

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

**Joint Federal-State Task Force on
Electric Transmission**)
)

Docket No. AD21-15-000

**COMMENT OF PJM INTERCONNECTION, L.L.C.
ON AGENDA TOPIC FOR FOURTH PUBLIC MEETING**

Pursuant to the Federal Energy Regulatory Commission’s (“Commission”) May 23, 2022 Notice Announcing Meeting and Inviting Agenda Topics,¹ PJM Interconnection L.L.C. (“PJM”) recommends herein an agenda topic for the fourth public meeting of the Joint Federal-State Task Force on Electric Transmission (“Task Force”). The May 23 Notice requested proposed agenda items “with a focus on topics related to planning and paying for transmission, including transmission to facilitate generator interconnection, that provides benefits from a federal and state perspective.”²

On June 1, 2022, PJM filed comments addressing issues discussed at the Task Force’s third public meeting.³ In its comments, PJM summarized six potential alternative policies for allocating the costs of interconnection-related network upgrades (the “Six Options”).⁴ These options were developed through a series of stakeholder meetings that PJM commenced prior to the issuance of the ANOPR and continuing to the present. As PJM explained in its Initial ANOPR Comments, each of the Six Options provides a potential path to planning for future generation, including

¹ *Joint Federal-State Task Force on Electric Transmission*, Notice Announcing Meeting and Inviting Agenda Topics, Docket No. AD21-15-000 (May 23, 2022) (“May 23 Notice”).

² *Id.* at 2.

³ *See Joint Federal-State Task Force on Electric Transmission*, Post-Meeting Comments of PJM Interconnection, L.L.C., Docket No. AD21-15-000, at 5-10 (June 1, 2022) (“June 1 Comments”).

⁴ *See* PJM June 1 Comments at 5-10. *See also Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*, Initial Comments of PJM Interconnection, L.L.C., Docket No. RM21-17-000, at 50-58 (Oct. 12, 2021) (“PJM Initial ANOPR Comments”). PJM has excerpted the relevant portion of its June 1 Comments, which includes a summary of the Six Options, and included it as Attachment A to this filing.

renewable resources, in a way that does not rely solely on the interconnection queue process. Rather, the options provide an approach that can address more than a single queue project and would allow for long-term planning for future generation that would be anticipated to meet state renewable goals.

PJM presented the Six Options not to advocate for one or the other, but instead to summarize the thoughtful discussion that stakeholders have had in the PJM Region on each of these potential alternative cost allocation approaches. PJM believes that it could be beneficial for the Task Force members to further discuss the Six Options, which are included in Attachment A hereto, as part of the fourth public meeting of Task Force as potential “straw proposals” that could help to guide the discussion.⁵

PJM looks forward to continuing to work with the Commission, the Task Force, the States, and stakeholders on these important issues.

Respectfully submitted,

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On behalf of PJM Interconnection, L.L.C.

Dated: June 6, 2022

⁵ Of course, other options could also be added and put forward for discussion. PJM resubmits these Six Options that it first presented in its Initial ANOPR Comments as a starting point for a suite of options that could be considered.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on those parties on the official Service List compiled by the Secretary in these proceedings.

Dated at Audubon, Pennsylvania this 6th day of June, 2022.

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ATTACHMENT A

**Pages from the June 1, 2022
Post-Meeting Comments of
PJM Interconnection, L.L.C.**

Given this background and consistent with the advice of several Task Force members,¹¹ PJM encourages the Commission to avoid issuing any one-size-fits-all rule that could undermine an individual region's queue management reform efforts. This request is particularly important for regions like PJM, which have already sought to proactively address the concerns identified in the Notice in a way that best addresses its stakeholders' diversified and unique needs.

B. The Commission Could Consider Potential Alternative Policies for Cost Allocation for Interconnect-Related Network Upgrades

The Task Force also addressed issues related to who should pay for transmission network upgrades needed to accommodate the interconnection of generators in interconnection queues. In the Notice, the Commission seeks further comment on whether changes are needed to existing generator interconnection-related cost allocation policies and, if so, what improvements should be made.¹² Unlike the Task Force's discussion surrounding the need for change to the interconnection queue process, Task Force members did not reach consensus on how to address cost allocation for network upgrades.¹³

If the Commission finds that a departure from the currently-effective interconnection pricing policies is warranted, PJM believes that the fundamentals of cost allocation for such network upgrades should be addressed on a nationwide basis. PJM has developed with its stakeholders six potential alternative interconnection cost responsibility options (the "Six Options")¹⁴ that could substitute for the present "cost causer pays" rule of Order No. 2003. PJM developed these options in consultation with stakeholders through PJM's Interconnection Policy

¹¹ See *supra* n.8.

¹² Notice at 2.

¹³ See Transcript at 188.

¹⁴ <https://www.pjm.com/-/media/committees-groups/committees/pc/2021/20210722-workshop-3/20210722-item-03-interconnection-policy-reforms-overview-presentation.ashx>.

Workshops and presented the options to the Commission in its ANOPR Comments, not as a PJM endorsement of any particular cost allocation principle, but as alternative options for the Commission's consideration.¹⁵

Each of Six Options provides a potential path to planning for future generation, including renewable resources, in a way that does not rely solely on the interconnection queue process. Rather, these options provide an approach that can address more than a single queue project and would allow for long-term planning for future generation that would be anticipated to meet state renewable goals. All of these options would impact the current cost allocation construct of participant funding for interconnection-related network upgrades in that load serving entities and ultimately their customers would assume some degree of cost responsibility.¹⁶ It is for this reason that PJM presents these not to advocate one or the other, but instead to put into the record the thoughtful discussion that stakeholders have had in the PJM Region on each of these Six Options.

Discussions regarding the Six Options remain ongoing, and implementation and cost allocation details have not yet been fully flushed out. Therefore, PJM provides a very high level review of the Six Options presented in our original ANOPR Comments:

- ***Option 1: State Underwriting for Transmission to Particular Renewable-Rich Areas as Identified by Queue Requests***
 - Based on demand, as identified by the New Services Queue and state policies, states could voluntarily take responsibility for funding network upgrades based on their renewable portfolio goals. States that have high renewable portfolio standards ("RPS") standards and wish to develop a "backbone system" that could ensure the most delivery of these renewables to meet their aggressive goals may wish to consider this approach, obviously depending on the level of costs and the relative

¹⁵ See PJM Initial ANOPR Comments at 50-58.

¹⁶ PJM has also been meeting directly with state commissions to explore these options, discuss how these policy constructs could enable their public policy objectives and flush out their concerns. It is reasonable to expect that if a state would agree to fund new transmission to support the interconnection of its preferred resource types, whether it be one of the Six Options described above or the current State Agreement Approach process detailed in the Operating Agreement, that there would be a commensurate assurance that the transmission would be available for its preferred resource types.

efficiencies of such a backbone system as opposed to relying upon individual upgrades to meeting their RPS targets.

- Potential implementation methods may include the following:
 - Network upgrades that exceed a certain dollar threshold could be presented to states for their consideration as to whether they wish to underwrite these costs under the State Agreement Approach;¹⁷
 - Network upgrades with 10 or more interconnection projects impacting the same facility are provided to the state with an option for the state to support the funding of the facility through assessment to load; or
 - Generators that have impacts on the facility reimburse the state under the terms and conditions set forth in an agreement under the State Agreement Approach process.
- ***Option 2: Enhancing Baseline Upgrades for Transmission to Particular Renewable-Rich Areas as Identified by Queue Requests***
 - Under this approach, the interconnection queue and concentrations of new renewable generation in a particular location, as evidenced by their queue requests, could trigger PJM to undertake a review of whether a more robust solution than individual upgrades would be the most efficient and cost effective way to meet state RPS targets. Unlike the more blanket approach of Option One, the queue would still provide valuable information on what the market indicates are the best locations for new generation so as to avoid states having to underwrite random project interconnections in locations where there are not concentrations of generation.
 - Potential implementation methods may include the following:
 - PJM would examine the queue requests and present to the affected states a potential more robust transmission upgrade solution for those areas where the market, as evidenced by generation in the queue that are expected to move to the ISA stage, indicate an interest. Interconnections in other locations where there is not a critical mass of renewables or more efficient transmission solutions would still be subject to today's participant funding policy. This would have the benefit of incenting generators to locate in optimal renewable-rich locations and ensure the development of a more efficient future grid while still respecting the rights of generation owners to locate at other places on the grid.
 - Cost Allocation: Costs allocated consistent with existing rules.

¹⁷ See Operating Agreement, Schedule 6, section 1.5.9.

- ***Option 3: Option for Transmission Owners to Treat Upgrades as Supplemental Projects***
 - Under Option Three, one would maintain the ‘but for’ responsibilities of the generation owner to fund network upgrades but make clear that transmission owners could elect, under clear guidelines and with load support, to expand the grid to renewable-rich areas as Supplemental Projects. This would maintain the existing drivers of baseline planning grounded in reliability or market efficiency needs and the SAA, but would provide another vehicle for transmission owners to develop requested projects. Clear rules would need to be established to ensure both transparency and nondiscriminatory application of this new potential expansion of what constitutes Supplemental Projects and its interrelationship with upgrades developed through the interconnection process.
 - Potential implementation methods may include:
 - Transmission owners and/or interconnection customers can voluntarily agree to develop upgrades based on queue activity;
 - Project-related costs would still be subject to review by the Commission, but would not be subject to Order No. 1000’s competitive bidding requirements.
 - Cost allocation: Costs assigned to a single Transmission Owner zone consistent with existing cost allocation rules for Supplemental Projects.¹⁸
- ***Option 4: Baseline Upgrades for DOE-Identified Transmission Corridors per the Energy Policy Act of 2005 (“EPAAct 2005”)***¹⁹
 - EPAAct 2005 established a role for the DOE to declare, based on a direct grant of authority from the Congress, that development of projects within a given transmission corridor is in the national interest. Specifically, EPAAct 2005 directed the DOE to create “transmission corridors” in locations that would help to address congestion on the interstate electricity transmission grid. Transmission projects in a certain corridor designated by Congress and DOE to benefit the national interest would potentially allow for a broader allocation of costs when applying the Seventh Circuit U.S. Court of Appeals’ standard that costs must be allocated “roughly commensurate with” benefits.²⁰
 - Potential implementation methods may include:
 - Corridor-designation could be expanded to include reduction in congestion to promote power flows from renewable-rich areas.

¹⁸ See Operating Agreement, Schedule 6, section 1.6(a) (Supplemental Projects are integrated into the RTEP approved by the PJM Board, but are not included for cost allocation purposes).

¹⁹ Energy Policy Act of 2005, Pub. L. No. 109-58, 119 Stat. 594 (2005).

²⁰ *Ill. Commerce Comm’n v. FERC*, 576 F.3d 470, 477 (7th Cir. 2009) (“*ICC v. FERC*”).

- ***Option 5: Enhanced Merchant Funding for New Transmission to Renewable-Rich Areas***
 - Merchant transmission would be the primary vehicle for development of longer-distance transmission facilities (especially high-voltage direct current (“HVDC”) lines) that otherwise would not be needed under today’s planning drivers. Such an approach could place the risks and rewards associated with building new transmission and seeking “anchor tenants” on merchants rather than captive ratepayers. Merchant transmission facilities would still need to be studied in the interconnection queue as to the degree with which they will cause the need for system upgrades consistent with the analysis that is undertaken for them in the interconnection queue today.
 - Cost allocation: Contractual as between merchant and its customers, while complying with open access rules. Load would not be responsible for costs of interconnecting the merchant transmission facilities.

- ***Option 6: Subscription Option for Generators***
 - Based on analysis identifying multiple interconnection projects impacting the same electrical area as revealed through the interconnection queue and additional PJM analysis, PJM would assess the level of commercial interest, as evidenced by subscriptions, to use the capability of a new transmission line before developing a “multi interconnection network upgrade.”
 - Potential implementation methods may include:
 - PJM studies to determine whether there is an advantage to assuming large scale network upgrades in an electrical area and whether the thresholds are met for determining that a large scale deployment would be advantageous;
 - PJM would post the identified areas of the system and upgrades on its website to seek subscriptions (*i.e.*, interconnection requests looking to use the line). At different levels of subscription an upgrade would advance in the planning process. Such a process could provide for a more appropriate sharing between customers and interconnecting generators of the potentially large costs of new interconnection.
 - Cost allocation: Costs associated with the upgrade will be paid for by subscribing projects commensurate with their subscription level. The transmission line would be fully subscribed, such that the cost and investment risk of the transmission is ultimately borne by subscribing generators, not by customers or partially subscribed with load in a given state or set of states willing to underwrite the balance if the transmission line would assist in the state meeting its policy goals.

PJM looks forward to continued discussions with the Commission, the Joint Task Force

and its stakeholders on these issues.

II. CONCLUSION

As indicated above, PJM believes that the Commission should allow interconnection process queue management reform initiatives to proceed on a regional basis through filings that address particular issues causing regional backlogs and that provide for region-specific solutions. By contrast, PJM believes the Commission should address, once those process reforms are in place, potentially different cost allocation pricing policies while avoiding a nationwide patch-work relative to the issue of participant funding. This would avoid interconnecting customers simply “forum shopping” based, not on the attributes of interconnecting in one generation vs. another, but instead, solely on the basis of the Commission’s potentially different treatment of common cost allocation principles as applied to a particular region.

PJM appreciates the opportunity to comment on issues discussed at the May 6 Meeting, and looks forward to continuing to work with the Commission, the Task Force, the States, and stakeholders on these important issues.

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