



Thursday, 5 May 2022

PJM Board of Managers  
Mr. Mark Takahashi, Chairman  
Mr. Manu Asthana, President and CEO  
PJM Interconnection, LLC  
2750 Monroe Boulevard  
Audubon, PA 19403

Re: PJM Transition Proposal To Queue Reform

Dear Messrs. Takahashi, Asthana and the PJM Board of Managers:

National Grid Renewables, RWE Renewables Americas and NextEra Energy Resources (the “Companies”) generally support and greatly appreciate the work PJM has done to develop its future steady state interconnection reform proposal and to steward that through its stakeholder process. These reforms promise to fix an interconnection queue that has become unworkable and PJM staff should be recognized for its leadership managing this effort. The state of the queue should never have deteriorated to such a point and reform is long overdue.

The result of this reform will be – and should be - more projects interconnecting to the grid successfully. For this reason, we are dismayed the proposed transition to a more promising end state is considerably too generous in preserving the problematic status quo. It does so by incorporating additional transition cycles and delaying the application of a more efficient process that will identify and effectively integrate generation projects in line with policy and market demands that are driving the growth of clean energy resources in the PJM queue.

PJM’s initial transition proposal arrived at a more common-sense balance between (i) the overarching imperative of establishing a more effective and efficient generation interconnection process with (ii) respecting the individual rights of projects already in the queue, particularly projects that already had started the process and have an invested interest. However, by December last year, PJM changed course to significantly expand eligibility for the transition and thus, vastly enlarged the “backlog” and the time it will now take to process this backlog in the transition phase of the queue reform proposal.

The PJM Board should question several aspects of PJM’s decision to depart from its November 30, 2021 transition plan. But the Companies have chosen to focus on the most problematic change – the creation of a second transition window that unjustifiably elevates the priority of AG2 and AH1 queues relative to other future queues post AG1. We respectfully ask the Board to carefully consider the following points (all based on PJM public disclosures<sup>1</sup>) before authorizing PJM to file the transition proposal before FERC.

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<sup>1</sup> In particular, we draw attention to PJM’s 2021 Reserve Requirement Study, p. 33 (Oct. 2021)

- Expansion of the transition to include AG2 and AH1 projects in a new second transition cycle (relative to the 11/30 transition proposal) effectively doubles the number of projects grandfathered into the transition, from approximately 1250 projects to 2495 projects, or from 116GW to 220GW. As a point of reference, the total installed capability of the PJM system is about 180GW.
- Only 311 projects currently in the queue have been denied grandfathering under the transition proposal; in other words, almost 90% of the current problem will be perpetuated through a transition.
- The best-case expectation is that by adding new transition cycle 2 PJM will now require close to 2 more years to complete the transition process. Consequently, the moratorium preventing the start of studies for new queue applications, which would have expired under PJM's original proposal towards the end of 2024, will now extend until into 2026.
- As a further consequence, new projects on the near horizon (those that have yet to enter the queue) cannot expect to get final agreements from PJM until virtually 2028 under a best-case scenario.
- By PJM's own admission, the chance of a given project entering the queue and reaching commercial operation is as low as 3%. Nothing suggests the transition will improve on this dismal success rate as relates to AG2 and AH1 projects.
- No studies or any work whatsoever have been performed yet on the AG2 and AH1 projects. These projects have virtually nothing by way of vested rights, settled expectations or even reliance that might argue in favor of grandfathering. Such projects are certainly no different than projects in the AH2 queue, which PJM is not including in the transition.

When we are talking about new projects getting final agreements in 2028 and thus looking at commercial operations dates at the end of this decade or beyond, it's almost misleading to term PJM's proposal a "transition." In fact, it's a halt on investment and development while the status quo is sorted out. We understand some elements of the transition design, such as clustering studies and the inclusion of a "fast track" for some projects, offer hope to move the queue more quickly than it has historically. Whether that promise is realized remains to be seen, but whatever benefit might come from these refinements, the number of projects captured in the transition is still too large simply because, by PJM's own estimate, new projects realistically can't plan to be commercial until around 2030.

Success isn't measured by the number of studies performed.<sup>2</sup> It's measured by plants successfully interconnecting. Success should mean fewer studies, but considerably more

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and the disclosures made in its Feb. 10, 2022 *Answer To Protests*, Dockets ER22-957-000 and EL22-26-000 pps. 6-10 describing the status and progress of AG2 and AH1 queue projects.

<sup>2</sup> In a February *Inside Lines* publication, PJM stated it had studied more projects in 2020, by far, than any other grid operator in the country. Plainly, this should not be taken as a point of pride but clear evidence that too many "projects" have been allowed into the queue. The PJM Board and management should ask whether the energy and talents of its planning engineers will continue to be wasted on fruitless studies over the

productive studies – ones that result in a much higher rate of actual interconnection than the single digit outcomes seen historically.

A recent Brattle analysis of renewable penetration in different regions shows PJM lagging in this real metric.<sup>3</sup> We believe the current transition, expanded to include AG2 and AH1 projects in Transition Cycle 2, will exacerbate PJM’s challenge and frustrate those PJM states with targets and policies that depend on a better execution by PJM, including the strategically critical push to develop offshore wind in the mid-Atlantic.<sup>4</sup>

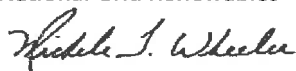
The most impactful consequence resulting from a transition expanded to include the vast number of AG2 and AH1 projects is that PJM has now inflated the secondary market for these queue positions. The only opportunity for a real investor with financial support to interconnect in PJM over the next several years will be to try, through negotiation, to buy into the queue. Parties that flooded the AG2 and AH1 queues with no intention to develop a project (or conditional intentions based on cost allocation results – *i.e.*, speculative projects) now find themselves rewarded by a transition that leaves actual renewable investors no recourse other than to negotiate to buy their positions as the only game left in town to access the PJM grid over the next several years.

The Companies thank the PJM Board for considering our position. And we further appreciate there is no perfect answer here. But we think PJM was right earlier in this process with its November 30, 2021 transition proposal. It should return to limiting the transition to projects up to AG1. This represents a principled place to draw a line – one that recognizes projects which have matured to a point of justifiable reliance while excluding positions AG2, AH1, AH2, AI1, etc. where work has not yet commenced, and no reasonable expectation or reliance exists. This cut-off is more defensible and will allow PJM to move more quickly to its new reformed queue process, one expected to better discipline entry and more effectively dispose of speculative entrants.

Sincerely,

  
Elizabeth Engleking (403, 2024-21 CDT)

Betsy Engleking  
Vice President, Policy & Strategy  
National Grid Renewables



Michele Wheeler  
Vice President, Regulatory and Political Affairs  
NextEra Energy Resources LLC



Kevin Gresham  
Executive Vice President, Strategy &  
Corporate Affairs, RWE Renewables Americas

transition period and whether PJM is missing an opportunity here to deploy these scarce resources to advance real grid transformation.

<sup>3</sup> *Generation Interconnection and ELCC Values for Variable Resources*, Brattle Presentation to OPSI Staff (February 25, 2022).

<sup>4</sup> We say this notwithstanding that National Grid Renewables, RWE Renewables Americas and NextEra Energy each currently hold projects in one or both of the AG2 and AH1 queues that would benefit from the expanded transition now proposed by PJM.