

**NGO Comments to PJM re Order 1000 Compliance Matrix**  
**March 7, 2012**

**I. Introduction**

The undersigned organizations appreciate the opportunity to provide feedback on PJM's Order 1000 Compliance Chart and ongoing implementation activities. As groups following implementation in several regions across the country, we appreciate the formidable challenge of reaching consensus on planning process changes to comply with Order 1000 and the efforts PJM staff has made to date. FERC has provided regions with general direction, but has left many of the specific compliance issues for transmission providers and regional stakeholders to resolve. We provide the following initial set of observations as indicators of our views regarding what adequate compliance with Order 1000 would entail, and we look forward to working with PJM to achieve desirable procedures under the rule. Our comments are arranged in sequential order to match the Compliance Chart's current form.

**II. Regional Planning Process**

Under the category of "Regional Planning Process," we are focused primarily on the issues of comparable consideration of non-transmission alternative (NTA) solutions to address identified grid needs, transparency in the planning process, and assurance of adequate opportunities for stakeholder input throughout the planning process.

**A. Comparable Consideration of Alternative Solutions**

Order 1000 requires that NTAs to address identified grid needs receive comparable consideration throughout the planning process. Order 890-A and FERC's responses to Order 890-A compliance filings provide some guidance on how to achieve comparability in a manner that will satisfy Order 1000. However, we believe FERC's earlier guidance must be interpreted in light of all that has changed on the grid since 2007 – e.g., the penetration of more diverse generating resources, the participation of new market players, and the development of new technologies, as well as advancements in modeling capabilities and system controls. These changes have led to evolving FERC jurisdiction and new transmission planning obligations for PJM and other transmission providers. Tariff provisions that provided for comparable consideration of transmission solutions and NTAs under Order 890-A are not sufficient to satisfy reasonably the obligation under Order 1000. We suggest that providing for comparable consideration of alternative solutions under Order 1000 would require PJM, as well as other transmission providers, to provide adequate information to market participants and other stakeholders on a timely basis that would give NTA and other providers meaningful opportunity to consider and propose alternative solutions to identified grid needs at regional and local levels.

Citing ¶¶ 146, 155 and n. 149 of the rule and its current OA, Schedule 6, section 1.4(b), PJM's compliance matrix suggests that the RTO's approach to comparability "could be expanded upon to comply" with Order 1000. NGOs agree that comparable consideration of NTAs requires modifications to PJM's existing process. In ¶¶ 79 and 118 of Order 1000 the Commission explains the purpose of the comparable consideration requirement as ensuring that

regional transmission plans can identify the transmission facilities that will more efficiently or cost-effectively (than other proposed options) meet the needs of transmission providers, their customers and their stakeholders, which would not be possible if the full array of options (including NTAs) is not considered comparably. Thus, Order 1000 sets forth “an affirmative obligation” to evaluate “alternatives that may meet the needs of the region more efficiently or cost-effectively” (§ 80), and it requires regional planning processes to “consider proposed non-transmission alternatives on a comparable basis” (§§ 148, 155).

Overall, NGOs contend that Order 1000 requires PJM’s regional planning process to provide the opportunity for market participants and other stakeholders to recommend both transmission and NTA solutions to meet grid needs, and it must evaluate proposed alternative transmission and NTA solutions comparably. To assist with the development of procedures that meet these minimum requirements, we suggest the following specific changes or additions to the matrix, believing that they will assist PJM in satisfying Order 1000’s comparability requirement:

1. *Add new procedures that will enable PJM, through the “FYI to Market” approach, to provide market participants with timely and sufficient information to participate in the solutions development process. We view successful implementation of PJM’s “FYI to Market” approach as critical to facilitating comparability. While we understand that PJM is not required to engage in integrated resource planning, as the regional grid planner and operator, as well as the entity that runs the annual Reliability Pricing Model auctions which send signals to the markets and allow generation, demand response, and energy efficiency to bid into the market, PJM is in the best (and practically speaking, only) position to produce and make available the data and analyses necessary for market participants and other stakeholders to suggest NTA solutions to reliability and other identified grid needs at the local and regional levels. Without sufficient and timely data and analyses, market participants will be unable effectively to propose viable alternatives to transmission solutions. Thus, PJM should develop procedures that make these data and analyses available to stakeholders in order to effectuate Order 1000-compliant comparability.*
2. *Add to the matrix reference to §§ 148 and 779 of Order 1000 as provisions that govern the comparability requirement (along with paragraphs 146 and 155 and n. 149). We think it is important to keep §§ 148 and 779 in focus in measuring compliance with the comparability requirements of the rule because while § 146 requires regions to engage in a transmission planning process that produces a plan that is consistent with Order 890’s planning principles, §§ 148 and 779 contain specific directives on consideration of alternative transmission solutions and the need for comparable consideration of NTAs in developing solutions.*
3. *Propose Schedule 6 modifications to require or explicitly include consideration of NTA solutions among the “alternative projects or solutions” that can be included in the RTEP or that the PJM Office of Interconnection (OI) will review, because sections 1.5.6(b) and 1.5.6(h) do not now include such provisions. The language of these sections may permit submission by TOs or other TEAC participants of NTA projects, but since in current practice sponsors of NTAs do not play a significant role in offering solutions, it is useful*

to be clear in that NTAs can be offered as alternatives whenever alternatives are to be considered.

4. *Clarify the matrix interpretation of Schedule 6 section 1.5.6(h).* Section 1.5.6(h) allows any TO or other TEAC participant to offer an alternative solution for review regardless of whether the OI in its sole discretion determines that an alternative exists. The OI's "sole discretion" qualification in section 1.5.6(h.01) applies only to alternatives offered by the OI for review by the TEAC or subregional RTEP committees. The matrix appears to make TEAC/subregional RTEP committee review of stakeholder alternative proposals subject to the OI's sole discretionary determination that an alternative exists.
5. *Propose Schedule 6 details on the criteria for solutions consideration, comparison and selection.* The matrix suggests that section 1.4(b) of Schedule 6 could be improved to comply with the requirements of ¶ 155 and note 149 of Order 1000, and NGOs strongly agree. Paragraph 155 of Order 1000 gets to the heart of comparability requirements in the rule, requiring that transmission providers identify "how they will evaluate and select from competing solutions and resources such that all types of resources are considered on a comparable basis." The current language of section 1.4(b), however, is not specific in describing how potential solutions will be evaluated and how solutions will be selected among competing options on a comparable basis. Nor does section 1.4(b) describe the process for choosing solutions; rather, it appears only to describe RTEP inputs, including the results of planning studies and forecasts. We recommend, therefore, that PJM add to Schedule 6 proposed procedures and metrics for evaluating and selecting solutions for identified grid needs on a comparable basis, and we suggest that the evaluations and comparisons include at a minimum the reliability values, costs, installation timelines, financing requirements, regulatory and permitting risks of proposed solutions, and relevant public policy goals. As mentioned, the role of PJM's proposed "FYI to Market" approach will be important to effective implementation of Paragraph 155 requirements.

#### B. Stakeholder Participation Opportunity and Consultation Requirements

PJM's Schedule 6 does a good job of providing for stakeholder participation throughout the planning process, and NGOs agree with PJM's assessment that it satisfies many of Order 1000's stakeholder participation requirements. In general, under Order 1000 PJM must have an open and transparent regional transmission planning process, and stakeholders must have opportunity to express their needs, provide information, access the models and data used in plan development, and help identify and evaluate regional solutions (¶¶ 1, 18, 70, 85, 99, 108, 150-152, 162). More specifically, Order 1000 requires that regional planning processes provide opportunity for stakeholder participation in more than a dozen important areas:

- creating regional transmission plans (¶ 11)
- preparing Order No. 1000 compliance proposals (¶¶ 14, 62)
- requesting studies of potential upgrades or other grid investments (¶ 147)
- evaluating alternative transmission solutions to meet identified grid needs (¶ 148)
- developing procedures for TPs to identify and evaluate solutions (¶ 149)
- developing enhancements to the regional planning processes (¶ 151, 157)
- developing metrics for comparing NTAs with other solutions (¶ 155)
- determining what constitutes a region for regional planning (¶160)

- determining what information merchant transmission developers should provide (§164)
- identifying and evaluating public policy requirements (PPRs) that drive grid needs (§§ 167, 203, 206-9, 211-12, 215, 220)
- developing the framework for participation of non-incumbent transmission providers (§ 227)
- developing procedures for determining projects eligible for cost allocation (§ 336)
- developing interregional transmission coordination procedures (§ 466)
- evaluating the set of transmission facilities that will meet the combined needs of the region or neighboring regions. (§ 499)

We appreciate the initial efforts PJM has made in the matrix to tee up Order 1000-related stakeholders participation issues, and we suggest a few additions to the matrix that will support PJM's Order 1000 compliance.

1. *Propose a Schedule 6 amendment that includes “needs identified by stakeholders” in the provisions for initiating the RTEP process.* NGOs suggest incorporating this language into section 1.5.1(a)(ii), adding a new subdivision, or modifying the proposed Schedule 6 amendment, adding it to the new last sentence giving the OI discretion to initiate the process – e.g., inserting after “where appropriate, requirements or” the words “needs identified by stakeholders,” and continuing with “needs arising from sensitivity studies, modeling assumption variations,…”
2. *Propose a Schedule 6 amendment that provides essential details regarding how PJM will provide access to the models and data used in its planning process and facilitate stakeholder understanding of the modeling tests and assumptions used, describing any limitations on the availability of these models and data.* NGOs believe that PJM's OA does not currently satisfy Order 1000's requirement on access to models and data used in the RTEP process. (See § 150.) We also believe that proposed Schedule 6 changes (“reasonably required information and data” subject to “appropriate protection of confidentiality provisions”) fall short of compliance. PJM's planning process must be open and transparent, and stakeholders need the opportunity to understand and assess fully the various aspects of RTEP analyses, modeling, assumptions, and development (i.e., the identification and evaluation of grid needs and alternative solutions proposed and considered). Because Order 1000 does not specify limits on the models and data to which stakeholders should have access, NGOs believe that in order to comply with Order 1000, PJM's approach to describing the analyses, modeling, tests and assumptions, and sharing the models and data, must be clearly delineated. For example, PJM should transparently explain its analyses and tests, in plain English and in detailed technical language, describing exactly how each of its modeling tests (i.e., the Generator Deliverability, Load Deliverability, Common Mode Outage, Production Cost Modeling, and any sensitivity tests) work and all of the assumptions in the various tests, e.g., whether Energy Efficiency or Demand response has been deducted from the load forecast before the test commences, etc. And, for the RTEP analyses, tests, and sensitivities (including the Generator Deliverability, Load Deliverability, Common Mode Outage, Production Cost Modeling, and any sensitivities to these tests), the underlying data, data outputs, load flow studies, and the cases themselves, should be made available to stakeholders. To the extent PJM would propose confidentiality or other restrictions on its

ability to provide this access, the restrictions should be subject to stakeholder input, and they should be made explicit.

3. *Propose a Schedule 6 amendment that delineates the types of information that will be provided under current section 1.5.4(f) [section 1.5.4(g) in the amended Schedule 6 that was approved by stakeholders and filed at FERC].* In order to ensure that stakeholders have a meaningful opportunity to participate in the identification and evaluation of grid needs and regional solutions, NGOs believe that PJM needs to provide more specificity about the types and amounts of information that the OI will provide to TEAC and the Subregional RTEP Committee participants and the types of confidentiality restrictions that may come into play. The current language of this section appears to provide PJM with broad discretion in what information it will make available and what confidentiality restrictions may limit its distribution, and NGOs are concerned that such discretion may lead to inconsistent dissemination of information and inhibit stakeholder participation in the solutions determination and review process.

### **III. Planning for Public Policy**

NGOs strongly support PJM's proposed revisions to Schedule 6 as important steps toward meeting Order 1000's requirements that transmission provider tariffs describe procedures that provide for consideration of transmission needs driven by Public Policy Requirements (PPRs) in planning processes (§§ 82 & 203). We also commend PJM for proposing Schedule 6 changes that provide for consideration of grid needs driven by Public Policy Objectives (PPOs). NGOs believe that PJM has an opportunity to set the bar on PPO-driven assessments and emerge as the model region in terms of comprehensive consideration of PPR and PPO impacts in transmission planning, and we hope PJM will take advantage of this opportunity. To help ensure that PJM's process meets all of Order 1000's requirements for considering PPR-driven grid needs, however, NGOs recommend some additions to or clarifications of PJM's matrix.

1. *Propose a Schedule 6 amendment that provides for a process that explicitly addresses the identification and evaluation of PPR-driven needs.* Because Order 1000 (§§ 205-206) directs transmission providers to describe procedures by which needs driven by PPRs will be identified in planning processes and how potential solutions to those needs will be evaluated, NGOs recommend that PJM develop procedures focused specifically on those needs, either within the TEAC process or parallel to it (as in the case of the Independent State Agencies Committee process now proposed). Simply including PPR- and PPO-driven needs on the list of matters to be addressed in TEAC/RTEP processes may not be sufficient to meet these important new requirements.
2. *Clarify PJM's independent responsibility to consider PPR-driven needs.* The Schedule 6 changes PJM has proposed to help address, among other things, Order 1000's directive to consider system needs driven by PPRs and PPOs, will involve some reliance on a new independent state agencies committee, which the RTO will facilitate, to provide input on regional planning issues. The matrix description of § 209 footnote 189 suggests that the OI might wholly rely on such a committee to determine which PPRs will be addressed in studies and analyses of transmission needs. However, PJM also recognizes the need, per

¶ 212 of Order 1000, to allow all stakeholders to provide input on the transmission needs they believe to be driven by PPRs. We suggest, therefore, that PJM clarify in the matrix that it maintains an independent responsibility to consider public policies that may drive grid needs.

3. *Modify the matrix description of ¶ 211 to note that the planning process must include evaluation of stakeholder proposals for transmission facilities to satisfy an identified transmission need driven by PPRs.* Certainly, as the description now suggests, PJM's planning process must also allow for stakeholder evaluation of transmission proposals to meet PPR-driven needs made by the OI, the new state committee or others, but Order 1000 clearly requires procedures that assure stakeholders that their proposals will be evaluated.

#### **IV. Interregional Planning Coordination**

It is not clear from the matrix how agreements PJM has in place with MISO, NYISO, ISO-NE, Progress Energy and TVA satisfy Order 1000's interregional coordination requirements. Thus, NGOs ask that PJM provide more specific information about how it complies with the interregional requirements of Order 1000 that are cited in the matrix. To the extent further efforts are needed to satisfy Order 1000 requirements, NGOs urge PJM to begin interregional planning coordination sessions open to stakeholder input as soon as possible, to allow sufficient time for the work necessary to achieve robust interregional coordination.

#### **V. Regional Cost Allocation**

PJM has not put forth a proposal for addressing Order 1000's cost allocation requirements, and NGOs look forward to providing input on the proposal once issued. NGOs want to ensure that there is opportunity for timely and meaningful stakeholder participation in cost allocation compliance discussions, separate from the ongoing transmission owners' process, which is closed to other stakeholder participation. NGOs were encouraged by PJM's commitment to put forth its own straw proposals on cost allocation methods that will meet Order 1000's directive, and we look forward to receiving information about the timeline for review of those proposals.

Respectfully,

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