

**PJM Regional Planning Process Task Force
Order 1000 and Need for Multi-Driver Projects
AEP, Duke and Exelon Proposal
April 25th, 2012**

This proposal outlines the joint findings by AEP, Duke and Exelon on the need for PJM to develop a methodology that selects transmission projects for inclusion in the RTEP on the basis of an aggregation of multiple drivers. This would also indicate the need for an associated cost allocation mechanism per Order 1000.

Need to Identify More Efficient and Cost-Effective Transmission Facilities

The main focus of Order 1000 is to enable the development and construction of more efficient and cost effective regional and interregional transmission facilities.

Regional transmission facilities are those that have been selected in a regional transmission plan for the purposes of regional cost allocation. Such transmission facilities provide regional benefits, hence they are eligible for cost allocation through a regional mechanism. Consequently, such transmission facilities need to be the more efficient and cost-effective solutions that meet the transmission needs of the transmission planning region.

[11] Final Rule requires the public utility transmission providers in a transmission planning region, in consultation with their stakeholders, to create a regional transmission plan. This plan will identify transmission facilities that more efficiently or cost-effectively meet the region's reliability, economic and Public Policy Requirements.

The commission in Order 1000 clearly requires the identification and inclusion of more efficient and cost-effective solutions in a regional transmission plan for meeting the reliability, economic and public policy requirements of the transmission planning region.

Current PJM Planning Process

The PJM planning process currently does not provide for entities to propose solutions that more efficiently and cost-effectively solve the existing reliability, market efficiency, long-term ARRs and other criteria needs in PJM (i.e., add multiple drivers). Even if projects are submitted that are demonstrated to provide multiple benefits, PJM is still forced to look for solutions that solve each driver individually. This means that even if a project provides incremental economic benefits, it may be evaluated solely for the purposes of solving reliability problems identified during the PJM planning process. This is due to the fact that PJM is limited to justifying projects on a single driver basis. Because of this, a project that has a market efficiency or public policy component, or makes interconnection-related upgrades unnecessary will be compared against other proposals that only solve the reliability criteria violations (in cases where competing proposals were very close in solving the reliability problems, and also had similar cost estimates, PJM has taken additional factors into account to decide the most optimal project to select).

An additional complication also arises when a project can pass multiple criteria individually. For cost allocation purposes, PJM is forced to justify such a project on one single driver, effectively ignoring the additional benefits that such a project provides. The selection and approval of the

**PJM Regional Planning Process Task Force
Order 1000 and Need for Multi-Driver Projects
AEP, Duke and Exelon Proposal
April 25th, 2012**

Cloverdale-Lexington 500 kV line upgrade in the fall of 2011 is one example of a project that clearly passed multiple thresholds, individually.

Consideration of Public Policy Objectives

Another reason for the need to include multi-driver projects in the PJM planning process is the requirement in Order 1000 to consider public policy requirements in the transmission planning process. The order does not limit the consideration of public policy requirements on single driver basis. In fact, under paragraph [148], the order states that:

*“Through the regional transmission planning process, public utility transmission providers will be required to evaluate, in consultation with stakeholders, alternative transmission solutions that might meet the needs of the transmission planning region more efficiently or cost-effectively than solutions identified by individual public utility transmission providers in their local transmission planning process. This could include transmission facilities needed to meet **reliability requirements, address economic considerations, and/or meet transmission needs driven by Public Policy Requirements**, as discussed further below.”*

The above language clearly requires for the ability to consider public policy requirements not mutually exclusive to reliability and economic considerations. PJM, in its February 29, 2012 filing with the FERC, made changes to its Operating Agreement that provide the ability to perform scenario and sensitivity analyses for reliability purposes, but does not provide for a similar ability to quantify economic benefits due to consideration of public policy objectives.

This limitation in the PJM planning process is also described in detail in footnote 72 of the order where, *“PJM acknowledges in its comments that under its existing transmission planning process, it cannot build transmission to anticipate the development of future generation, including renewable energy resources that are not associated with specific generator interconnection requests”*.