

Atlantic Wind Connection Comments on Public Policy Requirements of Order Nos. 1000 and 1000-A

**PJM Regional Planning Process Task Force
Friday June 8, 2012 – RPPTF Meeting**

BACKGROUND

- “Order No. 1000 requires that public utility transmission providers amend their [Open Access Transmission Tariffs] to provide for the **consideration** of transmission needs driven by Public Policy Requirements.” (Order No. 1000-A at P 318)
- “‘Public Policy Requirements’ shall refer to policies pursued by state or federal entities, where such policies are reflected in enacted statutes or regulations, including but not limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations.” (PJM Operating Agreement 1.38B)

BACKGROUND

- “By ‘consideration,’ [of transmission needs driven by public policy requirements] Order No. 1000 explained that this included:
 - (1) the **identification** of transmission needs driven by Public Policy Requirements; and,
 - (2) the **evaluation** of potential solutions to meet those identified needs.”(Order No. 1000-A at P 320)

Identification and Evaluation of Transmission Needs

- **Requirements:**

- “[W]ith respect to the identification of transmission needs driven by Public Policy Requirements, the process must [provide] stakeholders with an opportunity to provide input and offer proposals...” (Order No. 1000-A, at P 320)
- The process must allow for “stakeholders to submit their views and proposals for transmission needs driven by Public Policy Requirements in a process that is open and transparent and satisfies all of the transmission planning principles set out in Order Nos. 890 and 1000, and that there is a record for the Commission and stakeholders to review to help ensure that the identification and evaluation decisions are open and fair, and not unduly discriminatory or preferential. . .The OATT . . .will set forth the process for permitting stakeholders to provide input and for determining which proposed transmission needs will be identified for evaluation.” (Order No. 1000-A, at P 321)

Identification and Evaluation of Transmission Needs (continued)

- “Even if a public utility transmission provider takes a less active approach on this issue, our expectation is that interested stakeholders will participate and suggest transmission needs driven by Public Policy Requirements. An open and transparent transmission planning process will identify those transmission needs that should be evaluated, regardless of whether they are suggested by the public utility transmission provider or by an interested stakeholder.” (Order No. 1000-A, at P 322)
- “[The Commission] disagrees with PSEG Companies’ argument that, by requiring the development of a process, we are somehow getting ahead of the states’ own public policy efforts. Nothing in the development of this process preempts or conflicts with state-level public policy efforts. Indeed, Order No. 1000 and state-level Public Policy Requirements should be complementary—Order No. 1000’s intent is to establish a space in the transmission planning process to identify transmission needs driven by Public Policy Requirements and to evaluate potential solutions to identified needs.” (Order No. 1000-A, at P 330)

Cost Allocation for Public Policy Transmission Facilities

- “[T]he lack of clear *ex ante* cost allocation methods that identify beneficiaries of proposed regional and interregional transmission facilities may be impairing the ability of public utility transmission providers to implement more efficient or cost-effective transmission solutions identified during the transmission planning process. The Commission also found that linking transmission planning and cost allocation through the regional transmission planning process would increase the likelihood that transmission facilities in regional transmission plans are constructed.” (Order No. 1000-A, at P 556)

Cost Allocation for Public Policy Transmission Facilities (continued)

- “[I]f the public utility transmission provider is an RTO or ISO, then the cost allocation method or methods must be set forth in the RTO or ISO OATT.” (Order No. 1000-A, at P 593)
- “[E]ach public utility transmission provider [must] have in place a method, or set of methods, for allocating the costs of new transmission facilities selected in the regional transmission plan for purposes of cost allocation.” (Order No. 1000-A, at P 613)
- “Each regional transmission planning process must provide entities who will receive regional or interregional cost allocation an understanding of the identified benefits on which the cost allocation is based.” (Order No. 1000-A, at P 624)

Cost Allocation for Public Policy Transmission Facilities (continued)

- “[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)

Atlantic Wind Connection's Proposal for PJM's Compliance Filing: Public Policy Requirements

- (1) Permit any stakeholder to raise a public policy requirement and to propose a transmission solution for consideration
- (2) Consider transmission solutions to public policy requirements including renewable portfolio standards (“RPS”) requirements
- (3) States can, but need not, identify their preferred source of renewable energy.
- (4) Transmission solutions that best meet states’ RPS needs will be selected unless a state indicates that it does not want PJM to plan for its RPS needs.
- (5) Proposed solutions that address multiple needs or drivers, including public policy requirements, will be considered.
- (6) The cost allocation methodology for public policy projects will be based a beneficiary pays model.
- (7) A cost allocation methodology for public policy projects will allocate costs to other drivers / needs met by public policy projects.
- (8) The tariff will expressly invite the Federal government to identify federal public policy requirements to be considered by PJM in its review of **any** proposed transmission solution such as national security, national energy objectives or policies, National Interest Electric Transmission Corridors, new science and technology considerations, etc.