



# Maximizing the Benefits of Competition in Order No. 1920 Implementation

J. Arnold Quinn  
Senior Vice President Regulatory Policy  
[Arnie.Quinn@vistracorp.com](mailto:Arnie.Quinn@vistracorp.com)

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# Challenges with Order No. 1920

- FERC's Order No. 1920 has several practical challenges that can be addressed through thoughtful implementation
  - Goal of the planning process is to facilitate new resource interconnections through advanced planning, but none of the benefits PJM is required to consider directly capture the benefit to resources to quickly interconnect
  - Planning for new resources is disconnected from direct input from resource developers
  - Access to additional interconnection capacity created is left to the interconnection process
  - Cost of new transmission is allocated in a manner that may not direct costs to those customers that benefit from new resource development
- Order No. 1920 allows interconnection customers (and State Entities) to voluntarily fund a long-term transmission facility that does not otherwise meet PJM's project selection criteria
  - Vistra suggests that PJM use this voluntary funding opportunity to create a process that addresses some of the practical challenges of Order No. 1920
  - Similar to some of the ideas proposed at FERC's recent interconnection technical conference, including elements of SPP's [Consolidated Planning Process](#)

# Goals of a Voluntary Funding Opportunity

- Allow the planning process to incorporate an expression of commercial interest
  - Mitigate the potential to plan transmission for resources that never materialize
- Incorporate the concrete financial benefit of new interconnection capacity into the transmission planning selection process
  - Facilitate development of transmission that would not otherwise be selected in the planning process
- Provide access to new interconnection capacity in exchange for a commitment to pay a portion on the cost of the new capacity
  - Enhances the interconnection process in a non-discriminatory manner based on self-identified commercial readiness
  - Interconnection customers will likely pass the cost on to the customers that procure the new resource, so cost allocation will more directly target benefiting customers

# Voluntary Funding Process – Expression of Commercial Interest

- PJM/Developers identify a geographic area with potential interconnection interest
  - Could start with an opportunity for resources to submit non-binding expression of interest with locational specificity
  - Could also use project areas identified in a previous interconnection or transmission planning study area
- PJM publishes the costs, benefits, and selection metrics (e.g., cost-benefit) of the planned transmission and identify interconnection capacity created
  - Will inform potential interconnection customers of the estimated per MW net cost of accessing interconnection capacity
  - Planning process could consider multiple levels of created interconnection capacity to allow right-sizing of the transmission development

# Voluntary Funding Process – Voluntary Funding Offers

- Potential interconnection customers bid to gain interconnection access to the transmission capacity
  - Could allow sealed bid offers or simply set a flat “entry fee”
  - If PJM did not use a flat “entry fee”
    - Sealed bid offers could be lower or higher than the average net cost per MW of the new interconnection capacity
    - Even when the net cost per MW is close to zero, interconnection customers may be willing to bid a reasonable amount to gain interconnection access
    - Cumulative offers in excess of the net cost needed to meet the selection criteria could be used to offset costs to other consumers

# Voluntary Funding Process – Project Selection and Right Sizing

- PJM develops criteria (e.g., financial strength, total capacity requested) that will be used in conjunction with the bid to select interconnection customer
  - Non-offer criteria would be used to break ties when capacity is over-subscribed
  - Non-offer criteria likely more impactful under a flat “entry fee”
- If interconnection customer bids are sufficient to meet the selection criteria of the planned transmission facilities, then the project would proceed
  - The transmission project could be right-sized (bigger or smaller) based on offers