RPPTF - Multi-Driver Approach (MDA)

Second Read & Market Efficiency Clarification

Revised - April 23, 2014

MRC Meeting, Wilmington, DE

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MDA Elements

- Multi-Driver Project Definition (OA)
- Multi-Driver Project Definition (OATT)
- New MDA Section 1.5.10 (Schedule 6, OA)
  - Insertion of Market Efficiency Clarification (April 23, 2014)
- TOs' notice of proposed changes to OATT for multi-driver projects
  - Schedule 12 draft language and illustrative examples (April 21, 2014 MRC Webinar)

Today's Objectives

- Present a drafting revision as well as a Market Efficiency clarification requested at the last MRC meeting

- Advise MRC of effort to align PJM OA language and proposed TO OATT language

- Request MRC to table item for voting pending alignment of the supporting OA / OATT and timing for stakeholder community to understand any revisions.

MDA Key Points

Proposed language:

- Leverages existing planning processes
  - Need-based Reliability solutions (R)
  - Benefit/Cost-based Market Efficiency solutions (ME)
  - Public Policy-based elements via State Agreement (PP)

- Allows for cohesive combinations to augment current R+ME and standalone PP methods

MDA Key Considerations

- MDA principles provide PJM planning methods to develop multi-driver project combinations as part of annual RTEP
  - Parallel (combining standalone projects)
  - Incremental (adding ME or PP project “on top” of a R project)
- Office of the Interconnection to apportion respective value of combination(s)
- NOTE: Cost Allocation determined by Transmission Owners (TOs) via Section 205 Filing

MDA Revision

Multi-Driver Project OA Language Draft Section 1.5.10

(b) A Multi-Driver Project may contain an enhancement or expansion that addresses a state Public Policy Requirement component only if: (i) a state governmental entity(ies) voluntarily agrees to be responsible for the allocation of all costs apportioned to the state Public Policy Requirement component of the Multi-Driver Project pursuant to Section 1.5.9 of this Schedule 6; (ii) there is an associated FERC filed and/or accepted allocation permitting recovery of all costs apportioned to the state Public Policy Requirement component of the Multi-Driver Project; and (iii) the PJM Board of Managers has approved the inclusion of the state Public Policy Requirement component in the Multi-Driver Project.

MDA - Market Efficiency Clarification

Multi-Driver Project OA Language Draft Section 1.5.10

(g) The benefit metric calculation used for evaluating the market efficiency portion of a Multi-Driver Project will be based on the final voltage of the Multi-Driver project using the Benefit/Cost Ratio calculation set forth in section 1.5.7(d) of this Operating Agreement where the Cost component of the calculation is the present value of the estimated cost of the enhancement apportioned to the market efficiency portion of the Multi-Driver Project for each of the first 15 years of the life of the enhancement or expansion.

Next Steps

- Procedural effort to align OA and OATT work products
- Publish final OA & OATT redlines
- MRC/MC consideration and vote on RPPTF language with complete understanding of proposed, revised Cost Allocation formula for Multi-Driver projects
  - May 29, 2014 MRC