

# Order 1000 Compliance Strawman

RPPTF  
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- Option 1
  - PJM identifies needs through planning process
  - PJM identifies most effective solution
  - Pre-qualified entities offer to build project
  - PJM selects builder based on defined process (TBD)
  
- Option 2
  - PJM identifies needs through planning process
  - Pre-qualified entities submit proposals
  - PJM identifies most effective solution among proposals
  - PJM assigns project to proposer

- What range of needs/solutions should be subject to this process?
  - Reserved for incumbent Transmission Owner in Order 1000
    - Upgrades to existing facilities
    - Facilities in existing transmission owner ROW
    - Facilities whose costs are assigned to a single zone
    - Facilities that are not included in a TP's regional transmission plan for purposes of cost allocation

## Overarching Issues Under Option One:

- Although PJM retains its full authority as the planner, the designation process now becomes a “procurement-type” process.
  - Is this an appropriate role for the RTO?
  - What criteria should PJM use to choose among different pre-qualified developers?
  - How do we avoid litigation on each selection choice?
  - Is the tariff very specific on criteria or does it provide discretion afforded to PJM to weigh various identified factors?

## “Drill Down” Issues re: Option One

- How do you distinguish between degrees of financial viability or technical capability?
- What certainty should be established around how functions such as maintenance and control room operation will be performed?
- Should a price estimate be a determinant?
  - Should project price bids be fixed costs? If so, what process would be used to justify overruns?
  - If prices are only estimates, what justification should be provided for why one party can do the job cheaper than another?
  - Should construction caps be considered by PJM or left to the regulatory process at the state and federal level?

## “Drill Down” Issues re: Option One

- Assuming two entities are legally able to obtain a CPCN (in states where applicable), what weight should PJM give to the relative difficulties of each entity and proposal to obtain siting approval?
  - If yes, what level of specificity vs. language affording discretion for PJM to weigh identified factors be stated in the tariff?
  - If no, how does PJM assure that its obligations to ensure a reliable grid be maintained?
  - Order 1000 provides a “back-stop” process for incumbents to come in and propose solutions if merchant projects are not meeting their timeline (para.342). How should the propose tariff address this right?

### Overarching Issues re: Option Two

- Is it appropriate to define PJM's role as analyzing specific submitted proposals?
- What if no proposal resolves need?
  - Put out more information and open another proposal window?
  - Select proposal that is closest to resolving need and work with proposer to make necessary modifications?
  - PJM no longer constrained by submitted proposals, identifies its own solution and solicits entities to build as per Option 1?
  - In this instance, is it then appropriate to simply designate the incumbent T.O. due to the lack of acceptable proposals from qualified merchants and the need to timely move forward?

## Option Two “Drill Down” Issues

What if some other solution resolves a wider range of needs?

- Put out more information and open another proposal window?
- Select proposal that is closest to optimal solution and work with proposer to make necessary modifications?
- PJM no longer constrained by submitted proposals identifies its own solution and solicits interested builders as per Option 1?
- PJM identifies solution and due to the lack of an accepted submitted proposal, simply designates incumbent TO?



### Option Two “Drill Down” Issues

- How do we deal with flood of proposals as experienced by Cal ISO?
  - Require that proposer identify need addressed by proposal and support with analysis?
  - Impose a non-refundable deposit to submit a proposal?
- Do the proposals contain binding cost estimates? If not, how should PJM take that into account in weighing options?

### Option Two “Drill Down” Issues

- Tariff Design--- How specific is the tariff in how PJM chooses among proposals vs. providing PJM discretion to weigh criteria identified in the tariff?
  - Competing concerns: Need for specificity per Order 1000 vs. avoiding yet another “bright line” criteria that limits flexibility and reasoned discretion.

*Goal: Retain PJM discretion to propose projects if suitable alternatives not identified.*

- PJM not constrained by submitted proposals (as in Option Two) but can devise a solution and solicit entities to build that solution (as per Option One).
- If submitted proposals **are** identified as appropriate under Option Two approach, then entity submitting the proposal has right to go forward (subject to pre-qualification)

*Goal: Retain concept of pre-qualification but provide flexibility in its application.*

- Pre-qualified list established to avoid flood of proposals from entities not legally or financially able to build *but* flexibility provided for entities to get quickly pre-qualified to respond to specific identified proposals and specialized projects (SVCs et al.)

*Goal: Retain concept of pre-qualification but provide flexibility in its application (cont'd)*

- Notwithstanding early pre-qualification process, the process of identifying needs and potential solutions is open to all participants---i.e. pre-qualification does not become block to submission of ideas and proposals

*Goal: Encourage collaboration and jointly sponsored proposals.*

- Establish tariff incentives for collaboration and consideration of jointly submitted proposals
- Ensure time set aside for entities to combine/collaborate on joint projects both at submission stage and prior to final designation.

## *Additional areas for choosing best of options one and two?*

- Proposals must be fully developed (“not just lines on a map”) to facilitate PJM review process
- More detailed processes established for meeting needs with longer time horizons so as to maintain flexibility for timely action on near term/smaller projects.
- Other issues for establishment of hybrid?