

9.4 Allocation of Costs of Network Upgrades.

Comment [A1]: Multiple filings affect the following sections and subsection numbering may vary among them.

9.4.1 Network Upgrades Associated with Interconnections.

When under Section 9.3.3 it is determined that a generation or merchant transmission interconnection to a Party's system will have an impact on the Affected System such that Network Upgrades shall be made, the upgrades on the Affected System shall be paid for in accordance with the terms and conditions of the Party's OATT.

9.4.2 Network Upgrades Associated with Transmission Service Requests.

When under Section 9.3.4 it is determined that the granting of a long-term firm delivery service request with respect to a Party's system will have an impact on the Affected System such that Network Upgrades shall be made, the upgrades on the Affected System shall be paid for in accordance with the terms and conditions of the Party's OATT.

9.4.3 Network Upgrades Under Coordinated System Plan.

The Coordinated System Plan will identify Interregional Projects as: (i) Interregional Reliability Projects, (ii) Interregional Market Efficiency Projects, and (iii) Interregional Public Policy Projects. Consistent with the applicable OATT provisions, the Coordinated System Plan will designate the portion of the Interregional Project Cost for each such project that is to be allocated to each RTO on behalf of its Market Participants. The JRPC will determine an allocation of costs to each RTO for such Network Upgrades based on the procedures described below. The proposed allocation of costs will be reviewed with the IPSAC and the appropriate multi-state entities and posted on the internet web site of the two RTOs. Stakeholder input will be solicited and taken into consideration by the JRPC in arriving at a consensus allocation of costs.

9.4.3.1 Criteria for Project Designation as an Interregional Project:

Interregional Projects must be: (1) physically located in both the MISO region and the PJM region or (2) physically located wholly in one transmission planning region but jointly determined and agreed upon to provide benefits to the other transmission planning region or both transmission planning regions. These Interregional Projects will be designated in accordance with the following criteria:

9.4.3.1.1 Interregional Reliability Project Criteria:

An Interregional Reliability Project must :

- (i) be selected both in the MISO and PJM regional planning processes and be eligible for each region's cost allocation process; and
- (ii) by agreement of the JRPC, displace one or more reliability projects in either or both PJM and MISO as defined in their respective tariffs and more efficiently or cost-effectively meet applicable reliability criteria than the displaced reliability project(s).

Through their respective regional planning processes, PJM and MISO respectively will evaluate proposals to determine whether the proposed Interregional Reliability Project(s) addresses reliability needs that are currently being addressed with reliability projects in its regional transmission planning process and, if so, which reliability projects in that regional transmission planning process could be displaced by the proposed Interregional Reliability Project. The analysis of projects that are eligible to be displaced shall only include those projects that have not yet been approved by PJM's and MISO's respective Board and made part of the RTO's respective regional transmission plan.

9.4.3.1.2 Interregional Market Efficiency Project Criteria:

Comment [A2]: Newly proposed changes are highlighted compared to the 7/29/2016 IPSAC version

Interregional Market Efficiency Projects fall into one of two categories (a) Targeted Market Efficiency Projects (TMEP) projects; or (b) Market Efficiency Projects. Network Upgrades falling into either category must meet the following criteria applicable to their respective category:

- (a) Targeted Market Efficiency Projects
 - i. Are evaluated as part of a Coordinated System Plan or joint study process as described in Section 9.3.5.2(c) and demonstrated to have an expectation for substantial relief of identified historical market efficiency issues
 - ii. Have an estimated in-service date by the 3rd summer peak season from the year in which the project is approved
 - iii. Have an estimated installed cost less than \$20 million in study year dollars
 - iv. Is determined to have expected future congestion relief equal to the simple sum of net annual congestion, due to upgrade of the targeted flowgate, over the four year period after the study year, that is equal to or greater than the estimated installed capital cost of the upgrade, including appropriate long term costs, in study year dollars. Where:
 - i. Expected future congestion relief is the amount of a flowgate's anticipated reduction of historical congestion net of any anticipated increases in congestion on nearby flowgates based on the RTO analysis
 - ii. Net annual congestion is the estimated average historical congestion based on over the three-year period prior to the study year and the higher of either the annual congestion of the second year prior to the study year or the third year prior to the study year, with each targeted flowgate's annual congestion amount reduced by the ~~p~~Party's estimated value of ~~auction~~ congestion hedge due Stage 1A ARRs on the targeted flowgate
 - iii. The estimated auction congestion hedge for each targeted flowgate will be based on each Party's stage 1A ARRs at either their annual

auction revenue value or, if converted to FTRs, their FTR revenue value, as appropriate.

- v. Is recommended by the JRPC as a TMEP and approved by the Boards of each RTO

(b) Market Efficiency Projects

... {MATERIAL OMITTED}

9.4.3.1.2.1 Determination of Benefits to Each RTO from an Interregional Market Efficiency Project:

(a) Targeted Market Efficiency Projects

The RTOs shall jointly evaluate the benefits to the combined markets and to each RTO for each potential TMEP resulting from Section 9.3.5.2(c), according to the following process:

- (i) With input from IPSAC, determine the estimated total installed project capital cost in study year dollars
- (ii) Compare the estimated expected future congestion relief to the estimated project total installed capital cost in study year dollars. The estimated congestion relief shall equal or exceed the total installed capital cost in study year dollars.
Where:
 - a. Expected future congestion relief is the sum of each RTO's expected congestion relief, adjusted by Market to Market settlement payments.

(b) Market Efficiency Projects

{MARKET EFFICIENCY AND PUBLIC POLICY PROJECT MATERIAL AND COST SHARE MATERIAL OMITTED}