

## Principles of Planning for Multi-driver Projects to Support Cost Allocation

(adopted March 7, 2014 by the Section 205 Working Group of the Consolidated Transmission Owners Agreement Administrative Committee)

The Section 205 Working Group (“TO Group”) anticipates preserving, as set forth below, the principles of cost allocation for those costs determined through the PJM planning process to be associated with the individual drivers of a multi-driver project. These principles are subject to review and modification as Schedule 6 of the Operating Agreement undergoes development pursuant to the RPPTF stakeholder process.

1. The costs associated with each individual driver shall be cost allocated in accordance with the principles for that project type as defined in the PJM Tariff and the PJM Operating Agreement.
  - a. The planning process will determine to what extent each of the drivers individually contributes to the size, scope and estimated cost of the project.<sup>1</sup>
  - b. The percentage contribution of each driver to the multi-driver project will be determined by PJM, as informed by the open planning process, at the time the project is submitted to the PJM Board for approval and will be the basis for apportioning the cost of a multi-driver project into driver buckets.<sup>2</sup> The percentage contribution will not be re-visited in the future except if the project is modified in accordance with paragraph 3.
  - c. To the extent a multi-driver project is developed on an incremental basis, costs apportioned to the original driver will be credited appropriately to reflect benefits provided to the incremental drivers by the original project as follows:
    - i. Where an original project is simply accelerated, there shall be no credit applied to the original project.
    - ii. When an incremental driver causes PJM to modify the original project from a single circuit project to a double circuit project at the same voltage level, then the original project and the incremental driver(s) will each be allocated 50% of the estimated cost of the double-circuit project, i.e., the credit to the original driver will be 50% of the estimate cost of the double-circuit project.

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<sup>1</sup> The current provision (Section (b)(v)(B) of Schedule 12) where the incremental market efficiency modification to a reliability project is cost allocated as if it was approved as a reliability project needs to be reviewed with respect to this principle.

<sup>2</sup> A “driver bucket” is a project type which, now or in the future, is established in the PJM OATT for stand-alone RTEP projects, including, for example: Baseline Reliability, Operational Performance, Economic, State Agreement, and Generation and Merchant Transmission Interconnections. The above list is meant to be exemplary only. Other project types such as Stage 1A ARRs can be included, and related cost allocation should be clarified in the applicable tariff. The final list will be determined at the end of the multi-driver planning process at PJM. In the case of generation and merchant transmission interconnections, if a new multi-driver project would no longer require interconnection ‘but for’ costs, then a portion of the multi-driver project, up to the originally determined ‘but for’ costs would be first allocated to the interconnection customer and the remainder of costs allocated to each other element of the multi-driver project.

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- iii. For all other types of multi-driver projects, the credit shall be determined as follows:
    - Original driver credit will be mathematically equal to the ratio of the estimated incremental cost to the estimated total cost multiplied by the estimated cost of the original driver.
  - iv. In no event shall the credit be less than zero.
- d. Unless otherwise agreed, the costs associated with each driver bucket will be allocated consistent with how those costs would have been allocated had those costs been associated with separate single-driver projects and in accordance with the cost allocation principles previously agreed to by the TO Group and ultimately the FERC accepted allocation principles. This provision does not necessarily result in the specific cost allocations that would have applied to the stand-alone single-driver projects that were displaced by the multi-driver project (see provision 1.e. below).
- e. All cost allocation methodologies will be based on the final voltage level or number of circuits of the multi-driver project.
2. The process by which a project is developed for RTEP shall be in accordance with Section 1.5.6 of Schedule 6 of the Operating Agreement. For purposes of planning for multi-driver projects, PJM shall include only those projects that have been proposed to fulfill needs within a current cycle planning year as the basis for a new multi-driver project.<sup>3</sup> Except as stated in paragraph 3 below, no multi-driver project shall be modified to consider transmission needs not previously considered within the planning cycle after the project has been submitted for board approval.
3. During the subsequent planning cycle, or for out-of-cycle projects that specifically result from unanticipated reliability<sup>4</sup> needs, a new transmission system need can be determined that is solved with an upgrade to an existing or proposed RTEP project. In this case, the modified existing or proposed RTEP project will be reassessed as if it were a new project for purposes of cost allocation.

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<sup>3</sup> The TO Group believes this provision will prohibit "gaming" of the process, where certain beneficiaries may seek to introduce out-of-planning-cycle projects, or modifications to other projects, to meet transmission needs in an attempt to pay only incremental costs for a specific need and thus reduce their cost allocation.

<sup>4</sup> Typical examples of an out-of-cycle reliability need include generation retirements or recently enacted state/federal mandates which were unknown during the part of planning cycle where needs and assumptions were agreed, and for which a project must be developed prior to the next planning cycle.