



Order 1000 Compliance Strawman

RPPTF

March 6, 2012

Compliance Filing Requirements

- Regional Planning Process - October 11, 2012
- Planning for Public Policy - October 11, 2012
- Right of First Refusal - October 11, 2012
- Cost Allocation - October 11, 2012

- Interregional Planning - April 11, 2013

- Compliance filing strawman needs to focus on requirements identified in order
 - Proposals FERC specifically declined to require may merit consideration but should be deferred in light of scope of order requirements, e.g. competitive bidding for new projects and separate category for public policy projects
- Stage development of strawman based on compliance requirements
- Review strawman against compliance spreadsheet
- Identify areas for further development

Threshold Issues re: ROFR

- **Issue: What range of needs/solutions remain with the incumbent T.O. and are not subject to competitive process?**

Per Order 1000: Reserved for incumbent Transmission Owner

- Upgrades to existing facilities
- Facilities in existing transmission owner ROW
- Facilities that are not included in a TP's regional transmission plan for purposes of cost allocation

- **Issue: Need to resolve issue of treatment of facilities allocated by PJM to only one transmission zone**

Threshold Issues re: ROFR

Issue: Should there be a pre-qualification process?

- Periodic qualification process? How often?
- Scheduled qualification process or project-by-project qualification process?
- Requirement to update: Who is responsible for changes in financial condition/ technical qualification/ownership? How is this monitored?
- Incentives for accurate reporting and updating?

Threshold Issues re: ROFR

Issue: What is the qualification for technical expertise?

- Is it ability to construct? Construct and operate?
- If construction/operation is bid out, what qualifications of the submitting entity need to be shown?
- Lessons from FERC's qualification of natural gas pipelines?
- What criteria does PJM use to judge? Do you need proof of having constructed other similar projects?

Issue: What constitutes financial qualifications?

- **Use standards from PJM credit rules?**
- **If so, what constitutes an entity's market position?**
- **What are the appropriate criteria to measure financial ability to finance, build and operate a transmission facility?**

Issue: Establishing legal ability to build

- How do we ensure the entity is able to obtain a CPCN?
- How do we ensure the entity is able to exercise the right of eminent domain to obtain right of way?
- What evidence is appropriate: PUC Order? AG Opinion? Opinion of counsel? (Note: DR „opt-out“ model to avoid RTO having to interpret state law.

- Option 1
 - PJM identifies needs through planning process
 - PJM identifies most effective solution
 - Pre-qualified entities offer to build project
 - PJM selects builder based on defined process (TBD)

- Option 2
 - PJM identifies needs through planning process
 - Pre-qualified entities submit proposals
 - PJM identifies most effective solution among proposals
 - PJM assigns project to proposer

Under option one, PJM proposes the project (after receiving input) and then seeks qualified entities to build the project.

- **Issues: How does PJM choose among pre-qualified entities?**
 - **Lowest cost bid? If so, how deal with “lowball estimate” problem?**
 - **Time for completion?**
 - **Estimate of which entity can most effectively receive siting approval?**
 - **Other criteria?**

Under option one, PJM retains its planning authority and expertise to craft needed projects (not constrained by submitted proposals) but takes on role of procurement agent.

- **Issues:** Is this an appropriate role for the RTO?
- Is it closer to the RTO role than Option Two?
- Is there another entity that can award the contract?
- What are the contract terms and who are the parties?

Under option two, PJM identifies needs, asks for proposals and chooses only among submitted proposals

- **Issues:** Should PJM be limited to the submitted proposals?
- How are disputes among very close proposals resolved? Should we treat reliability and economic projects the same when choosing?
- Is PJM forced to reject a proposal if it has doubts about the proposing entity's ability to build and operate ?

- **Issues:**
 - What is the timing of submission of proposals?
 - Is there a “cut-off” period for re-work of a proposal?
 - How are closely-aligned proposals reviewed?
 - What are the minimum criteria for a valid proposal?
 - Lines on a map?
 - Specific routes?
 - Demonstrated ability to obtain right of way?
 - Demonstration of planned financing and cost of capital?

Issues

- Is this an appropriate role for the RTO?
- Is it closer to the RTO role than Option Two?
- Is there another entity that can award the contract?
- What are the contract terms and who are the parties?

Need for concrete proposals at next meeting on the following topics:

- Pre-qualification criteria and mechanics
- Option One (PJM proposes project and selects entity to construct):
 - Criteria for choosing among pre-qualified entities
 - Appropriateness of the role of the RTO?
- Option Two (PJM chooses among submitted projects)
 - Criteria for choosing among submitted proposals
 - Resolving disputes among closely aligned projects
 - What constitutes a proper submission of a project?
 - Appropriateness of the role of the RTO?

Specific proposals on:

- Pre-qualification
- Option One (PJM Plans and Chooses Developer)
- Option Two (PJM Chooses Among Submitted Projects)