

Consumer Advocate Perspective on the Proposed Changes to the CTOA

PJM Members Committee Meeting

March 20, 2024

Greg Poulos

- } Consumers appreciate efforts to further develop the planning process – further efforts are needed!
- } Consumers see a greater need for more planning now more than ever with the level of uncertainty created by the energy transition, the forecasted fossil fuel retirements and uncertainty in virtually all of PJM market constructs.
- } Consumers raised concerns about the lack of a comprehensive planning process in the PJM Long-Term Regional Transmission Planning Process back in November/December. Some of the key points can be found in the appendix of this document.

With all that said, it is unfortunate that PJM excluded consumer voices and other PJM Members organizations while negotiating the CTOA proposal. The state appointed consumer advocates have been recognized as a critical voice on consumer interests because, in part, they do not have to weigh competing investor interests.

High Level Thoughts on the Proposed CTOA Changes:

Planning matters are a key component of what consumers believe PJM should do. Transferring FERC 205 rights from PJM Members to PJM on Planning matters *may* not be a bad idea. **However:**

- } PJM's decision to go behind closed doors to negotiate the terms with the transmission owners is a significant concern.
- } Furthermore, the fact that PJM and transmission owners expanded the scope of the closed-door discussions to modify other rights of stakeholders is troubling. The bells and whistles that were included in the proposed changes along with the ramifications of PJM's approval of this agreement are significant and further discussion IS required.
- } The overall lack of transparency, communication, and input with other members, stakeholders, and states raises significant questions about the appearance of undue influence.

There is a Lack of Information to Support such Significant Changes.

A significant extent of the February 22, 2024, Members Committee presentation was focused upon state and customer benefits (page 7 and parts of pages 5 and 8.)

- It is greatly appreciated that the transmission owners (and PJM) recognize the importance of meeting the needs of consumers.
- It would also have been greatly appreciated if the transmission owners (or PJM) reached out to consumer representatives to explain the suggested benefits and provide input. **It has to be recognized that transmission owners have investor-owned interests at the heart of their business that impact their perception of benefits to consumers**
- Of particular concern, the presentation did not explain how, or when, the proposed changes to the CTOA will lead to any of the stated benefits. Specifically, page 7 of the presentation identifies a lot of benefits using nine check marks. What does a check mark mean?

This leads to further concerns that PJM would be negotiating in closed door sessions on matters that are clearly identified and touted as consumer benefits without any consumer input.

PJM's Position and the Questions that Remain

*As stated previously, consumer advocates recognize that the transmission owners are investor-owned organizations that should – and will – do what is best for their organizations and their shareholders. *However, that same mindset should not be the same for PJM.*

Are we still partners? The Board and PJM management have often talked about PJM members as partners and the drive for consensus. From our perspective, this closed-door collaboration with the Transmission Owners creates a hierarchy in the classifications of member partners.

Is the Stakeholder process – and consensus building - still a priority? The Board and PJM management have repeatedly pointed to the PJM stakeholder process and the consensus building process as a key to the organization's success. The entire dynamic of the stakeholder process may change if the PJM Board approves closed door negotiations and the shift in the stakeholder process to an advisory role. (e.g. Consumer advocates experience the difficulty of getting even the most basic pieces of information in the PJM M-3 supplemental project review process.)

What happened to transparent stakeholder engagement? Transparent stakeholder engagement had been regarded as a “strong foundation” by PJM in the past.

Where is the messaging and education from PJM on such an important topic? Planning is important! Yet, this message has been developed and presented exclusively by the transmission owners.

The PJM Board should NOT support these significant changes to fundamental aspects of PJM membership participation through closed door negotiations with the transmission owners. Supporting these changes, that were developed in this manner, would raise concerns about the type of partnership PJM has with its members and the direction of PJM's transparency, engagement, and communications moving forward.

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Appendix

The appendix includes the main slides from the March 8, 2024 PJM PLEOUG presentation Item III – Consumer Advocates Seek Comprehensive LTTRP

PJM Proposed Long-Term Planning “Stakeholder” Engagement

- } Long-Term Regional Transmission Planning Workshops – five workshops over five months (Starting on July 21, 2023 and ended on December 15, 2023)
- } PJM focused stakeholder discussions and input upon
 - Goal #1: Analyze Long-term Scenarios to identify transmission needs driven by the changing resource mix and load growth.
 - Goal #2: Implement reliable, efficient and proactive transmission solutions.
 - Long-Term Planning Action: Identify and implement long-lead transmission solutions
 - Near-Term Planning Action: Better inform near-term planning processes through robust transmission solutions.*
- } Stakeholders were clearly engaged in the opportunities provided.

*PJM Long-Term Regional Transmission Planning Workshop, Item 6: Long-Term Regional Transmission Planning (LTRTP) Update, July 21, 2023, page 4, *Goals and Actions*

As PJM Workshops wrapped up, consumers provided the following critique:

A Long-Term Regional Process Must:

- } Be focused on reliable, cost-effective solutions for customers.
- } Be focused on proactive planning for plant retirements. (The process around the possible retirement of the Brandon Shores facility has proven to be extremely frustrating for consumers.)
- } Maintain the current cost/causation principles.
- } **Be comprehensive**, or at the very least the process must clearly identify the shortcomings and the impact of those shortcomings. (A LTRTP that addresses only 1/3 of the projects/costs in the regions raises a host of concerns – which may undermine the entire effort.) ***PJM's process appears to miss the mark on this front.***
- } Be transparent for all. PJM's role and objectives must be clear.
- } Be inclusive and allow for meaningful participation of all parties. ***There has been growing frustration by customers with PJM's planning processes in general. (See appendices)*removed***
- } Provide a clear process that follows clear, open guidelines (recognizing that PJM is not a regulatory agency but acting like a quasi-regulator at times.) ***There has been growing frustration by customers with PJM's planning processes in general. (See appendices)*removed***

PJM Long-Term Regional Transmission Planning Workshop, Informational only:
:Consumer Advocates of PJM States Feedback on PJM LTRTP Process, December 15,
2023. page 3. See appendix for the entire presentation.

Where we are today:

- } At the conclusion of the LTRTP workshops, PJM stated the next steps were to propose a set of manual revisions that would “follow the normal stakeholder process”*
- } PJM initiated a “Quick Fix” stakeholder process that has received a lot of pushback for implementing a rushed/advisory opinion only stakeholder process. The process has been focused on driving to a conclusion at a breakneck speed despite six meetings in the first three months of 2024!
- } On February 6, 2024, a number of transmission owners provided notice of proposed changes to the Consolidated Transmission Owner Agreement between PJM and the Transmission Owners in the PJM region. A few concerns:
 - The transmission owners made a conscious decision to avoid stakeholder engagement/input in the development of the changes. Thus, our ability to evaluate the proposal is severely compromised.
 - PJM’s decision to participate in the closed-door discussions is disappointing. It will be interesting to see how stakeholders react if PJM participated in, and endorses, this type of clandestine effort.
 - The transmission owners cite a number of benefits for customers and states in their presentations. (While the recognition of benefits for consumers is appreciated, it is not lost on the consumer advocates of the region that these benefits must first be viewed through the lens of investor-owned entities.)

*PJM Long-Term Regional Transmission Planning Workshop, Item 3: Long-Term Regional Transmission Planning (LTRTP) Manual Revisions and Next Steps, December 15, 2023.

A Long-Term Regional Planning Process

- } Consumers appreciate the initiative - greater efforts on this front are needed!
- } Consumers appreciate PJM's efforts to further develop the planning process.
- } The five focal points seems appropriate:
 - Advocates are always looking for more scenario + cost impact analysis. (It needs to happen in the capacity and energy markets as well.)
 - Resource mix assumptions will be helpful, yet, scrutinized since the capacity market and energy market are in flux for the foreseeable future and the three-year forward capacity design cannot be counted upon.
- } Consumers see a greater need for more planning now more than ever with the level of uncertainty created by the energy transition, the forecasted fossil fuel retirements and uncertainty in virtually all of PJM market constructs.