

ATLANTIC WIND CONNECTION COMMENTS

ON PJM ORDER NO. 1000 FILING

PRESENTATION AT SEPTEMBER 7, 2012 RPPTF MEETING

Re: Multi-Driver Approach

The absence of the Multi-Driver Approach in the October 11th Order No. 1000 Compliance Filing would render that filing woefully inadequate in meeting the public policy requirements of Order No. 1000 and 1000-A. PJM played an important part in the Commission's investigation in Docket AD09-8 that ultimately led to the issuance of Order No. 1000. PJM's comments in that docket, including its September 21, 2009 White Paper, acknowledged the failings in its RTEP process and the need to abandon bright line planning criteria because, among other things, it does not allow for the consideration of transmission needed to meet public policy requirements-- such as renewable portfolio standards. PJM recommended that the Commission initiate a rulemaking, which of course led to the Order No. 1000 Final Rule.

Yet, PJM's proposed compliance filing as articulated at the September 7th RPPTF meeting would leave its RTEP process almost completely where it was when PJM filed its comments in 2009. There is no change in the reliability or market efficiency bright line tests. And, despite PJM's Order No. 1000 compliance obligation with respect to cost allocation, the issue of cost allocation has been taken out of the Order No. 1000 compliance process and left in the hands of the incumbent transmission owners to deal with as they choose in a separate Section 205 filing.

In 2009 anyone could propose a project for any purpose if they agreed to bear 100% of the cost (a participant funded project). Under PJM's Order No. 1000 compliance proposal, the only way a transmission project could get built to address public policy needs would be for one or more states to sponsor the

project and fund 100% of the cost –completely outside the RTEP Plan (“State Agreement Approach”). No filed mechanism will exist to deal with projects that have a portion of their benefits directed toward public policy needs. In other words, the same non-RTEP participant funded approach that has always existed. PJM’s compliance filing will not include any mechanism for a project designed to meet public policy needs to get into the PJM RTEP.

In 2009, PJM would complete transmission studies requested by any state. Yet, now PJM points to its willingness to do studies for the states of public policy transmission issues as its sole effort to comply within the public policy requirements of its proposed Order No. 1000 compliance filing (PJM has called this the “FYI” process).

The fact that PJM’s suggested approach does not comply with Order No. 1000 has been pointed out by many stakeholders, not just AWC. For example, see the attached April 25, 2012 joint findings of AEP, Duke, and Exelon on the need for PJM to develop a methodology that selects projects for inclusion in the RTEP on the basis of an aggregation of multiple drivers including public policy drivers. At the June 29th RPPTF meeting, AEP, Duke and Exelon also submitted examples of the different ways to implement the Multi-Driver Approach including with respect to public policy drivers. (see attached) These three companies account for over half of PJM’s load. In addition, the Delaware, District of Columbia and Maryland Public Service Commissions sent a joint letter to PJM dated June 28, 2012, to point out that the State Agreement Approach does not comply with the public policy requirements of Order No. 1000 particularly with respect to its participant funded approach to cost allocation and the lack of a mechanism for cost allocation that recognizes all beneficiaries. These three states bring the level of PJM stakeholders that share this view to a very large majority. In addition, also attached hereto are the comments of the NGO’s at the August 10th RPPTF meeting, strongly pointing out the failures of PJM’s approach to dealing with the public policy requirements of Order No. 1000.

To the extent PJM takes the position that it's compliance filing is sufficient without the Multi-Driver approach and is implying that any further filing to add the Multi-Driver approach would be handled through a future Section 205 filing, this would not only be inaccurate but it would be an insult to everyone that has participated in the PJM RPPTF process for close to two years hundreds of people have participated in good faith in the RPPTF compliance process and invested thousands of hours over the last two years on this compliance effort. It would be unconscionable to abandon such a significant compliance issue on the eve of the filing. Moreover, one of the reasons Order No. 1000 rulemaking was needed is because of the difficulty in getting the kind of stakeholder super-majority vote needed for a Section 205 filing. That is simply not a good faith alternative.

PJM must comply with the requirement to allow a project into its RTEP that will address public policy needs and any such project must be subject to an RTEP cost allocation methodology that allocates costs to beneficiaries and does not rely entirely on a participant funded approach. As AWC pointed out in its June 8th comments (attached hereto) on the public policy requirements of Order No. 1000:

- “[A] transmission facility proposed to address a Public Policy Requirement must be eligible for selection in a regional transmission plan for purposes of cost allocation and must not be designated as a type of transmission facility for which the cost allocation method must be determined only on a project-specific basis. . . If a regional transmission plan determines that a transmission facility serves several functions. . .the regional cost allocation method must take the benefits of these functions of the transmission facility into account in allocating costs roughly commensurate with benefits.” (Order No. 1000 at P 690)**
- “[The Commission] affirm[s] Order No. 1000’s determination that participant funding is permitted, but not as a regional or interregional cost allocation method.” (Order No. 1000-A at P 726)**

The fact that PJM is still grappling with whether the allocation of costs between reliability, market efficiency and public policy should be fixed for all time or subject to change in future years is no reason to indefinitely delay inclusion of PJM's commitment to the Multi-Driver Approach in its Order 1000 compliance filing. PJM is still grappling with many issues that will be resolved over the next month, this is no different. Other ISO's have been able to deal with this issue even before the issuance of Order No. 1000. The RPPTF process has had 2 years to deal with it for PJM. The time to deal with this issue is now---not down the road.

There are only two reasonable options that honor the views of all stakeholders:

- 1) Include the Multi-Driver Approach which addresses public policy requirements in the October 11th compliance filing so everyone can file comments on this one issue and let FERC decide; or**
- 2) Include PJM's commitment to the Multi-Driver approach in the October Filing, explain this is the one open issue and commit to supplement the October 11th Filing within one month with the necessary details to address this issue.**