



Multi-Driver Project Discussion

RPPTF
October 29, 2012

Reliability Solution

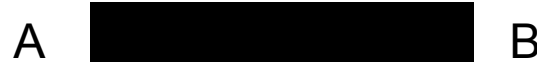


Cost - \$ X

Justification based on reliability criteria

Cost allocation for X based on reliability rules per transmission owner filing

Reliability & Market Efficiency Solution

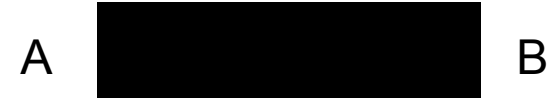


Cost - \$ Y

Justification for $Y - X$ incremental element based on market efficiency criteria – $\text{Benefit} > 1.25(Y - X)$

Cost allocation for Y based on reliability rules per transmission owner filing

Reliability, Market Efficiency & Public Policy Solution



Cost - \$ Z

Justification for $Z - Y$ incremental element based on State Agreement Approach

Cost allocation for Y based on reliability rules per transmission owner filing; cost allocation for $Z - Y$ specified by states agreeing to project increment

- Reliability, market efficiency and public policy needs would be addressed within same RTEP cycle
- Reliability drivers based on violations of reliability criteria or operational performance issues
- Market efficiency drivers based on existing Schedule 6 benefit/cost ratio test
 - Congestion events identified through production cost simulations
 - Transmission solutions evaluated in production cost simulations based on reduced system production cost and reduced zonal net energy payments
- State public policy drivers identified by states---impacts on specific projects discussed with TEAC.

- Commitment by states to incremental public policy component would have to be coordinated with approval of reliability and market efficiency upgrades
 - Absent commitment by states, would revert to solution to only reliability and market efficiency needs
 - Could result in reliability projects proceeding due to time requirements and public policy project commitments coming later
 - May also have timing issues with shorter-term, small scale, low risk reliability projects being replaced by long-term, large scope, riskier multi-driver projects

- Reliability and market efficiency needs are reassessed in subsequent RTEP cycles
- States may also reassess their commitment to public policy component of project
- If any component is eliminated, remaining components must justify a greater portion of project or project would be removed and new solution identified

- How are project costs assigned to reliability, market efficiency, and public policy drivers? (Prioritization impacts cost allocation)
 - Hierarchical approach
 - Reliability first, order other drivers
 - Identify solutions for drivers, costs, stack inc. costs, allocate according to rules
 - Works well for current reliability/M.E. approaches - multi-driver project an enhancement to the reliability project
 - Market efficiency criteria may not be satisfied to identify a stand-alone upgrade but would be satisfied for an increment
 - Equal priority approach
 - Identify solutions for drivers, compare to total cost of most effective multi-driver solution package
 - Pro-rate costs of individual solutions down to cost of multi-driver solution package, costs go into respective bucket, allocate according to associated rules
 - Works better - new project resolves multiple drivers, each resolved by smaller individual projects
 - Other? Combination?

- What happens to project assignments if/when system conditions change, state participation is removed, other factors change?
 - Justify project, redistribute project cost to the other drivers
 - Eliminate the project and establish a new project based on the remaining drivers
 - Retool the project and redistribute project costs to the other drivers
 - Other?

- Once project is constructed, is assignment among buckets updated in future as system needs/uses change?
 - How?
 - Creates same problem with trying to re-allocate projects over time using existing Violation-based DFAX approach

- How are project cost overruns allocated when a project is in the construction phase?
 - Pro-rate across all drivers
 - Other

- How should multi-driver process handle the inclusion of other drivers?
 - Operational Performance
 - In Operating Agreement and described in PJM Manuals
 - Tests are based on operating experience and judgment

- How should multi-driver process handle the inclusion of other drivers?
 - Aging Infrastructure
 - Included in the Operating agreement
 - Typically supplements reliability or market efficiency driver when choosing among alternatives

- How should multi-driver process handle the inclusion of other drivers?
 - Generation Interconnection Projects