

## **Notice of PJM Transmission Owners Consultation with the Members Committee Regarding the Proposed Addition of Schedule 12 - Appendix C to the PJM Tariff**

Pursuant to Section 7.3.2 of the Consolidated Transmission Owners Agreement (“CTOA”) and Section 9.1(b) of the PJM Interconnection, L.L.C. (“PJM”) Tariff (“Tariff”), the Transmission Owners Agreement - Administrative Committee (“TOAAC”) hereby initiates a 30-day consultation period with the PJM Members Committee with regard to the proposed addition of Schedule 12 - Appendix C to the Tariff (“Proposed Schedule 12 - Appendix C”). Proposed Schedule 12 - Appendix C would assign cost responsibility of a State Agreement Approach expansion and enhancement (“State Agreement Public Policy Project”) selected for inclusion in the Regional Transmission Expansion Plan (“RTEP”) in accordance with Operating Agreement, Schedule 6, § 1.5.9. The new Proposed Schedule 12 - Appendix C would also assign cost responsibility for State Agreement Public Policy Projects contemplated by Rate Schedule FERC No. 49, *State Agreement Approach Agreement By and Among PJM Interconnection, L.L.C. and New Jersey Board of Public Utilities*, accepted by the Federal Energy Regulatory Commission (“FERC”) on April 14, 2021, in Docket No. ER22-902-000.

### **Background**

The State Agreement Approach (“SAA”) in the PJM Operating Agreement establishes a transmission planning and cost allocation mechanism by which a state may request that PJM develop, through its regional transmission planning process, transmission expansions and enhancements that would assist to achieve that state’s public policy goals and allocates the costs of those transmission expansions and enhancements to customers in that state.<sup>1</sup>

Specifically, Operating Agreement, Schedule 6, § 1.5.9 sets out a process through which one or more state governmental entities authorized by their respective states may individually or jointly agree to be responsible for the allocation of all costs of a proposed transmission expansion or enhancement that addresses Public Policy Requirements, i.e., a State Agreement Public Policy Project. A State Agreement Public Policy Project may be included in the RTEP for purposes of cost allocation.

Under Operating Agreement, Schedule 6, § 1.5.9(a) all costs related to a State Agreement Public Policy Project included in the RTEP are recovered from Responsible Customers who are customers in a state that agrees to be responsible for the projects. No cost of a State Agreement Public Policy Project may be recovered from customers in a state that did not agree to be responsible for those costs. Further, a State Agreement Public Policy Project included in the RTEP must have an associated FERC-accepted cost allocation methodology permitting recovery of its costs. Under Tariff, Schedule 12, § (b)(xii)(B), if a SAA Project is proposed, PJM submits a cost allocation for the project to the TOAAC for consideration and filing with FERC.

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<sup>1</sup> PJM included the SAA mechanism as a process supplemental to Order No. 1000 compliance requirements.

On November 18, 2020, the New Jersey Board of Public Utilities (“NJ BPU”) issued an order requesting that PJM assist in effectuating New Jersey’s public policy needs through the SAA mechanism by opening a competitive solicitation for project proposals that enhance the transmission system and that identify system improvements to interconnect and provide for the deliverability of 7.5 GW of offshore wind generation by 2035.<sup>2</sup>

On April 14, 2022, FERC accepted for filing an executed SAA Agreement between PJM and the NJ BPU, designated as Rate Schedule No. 49.<sup>3</sup> This Agreement, which is the first of its kind, sets forth the manner in which transmission capability created by a State Agreement Public Policy Project will be initially assigned to offshore wind generators that enter PJM’s interconnection queue and are selected by the NJ BPU through its offshore wind solicitations.

As described below, the PJM Transmission Owners propose the addition of a new appendix to Schedule 12 of the Tariff to establish a schedule in the Tariff in which the filed and approved State Agreement Public Policy Project cost allocations will be reflected generally and to add to that schedule the cost allocation mechanism for the transmission projects that result for the NJ BPU solicitation under the Rate Schedule No. 49 specifically.

### **The Proposed Schedule 12 - Appendix C.**

Acting pursuant to Section 9.1 of the Tariff and Article 7 of the CTOA, the PJM Transmission Owners are proposing to add the Proposed Schedule 12 - Appendix C to the Tariff.

The Proposed Schedule 12 - Appendix C, titled “State Agreement Public Policy Projects Constructed Pursuant to the State Agreement Approach,” would apply only to the assignment of cost responsibility among Responsible Customers of State Agreement Public Policy Projects constructed in accordance with Operating Agreement, Schedule 6, § 1.5.9.

To accommodate the possibility of additional SAA Agreement cost responsibility assignments in the future, each SAA Agreement will be listed on a separate tariff sheet under Schedule 12 - Appendix C. Rate Schedule FERC No. 49, *State Agreement Approach Agreement By and Among PJM Interconnection, L.L.C. and New Jersey Board of Public Utilities*, is the first agreement.<sup>4</sup>

In consultation with the NJ BPU, pursuant to Schedule 12, § (xii)(B), PJM has proposed for TOAAC consideration that the costs for the transmission projects selected in response to Rate Schedule No. 49 included in the RTEP is to be assigned among the four transmission zones in

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<sup>2</sup> *In re Offshore Wind Transmission*, NJ BPU Docket No. QO20100630, at 7 (Nov. 18, 2020).

<sup>3</sup> *PJM Interconnection, L.L.C.*, 179 FERC ¶ 61,024 (2022), reh’g denied, 179 FERC ¶ 62,131 (2022).

<sup>4</sup> In addition, the assignment of costs of Required Transmission Enhancements constructed by each entity designated to construct and own and/or finance will be listed in Schedule 12 - Appendix A, as currently required by Schedule 12, section (a)(v).

New Jersey: Atlantic City Electric Company, Jersey Central Power & Light Company, Rockland Electric Company and Public Service Electric and Gas Company. The costs among these Zones would be assigned annually on a load-ratio share basis among Responsible Customers using the same load-ratio share methodology that is applied to Regional Facilities and Necessary Lower Voltage Facilities.<sup>5</sup>

As set out in a table to be updated annually, the cost of each State Agreement Public Policy Project will be assigned to Responsible Customers, with each Responsible Customer's percentage load-ratio share specified in parenthesis. The format of the table is similar to the tables in Schedule 12 - Appendix A.

Attachment A to this stakeholder notice is the Proposed Schedule 12 - Appendix C.

### **Establishment of the Consultation Period and FERC Filing**

Written comments on Proposed Appendix 12 - Appendix C may be submitted for consideration by the PJM Transmission Owners by email to: [Comments\\_for\\_Transmission\\_Owners@pjm.com](mailto:Comments_for_Transmission_Owners@pjm.com) on or before August 1, 2022.

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<sup>5</sup> See Tariff, Schedule 12(b)(i)(A)(1)(a).

**ATTACHMENT A**

## Schedule 12 - Appendix C

### State Agreement Public Policy Projects Constructed Pursuant to the State Agreement Approach

This Schedule 12 - Appendix C applies only to the assignment of cost responsibility of State Agreement Public Policy Projects constructed in accordance with Operating Agreement, Schedule 6, section 1.5.9 among Responsible Customers.

[Next Page]

#### **(1) Rate Schedule FERC No. 49, State Agreement Approach Agreement By and Among PJM Interconnection, L.L.C. and New Jersey Board of Public Utilities**

In accordance with the FERC order in Docket No. [\_\_\_, \_\_\_ FERC ¶\_\_\_ (202X)], cost responsibility for the State Agreement Public Policy Projects shall be assigned annually on a load-ratio share basis among Responsible Customers within the state of New Jersey, as follows:

With respect to each Zone located in the state of New Jersey, using, consistent with Tariff, Part III, section 34.1, the applicable zonal loads at the time of such Zone's annual peak load from the 12-month period ending October 31 preceding the calendar year for which the annual cost responsibility allocation is determined.

<b>Identifier</b>	<b>Description</b>	<b>Responsible Customers (percentage share)</b>