

PJM's PROPOSED SCHEDULE 6 CHANGES (ROFR Issues)

DEFINITION:

1. __. "Designated Entity" shall mean the entity designated by the Office of the Interconnection with the responsibility to construct, own, operate, maintain and finance Immediate-need Reliability Projects, Short-term Projects and Long-lead Projects pursuant to section 1.5.8 of this Schedule 6.

1.19a. "Long-lead Project" shall mean a transmission enhancement or expansion with an in-service date more than five years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, and economic constraints, to be addressed by the enhancement or expansion.

1. __ "Immediate-need Reliability Project" shall mean a reliability-based transmission enhancement or expansion with an in-service date of 3 years or less from the year the Office of the Interconnection has identified in the expansion study process described in section 1.5.3 of this Schedule 6 that the existing and projected limitations on the transmission system give rise to the need for such enhancement or expansion on an expedited basis.

1. __ "Short-term Project" shall mean a transmission enhancement or expansion with an in-service date of more than 3 years but no more than 5 years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, and economic constraints to be addressed by the enhancement or expansion.

1.5.8 Development of Long-~~Lead-lead~~ Projects, Short-term Projects and ~~Necessary~~ Immediate-need Reliability Projects and State Public Policy Projects.

(a) On an annual basis, entities that desire to be the Designated Entity for Immediate-need Projects, Short-term Projects or Long-lead Projects to be included in the recommended plan shall submit to the Office of the Interconnection the following information: (i) name and address of the entity; (ii) the technical and engineering qualifications of the entity or its affiliate, partner or parent company; (iii) the demonstrated experience of the entity or its affiliate, partner or parent company to develop, construct, maintain, and operate transmission facilities, including a list or other evidence of transmission facilities the entity previously constructed and maintained; (iv) the previous record of the entity or its affiliate, partner or parent company regarding construction and maintenance of transmission facilities both inside and outside of the PJM Region; and (v) the capability of the entity or its affiliate, partner or parent company to adhere to standardized construction, maintenance and operating practices; (vi) the financial statements of the entity or its affiliate, partner or parent company for the most recent fiscal quarter, as well as the most recent three fiscal years, or the period of existence of the entity, if shorter, or such other evidence demonstrating an entity's current and expected financial capability acceptable to the Office of the Interconnection; (vii) a commitment by the entity to execute the Consolidated Transmission Owners Agreement

Comment [A1]: Do we want to tie this requirement to a specific timeframe, e.g., from January to March or first quarter of the calendar year?

if the entity becomes a Designated Entity; (viii) the ability of the entity to assume liability for major losses resulting from failure of facilities; and (ix) the experience of the entity in acquiring rights of way. Based on this information, prior to the opening of the next project proposal window, the Office of the Interconnection shall determine whether an entity is qualified to be a Designated Entity and shall notify the entity of such determination. In the event the Office of the Interconnection determines that an entity is not qualified to be a Designated Entity, the Office of the Interconnection shall include in the notification the basis for its determination. The entity shall have 30 days or such other period as may be agreed to by the Office of the Interconnection and the entity to submit additional information, which the Office of the Interconnection shall consider in re-evaluating whether the entity is qualified to be a Designated Entity. The Office of the Interconnection shall notify the entity of the results of this re-evaluation within [##] business days of receiving the additional information. If an entity is notified by the Office of the Interconnection that the entity does not qualify to be a Designated Entity, such entity may request dispute resolution pursuant to Schedule 5 of the Operating Agreement. If an entity qualified to be a Designated Entity in a previous year, such entity is not required to re-submit information to qualify to be a Designated Entity in the current year provided, however, that such entity must submit to the Office of the Interconnection all updated information at the time the information has changed. In the event an entity submits updated information, the Office of the Interconnection shall determine whether the entity continues to qualify to be a Designated Entity and shall notify the entity of its determination within a reasonable period of time. This section shall not apply to entities that desire to propose Short-term Projects or Long-lead Projects for inclusion in the recommended plan but do not intend to be a Designated Entity.

(b) Upon identification of existing and projected limitations on the transmission system's physical, economic and/or operational capability or performance, in the enhancement and expansion analysis process described in this Schedule 6 and the PJM Manuals, the Office of the Interconnection shall post on the PJM website the violations, system conditions, economic constraints, and Public Policy Requirements identified by the states in the PJM Region that may be addressed by potential Short-term Projects, Long-lead Projects or State Public Policy Projects. Immediate-need Reliability Projects shall not be included in the proposal window and the Office of the Interconnection shall not accept proposals for Immediate-need Reliability Projects. Rather, Immediate-need Reliability Projects shall be developed as described in section 1.5.8(k) of this Schedule 6.

(c) The Office of the Interconnection shall provide notice to stakeholders of a [30-day/45 day/60-day] [or specific date] proposal window for Short-term Projects and a 120-day proposal window for Long-lead Projects. The Office of the Interconnection will accept proposals for potential enhancements or expansions to address the posted violations, system conditions, economic constraints, as well as Public Policy Requirements. Proposals must contain: (i) the name and address of the proposing entity; (ii) a statement whether the entity intends to be the Designated Entity for the proposed project; (iii) location of proposed project, including source and sink, if applicable; (iv) relevant engineering studies, as described in the PJM Manuals pertaining to the proposed project; and (v) cost estimates and analyses as described in the PJM Manuals for the proposed project. If the proposing entity states that it intends to be a Designated Entity,

Comment [A2]: Should this be planning year or calendar year?

Comment [A3]: Should this be planning year or calendar year?

the proposal also shall contain information demonstrating: (vi) technical and engineering qualifications and demonstrated experience of the entity or its affiliate, partner or parent company to develop, construct, maintain, and operate transmission facilities, including a list or other evidence of transmission facilities the entity previously constructed and maintained; (vii) the ability of the entity or its affiliate, partner or parent company to obtain adequate financing relative to the proposed project, which may include a letter of intent from a financial institution approved by the Office of the Interconnection; (viii) the capability or its affiliate, partner or parent company for cost containment, schedule-keeping and other advantages the entity may have to build the proposed project, including any cost commitment the entity may wish to submit; (ix) any other information that may assist the Office of the Interconnection in evaluating the proposed project. The Office of the Interconnection may request additional reports or information that it determines are reasonably necessary to evaluate the specific project proposal pursuant to the criteria set forth in subsection 1.5.8(e). If the Office of the Interconnection determines any of the information provided in a proposal is deficient or the Office of Information requires additional reports or information to analyze the submitted proposal, it shall notify the proposing entity of such deficiency or request and the proposing entity shall provide the necessary information within [10] business days of receipt of the notification of deficiency and/or request for additional reports or information or other reasonable time period as determined by the Office of the Interconnection. The request for additional reports or information by the Office of the Interconnection pursuant to this section may not be used to change the proposed project or submit a new project proposal once the proposal window is closed. In the event that the proposing entity fails to timely cure the deficiency or provide the requested reports or information, the entity's proposed project shall not be considered for inclusion in the recommended plan.

(d) Following the close of a proposal window, the Office of the Interconnection shall post all proposals submitted pursuant to section 1.5.8(c) of Schedule 6 and determine which, if any, of the proposed projects received during the applicable proposal window should be included in the recommended plan. In making this determination, the Office of the Interconnection shall consider the criteria set forth in section 1.5.8(e) of this Schedule 6. All proposals addressing Public Policy Requirements will be provided to the states for review and consideration for inclusion in the recommended plan as a State Public Policy Project consistent with section 1.5.9 of this Schedule 6. PJM shall post the proposed completed recommended plan. The Office of the Interconnection shall present to the Transmission Expansion Advisory Committee for review and comment descriptions of the proposed projects recommended for inclusion in the recommended plan. Based on that review, PJM shall, if necessary conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee.

(e) The Office of the Interconnection shall consider the following criteria, to the extent applicable, in determining whether a proposed Short-term Project or Long-lead Project should be included in the recommended plan: (i) the extent to which the proposed Short-term Project or Long-lead Project would address and solve the posted violation, system condition, economic constraint; (ii) with regard to proposed economic-based Short-term Project or Long-lead Project, whether the relative benefits of the

proposed project meets a Benefit/Cost Ratio Threshold of at least 1.25:1 as calculated pursuant to Section 1.5.7(d) of this Schedule 6; (iii) the extent to which the proposed Short-term Project or Long-lead Project would have secondary benefits, such as addressing additional other system reliability, operational performance, economic efficiency issues or Public Policy Requirements identified by the states; (iv) technical and engineering experience of the entity or its affiliate, partner or parent company, including previous record regarding construction and maintenance of transmission facilities both inside and outside of the PJM Region, relative to the project proposed; (v) the previous record of the entity or its affiliate, partner or parent company regarding construction and maintenance of transmission facilities both inside and outside of the PJM Region; (vi) capability of the entity to adhere to standardized construction, maintenance and operating practices; (vii) ability of the entity to assume liability for major losses resulting from failure of facilities; (viii) experience of the entity in acquiring rights of way; (ix) ability of the entity to secure a financial commitment (*e.g.*, MOU) from an approved financial institution agreeing to finance the project if it is accepted into the recommended plan; and (x) any other factors that may be relevant to the proposed project. The entity proposing a Short-term Project or a Long-lead Project recommended for inclusion in the recommended plan shall be the Designated Entity, provided the entity indicated in its proposal its intent to be the Designated Entity and the Office of the Interconnection determines that the entity is qualified pursuant to section 1.5.8(a) to submit proposals and be a Designated Entity.

(f) If the Office of the Interconnection determines that: (i) none of the proposed Long-lead Projects received during the 120-day proposal window would resolve a posted violation, system condition, or economic constraint without significant modification; (ii) no one proposed Long-lead Project is superior to any other, or (iii) the proposing entity did not qualify pursuant to sections 1.5.8(a) or (e), none of the proposed Long-lead Projects will be included in the recommended plan and the Office of the Interconnection shall re-evaluate and post on the PJM website all violations, system conditions, or economic constraints in the next planning cycle pursuant to section 1.5.8(b). **[Should we have an exception if there is an immediacy to resolve a violation (i.e., the project will take 5 plus years to build and we cannot wait until next proposal window?]**

Comment [A4]: Discuss with Steve and Paul

Comment [A5]: Discuss whether it should go to the incumbent or put back in for consideration at next year's RTEP

(g) If the Office of the Interconnection determines that: (i) none of the proposed Short-term Projects received during a 30/45/60-day proposal window would resolve a posted violation, system condition, or economic constraint without significant modification; (ii) no one proposed Short-term Project is superior to any other, or (iii) the proposing entity did not qualify pursuant to section 1.5.8(a) or (e), none of the proposed Short-term Projects will be included in the recommended plan. Instead, the Office of the Interconnection shall propose an alternative Short-term Project for inclusion in the recommended plan and will present such alternative Short-term Project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in whose Zone(s) the alternative Short-term Project is to be located shall be the Designated Entity for the alternative Short-term Project.

Comment [A6]: Steve: Need a decision

(h) The PJM Board shall approve the inclusion of Short-term Projects and Long-lead Projects and associated Designated Entities in the final Regional Transmission Expansion

Plan, pursuant to Section 1.6 of this Schedule 6. Within [redacted] business days of the PJM Board's approval, PJM shall notify the proposing entity that its project is included in the Regional Transmission Expansion Plan and that it shall be the Designated Entity. In such notice, the Office of the Interconnection shall provide the dates by which (i) construction must commence; (ii) all necessary state approvals must be obtained; and (iii) the project must be in service.

(i) Within [10] business days of receiving notification of its designation as a Designated Entity, the Designated Entity shall submit to the Office of the Interconnection a development schedule which shall include, but not be limited to: (1) construction milestones necessary to develop and construct the Short-term Project or Long-lead Project to achieve the required in-service date, including the deadline for obtaining -all necessary state approvals as specified by the Office of the Interconnection in the notice pursuant to section 1.5.8(h), and (2) [a performance bond/letter of credit/etc.]. In the event the Designated Entity (i) fails to provide a development schedule or performance bond pursuant to this section 1.5.8(i); or (ii) fails to meet a ~~significant~~ milestone in its development schedule that causes a delay of the project's in-service date, the Office of the Interconnection shall re-evaluate the need for the Short-term Project or Long-lead Project, and based on that re-evaluation may: (i) retain the Short-term Project or Long-lead Project in the Regional Transmission Expansion Plan, (ii) remove the Short-term Project or Long-lead Project from the Regional Transmission Expansion Plan, or (iii) include an alternative solution in the Regional Transmission Expansion Plan. If the Office of the Interconnection retains the Short-term or Long-term Project in the Regional Transmission Expansion Plan, it shall determine whether the delay is beyond the Designated Entity's control and whether to retain the Designated Entity or to designate the Transmission Owner(s) in whose Zone(s) the project is located as Designated Entity for the Short-term Project or Long-lead Project. Any modifications to the Regional Transmission Expansion Plan pursuant to this section shall be presented to the Transmission Expansion Advisory Committee for review and comment and approved by the PJM Board. Within 30 days of PJM Board approval to remove a Short-term Project or Long-lead Project from the Regional Transmission Expansion Plan, the Office of the Interconnection shall submit an informational filing to the FERC notifying FERC of the removal.

(j) Notwithstanding anything to the contrary in this Section 1.5.8, in all events, the Transmission Owner(s) in whose Zone(s) a proposed Short-term Project or Long-lead Project is to be located will be the Designated Entity for that project, when the Short-term Project or Long-lead Project is: (i) an upgrade to a Transmission Owner's own transmission facilities, (ii) located on a Transmission Owner's existing right of way; (iii) located solely within a Transmission Owner's Zone and the costs of the project are allocated solely to the Transmission Owner's Zone; or (iv) located solely within a Transmission Owner's Zone and is not selected in the Regional Transmission Expansion Plan for purposes of cost allocation.

(k) The Office of the Interconnection shall develop and recommend Immediate-need Reliability Projects for inclusion in the Regional Transmission Expansion Plan pursuant to the expansion planning process set forth in sections 1.5.1 through 1.5.6 of Schedule 6.

Comment [A7]: Need to discuss how to handle those situations where the project is designated to the incumbent and the incumbent does not meet its milestones. Who get the project then?

Comment [A8]: Do we need to add a standard applied by the Board to modify a project and/or remove the Designated Entity from the project?

Comment [A9]: Why would we need to put in a standard? Wouldn't removal of a project be based on factors such as it no longer addressed the violation, congestion or public policy it was intended to address? Should this be included in the manual or here?

Comment [A10]: Craig has a note to add State ROFR. Not sure what was discussed at the meeting.

The Office of the Interconnection shall present to the Transmission Expansion Advisory Committee for review and comment descriptions of the proposed Immediate-need Projects recommended for inclusion in the recommended plan. Based on that review, PJM shall, if necessary conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee. The PJM Board shall approve for inclusion in the recommended plan the Immediate-need Reliability Projects that it determines are required for reliability within the following three years **or that the Office of the Interconnection has identified that the existing and projected limitations on the transmission system give rise to the need for such an enhancement or expansion on an expedited basis and shall include such projects** in the Regional Transmission Expansion Plan. Transmission Owner(s) that own the transmission facilities located in the Zone where the Immediate-Need Reliability Project is to be located shall be the Designated Entity for the Immediate-Need Reliability Project included in the Regional Transmission Expansion Plan.

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Comment [A11]: Steve/Paul: We need to talk about whether we need this exception for Short-term/Long-lead Projects

1.6 Approval of the Final Regional Transmission Expansion Plan.

(a) Based on the studies and analyses performed by the Office of the Interconnection under this Schedule 6, the PJM Board shall approve the Regional Transmission Expansion Plan in accordance with the requirements of this section 1.6. The PJM Board shall not approve the Supplemental Projects or State Public Policy Projects listed in the Regional Transmission Expansion Plan. PJM Board approval of the Regional Transmission Expansion Plan shall not represent PJM Board review or approval of the Supplemental Projects or State Public Policy Projects. Supplemental Projects and State Public Policy Projects shall not be included in the Regional Transmission Expansion Plan for purposes of cost allocation.

(b) The Office of the Interconnection shall publish the current, approved Regional Transmission Expansion Plan on the PJM Internet site. Within 30 days after each occasion when the PJM Board approves a Regional Transmission Expansion Plan, or an addition to such a plan, that designates one or more Transmission Owners to construct expansion or enhancement, the Office of the Interconnection shall file with FERC a report identifying the expansion or enhancement, its estimated cost, the entity or entities that will be responsible for constructing and owning or financing the project, and the market participants designated under Section 1.5.6(k) above to bear responsibility for the costs of the project.

(c) If a Regional Transmission Expansion Plan is not approved, or if the transmission service requested by any entity is not included in an approved Regional Transmission Expansion Plan, nothing herein shall limit in any way the right of any entity to seek relief pursuant to the provisions of Section 211 of the Federal Power Act.

(d) Following PJM Board approval, the final Regional Transmission Expansion Plan shall be documented, posted publicly and provided to the Applicable Regional Entities.