

Mid-Atlantic Renewable Energy Coalition Comments to PJM Matrix on FERC Order 1000 Issues

Public Policy Requirement

“MAREC recommends that PJM adds public policy requirements as an additional transmission planning driver by including appropriate language to Schedule 6 of the PJM Operating Agreement and the planning provisions of the PJM Open Access Transmission Tariff (OATT).”

MAREC would posit that existing state public policy requirements should be included as a fundamental input in the PJM Baseline case and to be planned accordingly. The tariff should include when, how and based on what criteria PJM will select public policy driven transmission projects, and include the proposed solutions being evaluated. Finally, the cost allocation mechanism associated with transmission projects in the regional plan that is solely driven by public policy requirements should be consistent with the cost allocation mechanisms associated with reliability and market efficiency based projects. MAREC notes that FERC Order 1000 does not prohibit participant-funding of new transmission facilities, but it is not allowed as the regional or interregional cost allocation method.”*

*See Paragraph 10, page 15 of FERC Order 1000; and Paragraph 725 on Page 508 of FERC Order 1000 directly referring to the preclusion of participant-funding as the regional or interregional cost allocation method.

State Agreement Approach

“MAREC supports State Agreement Approach regarding the inclusion of the “public policy requirement” in the PJM RTEP process. As indicated in the OPSI letter of June 12, 2012. States in the PJM RTO zone may voluntarily propose that their particular public policy requirement of projects/enhancements be included in the PJM RTEP process. Each sponsoring state shall be responsible for its share of the total cost of the public policy project. For these states sponsored projects, all costs related to the public policy project shall be recovered from customers in the sponsoring states. While the State Agreement Approach is an option, it should be clear that it is not the exclusive option with respect to public policy projects or projects planned as a result of the consideration of multiple drivers.”

Multi-drivers

“PJM’s current methodology that determines the need for transmission expansion is mainly reliability criteria/standards and to a minor extent market efficiency. Although, reliability drives

most new transmission needs, there are other important drivers that should be taken into account when to decide on proceeding to the construction stage of the transmission project. These drivers include renewable energy requirements, system wide production costs savings, public policy objectives (security & economic), aging generation & retirement and fuel diversity. PJM's current policy is that, when an updated RTEP plan does not show reliability violations for the specific year being studied, the transmission plans that were identified as needed in the previous RTEP study are delayed or placed in abeyance. The concern with this approach of using a single driver (reliability), a transmission plan that includes the addition of 500kV and above transmission facilities require long lead time to construct. The design, development and construction phase could take a number of years or longer depending on the environmental studies, routing issues, land acquisition, permitting and other unforeseen issues.

The above multi-drivers should be seriously considered in determining whether an RTEP plan that include long lead time, regional transmission projects. Simultaneously evaluating multiple drivers in deciding whether a plan moves forward or not will ensure that needed transmission gets built in a timely manner, provides certainty to the various stakeholders and will result in a more robust and reliable transmission system.

Similar to our recommendations regarding projects driven by public policy requirements, Schedule 6 of the Operating Agreement should be modified to facilitate the inclusion of projects that meet more than one need as described above. In addition, an ability to move forward with projects that meet one or more objectives, which would traditionally be postponed due to lack of a "pure" reliability need, should be considered.