While we cannot announce a specific date for final action, it is our intent to conduct and complete this important proceeding expeditiously, so we can provide clarity and certainty to all, from consumers to investors to load-serving utilities and independent generators. We set tight timelines for responses: 30 days for the first round and 30 days for the second round. We will act to issue an order as quickly thereafter as feasible”

- **Focus on Need to Best Accommodate Co-Location Arrangements.**

- “Parties may also address whether, and if so, how, the Tariff should be modified to best accommodate or encourage co-location arrangements to be constructed in such a way as to minimize total system costs or otherwise provide certain benefits, including protections for existing customers and allocation of costs consistent with the cost-causation principle.”

- **Rules Expected to Acknowledge that Co-Location Arrangements Should Pay Based on Cost-Causation Principles.**

- “It appears that PJM does not have a process for determining what transmission service different co-location configurations must take, including what costs, **if any**, should be allocated to co-location arrangements, which raises questions about whether co-location arrangements are paying a just and reasonable rate for the transmission service they take, **if any**, and/or any benefits that they may derive from the transmission system. (emphasis added)”

Key Findings of FERC Show Cause Order

- **FERC seeks rules that allow for multiple configurations, rather than demonstrating a preference for a specific configuration.**
 - “The record demonstrates that different co-location arrangements are likely to use or benefit from the transmission system in different ways depending on how they are configured and, moreover, that those different configurations will themselves likely have different impacts on the transmission system. “
 - “It appears that PJM does not have a process for determining what transmission service different co-location configurations must take, including what costs, if any, should be allocated to co-location arrangements, which raises questions about whether co-location arrangements are paying a just and reasonable rate for the transmission service they take, if any, and/or any benefits that they may derive from the transmission system.”
- **Need to Address Potential for Undue Discrimination**
 - “As such, the record of proceedings before the Commission appear to suggest that Transmission Owners are taking different approaches to performing the steps necessary to accommodate a co-location arrangement and in the transmission service that they are requiring entities to take. We find that these dynamics raise the potential for undue discrimination—albeit, in this example, by the Transmission Owners, not PJM—due to the lack of Tariff provisions governing co-location arrangements.”
- **Resource Adequacy Concerns are not Unique to Co-located Loads**
 - “we recognize, as does PJM, that these concerns are not necessarily unique to co-location arrangements and that significant load growth more generally may raise many of the same concerns.”

Don't Overcomplicate the Order

- **38 questions, but answers to all not necessary**

- Jurisdiction: FERC extensively highlights state/federal interplay.
 - PJM does not need to resolve potential federal/state conflicts for all 13 states.
 - PJM should develop a flexible framework consistent with its regulatory authority.
 - » If existing state laws conflict, parties can seek rule changes at the state level or look to develop in states where no conflict exists.

- **Only 4 Policy Areas Need Be Addressed**

- 1. Transmission and Ancillary Services Charges**

- FERC directs consideration of how different configurations take transmission service or otherwise benefit from the transmission system as a means to determine appropriate cost allocation.
- Clarification on cost responsibility for transmission upgrades needed to accommodate configurations.

- 2. Resource Adequacy Concerns**

- Not a concern specific to co-located load, so not an impediment to accommodating new co-location arrangements.
- To address load growth in general, focus on transparency and notice with respect to integration of all new large loads and impact on planning to address resource adequacy.
- For all loads, look for options to enhance flexibility and responsiveness.

- 3. Capacity Market Participation**

- Whether existing capacity market rules allow for appropriate accounting of capacity contributions associated with co-located arrangements.

- 4. Necessary Study Process**

- Is the Necessary study process sufficient to address reliability issues raised by these configurations?

Path Forward

- **Vistra sees reasonable path forward that addresses the identified policy needs expeditiously.**

- **Transmission and Ancillary Services Charges**

- Revise rules to enable configurations to be responsible for costs associated with services they take, and benefits received, from the transmission system.
 - Fact specific evaluation of the configuration to identify specific services.
 - Netting
 - » Applies to transmission usage
 - » May not apply to some ancillary service cost responsibility.
 - » Reasonable netting rules could obviate the need to argue about whether all load needs to be network load
 - Consider possible penalties for unreserved use of transmission if configuration designed not to use the transmission system

- **Resource Adequacy Concerns**

- Enhance load forecasting and develop notice rules to better enable PJM to account for new large loads, including co-location configurations, in planning.
 - Account for realities regarding when timing for integration of configurations to more accurately address resource adequacy concerns.
 - Large load configurations are not fully integrated onto the system on day 1.
 - » This reality likely addresses, in large part, concerns about notice.

- **Capacity Market Rules**

- Evaluation of ability of generators to meet needs of grid during periods of system stress.
 - Consider options to allow a resource to be eligible to provide capacity, if a configuration allows the generator to serve the grid during times of system stress

- **Need for Reliability Studies**

- No demonstrated need for additional studies beyond the Necessary Study Process
 - Resource adequacy has never been part of the study process for interconnections.