

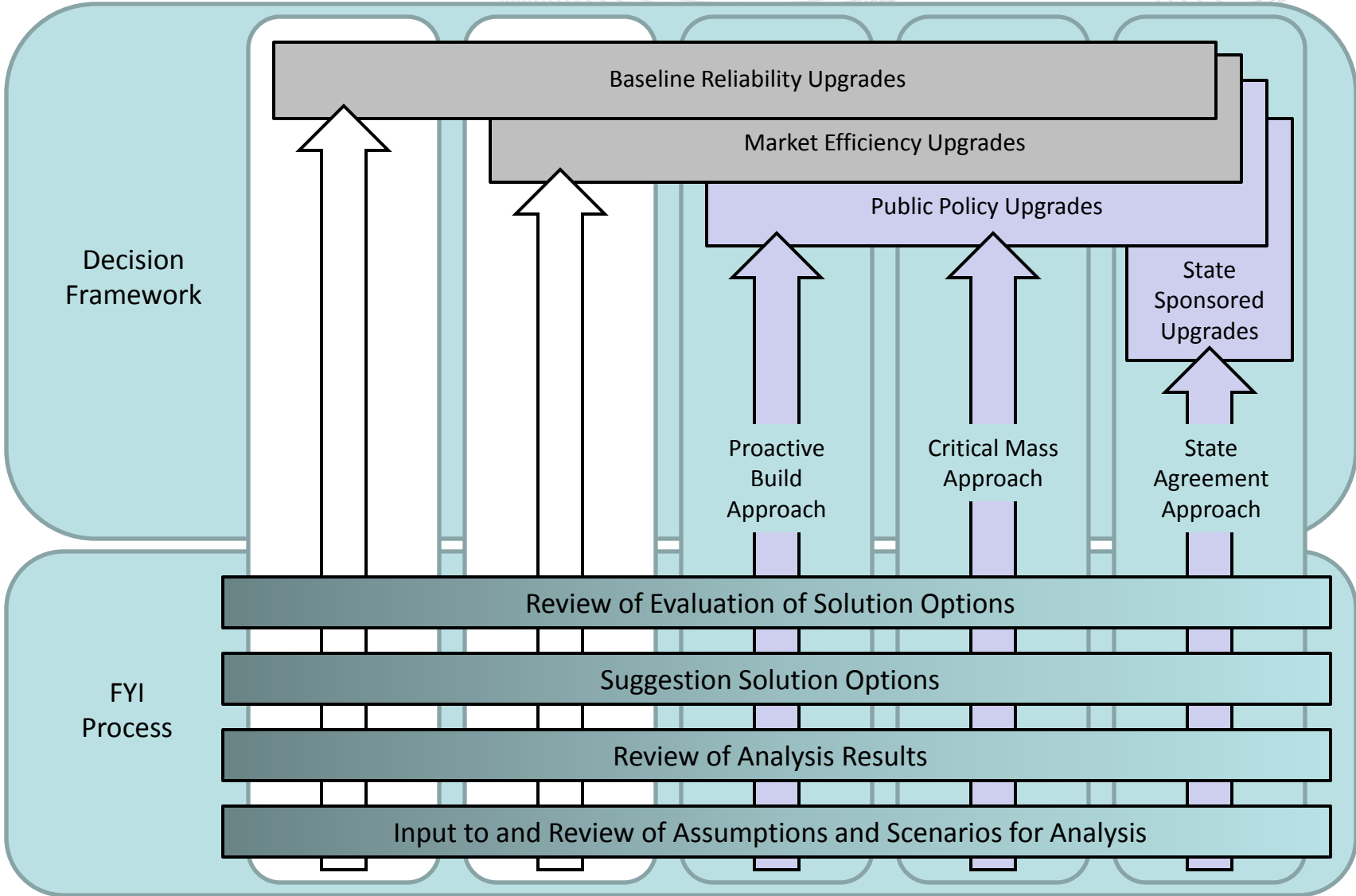


PJM Planning Process Strawman

State Agreement Approach

RPPTF
September 28, 2011
Steve Herling

- **State Agreement Approach Framework**
 - Defines communications options for states with respect to RTEP process
 - Allows one or more states to decide how to meet policy goals
 - Ensures integration of state decisions regarding policy goals into RTEP
 - Completely voluntary
 - State Agreement Approach provides a vehicle for states to take action through the RTEP, but could only be initiated by states



- **Links to FYI Process**
 - **FYI Process Communications via TEAC, Sub-Regional RTEP Committees, and State RTEP Committee**
 - Input to assumptions and scenario analysis
 - Coordinated analysis and review of results
 - Suggestion of solution alternatives
 - Review of analysis of solution alternatives and recommendations to Board
 - **State RTEP Committee**
 - Comprised of state agencies as deemed appropriate by states
 - Functions in parallel with TEAC activities – similar to Sub-Regional RTEP Committees
 - All input flows up to TEAC for broader consideration

- **Linkage to FYI Process – Identification of Project**
 - Stakeholder discussion of input assumptions and scenarios, including those identified by states, will provide for analysis of specific policy initiatives
 - Analysis would identify upgrades to support chosen driver (e.g. satisfaction of RPS requirements)
 - States could identify conceptual projects for consideration in analysis of solution alternatives that could satisfy policy drivers studied
 - Identification of conceptual projects for evaluation is not a commitment to develop the project
 - States could identify detailed project proposals for more comprehensive integration analysis – may require more detailed engineering to be supplied to PJM
 - Identification of associated network requirements
 - Identification of and coordination with other drivers
 - Identification of relative benefits

- **Project Proposals – Initial Development**
 - The process would initially provide a high level consideration of multiple drivers and solution alternatives
 - The process also may provide more detailed consideration of specific conceptual projects interested states request be evaluated
 - Would require some level of project design to facilitate integration analysis
 - Interested states would determine cost sharing for project development costs (including engineering design work necessary for PJM to be able to perform integration analysis)
 - No commitment to develop project beyond the evaluation stage
 - The group of interested states supporting the initial evaluation could be different from the group of states that may support the project development
 - PJM could include project development phase in RTEP to facilitate collection of costs through PJM billing
 - PJM would perform integration analysis and assist in the identification of benefits
 - should assist states in determining whether to support public policy projects and assist in cost sharing decisions for projects that move to construction

- Linkage to Critical Mass Approach
 - PJM would evaluate interactions with other drivers
 - Excess capability of project could support other drivers
 - Adjustments to project could be considered if more effective at meeting a range of needs
 - Relative benefits associated with different drivers would serve as basis for allocation of costs
 - Allocate between state policy drivers and other RTEP drivers
 - Allocate non-state portion according to PJM allocation rules (TBD)

- **Project Proposals – Commitment to Proceed**
 - Based on analysis, one or more states can decide to proceed with a project
 - States would determine allocation of project costs among participating states for portion that is public policy driven
 - Form of commitment demonstration to be determined
 - Timing of commitment will have to be established

- **Project Proposals – Post Commitment**
 - Project will be integrated into RTEP for all future analyses
 - Capability of project must be protected for intended purpose (e.g. renewable energy deliverability)
 - Analytical tests would have to preserve rights – similar to preservation of generator Capacity Interconnection Rights
 - Safe harbor for sponsoring states from costs to meet similar policy goals by other states
 - Once constructed, project would be operated by PJM as part of transmission system

- **Project Proposals – Post Commitment**
 - Rules for access to capability of project would depend on structure of project, as identified by states
 - For example, if a project was driven by RPS requirements, states could hold a solicitation in coordination with the PJM interconnection queue for generation associated with the project
 - Generation interconnection would still have to be evaluated by PJM, but would rely on capability of state project
 - Suspension/cancellation provisions would have to be developed, depending on interaction with other drivers
 - Prior to versus after start of construction