

Proposal to Revise CTOA to Give PJM Transmission Planning Filing Rights

PJM MEMBERS COMMITTEE INFORMATIONAL UPDATE

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Background

- PJM's transmission expansion planning process will need to evolve to reliably and affordably meet new challenges in the future. Currently, PJM is not best positioned to meet those challenges.
 - Evolving state and federal energy and environmental policies impacting the existing and future generation fleet.
 - Transformational technology changes in the transmission industry (e.g., SATA, DLRs, GETs)
- Transmission Owners continue to hear from the states and other stakeholders that PJM is too reactive and not able to advance important regional transmission planning reforms due to incomplete control over regional transmission planning.
- We share the concerns and are trying to do what we can to stimulate collaboration between PJM, TOs and states to ensure reliability now and into the future.
- Timing is right to refresh the CTOA to best position PJM, and the region, to meet the challenges.

Relevant PJM Governing Documents

- Consolidated Transmission Owners Agreement (CTOA) – Contract between PJM & TOs
 - Gives PJM enumerated rights related to planning and operating the transmission system and administration of the PJM Tariff. TOs retain all other rights regarding the transmission system.
- Operating Agreement (OA) – PJM Organization and Management Structure
 - Controlled by PJM Members Committee (*i.e.*, stakeholders).
 - Includes transmission planning protocol (RTEP) as Schedule 6.
- Open Access Transmission Tariff (Tariff) – Terms of Service
 - Includes transmission service, interconnection and other Tariff terms and conditions.
 - PJM has exclusive and unilateral FERC filing rights over Tariff terms and conditions.
 - PJM TOs retain filing rights over transmission cost recovery and rate design.

Proposal

Amend the CTOA to move the transmission planning protocols from Schedule 6 of the Operating Agreement to the PJM Tariff, giving PJM unilateral and exclusive Federal Power Act (FPA) Section 205 rights to file for changes in the PJM Planning Protocol.

What would this proposal do?

1. Reinforce PJM's independent planning authority by giving it FPA Section 205 filing rights **PJM is the only RTO without FPA Section 205 rights over planning.**
2. Reinforce PJM's regional planning independence as it was originally intended **Stakeholders will retain an important advisory role**, as with other important reliability functions (e.g., the capacity market rules).
3. Reaffirms and Clarifies rights and responsibilities between PJM and the TOs.

What would this proposal NOT do?

1. This will NOT change the RTEP process (will change only the location of the process)..
2. Will not change what PJM plans
3. This will NOT change transmission cost allocation.

*TOA-AC Notice Issued 2/6/24 per CTOA, sec 8.5.1(a); TOA-AC Vote scheduled for 3/15/24

Reasons for Proposal

1. The CTOA has not had a comprehensive review since its inception in 2006.
2. Reliability is at risk due to accelerated generation retirements and extreme weather; the TOs and PJM share the primary responsibility for system reliability.
3. PJM's ability to ensure future reliability and affordability for customers would be enhanced by PJM having FPA Section 205 rights with respect to the transmission planning protocol; PJM's independence would be reinforced.
4. FPA Section 205 filing rights would provide PJM the ability to propose to FERC meaningful, necessary, and timely reforms.
 - Such filing rights are consistent with the original intent of PJM's establishment as an independent entity.
 - All stakeholders and states would continue to have ability to engage at both PJM and FERC; same as today, FERC must approve any reforms.

Additional CTOA Revisions Included

- Update language to simplify designations to non-incumbent TOs and put them on equal footing with incumbent TOs under Order No. 1000.
- Add a dispute resolution process designed to reflect the unique relationship between PJM and the TOs and eliminate references to the OA for dispute resolution.
- Clarify PJM's role in assisting TOs in exercising their responsibilities with respect to Tariff cost recovery and rate design.

Proposal Benefits States and Customers

1. Enhances PJM's independence and provides PJM with greater flexibility to plan the regional transmission system to address future system needs reliably and affordably, including working directly with the states.
 2. Enhances PJM's ability to address its regional long-term transmission planning responsibilities, including scenario planning.
 3. Better ensures that proposed changes to the planning protocols filed for FERC approval are consistent with PJM's and the TOs' CTOA contractual obligations and NERC requirements, supporting administrative efficiency and minimizing litigation.
 4. Provides greater certainty for all entities, including TOs, to construct RTEP Projects.
- ✓ RTEP
 - ✓ Storage as a Tx Asset (SATA)
 - ✓ Offshore Wind
 - ✓ Grid Enhancing Technologies (GETS)
 - ✓ Resiliency
 - ✓ Interconnection
 - ✓ Outage Coordination
 - ✓ Interregional Planning
 - ✓ Long-range Transmission Planning (LTRTP)
 - ✓ Electrification

Summary

1. PJM's planning process must evolve to enable it to meet the grid of the future without putting reliability at risk. PJM must be best positioned to lead that evolution.
2. The Proposed CTOA revisions reinforce PJM's independence in transmission planning while retaining an important advisory role for states and stakeholders, including TOs.
3. Reinforcing PJM's independent planning authority by giving it FPA Section 205 filing rights benefits customers through greater assurance of reliability and affordability focus.
4. PJM TOs have freely negotiated clarifications at arm's length informed by discussions with PJM Staff; final submission to FERC, subject to TOAAC and PJM Board actions.