

Transmission Owner Issues and Concerns with Break-Away Proposal

PJM RPPTF (IPSTF) Meeting
January 6, 2012

Issues and Concerns

- Equity issue regarding impact on other projects in interconnection study queue.
- Process Efficiency issue regarding impact on interconnection study process and resources.
- Solution Effectiveness issue with uncertainty that the proposal would improve the current process, optimize the required solutions, and achieve fairness in allocating the costs of the solutions.
- Potential Gaming concern that proposal would create barriers and discourage new projects.

Equity Issue

- A Facility Study takes longer to complete if there are more upgrades associated with a project. Such a project may not be able to Break-Away with others that require fewer upgrades, since not all projects would receive their FS results at the same time. The queue position rights need to be honored.
- Since PJM needs to re-study the Break-Away projects as well as the remaining projects, the additional studies would impose additional study costs, in terms of time and money, to those projects that remain in the queue.
- Since a Break-Away project would have no post ISA cost responsibility after a brief window of opportunity has elapsed, any subsequent upgrade cost involving this project would be unfairly assigned to other projects.

Process Efficiency and Solution Effectiveness Issues

- The Break-Away proposal will increase the number of System Impact Studies and Facility Studies needed for the Break-Away projects and those that remain in the regular study queue.
- The SIS results could lead to possible dropouts in both groups resulting in more re-tool studies.
- The increased studies would hamper the timely completion of the interconnection queue and inject more uncertainty in the required But-For upgrades and each project's associated cost responsibility.
- An optimal solution, when studying all cluster projects collectively, may be an overarching upgrade, while by studying these cluster projects separately, less optimal and incremental solutions are more likely to be identified and selected.
- The increase in the number of studies would place a significant demand and burden on existing planning resources to perform the interconnection studies as well as the baseline planning studies.

Potential Gaming Concern

- While the Break-Away proposal may work for specific situations in specific portions of PJM, a significant effort would be required to develop the appropriate rules under which this Break-Away proposal would work throughout PJM so that no gaming opportunities are created.
- Without such rules in place, other situations, not intended to be impacted by this proposal, may become vulnerable to gaming. The following slides show an example of this vulnerability.

Potential Gaming Concern

- Example of 5 generators (G1 thru G5) are in the queue.
- Generators G2 and G3 were submitted by the same developers under two different LLC names.
- Total of five overloaded lines were identified and the incremental contributions of each generator are noted:

Line	available MW on the line	G1	G2	G3	G4	G5
1	100	65	75	75	30	55
2	120	75	60	60	40	25
3	125	45	55	55	60	35
4	100	60	30	30	45	30
5	120	80	45	45	40	45

Potential Gaming Concern

- Generator G1 has no cost responsibility, since the “But-For” upgrade cost is \$0, and thus, G1 chooses to Break-Away.
- Generator G2 chooses to Break-Away too, since its minimum “But-For” upgrade cost is also \$0, as shown by its individual contribution.

Line	available MW on the line		G2
1	100		75
2	120		60
3	125		55
4	100		30
5	120		45

Potential Gaming Concern

Line	available MW on the line	G1	G2					
1	100	65	75					
2	120	75	60					
3	125	45	55					
4	100	60	30					
5	120	80	45					

when the two breakaway projects are studied together, Lines 1,2 and 5 will be overloaded
 G1 and G2 will have to share the cost of the upgrade.

With the breakaway proposal, the cost of G1 goes from 0 if it stays in the queue to a share of these lines. So it is either unfair to G1 or G1 would be forced out.

Potential Gaming Concern

- Assuming generator G1 decides to drop out, then generator G2 also drops out to create the following situation for generator G3:

Line	available MW on the line	G1	G2	G3	G4	G5
1	100	--	--	75	30	55
2	120	--	--	60	40	25
3	125	--	--	55	60	35
4	100	--	--	30	45	30
5	120	--	--	45	40	45
Now G5 is responsible for all 5 upgrades and will drop out also.						
G4 may also drop out since it has to bear the entire Line 1 upgrade cost.						
So the breakaway proposal allows G2 and G3 developer to submit 2 projects and use the breakaway proposal to force others (before and after it in the queue) to drop out.						
At the end of the day, only G3 will remain and its cost responsibility is zero.						

Conclusions

- Existing process allows projects to break-away if they accept all upgrade cost responsibilities.
- Several IPSTF changes already identified that will improve the interconnection study process.
- Break-Away proposal would be a burden on interconnection study efforts and resources.
- Equity and potential Gaming issues will require that strict business rules are developed.
- It is unclear that the Break-Away proposal would enhance the Efficiency and Effectiveness of the existing interconnection study process and that of the identified and selected upgrade solutions.