

1. REGIONAL TRANSMISSION EXPANSION PLANNING PROTOCOL

1.1 Purpose and Objectives.

This Regional Transmission Expansion Planning Protocol shall govern the process by which the Members shall rely upon the Office of the Interconnection to prepare a plan for the enhancement and expansion of the Transmission Facilities in order to meet the demands for firm transmission service, and to support competition, in the PJM Region. The Regional Transmission Expansion Plan (also referred to as “RTEP”) to be developed shall enable the transmission needs in the PJM Region to be met on a reliable, economic and environmentally acceptable basis.

1.2 Conformity with NERC Reliability Standards and Other Applicable Reliability Criteria.

(a) NERC establishes Reliability Standards to promote the reliability, adequacy and security of the North American bulk power supply as related to the operation and planning of electric systems.

(b) ReliabilityFirst Corporation is responsible for ensuring the reliability, adequacy and security of the bulk electric supply systems in the geographic region described in the applicable agreements between NERC and ReliabilityFirst Corporation, as approved by the FERC, through coordinated operations and planning of generation and transmission facilities. Toward that end, it has adopted the NERC Reliability Standards and has established detailed Reliability Principles and Standards for Planning the Bulk Electric Supply System of the ReliabilityFirst Corporation.

(c) [Reserved]

(c.01) [Reserved]

(c.02) SERC is responsible for ensuring the reliability, adequacy and security of the bulk electric supply systems in the VACAR subregion of SERC. Toward that end, it has adopted the NERC Reliability Standards and has established detailed Reliability Principles and Standards for Planning the Bulk Electric Supply System for SERC.

(d) The Regional Transmission Expansion Plan shall conform at a minimum to the applicable reliability principles, guidelines and standards of NERC, ReliabilityFirst Corporation and SERC, and other Applicable Regional Entities in accordance with the planning and operating criteria and other procedures detailed in the PJM Manuals.

(e) The Regional Transmission Expansion Plan planning criteria shall include, Office of the Interconnection planning procedures, NERC Reliability Standards, Regional Entity reliability principles and standards, and the individual Transmission Owner FERC filed planning criteria as filed in FERC Form No. 715, and posted on the PJM website. FERC Form No. 715 material will be posted to the PJM website, subject to applicable Critical Energy Infrastructure Information (CEII) requirements.

(f) The Office of the Interconnection will also provide access through the PJM website, to the planning criteria and assumptions used by the Transmission Owners for the development of the current Local Plan.

1.3 Establishment of Committees.

(a) The Planning Committee shall be open to participation by (i) all Transmission Customers, as that term is defined in the PJM Tariff, and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region and the State Consumer Advocates; and (v) any other interested entities or persons and shall provide technical advice and assistance to the Office of the Interconnection in all aspects of its regional planning functions. The Transmission Owners shall supply representatives to the Planning Committee, and other Members may provide representatives as they deem appropriate, to provide the data, information, and support necessary for the Office of the Interconnection to perform studies as required and to develop the Regional Transmission Expansion Plan.

(b) The Transmission Expansion Advisory Committee established by the Office of the Interconnection will meet periodically with representatives of the Office of the Interconnection to provide advice and recommendations to the Office of the Interconnection to aid in the development of the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee participants shall be given an opportunity to provide advice and recommendations for consideration by the Office of the Interconnection regarding sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives in the studies and analyses to be conducted by the Office of the Interconnection. The Transmission Expansion Advisory Committee participants shall be given the opportunity to review and provide advice and recommendations on the projects to be included in the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee meetings shall include discussions addressing interregional planning issues, as required. The Transmission Expansion Advisory Committee shall be open to participation by: (i) all Transmission Customers, as that term is defined in the PJM Tariff, and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee (~~ISAC~~), and the State Consumer Advocates; and (v) any other interested entities or persons. The Transmission Expansion Advisory Committee shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (PJM Manual M-14 series) and by the rules and procedures applicable to PJM committees.

(c) The Subregional RTEP Committees established by the Office of the Interconnection shall facilitate the development and review of the Subregional RTEP Projects. The Subregional RTEP Committees will be responsible for the initial review of the Subregional RTEP Projects, and to provide recommendations to the Transmission Expansion Advisory Committee concerning the Subregional RTEP Projects. A Subregional RTEP Committee may of its own accord or at the request of a Subregional RTEP Committee participant, also refer specific Subregional RTEP Projects to the Transmission Expansion Advisory Committee for further review, advice and recommendations.

(d) The Subregional RTEP Committees shall be responsible for the timely review of each Transmission Owner's Local Plan. This review shall include, but is not limited to, the review of the criteria, assumptions and models used by the Transmission Owner to identify criteria violations and proposed solutions prior to finalizing the Local Plan, the coordination and integration of the Local Plans into the RTEP, and addressing any stakeholder issues unresolved in the Local Plan process. The Subregional RTEP Committees will be provided sufficient opportunity to review and provide written

comments to the Transmission Owners on the criteria, assumptions, and models used in local planning activities prior to finalizing the Local Plan. The Subregional RTEP Committees meetings shall include discussions addressing interregional planning issues, as required. Once finalized, the Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments to the Transmission Owners on the Local Plans as integrated into the RTEP, prior to the submittal of the final Regional Transmission Expansion Plan to the PJM Board for approval.

(e) The Subregional RTEP Committees shall be open to participation by: (i) all Transmission Customers, as that term is defined in the PJM Tariff, and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee and the State Consumer Advocates and (v) any other interested entities or persons.

(f) Each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting to review the criteria, assumptions and models used by the Transmission Owner to identify criteria violations. Each Subregional RTEP Committee shall schedule and facilitate an additional Subregional RTEP Committee meeting, per planning cycle, and as required to review the identified criteria violations and potential solutions ~~for each of the three PJM subregions — the Mid-Atlantic, West and South — per Planning Period, and as required.~~ The Subregional RTEP Committees may facilitate additional meetings to incorporate more localized areas within the three subregions into the subregional planning process. At the discretion of the Office of the Interconnection, a designated Transmission Owner may facilitate Subregional RTEP Committee meeting(s), or the additional meetings incorporating the more localized areas.

(g) The Subregional RTEP Committees shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (Manual M-14 series) and by the rules and procedures applicable to PJM committees.

1.4 Contents of the Regional Transmission Expansion Plan.

- (a) The Regional Transmission Expansion Plan shall consolidate the transmission needs of the region into a single plan which is assessed on the bases of (i) maintaining the reliability of the PJM Region in an economic and environmentally acceptable manner, (ii) supporting competition in the PJM Region, (iii) striving to maintain and enhance the market efficiency and operational performance of wholesale electric service markets and (iv) considering federal and state Public Policy Requirements ~~identified and agreed to by the states.~~
- (b) The Regional Transmission Expansion Plan shall reflect, consistent with the requirements of this Schedule 6, transmission enhancements and expansions; load forecasts; and capacity forecasts, including expected generation additions and retirements, demand response, and reductions in demand from energy efficiency and price responsive demand for at least the ensuing ten years.
- (c) The Regional Transmission Expansion Plan shall, at a minimum, include a designation of the Transmission Owner ~~or Owners~~ (s) or other entity (ies) that will construct, own, maintain, operate and/or finance each transmission enhancement and expansion and how all reasonably incurred costs are to be recovered.
- (d) The Regional Transmission Expansion Plan shall (i) avoid unnecessary duplication of facilities; (ii) avoid the imposition of unreasonable costs on any Transmission Owner or any user of Transmission Facilities; (iii) take into account the legal and contractual rights and obligations of the Transmission Owners; (iv) provide, if appropriate, alternative means for meeting transmission needs in the PJM Region; (v) provide for coordination with existing transmission systems and with appropriate interregional and local expansion plans; and (vi) strive for consistency in planning data and assumptions that may relieve transmission congestion across multiple regions.

1.5 Procedure for Development of the Regional Transmission Expansion Plan.

1.5.1 Commencement of the Process.

(a) The Office of the Interconnection shall initiate the enhancement and expansion study process if the (i) required as a result of a need for transfer capability identified by the Office of the Interconnection in its evaluation of requests for interconnection with the ~~transmission system~~ Transmission System or for firm transmission service with a term of one year or more; (ii) required to address a need identified by the Office of the Interconnection in its on-going evaluation of the ~~transmission system~~ Transmission System's market efficiency and operational performance; (iii) required as a result of the Office of the Interconnection's assessment of the ~~transmission system~~ Transmission System's compliance with NERC Reliability Standards, more stringent reliability criteria, if any, or PJM planning and operating criteria; (iv) required to address constraints or available transfer capability shortages, including, but not limited to, available transfer capability shortages that prevent the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement, constraints or shortages as a result of expected generation retirements, constraints or shortages based on an evaluation of load forecasts, or system reliability needs arising from proposals for the addition of Transmission Facilities in the PJM Region; or (v) expansion of the ~~transmission system~~ Transmission System is proposed by one or more Transmission Owners, Interconnection Customers, Network Service Users or Transmission Customers, or any party that funds Network Upgrades pursuant to Section 7.8 of Schedule 1 of this Agreement. The Office of the Interconnection may initiate the enhancement and expansion study process to address or consider, where appropriate, requirements or needs arising from sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives.

(b) The Office of the Interconnection shall notify the Transmission Expansion Advisory Committee participants of, as well as publicly notice, the commencement of an enhancement and expansion study. The Transmission Expansion Advisory Committee participants shall notify the Office of the Interconnection in writing of any additional transmission considerations they would like to have included in the Office of the Interconnection's analyses.

1.5.2 Development of Scope, Assumptions and Procedures.

Once the need for an enhancement and expansion study has been established, the Office of the Interconnection shall consult with the Transmission Expansion Advisory Committee and the Subregional RTEP ~~Committee~~ Committees, as appropriate, to prepare the study's scope, assumptions and procedures.

1.5.3 Scope of Studies.

In conducting the enhancement and expansion studies, the Office of the Interconnection shall not limit its analyses to bright line tests to identify and evaluate potential ~~transmission system~~ Transmission System limitations, violations of planning criteria, or transmission needs. In addition to the bright line tests, the Office of the Interconnection shall employ sensitivity studies, modeling assumption variations, and scenario analyses, and shall also consider Public Policy Objectives in the studies and analyses, so as to mitigate the possibility that bright line metrics may inappropriately include or exclude transmission projects from the ~~long-term~~ transmission plan. Sensitivity studies, modeling assumption variations, and scenario analyses shall take account of potential changes in expected future

system conditions, including, but not limited to, load levels, transfer levels, [fuel prices, the level and type of generation](#), generation patterns (including, but not limited to, the effects of assumptions regarding generation that is at risk for retirement and new generation to satisfy Public Policy Objectives), [demand response](#) and uncertainties arising from estimated times to construct transmission upgrades. *The Office of the Interconnection shall use the sensitivity studies, modeling assumption variations and scenario analyses in evaluating and choosing among alternative solutions to reliability, market efficiency and operational performance ~~transmission solutions~~ needs.* [The Office of the Interconnection shall provide the results of its studies and analyses to the Transmission Expansion Advisory Committee to consider the impact that sensitivities, assumptions and scenarios may have on Transmission System needs and the need for transmission enhancements or expansions.](#) Enhancement and expansion studies shall be completed by the Office of the Interconnection in collaboration with the affected Transmission Owners, as required. In general, enhancement and expansion studies shall include:

- (a) An identification of existing and projected limitations on the ~~transmission system~~ [Transmission System](#)'s physical, economic and/or operational capability or performance, with accompanying simulations to identify the costs of controlling those limitations. Potential enhancements and expansions will be proposed to mitigate limitations controlled by non-economic means.
- (b) Evaluation and analysis of potential enhancements and expansions, including alternatives thereto, needed to mitigate such limitations.
- (c) Identification, evaluation and analysis of potential transmission expansions and enhancements, demand response programs, and other alternative technologies as appropriate to maintain system reliability.
- (d) Identification, evaluation and analysis of potential enhancements and expansions for the purposes of supporting competition, market efficiency, operational performance and Public Policy Requirements in the PJM Region.
- (e) Identification, evaluation and analysis of upgrades to support Incremental Auction Revenue Rights requested pursuant to Section 7.8 of Schedule 1 of this Agreement.
- (f) Identification, evaluation and analysis of upgrades to support all transmission customers, including native load and network service customers.
- (g) Engineering studies needed to determine the effectiveness and compliance of recommended enhancements and expansions, with the following PJM criteria: system reliability, operational performance, and market efficiency.
- (h) Identification, evaluation and analysis of potential enhancements and expansions designed to ensure that the Transmission System's capability can support the simultaneous feasibility of all stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement. Enhancements and expansions related to stage 1A Auction Revenue Rights identified pursuant to this section shall be recommended for inclusion in the ~~RTEP~~ [Regional Transmission Expansion Plan](#) together with a recommended in-service date based on the results of the ten (10) year stage 1A simultaneous feasibility analysis. Any such recommended enhancement or expansion under this

Section 1.5.3(h) shall include, but shall not be limited to, the reason for the upgrade, the cost of the upgrade, the cost allocation identified pursuant to Section 1.5.6(k) of Schedule 6 of this Agreement and an analysis of the benefits of the enhancement or expansion, provided that any such upgrades will not be subject to a market efficiency cost/benefit analysis.

1.5.4 Supply of Data.

(a) The Transmission Owners shall provide to the Office of the Interconnection on an annual or periodic basis as specified by the Office of the Interconnection, any information and data reasonably required by the Office of the Interconnection to perform the Regional Transmission Expansion Plan, including but not limited to the following: (i) a description of the total load to be served from each substation; (ii) the amount of any interruptible loads included in the total load (including conditions under which an interruption can be implemented and any limitations on the duration and frequency of interruptions); (iii) a description of all generation resources to be located in the geographic region encompassed by the Transmission Owner's transmission facilities, including unit sizes, VAR capability, operating restrictions, and any must-run unit designations required for system reliability or contract reasons; the (iv) current Local Plan; and (v) all criteria, assumptions and models used in the current Local Plan. The data required under this Section shall be provided in the form and manner specified by the Office of the Interconnection.

(b) In addition to the foregoing, the Transmission Owners, those entities requesting transmission service and any other entities proposing to provide Transmission Facilities to be integrated into the PJM Region shall supply any other information and data reasonably required by the Office of the Interconnection to perform the enhancement and expansion study.

(c) The Office of the Interconnection also shall solicit from the Members, Transmission Customers and other interested parties, including but not limited to electric utility regulatory agencies within the States in the PJM Region, Independent State Agencies Committee and the State Consumer Advocates, information required by, or anticipated to be useful to, the Office of the Interconnection in its preparation of the enhancement and expansion study, including information regarding potential sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives that may be considered.

(d) The Office of the Interconnection shall supply to the Transmission Expansion Advisory Committee and the Subregional RTEP Committees reasonably required information and data utilized to develop the Regional Transmission Expansion Plan. Such information and data shall be provided pursuant to the appropriate protection of confidentiality provisions and ~~PJM~~[Office of the Interconnection](#)'s CEII process.

(e) The Office of the Interconnection shall provide access through the PJM website to the Transmission Owner's Local Plan, including all criteria, assumptions and models used by the Transmission Owners in developing their respective Local Plan ("Local Plan Information"). Local Plan Information shall be provided consistent with: (1) any applicable confidentiality provisions set forth in Section 18.17 of this Operating Agreement; (2) ~~PJM~~[the Office of the Interconnection](#)'s CEII process; and (3) any applicable copyright limitations. Notwithstanding the foregoing, the Office of the Interconnection may share with a third party Local Plan Information that has been designated as confidential, pursuant to the provisions for such designation as set forth in Section 18.17 of this Operating Agreement and subject to: (i) agreement by the disclosing Transmission Owner consistent

with the process set forth in this Operating Agreement; and (ii) an appropriate non-disclosure agreement to be executed by PJM Interconnection, L.L.C., the Transmission Owner and the requesting third party. With the exception of confidential, CEII and copyright protected information, Local Plan Information will be provided for full review by the Planning Committee, the ~~TEAC~~ Transmission Expansion Advisory Committee and the Subregional RTEP Committees.

1.5.5 Coordination of the Regional Transmission Expansion Plan.

- (a) The Regional Transmission Expansion Plan shall be developed in accordance with the principles of interregional coordination with the ~~transmission systems~~ Transmission Systems of the surrounding Regional Entities and with the local transmission providers, through the Transmission Expansion Advisory Committee and the Subregional RTEP Committee.
- (b) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordinated regional transmission expansion planning established under the following agreements: Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C.; Northeastern ISO/RTO Planning Coordination Protocol; Joint Reliability Coordination Agreement Between the Midwest ~~independent~~ Independent System Operator, Inc.; PJM Interconnection, L.L.C. and Progress Energy Carolinas. Coordinated regional transmission expansion planning shall also incorporate input from parties that may be impacted by the coordination efforts, including but not limited to, the Members, Transmission Customers, electric utility regulatory agencies in the PJM Region, and the State Consumer Advocates, in accordance with the terms and conditions of the applicable regional coordination agreements.
- (c) The Regional Transmission Expansion Plan shall be developed by the Office of the Interconnection in consultation with the Transmission Expansion Advisory Committee during the enhancement and expansion study process.
- (d) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordination of the ~~Regional~~ regional and subregional systems.

1.5.6 Development of the Recommended Regional Transmission Expansion Plan.

- (a) The Office of the Interconnection shall be responsible for the development of the Regional Transmission Expansion Plan and for conducting the studies, including sensitivity studies and scenario analyses on which the plan is based. The Regional Transmission Expansion Plan, including the Regional RTEP Projects, the Subregional RTEP Projects and the Supplemental Projects shall be developed through an open and collaborative process with opportunity for meaningful participation through the Transmission Expansion Advisory Committee and the Subregional RTEP ~~Committee~~ Committees.
- (b) *The Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall each facilitate a minimum of one initial assumptions meeting to be scheduled at the commencement of the ~~RTEP~~ Regional Transmission Expansion Plan process. The purpose of the assumptions meeting shall be to provide an open forum to discuss the following: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) Public Policy Objectives for consideration in the Office of the Interconnection's transmission planning analyses; (iii) the impacts of regulatory actions, projected*

changes in load growth, demand response resources, energy efficiency programs, price responsive demand, generating additions and retirements, market efficiency and other trends in the industry; and (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the Committee participants. Prior to the initial assumptions meeting, Committee participants will be afforded the opportunity to provide input and submit suggestions regarding the information identified in items (i) through (iv) of this subsection. A range of assumptions to be used in the studies and scenario analyses shall be determined by the Office of the Interconnection, considering the advice and recommendations of the Transmission Expansion Advisory Committee and Subregional RTEP Committees participants and shall be documented and publicly posted for review.

(c) After the assumptions meeting(s), the Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall facilitate additional meetings and shall post all communications required to provide early opportunity for the committee participants (as defined in Sections 1.3(b) and 1.3(c) of this Schedule 6) to review and evaluate the following arising from the studies performed by the Office of the Interconnection, including sensitivity studies and scenario analyses: (i) any identified violations of reliability criteria and analyses of the market efficiency and operational performance of the ~~transmission system~~ Transmission System; (ii) potential transmission solutions, including any acceleration, deceleration or modifications of a potential expansion or enhancement based on the results of sensitivities studies and scenario analyses; and (iii) the proposed RTEP Regional Transmission Expansion Plan. These meetings will be scheduled as deemed necessary by the Office of the ~~Interconnection~~ Interconnection or upon the request of the Transmission Expansion Advisory Committee or the Subregional RTEP Committees. The Office of the Interconnection will provide updates on the status of the development of the RTEP Regional Transmission Expansion Plan at these meetings or at the regularly scheduled meetings of the ~~PJM~~ Planning Committee.

(d) In addition, the Office of the Interconnection shall facilitate periodic meetings with the Independent State Agencies Committee to discuss: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) regulatory initiatives, as appropriate, including state regulatory agency initiated programs, and other Public Policy Objectives, to consider including in the Office of the Interconnection's transmission planning analyses; (iii) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, generating capacity, market efficiency and other trends in the industry; and (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by Independent State Agencies Committee. At such meetings, the Office of the Interconnection also shall discuss the current status of the enhancement and expansion study process. The Independent State Agencies Committee may request that the Office of Interconnection schedule additional meetings as necessary. The Office of the Interconnection shall inform the Transmission Expansion Advisory Committee and the Subregional RTEP Committees, as appropriate, of the input of the Independent State Agencies Committee and shall consider such input in developing the range of assumptions to be used in the studies and scenario analyses described in subsection ~~(d)~~ (d), above.

~~(e)~~ Upon completion of its studies and analysis, including sensitivity studies and scenario analyses the Office of the Interconnection shall post on the PJM website the violations, system conditions, economic constraints and Public Policy Requirements as detailed in section 1.5.8(b) of this Schedule 6 ~~in order~~ to afford entities an opportunity to submit proposed enhancements or expansions to address the posted violations, system conditions, economic constraints and Public Policy Requirements as provided for in section 1.5.8(c) of this Schedule 6. Following the close of all proposal window(s), the

Office of the Interconnection shall: (i) post all proposals submitted pursuant to section 1.5.8(c) of this Schedule 6 ~~and prepare a recommended enhancement and expansion plan, which shall:~~ (ii) consider proposals submitted during the proposal ~~window~~windows consistent with section 1.5.8(d) of this Schedule 6 and ~~include enhancements or expansions identified to address reliability, market efficiency and operational performance, as well as alternative transmission solutions, as applicable, developed using the results of the sensitivity studies, modeling assumption variations and scenario analyses for review by the Transmission Expansion Advisory Committee.~~ ~~The Office of the Interconnection shall post the proposed recommended enhancement and expansion plan for review and comment by the Transmission Expansion Advisory Committee~~ develop a recommended plan. Following review by the Transmission Expansion Advisory Committee of proposals and alternative transmission solutions, the Office of the Interconnection, based on identified needs and the timing of such needs, shall determine, which more effective~~efficient~~ and cost-~~efficient~~effective enhancements and expansions, including any alternative transmission solutions that may accelerate, decelerate or modify a potential reliability, market efficiency or operational performance expansion or enhancement identified as a result of the sensitivity studies, modeling assumption variations and scenario analyses, shall be included in the recommended plan. The Office of the Interconnection shall post the proposed recommended plan for review and comment by the Transmission Expansion Advisory Committee The Transmission Expansion Advisory Committee shall facilitate open meetings and communications as necessary to provide opportunity for the Transmission Expansion Advisory Committee participants to collaborate on the preparation of the recommended enhancement and expansion plan. The Office of the Interconnection also shall invite interested parties to submit comments on the plan to the Transmission Expansion Advisory Committee and to the Office of the Interconnection *before submitting the recommended plan to the PJM Board for approval.*

(f) The recommended plan shall separately identify enhancements and expansions for the three PJM subregions, the PJM Mid-Atlantic Region, the PJM West Region, and the PJM South Region, and shall incorporate recommendations from the Subregional RTEP Committees.

(g) The recommended plan shall separately identify enhancements and expansions that are classified as Supplemental Projects, ~~including those Supplemental Projects proposed by a state or states pursuant to section 1.5.9 of this Schedule 6.~~

(h) The recommended plan shall identify enhancements and expansions that relieve transmission constraints and which, in the judgment of the Office of the Interconnection, are economically justified. Such economic expansions and enhancements shall be developed in accordance with the procedures, criteria and analyses described in ~~Section~~Sections 1.5.7 ~~below~~ and 1.5.8 of this Schedule.

~~(h)~~ (i) The recommended plan shall identify enhancements and expansions proposed by a state or states pursuant to section 1.5.9 of this Schedule ~~6 as a public policy project.~~6.

~~(i)~~ (j) The recommended plan shall include proposed Merchant Transmission Facilities within the PJM Region and any other enhancement or expansion of the Transmission System requested by any participant which the Office of the Interconnection finds to be compatible with the Transmission System, though not required pursuant to ~~Section~~Sect ion 1.1, provided that (1) the requestor has complied, to the extent applicable, with the procedures and other requirements of ~~Part~~Parts IV and VI of the PJM Tariff; (2) the proposed enhancement or expansion is consistent with applicable reliability standards, operating criteria and the purposes and objectives of the regional planning protocol; (3) the requestor shall be responsible for all costs of such enhancement or expansion (including, but not

necessarily limited to, costs of siting, designing, financing, constructing, operating and maintaining the pertinent facilities), and (4) except as otherwise provided by ~~Part~~Parts IV and VI of the PJM Tariff with respect to Merchant Network Upgrades, the requestor shall accept responsibility for ownership, construction, operation and maintenance of the enhancement or expansion through an undertaking satisfactory to the Office of the Interconnection.

(~~j~~k) For each enhancement or expansion that is included in the recommended plan, the plan shall consider, based on the planning analysis: other input from participants, including any indications of a willingness to bear cost responsibility for such enhancement or expansion; and, when applicable, relevant projects being undertaken to ensure the simultaneous feasibility of Stage 1A ARRs, to facilitate Incremental ARRs pursuant to the provisions of Section 7.8 of Schedule 1 of this Agreement, or to facilitate upgrades pursuant to Parts II, III, or VI of the PJM Tariff, and designate one or more Transmission Owners or other entities to construct, own and, unless otherwise provided, finance the recommended transmission enhancement or expansion. To the extent that one or more Transmission Owners are designated to construct, own and/or finance a recommended transmission enhancement or expansion, the recommended plan shall designate the Transmission Owner that owns transmission facilities located in the Zone where the particular enhancement or expansion is to be located. Otherwise, any designation under this paragraph of one or more ~~entity~~entities to construct, own and/or finance a recommended transmission enhancement or expansion shall also include a designation of ~~proportional~~partial responsibility among them. Nothing herein shall prevent any Transmission Owner or other entity designated to construct, own and/or finance a recommended transmission enhancement or expansion from agreeing to undertake its responsibilities under such designation jointly with other Transmission Owners or other entities.

(~~k~~l) Based on the planning analysis and other input from participants, including any indications of a willingness to bear cost responsibility for an enhancement or expansion, the recommended plan shall, for any enhancement or expansion that is included in the plan, designate (1) the Market Participant(s) in one or more Zones, or any other party that has agreed to fully fund upgrades pursuant to this Agreement or the PJM Tariff, that will bear cost responsibility for such enhancement or expansion, as and to the extent provided by any provision of the PJM Tariff or this Agreement, (2) in the event and to the extent that no provision of the PJM Tariff or this Agreement assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered through charges established pursuant to Schedule 12 of the Tariff, and (3) in the event and to the extent that the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C. assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered. Any designation under clause (2) of the preceding sentence (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants and, (B); subject to FERC review and approval, shall be incorporated in any amendment to Schedule 12 of the PJM Tariff that establishes a Transmission Enhancement Charge Rate in connection with an economic expansion or enhancement developed under Sections 1.5.6(h) and 1.5.7 of this Schedule ~~6-6~~6, (C) the costs associated with expansions and enhancements required to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7 of Schedule 1 of this Agreement shall (1) be allocated across transmission zones based on each zone's stage 1A eligible Auction Revenue Rights flow contribution to the total stage 1A eligible Auction Revenue Rights flow on the facility that limits stage 1A ARR feasibility and (2) within each transmission zone the Network Service Users and Transmission

Customers that are eligible to receive stage 1A Auction Revenue Rights shall be the Responsible Customers under Section (b) of Schedule 12 of the PJM Tariff for all expansions and enhancements included in the Regional Transmission Expansion Plan to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights, and (D) the costs associated with expansions and enhancements required to reduce to zero the Locational Price Adder for LDAs as described in Section 15 of Attachment DD of OATT shall (1) be allocated across Zones based on each Zone's pro rata share of load in such LDA and (2) within each Zone, to all LSEs serving load in such LDA pro rata based on such load.

Any designation under clause (3), above, (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants, and (B), subject to FERC review and approval, shall be incorporated in an amendment to a Schedule of the PJM Tariff which establishes a charge in connection with the pertinent enhancement or expansion. Before designating fewer than all customers using Point-to-Point Transmission Service or Network Integration Transmission Service within a Zone as customers from which the costs of a particular enhancement or expansion may be recovered, Transmission Provider shall consult, in a manner and to the extent that it reasonably determines to be appropriate in each such instance, with affected state utility regulatory authorities and stakeholders. When the plan designates more than one responsible Market Participant, it shall also designate the proportional responsibility among them. Notwithstanding the foregoing, with respect to any facilities that the Regional Transmission Expansion Plan designates to be owned by an entity other than a Transmission Owner, the plan shall designate that entity as responsible for the costs of such facilities.

~~(m)~~ Certain Regional RTEP Project(s) and Subregional RTEP Project(s) may not be required for compliance with the following PJM criteria: system reliability, market efficiency or operational performance, pursuant to a determination by the Office of the Interconnection. These Supplemental Projects shall be separately identified in the RTEP and are not subject to approval by the PJM Board:

~~(m) — Any Transmission Owner and other participants on the Transmission Expansion Advisory Committee may offer an alternative transmission solution.~~ n) Any Transmission Owner, Transmission Expansion Advisory Committee participant, or other entity may suggest an alternative transmission solution during the Transmission Expansion Advisory Committee review of the recommended plan. Such suggestions shall not constitute proposals pursuant to section 1.5.8(c) of this Schedule 6. The Office of the Interconnection shall determine, with input from the Transmission Expansion Advisory Committee, whether an alternative transmission solution is the more efficient and cost-effective solution to be included in the recommended plan based on consideration of the criteria set forth in section 1.5.8(e) of this Schedule 6. The Designated Entity(ies) for an alternative transmission solution included in the recommended plan shall be the Designated Entity(ies) that submitted a proposal in the proposal windows described in section 1.5.8(c), which most closely matches, with or without minor modification, the alternative solution. In the event that no proposals submitted pursuant to section 1.5.8(c) are substantially similar to the alternative solution, the Office of the Interconnection shall follow the procedures in sections 1.5.8(g) or 1.5.8(h) of this Schedule 6, as applicable.

~~(n) — The~~ o) Consistent with the procedures set forth in section 1.5.8 of this Schedule 6, the Office of the Interconnection shall offer ~~may suggest~~ an alternative ~~enhancement or expansion~~ transmission solution ~~for review by the Transmission Expansion Advisory Committee or the Subregional RTEP Committees~~ ~~when the Office of the Interconnection determines, in its sole discretion that an~~

~~alternative enhancement or expansion exists.~~

~~(p)~~ If the Office of the Interconnection adopts ~~the~~an alternative enhancement or expansion, ~~based upon its review of the relative costs and benefits, the ability of the alternative enhancement or expansion to supply the required level of transmission service, and its impact on the reliability of the Transmission Facilities, the Office of the Interconnection shall make any necessary changes to the recommended plan.~~ (p) — If, based upon its review of the relative costs and benefits, the ability of the alternative enhancement or expansion to supply the required level of transmission service, and ~~the~~its impact ~~of the alternative enhancement or expansion~~ on the reliability of the Transmission Facilities, the Office of the Interconnection ~~does not adopt an alternative enhancement or expansion proposed by a Transmission Owner(s) or entity pre-qualified to be a Designated Entity under section 1.5.8(a) of this Schedule 6, the Transmission Owner(s) or other pre-qualified entity whose alternative(s) enhancement or expansion has not been accepted or to whom cost responsibility has been assigned and other participants on the Transmission Expansion Advisory Committee may require that its or their alternative(s) be submitted to the Dispute Resolution Procedures in Schedule 5 of the Operating Agreement~~shall make any necessary changes to the recommended plan.

~~(q)~~ — ~~Schedule 5 of the Operating Agreement, the Dispute Resolution Procedures may be requested by the parties to a dispute arising from the Regional Transmission Expansion Plan or its development.~~

1.5.7 Development of Economic Transmission Enhancements and Expansions.

(a) Each year the Transmission Expansion Advisory Committee shall review and comment on the assumptions to be used in performing the market efficiency analysis to identify enhancements or expansions that could relieve transmission constraints that have an economic impact (“economic constraints”). Such assumptions shall include, but not be limited to, the discount rate used to determine the present value of the Total Annual Enhancement Benefit and Total Enhancement Cost, and the annual revenue requirement, including the recovery period, used to determine the Total Enhancement Cost. The discount rate shall be based on the Transmission Owners’ most recent after-tax embedded cost of capital weighted by each Transmission Owner’s total transmission capitalization. Each year, each Transmission Owner will be requested to provide the Office of the Interconnection with the Transmission Owner’s most recent after-tax embedded cost of capital, total transmission capitalization, and levelized carrying charge rate, including the recovery period. The recovery period shall be consistent with recovery periods allowed by the Commission for comparable facilities. Prior to PJM Board consideration of such assumptions, the assumptions shall be presented to the Transmission Expansion Advisory Committee for review and comment. Following review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection shall submit the assumptions to be used in performing the market efficiency analysis described in this section 1.5.7 to the PJM Board for consideration.

(b) Following PJM Board consideration of the assumptions, the Office of the Interconnection shall perform a market efficiency analysis to compare the costs and benefits of : (i) accelerating reliability-based enhancements or expansions already included in the Regional Transmission Plan that if accelerated also could relieve one or more economic constraints; (ii) modifying reliability-based enhancements or expansions already included in the Regional Transmission Plan that as modified would relieve one or more economic constraints; and (iii) adding new enhancements or expansions that

could relieve one or more economic constraints, but for which no reliability-based need has been identified. Economic constraints include, but are not limited to, constraints that cause: (1) significant historical gross congestion; (2) pro-ration of Stage 1B ARR requests as described in section 7.4.2(c) of Schedule 1 of this Agreement; or (3) significant simulated congestion as forecasted in the market efficiency analysis. The timeline for the market efficiency analysis and comparison of the costs and benefits for items 1.5.7(b)(i-iii) is described in the PJM Manuals.

(c) The process for conducting the market efficiency analysis described in subsection (b) above shall include the following:

(i) The Office of the Interconnection shall identify and provide to the Transmission Expansion Advisory Committee a list of economic constraints to be evaluated in the market efficiency analysis;

(ii) The Office of the Interconnection shall identify any planned reliability-based enhancements or expansions already included in the Regional Transmission Expansion Plan, which if accelerated would relieve such constraints, and present any such proposed reliability-based enhancements and expansions to be accelerated to the Transmission Expansion Advisory Committee for review and comment. The PJM Board, upon consideration of the advice of the Transmission Expansion Advisory Committee, thereafter shall consider and vote to approve any accelerations.

(iii) The Office of the Interconnection shall evaluate whether including any additional economic-based enhancements or expansions in the Regional Transmission Expansion Plan or modifications of existing Regional Transmission Expansion Plan reliability-based enhancements or expansions would relieve an economic constraint. In addition, any market participant may submit to the Office of the Interconnection a proposal to construct an additional economic-based enhancement or expansion to relieve an economic constraint within the timeline as provided in the PJM Manuals. Upon completion of its evaluation, including consideration of any eligible market participant proposed economic-based enhancements or expansions, the Office of the Interconnection shall present to the Transmission Expansion Advisory Committee a description of new economic-based enhancements and expansions for review and comment. Upon consideration and advice of the Transmission Expansion Advisory Committee, the PJM Board shall consider any new economic-based enhancements and expansions for inclusion in the Regional Transmission Plan and for those enhancements and expansions it approves, the PJM Board shall designate (a) the entity or entities that will be responsible for constructing and owning or financing the additional economic-based enhancements and expansions, (b) the estimated costs of such enhancements and expansions, and (c) the market participants that will bear responsibility for the costs of the additional economic-based enhancements and expansions pursuant to section 1.5.6(¶) of this Schedule 6. In the event the entity or entities designated as responsible for construction, owning or financing a designated new economic-based enhancement or expansion declines to construct, own or finance the new economic-based enhancement or expansion, the enhancement or expansion will not be included in the Regional Transmission Expansion Plan but will be included in the report filed with the FERC in accordance with sections 1.6 and 1.7 of this Schedule 6. This report also shall include information regarding PJM Board approved accelerations of reliability-based enhancements or expansions that an entity declines to accelerate.

(d) To determine the economic benefits of accelerating or modifying planned reliability-based enhancements or expansions or of constructing additional economic based enhancements or expansions and whether such economic-based enhancements or expansion are eligible for inclusion in the Regional Transmission Expansion Plan, the Office of the Interconnection shall perform and compare market simulations with and without the proposed accelerated or modified planned

reliability-based enhancements or expansions or the additional economic-based enhancements or expansions as applicable, using the Benefit/Cost Ratio calculation set forth below in this section 1.5.7(d). An economic-based enhancement or expansion shall be considered for inclusion in the Regional Transmission Expansion Plan and recommended to the PJM Board, if the relative benefits and costs of the economic-based enhancement or expansion meet a Benefit/Cost Ratio Threshold of at least 1.25:1.

The Benefit/Cost Ratio shall be determined as follows:

Benefit/Cost Ratio = [Present value of the Total Annual Enhancement Benefit for each of the first 15 years of the life of the enhancement or expansion] ÷ [Present value of the Total Enhancement Cost for each of the first 15 years of the life of the enhancement or expansion]

Where

Total Annual Enhancement Benefit = Energy Market Benefit + Reliability Pricing Model Benefit

and

Energy Market Benefit = [.70] * [Change in Total Energy Production Cost] + [.30] * [Change in Load Energy Payment]

and

Change in Total Energy Production Cost = [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region without the economic-based enhancement or expansion] – [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region with the economic-based enhancement or expansion]

and

Change in Load Energy Payment = [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone without the economic-based enhancement or expansion)] – [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone with the economic-based enhancement or expansion)] – [the change in value of transmission rights for each Zone with the economic-based enhancement or expansion (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new economic based enhancement or expansion)]. For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to section (b)(i) of Schedule 12 of the PJM Tariff, the Change in the Load Energy Payment shall be the sum of the Change in Load Energy Payment in all Zones. For economic-based enhancements or expansions for which cost responsibility is assigned pursuant to section (b)(v) of Schedule 12 of the PJM Tariff, the Change in Load Energy Payment shall be the sum of the Change in the Load Energy Payment only of the Zones that show a decrease in Load Energy Payment.

and

Reliability Pricing Benefit = [.70] * [Change in Total System Capacity Cost] + [.30] * [Change in Load Capacity Payment]

and

Change in Total System Capacity Cost = [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt without the economic-based enhancement or expansion) * (the number of days in the study year)] – [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt with the economic-based enhancement or expansion) * (the number of days in the study year)]

and

Change in Load Capacity Payment = [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff without the economic-based enhancement or expansion) * (the number of days in the study year)] – [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff with the economic-based enhancement or expansion) * (the number of days in the study year)]. The Change in Load Capacity Payment shall take account of the change in value of Capacity Transfer Rights in each Zone, including any additional Capacity Transfer Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new economic based enhancement or expansion. For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to section (b)(i) of Schedule 12 of the PJM Tariff, the Change in the Load Capacity Payment shall be the sum of the change in Load Capacity Payment in all Zones. For economic-based enhancements or expansions for which cost responsibility is assigned pursuant to section (b)(v) of Schedule 12 of the PJM Tariff, the Change in Load Capacity Payment shall be the sum of the change in the Load Capacity Payment only of the Zones that show a decrease in Load Capacity Payment.

and

Total Enhancement Cost (except for accelerations of planned reliability-based enhancements or expansions) = the estimated annual revenue requirement for the economic-based enhancement or expansion.

Total Enhancement Cost (for accelerations of planned reliability-based enhancements or expansions) = the estimated change in annual revenue requirement resulting from the acceleration of the planned reliability-based enhancement or expansion, taking account of all of the costs incurred that would not have been incurred but for the acceleration of the planned reliability-based enhancement or expansion.

- (e) For informational purposes only, to assist the Office of the Interconnection and the Transmission Expansion Advisory Committee in evaluating the economic benefits of accelerating

planned reliability-based enhancements or expansions or of constructing a new economic-based enhancement or expansion, the Office of the Interconnection shall calculate and post on the PJM website the change in the following metrics on a zonal and system-wide basis: (i) total energy production costs (fuel costs, variable O&M costs and emissions costs);(ii) total load energy payments (zonal load MW times zonal load Locational Marginal Price); (iii) total generator revenue from energy production (generator MW times generator Locational Marginal Price); (iv) Financial Transmission Right credits (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of a planned reliability-based enhancement or expansion or new economic based enhancement or expansion); (v) marginal loss surplus credit; and (vi) total capacity costs and load capacity payments under the Office of the Interconnection's Commission-approved capacity construct.

(f) To assure that new economic-based enhancements and expansions included in the Regional Transmission Expansion Plan continue to be cost beneficial, the Office of the Interconnection annually shall review the costs and benefits of constructing such enhancements and expansions. In the event that there are changes in these costs and benefits, the Office of the Interconnection shall review the changes in costs and benefits with the Transmission Expansion Advisory Committee and recommend to the PJM Board whether the new economic-based enhancements and expansions continue to provide measurable benefits, as determined in accordance with ~~subsection~~section (d), and should remain in the Regional Transmission Expansion Plan. The annual review of the costs and benefits of constructing new economic-based enhancements and expansions included in the Regional Transmission Expansion Plan shall include review of changes in cost estimates of the economic-based enhancement or expansion, and changes in system conditions, including but not limited to, changes in load forecasts, and anticipated Merchant Transmission Facilities, generation, and demand response, consistent with the requirements of ~~subsection (k)~~Section 1.5.7(i) of this Schedule 6.

(g) For new economic enhancements or expansions with costs in excess of \$50 million, an independent review of such costs shall be performed to assure both consistency of estimating practices and that the scope of the new economic-based enhancements and expansions is consistent with the new economic-based enhancements and expansions as recommended in the market efficiency analysis.

(~~h~~) At any time, market participants may submit to the Office of the Interconnection requests to interconnect Merchant Transmission Facilities or generation facilities pursuant to Parts IV and VI of the PJM Tariff that could address an economic constraint. In the event the Office of the Interconnection determines that the interconnection of such facilities would relieve an economic constraint, the Office of the Interconnection may designate the project as a "market solution" and, in the event of such designation, section 216of the PJM Tariff, as applicable, shall apply to the project.

(~~i~~) The assumptions used in the market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) shall include, but not be limited to, the following:

(i) Timely installation of Qualifying Transmission Upgrades, as defined in section 2.5.7 of Attachment DD of the PJM Tariff, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region ("Reliability Assurance Agreement").

- (ii) Availability of Generation Capacity Resources, as defined by section 1.33 of the Reliability Assurance Agreement, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the RAA.
- (iii) Availability of Demand Resources as defined in section 1.13 of the Reliability Assurance Agreement that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the RAA.
- (iv) Addition of Customer Facilities pursuant to an executed Interconnection Service Agreement or executed Interim Interconnection Service Agreement for which an ~~expected~~ Interconnection Service Agreement ~~will~~ is expected to be executed.
- (v) Addition of Customer-Funded Upgrades pursuant to an executed Interconnection Construction Service Agreement or an Upgrade Construction Service Agreement.
- (vi) Expected level of demand response over at least the ensuing fifteen years based on analyses that consider historic levels of demand response, expected demand response growth trends, impact of capacity prices, current and emerging technologies.
- (vii) Expected levels of potential new generation and generation retirements over at least the ensuing fifteen years based on analyses that consider generation trends based on existing generation on the system, generation in the PJM interconnection queues and Capacity Resource Clearing Prices under Attachment DD of the PJM Tariff. If the Office of the Interconnection finds that the PJM reserve requirement is not met in any of its future year market efficiency analyses then it will model adequate future generation based on type and location of generation in existing PJM interconnection queues.
- (viii) Items (i) through (vi) will be included in the market efficiency assumptions if qualified for consideration by the PJM Board. In the event that any of the items listed in (i) through (vi) above qualify for inclusion in the market efficiency analysis assumptions, however, because of the timing of the qualification the item was not included in the assumptions used in developing the most recent Regional Transmission Expansion Plan, the Office of the Interconnection, to the extent necessary, shall notify any entity constructing an economic-based enhancement or expansion that may be affected by inclusion of such item in the assumptions for the next market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) that the need for the economic-based enhancement or expansion may be diminished or obviated as a result of the inclusion of the qualified item in the assumptions for the next annual market efficiency analysis or review of costs and benefits.

~~(k)~~ For informational purposes only, with regard to economic-based enhancements or expansions that are included in the Regional Transmission Expansion Plan pursuant to subsection (d) of this section 1.5.7, the Office of the Interconnection shall perform sensitivity analyses consistent with section 1.5.3 of this Schedule 6 and shall provide the results of such sensitivity analyses to the Transmission Expansion Advisory Committee.

1.5.8 Development of Long-lead Projects, Short-term Projects, and Immediate-need Reliability Projects~~;~~

(a) **Pre-Qualification Requirements.** On an annual basis, entities that desire to be the Designated Entity for Immediate-need Reliability 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, its affiliate, partner, or parent company previously developed, constructed, maintained, or operated; (iv) the previous record of the entity or its affiliate, partner, or parent company regarding construction, maintenance, or operation 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, if the entity becomes a Designated Entity; (viii) evidence demonstrating the ability of the entity to address and timely remedy failure of facilities; (ix) a description of the experience of the entity in acquiring rights of way; and (x) such other supporting information that the Office of Interconnection requires to make the pre-qualification determinations consistent with this section. Based on this information, and 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 other such period as may be agreed to by the Office of the Interconnection 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 15 business days of receiving the additional information or such other reasonable time period as needed by the Office of the Interconnection to make the determinations required by this section prior to the opening of the next project proposal window. 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 was qualified to be a Designated Entity in the 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 prior to the opening of the next proposal window. As determined by the Office of the Interconnection, an entity may pre-qualify outside the annual qualification window for good cause shown. This section shall not apply to entities that desire to propose projects for inclusion in the recommended plan but do not intend to be a Designated Entity.

(b) **Posting of System Needs.** 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, and after consideration of non-transmission solutions ~~in accordance with~~ (cite to FYI sections), the

Office of the Interconnection shall post on the PJM website the violations, system conditions, and economic constraints, and Public Policy Requirements, including (i) federal Public Policy Requirements and (ii) state Public ~~policy~~ Policy Requirements identified or agreed-to by the states in the PJM Region that ~~may~~ could be addressed by potential Short-term Projects, Long-lead Projects or projects determined pursuant to the State Agreement Approach in Section 1.5.9 of this Schedule ~~6-6, as applicable.~~

(c) **Project Proposal Windows.** The Office of the Interconnection shall provide notice to stakeholders of a 30-day proposal window for Short-term Projects and a 120-day proposal window for Long-lead Projects. The Office of Interconnection may (i) shorten the proposal windows should the identified need require a shorter proposal window to meet the needed in-service date of the proposed enhancements or expansions; or (ii) extend the windows as needed to accommodate updated information regarding system conditions. During these windows, 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.

(c)(1) Proposals submitted in the proposal windows 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) the location of proposed project, including source and sink, if applicable; (iv) relevant engineering studies, and other relevant information as described in the PJM Manuals pertaining to the proposed project; ~~(iv)~~ a proposed initial construction schedule including projected dates on which needed permits are required to be obtained in order to meet the required in-service date; and ~~(v)~~ cost estimates and analyses that provide sufficient detail for the Office of Interconnection to review and analyze the proposed cost of the project.

(c)(2) If the proposing entity states that it intends to be a Designated Entity, the proposal also must contain information to the extent not previously provided pursuant to section 1.5.8(a) demonstrating: (i) technical and engineering qualifications of the entity, its affiliate, partner, or parent company relevant to construction, operation and maintenance of the proposed project; (ii) experience of the entity ~~or~~ its affiliate, partner, or parent company in developing, constructing, maintaining, and operating, ~~including emergency response capabilities~~, the type of transmission facilities contained in the project proposal; (iii) the emergency response capability of the entity that will be operating and maintaining the proposed project; (iv) evidence of transmission facilities the entity, its affiliate, partner, or parent company previously constructed, maintained, or operated; ~~(iv)~~ 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 or such other evidence of the financial resources available to finance the construction, operation and maintenance of the proposed project; ~~(v)~~ the capability-managerial ability of the entity ~~or~~ its affiliate, partner, or parent company ~~for cost containment, schedule keeping, and to contain costs and adhere to construction schedules for the proposed project, including a description of verifiable past achievement of these goals~~; and (vii) a demonstration of other advantages the entity may have to ~~build~~ construct, operate and maintain the proposed project, including any cost commitment the entity may wish to submit; (vi) any other information that may assist the Office of the Interconnection in evaluating the proposed project.

(c)(3) 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 sections 1.5.8(e) and 1.5.8(f) of this Schedule 6. If the Office of the Interconnection determines any of the information provided in a proposal is deficient or the Office of the Interconnection 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.

(c)(4) The request for additional reports or information by the Office of the Interconnection pursuant to ~~this section 1.5.8(c)(3) of this Schedule 6~~ may not be used to materially change the proposed project or only to clarify a proposed project as submitted. In response to the Office of the Information's request for additional reports or information, the proposing entity may not submit a new project proposal or modifications to a proposed project 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 regarding a proposed project, the ~~entity's~~ proposed project ~~shall~~ will not be considered for inclusion in the recommended plan.

(d) **Posting and Review of Projects.** 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 this Schedule ~~6 and determine which, if any, of the~~ 6. All proposals addressing state Public Policy Requirements shall be provided to the applicable states in the PJM Region for review and consideration as a Supplemental Project or a state public policy project consistent with section 1.5.9 of this Schedule 6. The Office of the Interconnection shall review all proposals received during the applicable proposal window should be considered submitted during a proposal window and determine and present to the Transmission Expansion Advisory Committee the proposals that merit further consideration for inclusion in the recommended plan. In making this determination, the Office of the Interconnection shall consider the criteria set forth in sections 1.5.8(e) and 1.5.8(f) of this Schedule 6. All proposals addressing Public Policy Requirements shall be provided to the states for review and consideration for inclusion in the recommended plan as a Supplemental Project or a state public policy project consistent with section 1.5.9 of this Schedule 6. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee for review and comment descriptions of the proposed enhancements and expansions ~~recommended for inclusion in the plan. After discussion with and recommendations of the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the more efficient and cost effective transmission enhancements and expansions for inclusion in the recommended plan. Based on that review, including any proposed Supplemental Projects or state public policy projects identified by a state(s). Based on review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary conduct further study and evaluation and post. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee the revised enhancements and expansions for review and comment by. After consultation with the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the more efficient and cost effective transmission enhancements and expansions for inclusion in the recommended plan consistent with this Schedule 6.~~

(e) **~~Criteria Considered in Determining Inclusion of~~ Procedures For Including a Project in the Recommended Plan.**

(e)(1) Criteria for Considering Inclusion of a Project in the Recommended Plan. 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 is the more efficient and cost-effective solution and therefore 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, or economic constraint; (ii) ~~with regard to proposed economic-based Short-term Project or Long-lead Project, whether~~ the extent to which 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 or other system reliability, operational performance, economic efficiency issues or federal Public Policy Requirements or state Public Policy Requirements identified by the states in the PJM Region; and (iv) other factors such as cost effectiveness ~~and regulatory risk,~~ the ability to timely complete the project, and the potential risk and delay associated with obtaining necessary and timely regulatory approvals to construct, operate and maintain the project.

(e)(2) Identifying Projects for Inclusion in the Recommended Plan. The Office of the Interconnection, based on the criteria in section 1.5.8(e)(1), shall identify each Short-term Project and Long-lead Project determined to be the more efficient and cost-effective solutions to the violations, system conditions, and economic constraints posted pursuant to section 1.5.8(b) for inclusion in the recommended plan as: (i) a Short-term Project or Long-lead Project proposed pursuant to section 1.5.8(c), without material modification; (ii) a proposed Short-term Project or proposed Long-lead Project aggregated with other proposed Short-term Projects, proposed Long-lead Projects, or alternative transmission solutions proposed pursuant to sections 1.5.6(n) or 1.5.6(o) of this Schedule 6; (iii) a Short-term Project or Long-lead Project proposed by the Office of the Interconnection pursuant to section 1.5.8(g) or 1.5.8(h) of this Schedule 6; or (iv) an alternative transmission solutions proposed pursuant to section 1.5.6(n) or 1.5.6(o) of this Schedule 6.

(f) Entity-Specific Criteria Considered in Determining the Designated Entity for a Project. In determining whether the entity proposing a Short-term Project or a Long-lead Project recommended for inclusion in the plan shall be the Designated Entity, the Office of the Interconnection shall ~~review~~ consider: (i) whether, in its proposal, the entity indicated its intent to be the Designated Entity ~~and the Office of the Interconnection determined that;~~ (ii) whether the entity is pre-qualified to be a Designated Entity pursuant to section 1.5.8(a) ~~and 1.5.8(e)(2) to be the Designated Entity;~~ and (iii) information provided either in the proposing entity's submission pursuant to section 1.5.8(a) or 1.5.8(c)(2) relative to the specific project proposed by demonstrating: (i) project that demonstrates: (1) the technical and engineering experience of the entity or its affiliate, partner, or parent company, including its previous record regarding construction, maintenance, and operation of transmission facilities ~~both inside and outside of the PJM Region~~, relative to the project proposed; (ii) (2) ability of the entity or its affiliate, partner, or parent company to construct, maintain and operate transmission facilities, as proposed, ~~both inside and outside of the PJM Region;~~ (iii) (3) capability of the entity to adhere to standardized construction, maintenance and operating practices, including the capability for emergency response and restoration of damaged equipment; (iv) (4) experience of the entity in acquiring rights of way; (v) (5) evidence of the ability of the entity's or its affiliate's, partner's, or parent company's ability to secure a financial commitment from an approved financial institution(s) agreeing to finance the construction, operation and maintenance of the project if it is accepted into the recommended plan; and (vi) (6) any other factors that may be relevant to the proposed project.

(g) **Procedures if ~~no~~ No Long-lead Project Proposals Resolve Posted Violation, System Condition, or Economic Constraint Proposal is Determined to be the More Efficient and Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Long-lead Projects received during the ~~120-day~~ Long-lead Project proposal window would be the more efficient and cost effective solution to resolve a posted violation, system condition, or economic constraint, the Office of the Interconnection may re-evaluate and re-post on the PJM website ~~all the unresolved~~ violations, system conditions, or economic constraints ~~in the next planning cycle~~ pursuant to section 1.5.8(b), provided such re-evaluation would not affect the ability of the Office of the Interconnection to timely address the identified reliability need. In the event such re-evaluation would prevent the Office of the Interconnection ~~has identifies~~ from timely addressing the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion ~~on an expedited basis~~, the Office of the Interconnection shall propose a project to solve the posted violation, system condition or economic constraint for inclusion in the recommended plan and shall present such project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in ~~whose~~ the Zone(s) where the project is to be located shall be the Designated Entity(ies) for such project.

(h) **Procedures if ~~no~~ No Short-term Project Proposals Resolve Posted System Needs Proposal is Determined to be the More Efficient and Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Short-term Projects received during a ~~30-day~~ Short-term Project proposal window would be the more efficient and cost-effective solution to resolve a posted violation, ~~or~~ system condition, ~~or economic constraint~~, the Office of the Interconnection shall propose a Short-term Project to solve the posted violation, ~~or~~ system condition ~~or economic constraint~~ for inclusion in the recommended plan and will present such Short-term Project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in ~~whose~~ the Zone(s) where the Short-term Project is to be located shall be the Designated Entity(ies) for the Project.

(i) **Notification of Designated Entity.** Within ~~{10}~~ business days of PJM Board approval of the Regional Transmission Expansion Plan, the Office of the Interconnection shall notify the proposing entity that its project is included in the Regional Transmission Expansion Plan and ~~that~~ whether it shall be the Designated Entity. In such notice, the Office of the Interconnection shall provide the dates by which: (i) all necessary state approvals must be obtained; and (ii) ~~by which~~ the project must be in service.

(j) **Acceptance of Designation.** Within 30 ~~business~~ business days of receiving notification of its designation as a Designated Entity, the Designated Entity shall notify the Office of the Interconnection of its acceptance of such designation. Within 60 ~~business~~ business days of receiving notification of its designation, or other reasonable time period as determined by the Office of the Interconnection, the Designated Entity shall submit to the Office of the Interconnection a development schedule which shall include, but not be limited to: (i) construction milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary state approvals; (ii) a letter of credit as determined by the Office of Interconnection to cover the incremental costs of construction by the Transmission Owner in the event of the resulting from reassignment of the project to a Transmission Owner pursuant to section 1.5.8(k), and (iii) an executed agreement with the Office of the Interconnection setting forth the rights and obligations related to being the Designated Entity for the project. [The Office of Interconnection shall establish

~~the required dollar value of the Letter of Credit utilizing information concerning the costs of alternative proposals submitted during the proposal window plus a reasonable level to cover the costs of transitioning the project from the Designated Entity to the Transmission Owner.]~~

(k) **Failure of Designated Entity To Meet Milestones.** In the event the Designated Entity fails to provide a development schedule or letter of credit pursuant to section 1.5.8(j); or fails to meet a 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~~the Zone(s) where the project is located as Designated Entity(ies) for the Short-term Project or Long-lead Project. If the Designated Entity is the Transmission Owner(s) in the Zone(s) where the project is located, the Office of the Interconnection shall seek recourse through the Consolidated Transmission Owners Agreement or FERC, as appropriate. 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.

(l) **Transmission Owners Required to be the Designated Entity.** 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~~the 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)(iii)~~ located solely within a Transmission Owner's Zone and is not selected in the Regional Transmission Expansion Plan for purposes of cost allocation; or (iv) proposed to be located on a Transmission Owner's existing right of way by an entity other than the Transmission Owner and the project would alter a Transmission Owner's use and control of its existing right of way under state law. Transmission Owner shall be the Designated Entity when required by state law, regulation or administrative agency order with regard to enhancements or expansions or portions of such enhancements or expansions located within that state.

(m) **Immediate-need Reliability Projects:**

(m)(1) 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. The Office of the Interconnection shall present to the Transmission Expansion Advisory Committee for review and comment descriptions of the proposed Immediate-need Reliability Projects recommended for inclusion in the recommended plan. Based on that review, the Office of the Interconnection 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 an enhancement or expansion on an expedited basis.~~ Transmission Owner(s) in ~~whose~~the Zone(s) in which 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, provided the Immediate- need Reliability Project was not chosen pursuant to the expedited proposal process set forth in section 1.5.8(m)(2).

(m)(2) If, in the judgment of the Office of the Interconnection, there is sufficient time for the Office of the Interconnection to accept proposals in a shortened proposal window for Immediate-need Reliability Projects, the Office of the Interconnection shall post on the PJM website the violations and system conditions that could be addressed by such Immediate-need Reliability Project proposals and provide notice to stakeholders of a shortened proposal window. Proposals must contain the information required in section 1.5.8(c) and, if the entity is seeking to be the Designated Entity, such entity must have pre-qualified to be a Designated Entity pursuant to Section 1.5.8(a). In determining the more efficient and cost-effective proposed Immediate-need Reliability Project for inclusion in the recommended plan, the Office of the Interconnection shall consider the extent to which the proposed Immediate-need Reliability Project would address and solve the posted violations or system conditions and other factors such as cost effectiveness ~~and regulatory risk,~~ the ability of the entity to timely complete the project, and the potential risk and delay associated with the entity receiving necessary and timely regulatory approvals to construct, operate and maintain the project in light of the required need. After PJM Board approval ~~of the Regional Transmission Expansion Plan,~~ the Office of the Interconnection shall notify the proposing entity in accordance with section 1.5.8(i) of this Schedule 6 that its project is included in the Regional Transmission Expansion Plan and ~~that~~whether it shall be the Designated Entity. The Designated Entity shall accept such designation in accordance with section 1.5.8(j). In the event that (i) the Office of the Interconnection determines that no proposal resolves a posted violation or system condition, (ii) the proposing entity is not selected to be the Designated Entity; (iii) an entity does not accept the designation as a Designated Entity, ~~or~~ ~~(iii)~~iv the Designated Entity fails to meet milestones that would delay the in-service date of the Immediate-need Reliability Project, the Office of the Interconnection shall develop and recommend an Immediate-need Reliability Project to solve the violation or system needs in accordance with section 1.5.8(m)(1).

(m)(3) The Office of the Interconnection shall identify each Immediate-need Reliability Project determined to be the more efficient and cost-effective solutions for inclusion in the recommended plan as: (i) an Immediate-need Project proposed or developed pursuant to section 1.5.8(m)(2), without material modification, or section 1.5.8(m)(1); (ii) an Immediate-need Project aggregated with other Immediate-need Projects, or alternative transmission solutions proposed pursuant to sections 1.5.6(n) or 1.5.6(o); or (iii) an alternative transmission solutions proposed pursuant to section 1.5.6(n) or 1.5.6(o) of this Schedule 6.

1.5.9 State Agreement Approach.

(a) State governmental entities authorized by their respective states, individually or jointly, may agree voluntarily to be responsible for the allocation of all costs ~~for~~of a proposed transmission expansion or enhancement that addresses state Public Policy Requirements identified or accepted by the state(s) in the PJM Region. Such transmission enhancements or expansions may be included in the recommended plan as a (i) Supplemental Project or (ii) state public policy project, which is a transmission enhancement or expansion, the costs of which will be recovered pursuant to a FERC-accepted cost allocation proposed by ~~a single state or by~~ agreement of ~~multiple states.~~ ~~Costs~~one or more states and voluntarily agreed to by those state(s). All costs related to a state public

policy project or Supplemental Project included in the Regional Transmission Expansion Plan to address state Public Policy Requirements pursuant to this section shall be recovered from customers in a state(s) in the PJM Region that agrees to be responsible for the projects. No such costs shall ~~not~~ be recovered from customers in a state that did not agree to be responsible for ~~the~~such cost allocation. A state public policy project will be included in the Regional Transmission Expansion Plan for cost allocation purposes only if there is an associated FERC-accepted allocation permitting recovery of the costs of the state public policy project consistent with this section.

(b) Subject to any designation reserved for Transmission Owners in section 1.5.8(~~j~~) of this Schedule 6, the state(s) responsible for cost allocation for a Supplemental Project or a state public policy project in accordance with section 1.5.9(a) ~~above~~in this Schedule 6 may submit to the Office of the Interconnection the entity(ies) to construct, own, operate and maintain the state public policy project from a list of entities supplied by the Office of the Interconnection that pre-qualified to be Designated Entities pursuant to section 1.5.8(c) of this Schedule 6.

1.6 Approval of the Final Regional Transmission Expansion Plan.

~~1.6~~(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 Schedule 6. The PJM Board shall approve the cost allocations for transmission enhancements and expansions consistent with Schedule 12 of the PJM Tariff. Supplemental Projects shall be integrated into the Regional Transmission Plan approved by the PJM Board but shall not be included for cost allocation purposes.

(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 or other entity(ies) to construct such 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.

(b) 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.

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

1.7 Obligation to Build.

- (a) Subject to the requirements of applicable law, government regulations and approvals, including, without limitation, requirements to obtain any necessary state or local siting, construction and operating permits, to the availability of required financing, to the ability to acquire necessary right-of-way, and to the right to recover, pursuant to appropriate financial arrangements and tariffs or contracts, all reasonably incurred costs, plus a reasonable return on investment, Transmission Owners designated as the appropriate entities to construct, own and/or finance enhancements or expansions specified in the Regional Transmission Expansion Plan shall construct, own and/or finance such facilities or enter into appropriate contracts to fulfill such obligations. ~~However,~~ Except as provided in section 1.5.8(k) of this Schedule 6, nothing herein shall require any Transmission Owner to construct, finance or own any enhancements or expansions specified in the Regional Transmission Expansion Plan for which the plan designates an entity other than a Transmission Owner as the appropriate entity to construct, own and/or finance such enhancements or expansions.
- (b) Nothing herein shall prohibit any Transmission Owner from seeking to recover the cost of enhancements or expansions on an incremental cost basis or from seeking approval of such rate treatment from any regulatory agency with jurisdiction over such rates.
- (c) The Office of the Interconnection shall be obligated to collect on behalf of the Transmission Owner(s) all charges established under Schedule 12 of the PJM Tariff in connection with facilities which the Office of the Interconnection designates one or more Transmission Owners to build pursuant to this Regional Transmission Expansion Planning Protocol. Such charges shall compensate the Transmission Owner(s) for all costs related to such RTEP facilities under a FERC-approved rate and will include any FERC-approved incentives.
- (d) In the event that a Transmission Owner declines to construct an economic transmission enhancement or expansion developed under Sections 1.5.6(d) and 1.5.7 of this Schedule 6 that such Transmission Owner is designated by the Regional Transmission Expansion Plan to construct (in whole or in part), the Office of the Interconnection shall promptly file with the FERC a report on the results of the pertinent economic planning process in order to permit the FERC to determine what action, if any, it should take.

1.8 Interregional Expansions.

- (a) PJM shall collect from Midwest Independent System Operator, Inc., for distribution to the applicable Transmission Owners, in accordance with Schedule 12 of the PJM Tariff, revenues collected by the Midwest Independent System Operator, Inc. under the Open Access Transmission Tariff of the Midwest Independent System Owner, Inc. with respect to transmission enhancements or expansions for which the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C. assigns cost responsibility for transmission enhancements or expansions in the PJM Region to market participants in the region of the Midwest Independent System Operator, Inc.
- (b) PJM shall disburse to the Midwest Independent System Operator, Inc., for distribution to applicable transmission owners of the Midwest Independent System Operator, Inc., revenues collected under Schedule 12 of the PJM Tariff which establishes a charge in connection with enhancements or expansions in the region of the Midwest Independent System Operator, Inc. the cost responsibility for which has been assigned to market participants in the PJM Region under the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C.
- (c) Nothing in this Section 1.8 shall affect or limit any Transmission Owners filing rights under Section 205 of the Federal Power Act as set forth in the PJM Tariff and applicable agreements.

1.9 Relationship to the PJM Open Access Transmission Tariff.

Nothing herein shall modify the rights and obligations of an Eligible Customer or a Transmission Customer, as those terms are defined in the PJM Tariff, with respect to required studies and completion of necessary enhancements or expansions. An Eligible Customer or Transmission Customer electing to follow the procedures in the PJM Tariff instead of the procedures provided herein, shall also be responsible for the related costs. The enhancement and expansion study process under this Protocol shall be funded as a part of the operating budget of the Office of the Interconnection.

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Padding cell	

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