

LS Power Request to PJM and TEAC:

In-Depth and Multiple TEAC Meeting Agenda Items from December 2020- April 2021 related to Advice and Recommendations of TEAC Participants on Public Policy Objectives and Sensitivities to be Considered by PJM in the 2021 RTEP Development

Specific Requested TEAC Agenda Items:

- In-depth and holistic TEAC discussion of state Public Policy Requirements and Public Policy Objectives¹ today across PJM States.
- Provide opportunity for **stakeholders** to submit Public Policy Objectives, if any, which consistent with the Operating Agreement definition of Public Policy Objectives, may include public policy requirements as defined in PJM OA as well as State and Federal public policy goals that have not been codified in law or regulation.
- Discuss and Develop advice and recommendations, if any, from TEAC Participants on Public Policy planning sensitivity studies, modeling assumption variations, and scenario planning analyses related to Public Policy Objectives and Multi-Driver Planning to be considered by PJM in the 2021 RTEP Order No. 1000 windows.

Background on Request:

When the Federal Energy Regulatory Commission (“FERC”) issued Order No. 1000, it recognized that over half the States had adopted renewable portfolio standards and anticipated that this would drive investment in variable and renewable generation and that this in turn would drive the need for new transmission.² To ensure that public utility transmission providers consider those public policy requirements³ as part of their

¹ As defined in the PJM OA, “Public Policy Objectives” refer to Public Policy Requirements, as well as public policy initiatives of state or federal entities that have not been codified into law or regulation but which nonetheless may have important impacts on long term planning considerations. The PJM OA definition of “Public Policy Requirements” refers to policies pursued by: (a) state or federal entities, where such policies are reflected in duly enacted statutes or regulations, including but not limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations; and (b) local governmental entities such as a municipal or county government, where such policies are reflected in duly enacted laws or regulations passed by the local governmental entity.

² *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323, at P 29 (2011), *order on reh’g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh’g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff’d sub nom. S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41 (D.C. Cir. 2014).

³ FERC defined public policy requirements as requirements established by Local, State or Federal laws or regulations. Specifically, the PJM OA definition of “Public Policy Requirements” shall refer to policies pursued by: (a) state or federal entities, where such policies are reflected in duly enacted statutes or regulations, including but not limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations; and

local and regional transmission planning processes, FERC required transmission providers to include procedures for identifying transmission needs driven by public policy requirements and evaluating transmission solutions to meet those transmission needs, including a process for (1) identifying transmission needs driven by public policy requirements and (2) evaluating potential solutions to solve transmission needs driven by public policy requirements.⁴

To comply with the requirement to consider public policy requirements, PJM opted to incorporate its consideration of public policy into assumptions used in its reliability and economic planning processes rather than create a new category of public policy projects. Under the process, both States, through the Independent State Agencies Committee (“ISAC”), and stakeholders, through the Transmission Expansion Advisory Committee (“TEAC”), have an opportunity to submit Public Policy Objectives⁵, which include public policy requirements as defined in Order No. 1000 as well as State and Federal public policy goals that have not been codified in law or regulation.⁶ PJM then considers those combined Public Policy Objectives in its sensitivity studies, modeling assumption variations, and scenario planning analyses.⁷ As PJM explained in its October 25, 2012 Order No. 1000 Compliance Filing, “Using the sensitivity studies, modeling assumption variations and scenario planning analyses, including Public Policy Objectives, PJM will be able to take into account, in its decision-making with respect to reliability and market efficiency drivers, potential changes in expected future system conditions and uncertainties arising from estimated times to construction transmission upgrades.”⁸

Section 1.5.3 of the PJM Operating Agreement today states: “In conducting the enhancement and expansion studies, the Office of the Interconnection shall not limit its analysis to bright line tests to identify and evaluation potential Transmission System limitations, violations of planning criteria, or transmission needs. In addition to the bright line tests, **the Office of Interconnection shall employ sensitivity studies, modeling assumption variations, and scenario analysis, and shall also consider Public Policy Objectives in the studies and analyses**, so as to mitigate the possibility that the bright line metrics may inappropriately include or exclude transmission projects from the transmission plan. Sensitivity studies, modeling assumption variations, and scenario analysis shall take account of potential changes in expected future system

(b) local governmental entities such as a municipal or county government, where such policies are reflected in duly enacted laws or regulations passed by the local governmental entity.

⁴ Order No. 1000 at P 205.

⁵ As defined in the PJM OA, “Public Policy Objectives” shall refer to Public Policy Requirements, as well as public policy initiatives of state or federal entities that have not been codified into law or regulation but which nonetheless may have important impacts on long term planning considerations.

⁶ See, e.g., PJM Amended and Restated Operating Agreement, Schedule 6, Section 1.3(b) & 1.5.4(c). See Section 1.3(b): “The Transmission Expansion Advisory Committee established by the Office of the Interconnection will meet periodically with representatives of the Office of the Interconnection to provide advice and recommendations to the Office of the Interconnection to aid in the development of the Regional Transmission Expansion Plan. **The Transmission Expansion Advisory Committee participants shall be given an opportunity to provide advice and recommendations for consideration by the Office of the Interconnection regarding sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives in the studies and analyses to be conducted by the Office of the Interconnection.**”

⁷ See *id.* Section 1.5.3.

⁸ PJM Compliance Filing, Docket No. ER13-198-000 at 41.

conditions, including, but not limited to, load levels, transfer levels, fuel costs, the level and type of generation, generation patterns (including, but not limited to, the effects of assumptions related to generation that is at risk for retirement and **new generation to satisfy Public Policy Objectives**), demand response, and uncertainties arising from estimated times to construction transmission upgrades. **The Office of the Interconnection shall use the sensitivity studies, modeling assumption variations, and scenario analysis in evaluating and choosing among alternative solutions to reliability, market efficiency and operational performance needs.** The Office of Interconnection shall provide the results of its studies and analyses to the Transmission Expansion Advisory Committee to consider the impact that sensitivities, assumptions, and scenarios may have on Transmission System needs and the need for transmission enhancements or expansions.”

In addition, PJM proposed in its Order No. 1000 compliance filing a **second** way it would take into account public policy requirements, which they called the State Agreement Approach. Under the State Agreement Approach, a State or group of States can request that PJM study a project that satisfies the State or group of States’ public policy requirements. A project can move forward as a State Agreement Approach if a State or group of States voluntarily agree that its ratepayers will pay for the costs of the project.

FERC, focusing on PJM’s process for incorporating public policy requirements in the needs analysis, found that PJM complied with the requirement to consider public policy requirements in the regional planning process. Further, FERC agreed that the State Agreement Approach was “supplemental to PJM’s proposal to consider transmission needs driven by public policy requirements, and not needed for compliance with Order No. 1000”⁹ There has been a recent announcement of potentially utilizing the State Agreement Approach related to offshore NJ wind.

As we are soon at the start of the 2021 planning process, a short-term TEAC Participant opportunity exists to provide advice and recommendations to PJM on in-depth sensitivities and approach to sensitivity-based Public Policy Planning in PJM through the 2021 RTEP Order No. 1000 windows. This effort specific to the 2021 RTEP could help promote optimal compliance with the regional planning directives in Order No. 1000 for public policy planning and Multi-Driver planning.

It is envisioned that this effort would be more in-depth and require longer discussion at TEAC meetings than in previous years to develop 2021 Public Policy sensitivities and recommendations. The timing of these TEAC Public Policy Sensitivity discussions should occur from December 2020 to April 2021, in advance of opening of 2021 RTEP windows.

⁹ *PJM Interconnection, L.L.C.*, 142 FERC 61,214, at P 109 (2013) [emphasis added].