



# RPPTF

*Toll-free call-in number 866-398-2885*

*Passcode: 934672*

March 14, 2013

9:30 am, Eastern Standard Time

- Review Action Items
  - Fran Barrett
- Market Efficiency – Open Item – Inclusion of ISA & FSA Units
  - Paul McGlynn
- Multi-Driver Use Cases and Pro/Cons
  - Steve Herling
- Order 1000 Interregional update
  - Paul McGlynn
- RPPTF Tasks and Schedule
  - Fran Barrett

- 9:30 Call to Order
  - Roll Call Announcements
- 9:45 Action Items
- 9:55 ME Inclusion of ISA/FSA Units
- 10:15 Working Session
- 12:00 Lunch
- 12:45 Continued Pros/Cons/Requirements
- 1:45 Interregional Update
- 2:30 Tasks Schedule

- Status - The Market Efficiency discussion has been tabled
- As we concluded the ME dialog, a topic arose associated with the potential to include FSA units. An approach was requested to:
  - permit PJM to remove select item(s) from ME analysis,
  - reduce modeling error due to completion, technological or timing risks resulting from large generation (e.g. nuclear generation station) and or transmission ( $\geq 500\text{kV}$ ) projects
  - ensure a large project and or associated planned transmission does not skew or mask likely congestion should the project not proceed
  - allow PJM to exercise judgment and care
  - be designed to enable transparent and clear communications to stakeholders
  - ensure any true-up to the analysis would be made in the subsequent annual RTEPP

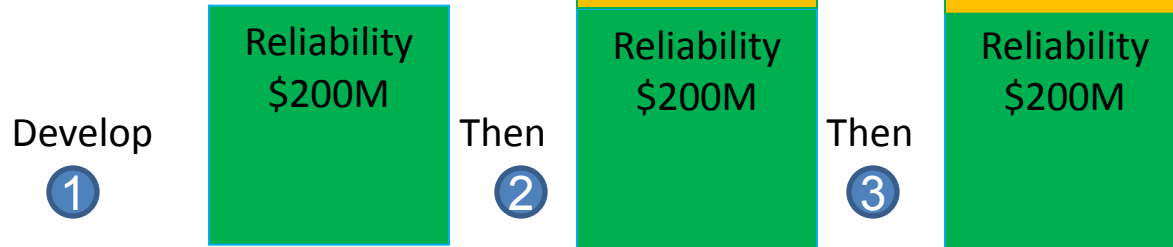
# RPPTF – *Multi-Driver Use Cases and Pro/Cons/Requirements*

*Note: This session is intended as a working session to capture stakeholder ideas - the following Pros/Cons/Requirements are supplied to “seed” the dialog.*

# Use Case #4 – “Incremental Only”

Would you support an “incremental” assignment of benefit to contemporaneous projects of different driver type to resolve a planning objective?

*Estimated Cost of 3 Projects in isolation = \$800M  
(R\$200M, ME\$100M, PP\$500M)*



Approach suggests an incremental (direct) apportionment by driver type

Resulting Combined Solution = \$600M

Order of solution development and analysis of apportionment

- Reliability (R) upgrades and projects must always be pursued, therefore Reliability customers are never harmed
- Leverages economic utility of multiple projects to efficiently accomplish more robust solution
- For Market Efficiency (ME), only need to justify incremental cost against benefits/costs test
- States – likely view as a “pro” as cost of the Public Policy (PP) portion is reduced

- May be perceived as unfair or inequitable to Reliability customers
- No distribution of economic efficiency applied to the R Projects
- When PP is overlaid upon R and or ME, perception of PP receiving underlying benefits (free rider)
- Risks: Pursuing bigger/better/more robust solution
  - Siting
  - Completion
  - Project delay(s)
  - Attendant costs
- Timing of State decision
  - May not be consistent with timing of underlying R project (PP Project may miss the bus)





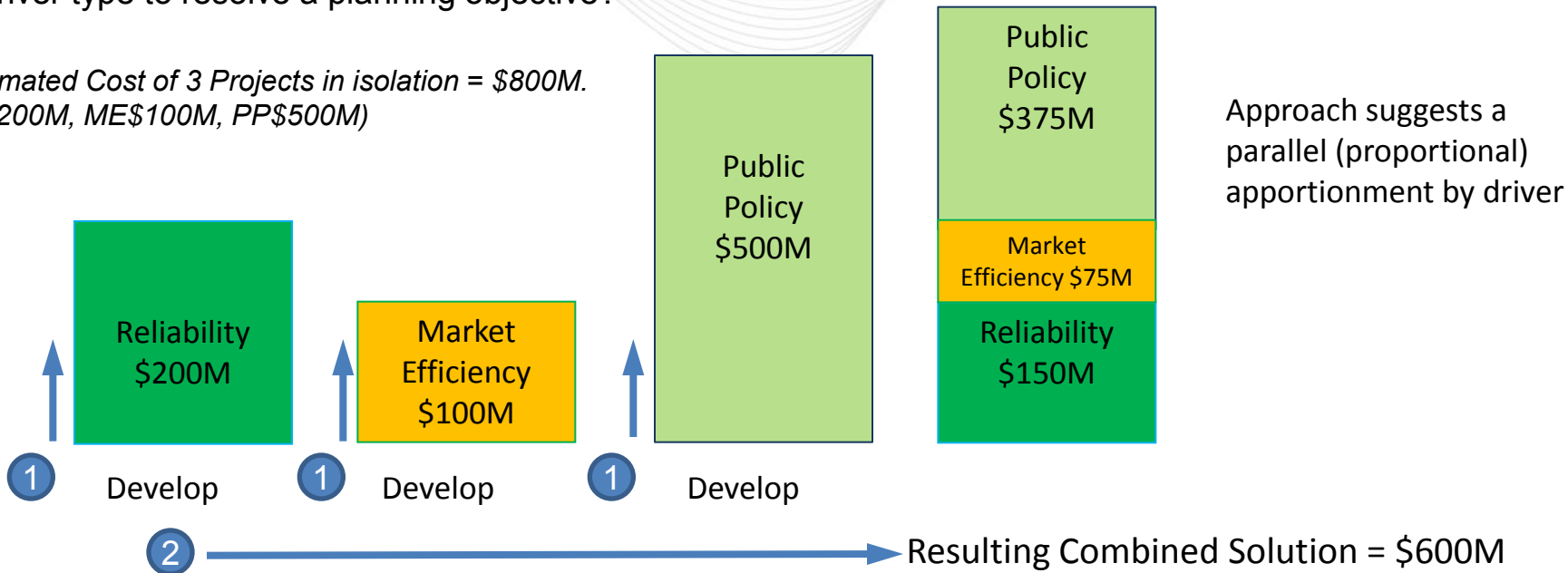
# Incremental - Requirements

- Requires a hierarchy (R, then ME, then PP)
  - (rules of the road)

# Use Case #5 – “Parallel Only”

Would you support an assignment of benefit by “apportionment” across contemporaneous projects of differing driver type to resolve a planning objective?

*Estimated Cost of 3 Projects in isolation = \$800M.  
(R\$200M, ME\$100M, PP\$500M)*



Approach suggests a parallel (proportional) apportionment by driver

- Leverages economic utility of multiple projects to efficiently accomplish more robust solution
- All drivers equitably share in a proportional dollar-weighted apportionment of aggregate cost reductions
- Perceived as fair and equitable. All Drivers benefit.
- Often not best opportunity for incremental solutions or developments that a parallel approach will likely solve
  - Corollary – For PP, it is reasonably likely that States will desire a distinct, single state incremental, and unique solution – whether chosen or not
  - requires a self check and carries perceptions of self interest

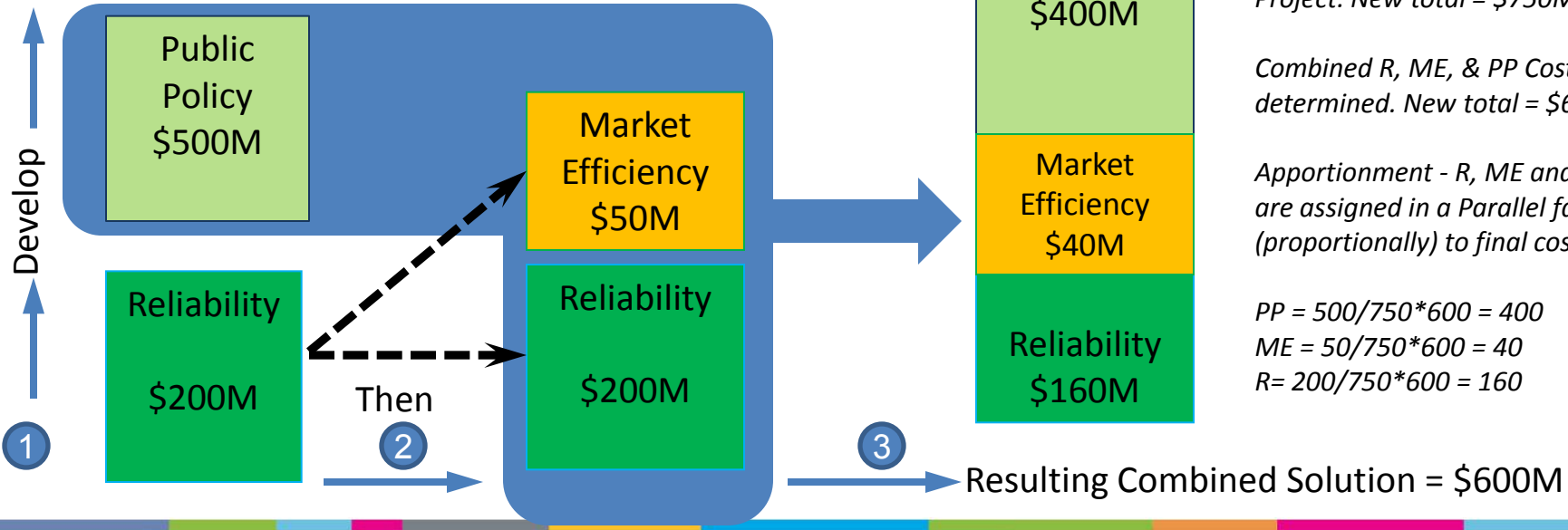
- Cost serves as the ratio share to determine apportionment
  - Attendant controls necessary to ensure least cost construction
- May not be a standalone ME solution that passes the benefit/cost ratio test
- Risks: Pursuing bigger/better/more robust solution
  - Siting
  - Completion
  - Project delay(s)
  - Attendant costs
- Timing of State decision
  - May not be consistent with timing of underlying R project (PP Project may miss the bus)
- State – PP share of cost may be perceived as increased
  - (however, remains lower cost than if pursued in isolation)



# Parallel - Requirements

# Use Case #6 - Incremental for R+ME then Parallel

R & PP approach developed, then R + ME developed.  
 Estimated Cost of 3 Projects in isolation = \$800M.  
 (R\$200M, ME\$100M, PP\$500M)



3 projects in isolation = \$800M

First Pass – ME project costed incrementally with identified R Project. New total = \$750M

Combined R, ME, & PP Cost determined. New total = \$600

Apportionment - R, ME and PP costs are assigned in a Parallel fashion (proportionally) to final cost.

$$PP = 500/750 * 600 = 400$$

$$ME = 50/750 * 600 = 40$$

$$R = 200/750 * 600 = 160$$

# Incremental for R+ME then Parallel - Pros

- Leverages economic utility of multiple projects to efficiently accomplish more robust solution
- R Projects share in distribution of economic efficiency (second pass with PP)

- No distribution of economic efficiency applied to R projects (first pass)
- Timing of State decision
  - May not be consistent with timing of underlying R project (PP Project may miss the bus)
- State – PP share of cost may be perceived as increased
  - (however, remains lower cost than if pursued in isolation)





# Incremental for R+ME and Parallel - Requirements

# PJM Recommendations *(to date...)*

*Note: Must still advance the concepts around generation interconnection.*

- Continue practice of incremental development and apportionment for Reliability (R) and Market Efficiency (ME) Projects
  - Look for opportunities to make R upgrades more robust to accommodate ME upgrades/projects
  - Continue practice of incremental development and apportionment for Reliability (R) and Market Efficiency (ME) Projects where the solution is physically unrelated to R solution.
- Apportion Public Policy (PP) projects incrementally for physical upgrades to identified R and or ME Projects
  - Seek opportunity to identify more robust / bigger solutions to enable PP adoption

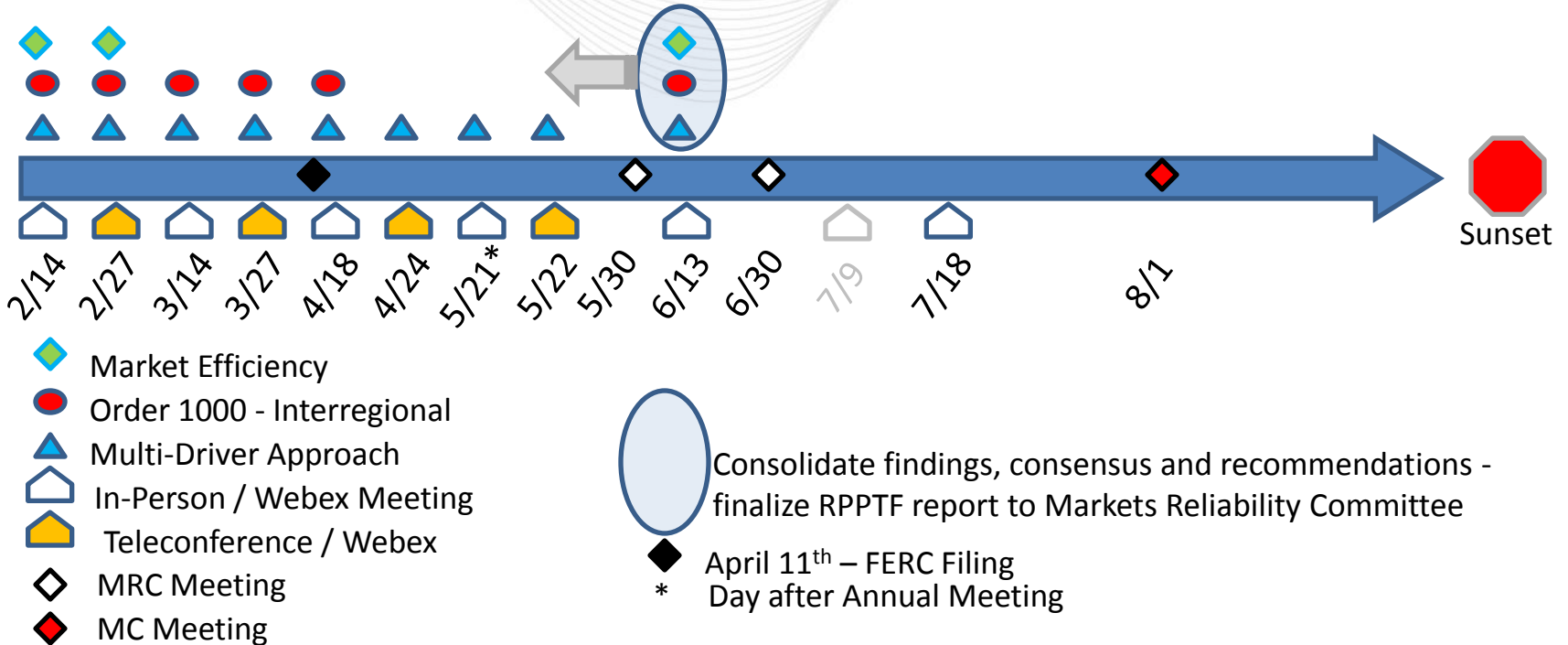
- Apportion R, ME and PP in a parallel fashion for a solution involving contemporaneous R, ME and PP projects
  - A “combined” solution may not reflect the same discrete elements or locations and an overarching solution may replace some or all individual R, ME, & PP elements
  - Combine R & ME incrementally, even if “combined” solution does not reflect the same discrete elements or locations



# RPPTF – *Order 1000 Interregional update*

# RPPTF – *Tasks and Schedule*

- Market Efficiency
  - Benefit/Cost (tabled)
  - Generator Expansion (tabled)
  - Adjusted Production Cost (tabled)
  - Consideration of Large Projects-Inclusion of ISA&FSA Units(to be addressed)
- Multi-Driver Approach
  - Reliability (in process)
  - Market Efficiency (in process)
  - Public Policy (in process)
  - Generator interconnection (pending)
- Order 1000
  - Regional Compliance Filing (filed)
  - Interregional Compliance Filing (in process)





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