



# RPPTF Meeting

PJM Conference & Training Center - Franklin # 1

Toll-free call-in number 1 (866) 398-2885, Passcode: 934672

Web Ex Session password: rpp0815pjm

August 15, 2013

9:30 am, Eastern Standard Time

- Roll Call, Agenda, Logistics (20 min)
  - Marie Furey
  
- Multi-Driver Business Rules (9:50 a.m. - Noon)
  - Steve Herling(Lunch - Noon – 12:45 p.m.)  
(Resume – 12:45 – 3:15 p.m.)
  
- Review Action Items & Adjournment (15 min)
  - Paul McGlynn

1. Clean Up General Principles terms (Public Policy, “combined”, “overarching”) - **Completed**
2. Fix text on Slides 15, 19 to clarify Reliability versus Public Policy (replacing “R” with “PP”) – **Completed**
3. ADD – “Nature of Commitment” to the Issues List – **Completed**
4. ADD – Cancellation topics to issues list – How to treat abandonment costs? What if multiple states were involved? – **Completed**
5. Note: How might PJM Settlements assist/facilitate either selection or apportionment of projects? What types of information would be necessary? – **Completed (added to Other Issues/Next Steps)**
6. Next Steps – PJM to draft “Answer” possibilities for the above questions and issues - **Completed**

## General Principles and Assumptions:

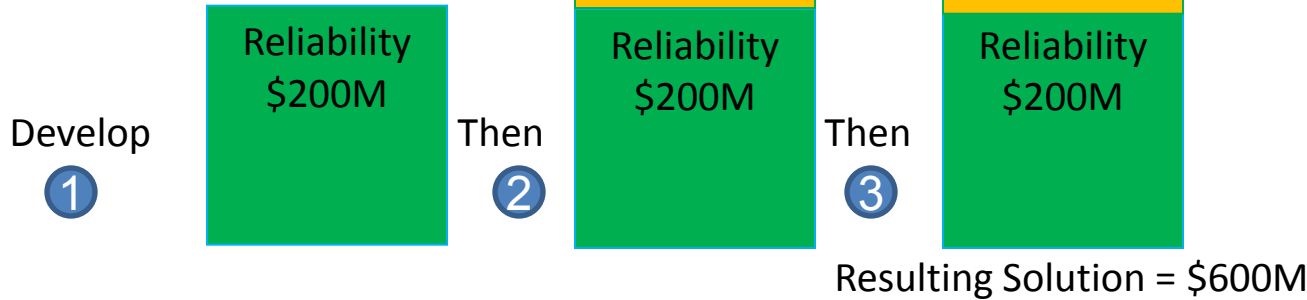
- The estimated cost of a combined multi-driver solution must be less than the estimated costs of independent, contemporaneous Reliability (R), Market Efficiency (ME) and Public Policy (PP) drivers
- Today – we always ensure a reliability solution is available as a backstop. Going forward, the obligation to develop and build a reliability solution remains. We will always develop a reliability solution for an identified reliability violation.
- Important Note – a Proportional Apportionment solution may not reflect the same discrete elements or locations and may replace some or all individual R, ME, & PP elements
- Multi-Driver approach should support a discrete timing/decision point to demonstrate certainty of need and facilitate financing
- Multi-Driver Principles should support unique State treatments for PP Special cases (e.g. undergrounding, dairy farm easements, etc.)

## General Principles and Assumptions (continued):

- We will continuously assess whether individual reliability needs exist and if any changes will affect proposed “apportionment” of Multi-Driver Project costs. Please note – Changes could result in a/an:
  - Increase in needs
  - Reduction of needs
  - Elimination of needs
  - Change in needs; specifically, a change that may result in a different solution altogether
  - Therefore, within this context – we also desire to explore potential impacts to the following cases in today’s discussions
- Our current RTEP, R, ME, & PP modeling, needs identification and proposed apportionment concepts are “prospective” and do not contemplate retrospective identification of needs that previously did not exist.
- Generator Interconnection (GI) as a driver – tabled for now due to timing and complexity issues. Support exists to revisit GI in the future.

Incremental apportionment of benefits used when Public Policy driver can be accommodated by an upgrade to an RTEP project already identified for Reliability and/or Market Efficiency drivers

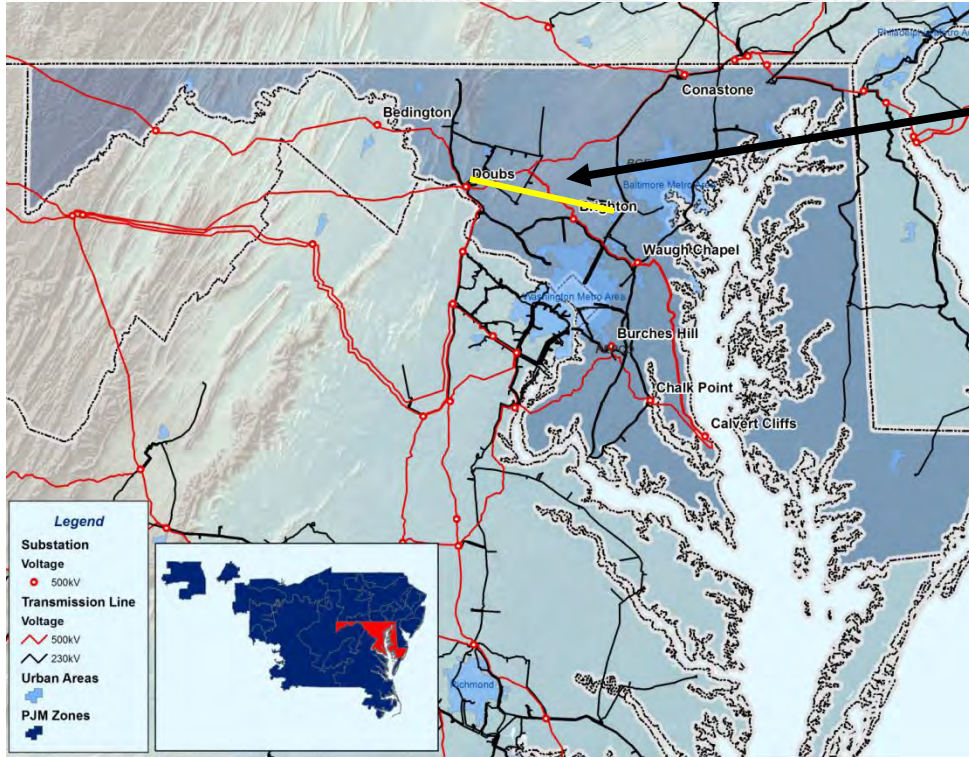
*Estimated Cost of 3 Projects in isolation = \$800M  
(R\$200M, ME\$100M, PP\$500M)*



Approach suggests an incremental (direct) apportionment by driver type

*Apportioned as follows:*  
 $R = \$200M$   
 $ME = \$50M$   
 $PP = \$350M$

Order of solution development and analysis of apportionment



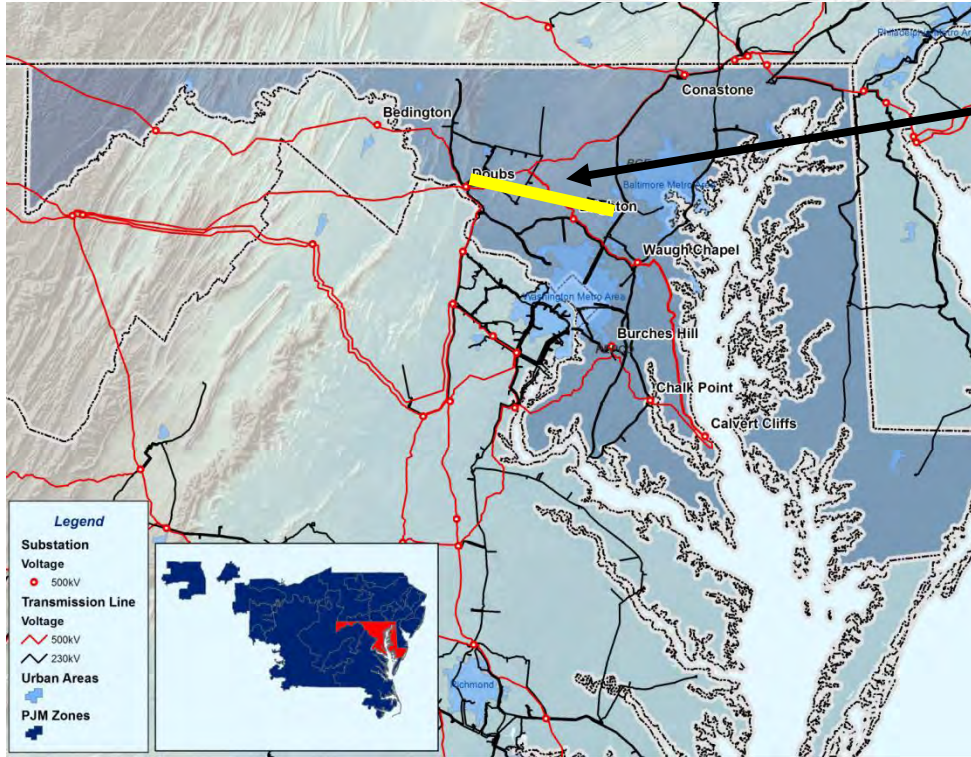
Single circuit 230 kV line identified to resolve reliability criteria violation

Cost:  
R = \$100M

Allocation:

BGE	50% (\$50M)
PEPCO	15% (\$15M)
PSEG	15% (\$15M)
AE	10% (\$10M)
DPL	10% (\$10M)



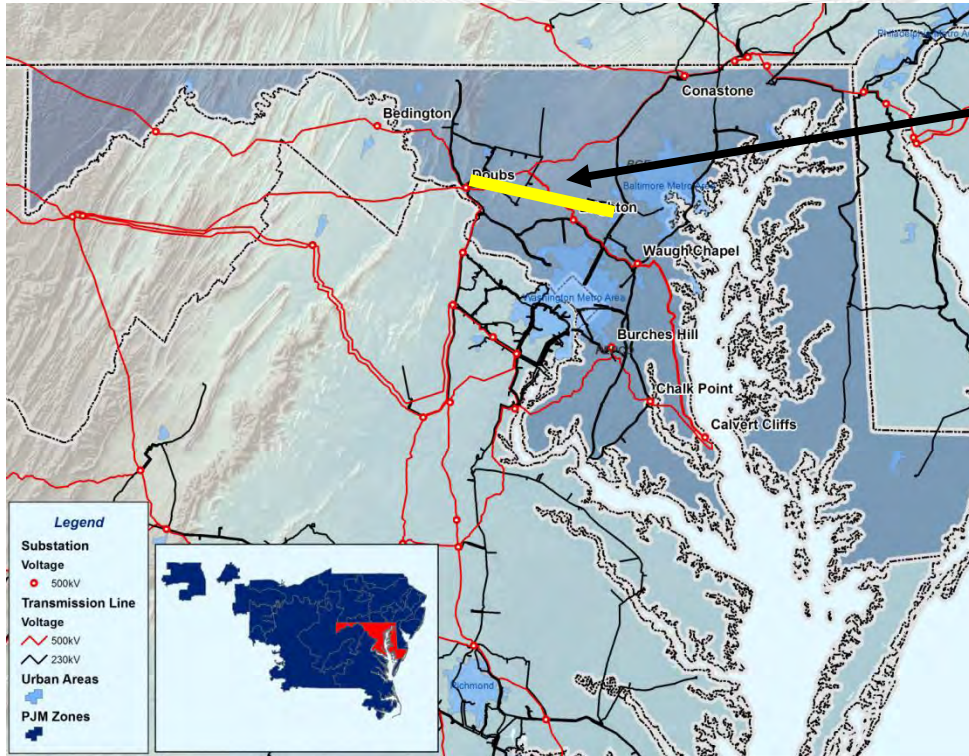


Double circuit 230 kV line identified to resolve reliability criteria violation and provide for renewable delivery to Maryland

Cost:  
*R+PP = \$150M*

Apportionment:  
*Public Policy \$50M*  
*Reliability \$100M*



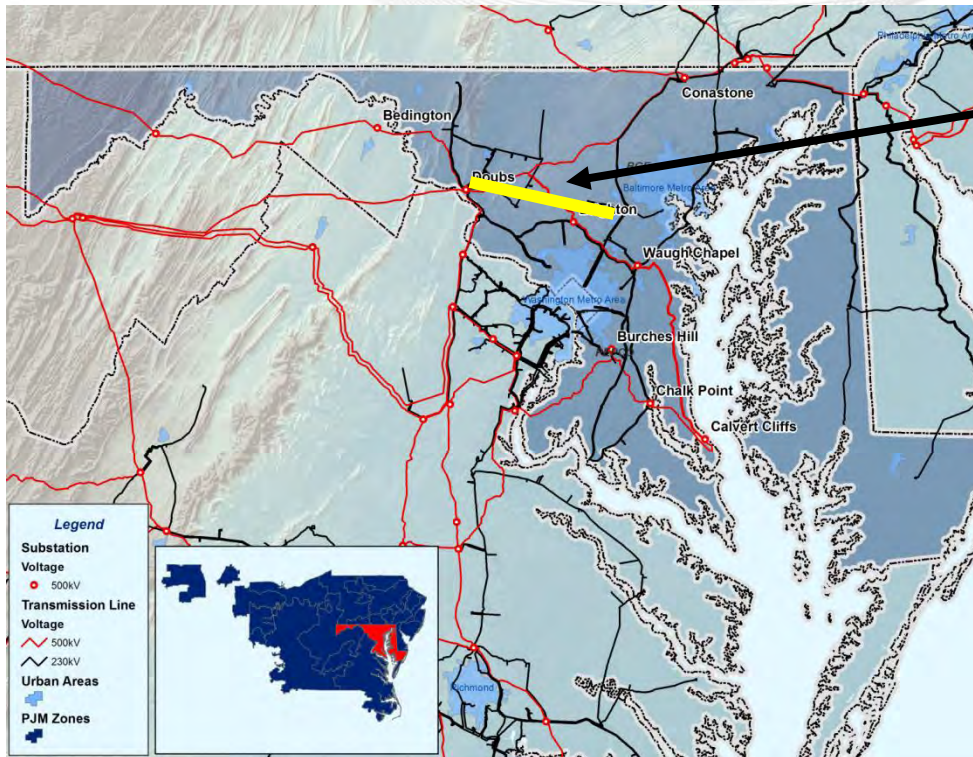


Double circuit 230 kV line identified to resolve reliability criteria violation and provide for renewable delivery to Maryland

Cost:  
 $R+PP = \$150M$

Allocation:  
 Maryland \$50M

BGE	50% (\$50M)
PEPCO	15% (\$15M)
PSEG	15% (\$15M)
AE	10% (\$10M)
DPL	10% (\$10M)



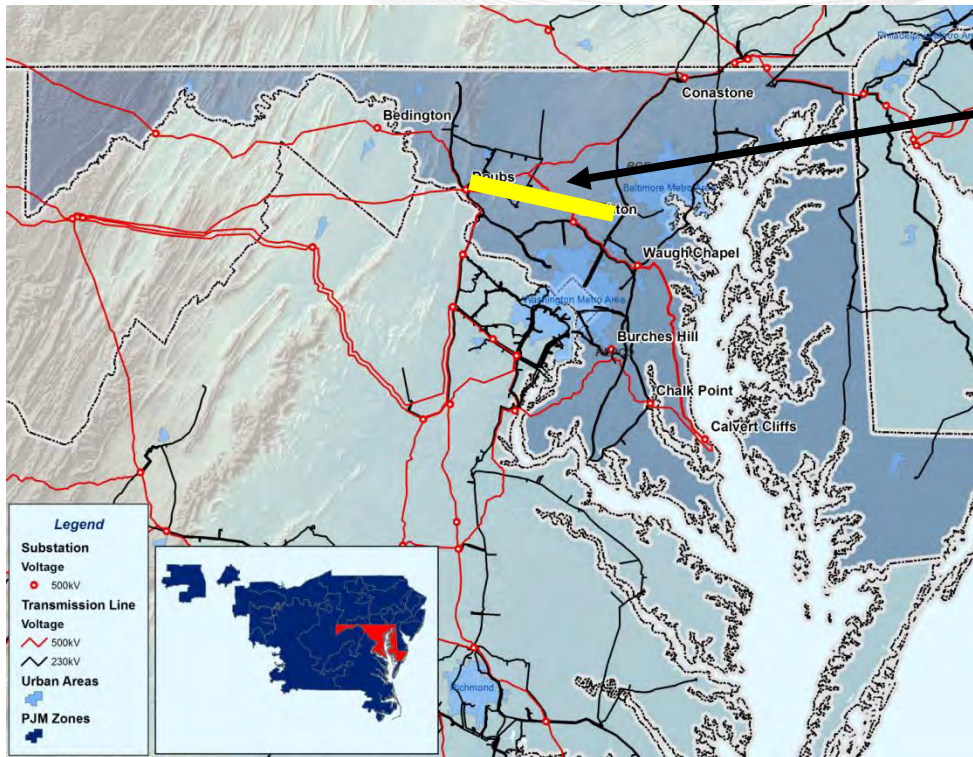
Double circuit 230 kV line identified to resolve reliability criteria violation

Cost:  
R = \$150M

Allocation:

BGE	50% (\$75M)
PEPCO	15% (\$22.5M)
PSEG	15% (\$22.5M)
AE	10% (\$15M)
DPL	10% (\$15M)

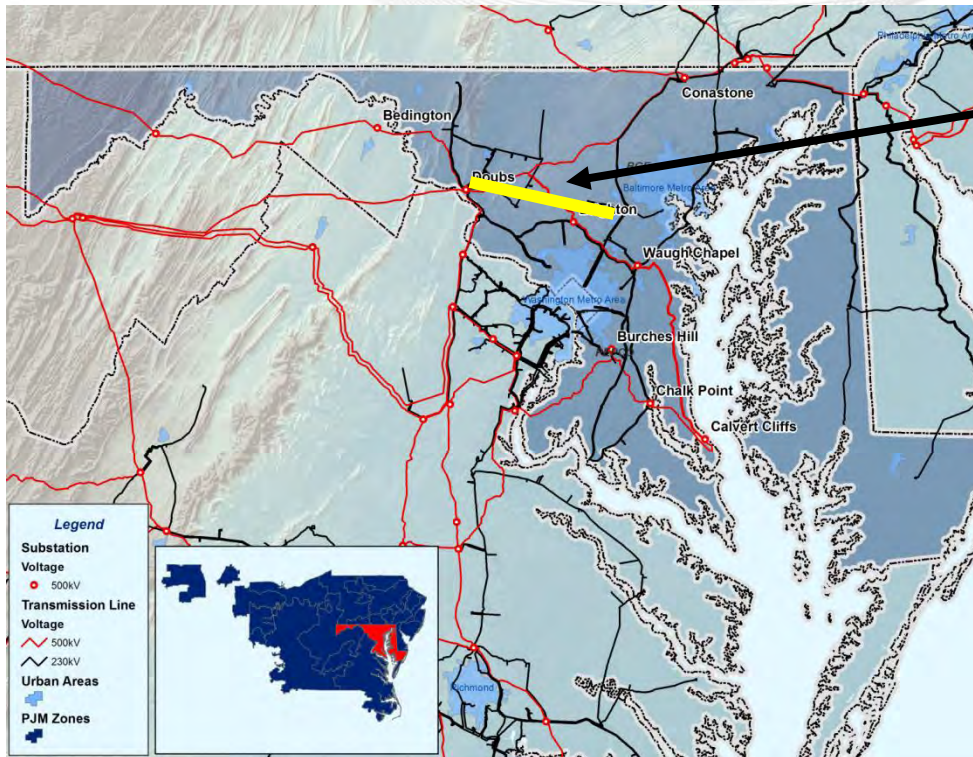




Single circuit 500 kV line identified to resolve reliability criteria violation and provide for renewable delivery to Maryland

Cost:  
*R+PP = \$550M*

Apportionment:  
*Public Policy \$400M*  
*Reliability \$150M*



Single circuit 500 kV line identified to resolve reliability criteria violation and provide for renewable delivery to Maryland

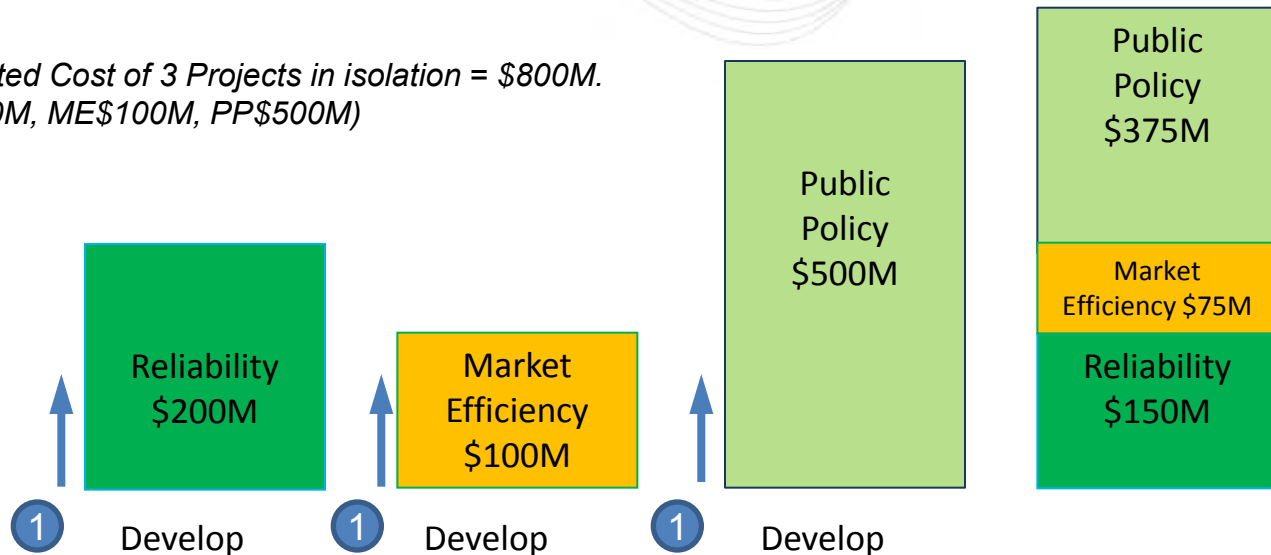
Cost:  
*R+PP = \$550M*

Allocation:

Maryland	\$400M
Socialized	\$75M
BGE	50% (\$37.5M)
PEPCO	15% (\$11.25M)
PSEG	15% (\$11.25M)
AE	10% (\$7.5M)
DPL	10% (\$7.5M)

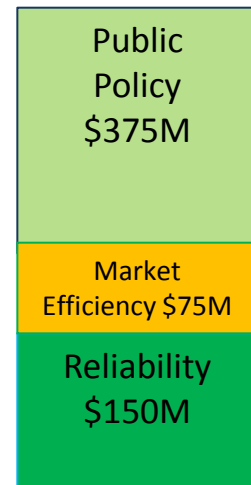
Proportional apportionment of benefits used when Public Policy driver and Reliability and/or Market Efficiency drivers can be accommodated by a new RTEP project that is different from projects already identified for Reliability and/or Market Efficiency drivers, but a more effective solution to the combination of drivers

*Estimated Cost of 3 Projects in isolation = \$800M.  
(R\$200M, ME\$100M, PP\$500M)*

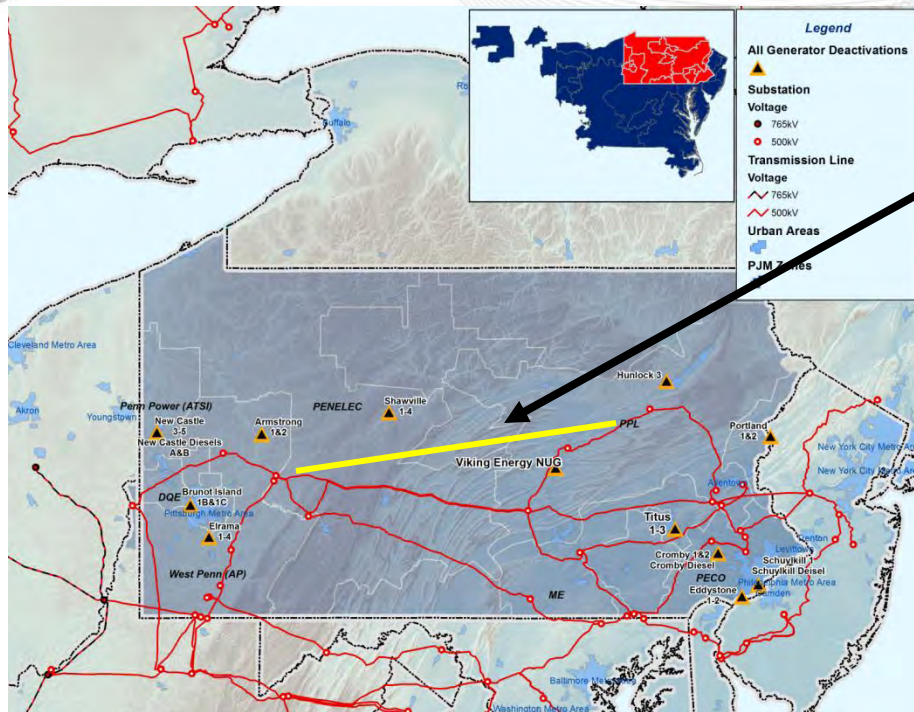


Approach suggests a proportional (parallel) apportionment by driver

2 → Resulting Solution = \$600M





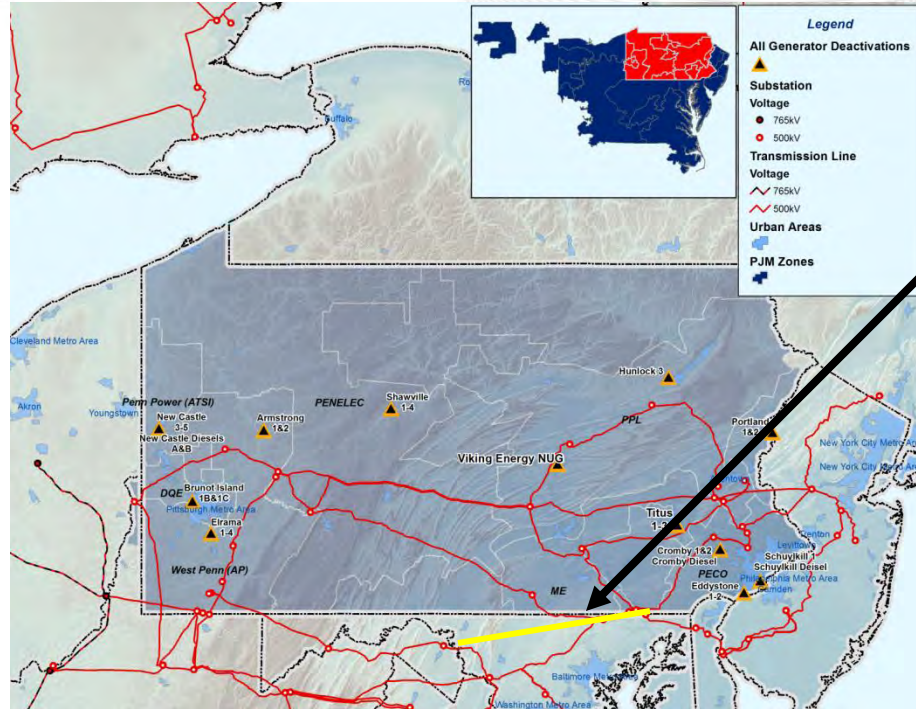


Single circuit 230 kV line identified to resolve reliability criteria violation

Cost:  
 $R = \$300M$

Allocation:

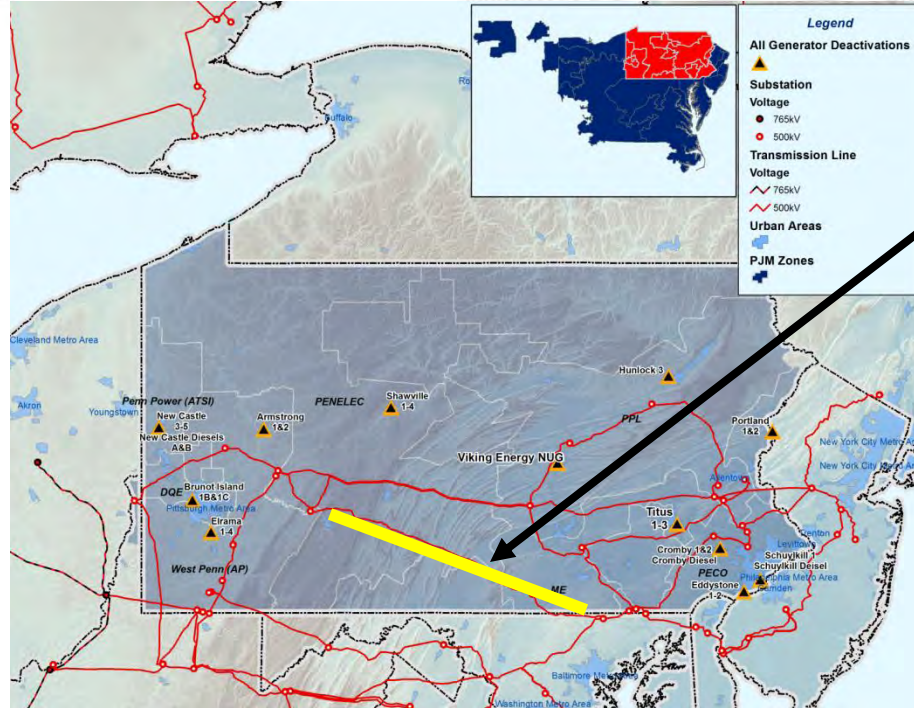
PPL	50% (\$150M)
ME	20% (\$60M)
PSEG	15% (\$45M)
JCPL	15% (\$45M)



Single circuit 230 kV line identified to provide for renewable delivery to Maryland

Cost:  
PP = \$200M

Allocation:  
Maryland \$200M

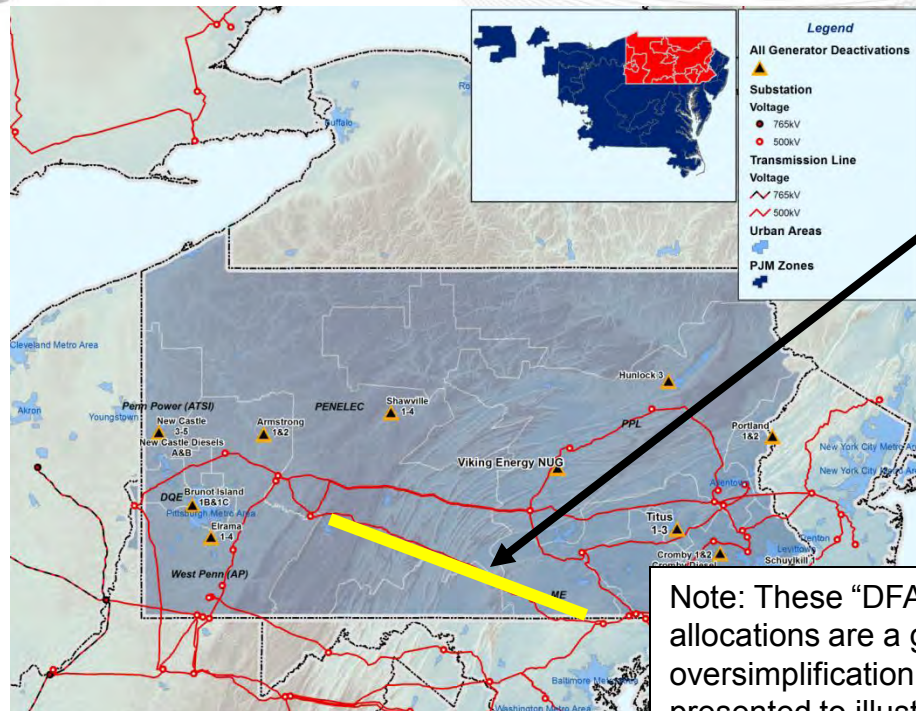


Double circuit 230 kV line identified to resolve reliability criteria violation and provide for renewable delivery to Maryland

Cost:  
 $R+PP = \$400M$

Apportionment:  
 Public Policy \$160M  
 Reliability \$240M





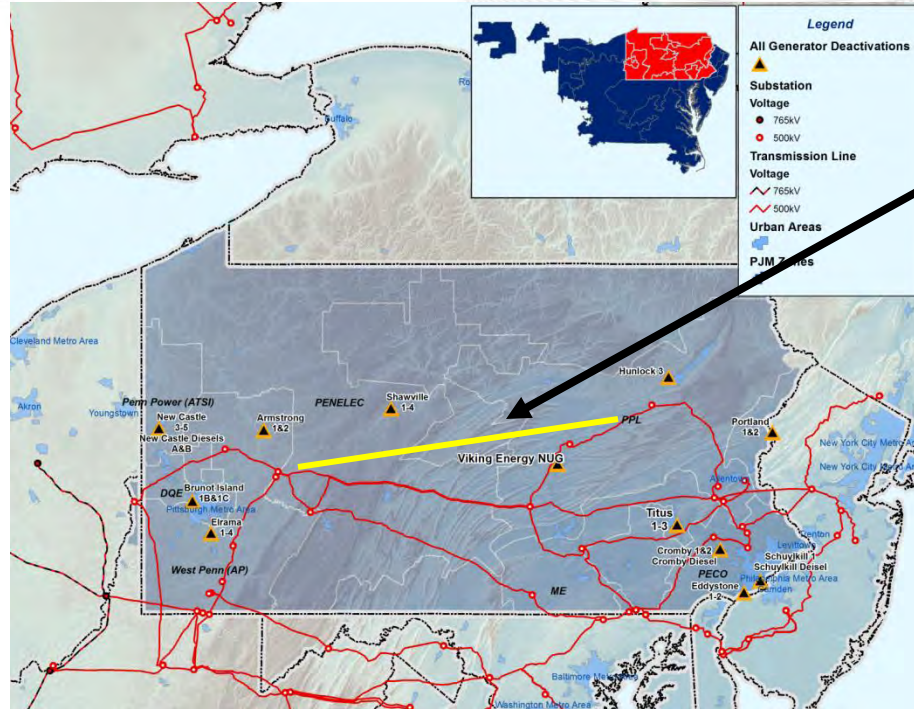
Double circuit 230 kv line identified to resolve reliability criteria violation and provide for renewable delivery to Maryland

Cost:  
 $R+PP = \$400M$

Allocation:  
 Maryland \$160M

BGE	25% (\$60M)
PECO	25% (\$60M)
PSEG	20% (\$48M)
DPL	20% (\$48M)
AE	10% (\$24M)

Note: These “DFAX” allocations are a gross oversimplification and are presented to illustrate how they may change as different projects are considered.



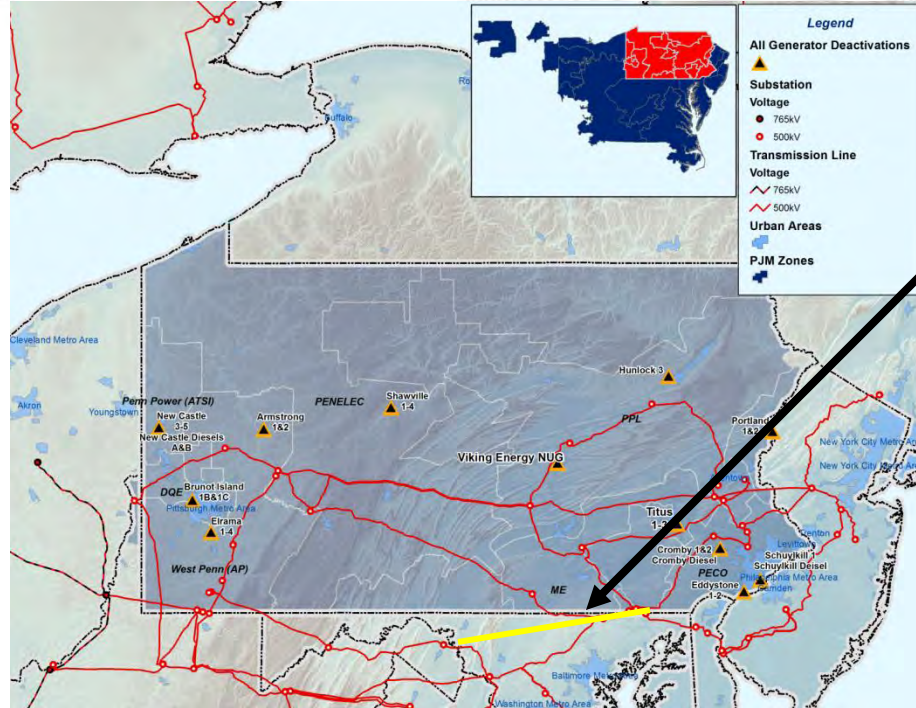
Double circuit 230 kV line identified to resolve reliability criteria violation

Cost:  
R = \$500M

Allocation:

PPL	50% (\$250M)
ME	20% (\$100M)
PSEG	15% (\$75M)
JCPL	15% (\$75M)

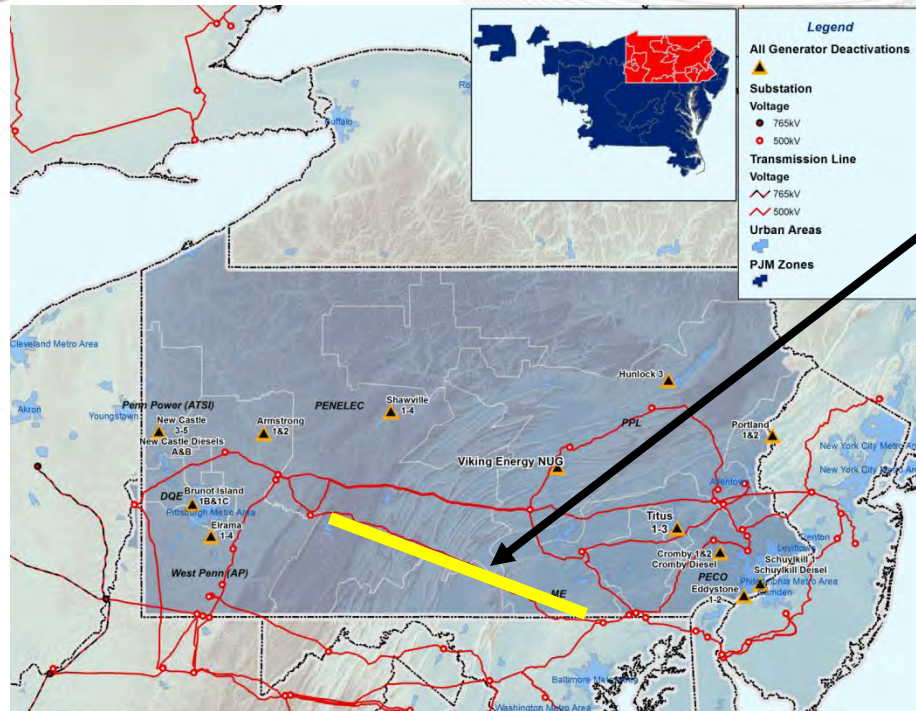




Double circuit 230 kV line identified to provide for renewable delivery to Maryland

Cost:  
PP = \$250M

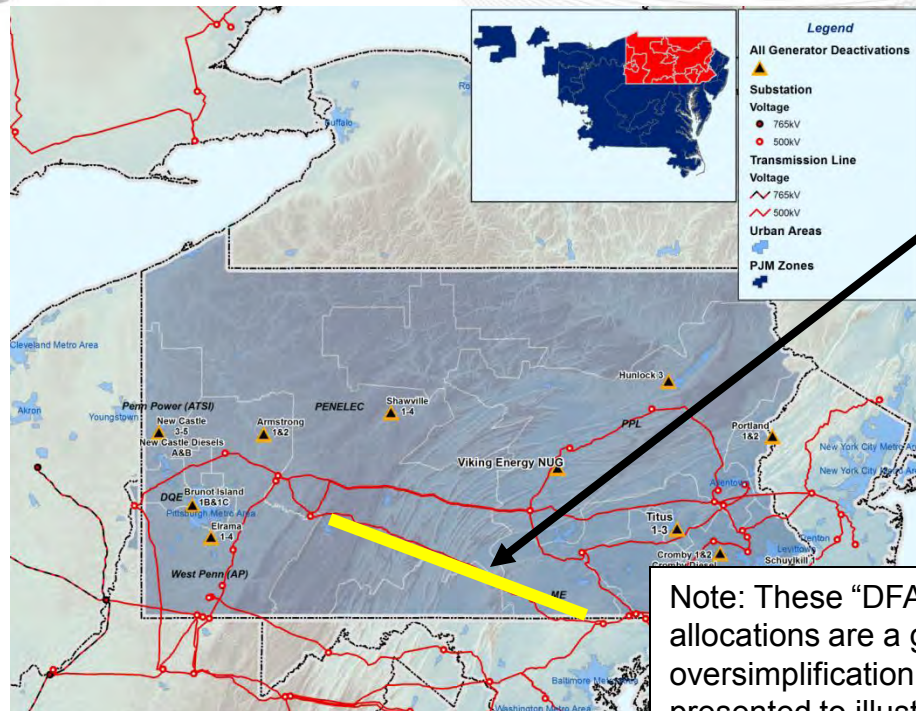
Allocation:  
Maryland \$250M



Single circuit 500 kV line identified to resolve reliability criteria violation and provide for renewable delivery to Maryland

Cost:  
 $R+PP = \$600M$

Apportionment:  
 Public Policy \$200M  
 Reliability \$400M



Single circuit 500 kV line identified to resolve reliability criteria violation and provide for renewable delivery to Maryland

Cost:  
 $R+PP = \$600M$

Allocation:

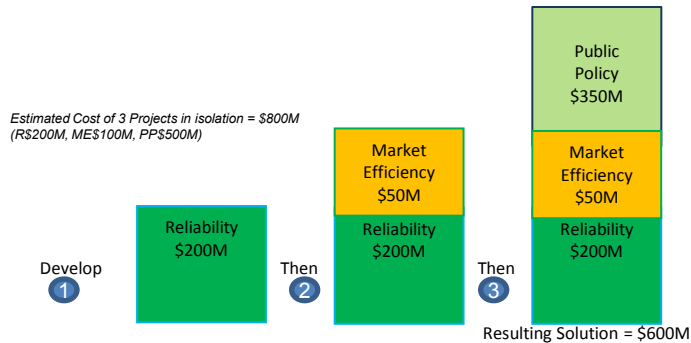
Maryland	\$200M
Socialized	\$200M
BGE	25% (\$50M)
PECO	25% (\$50M)
PSEG	20% (\$40M)
DPL	20% (\$40M)
AE	10% (\$20M)

Note: These “DFAX” allocations are a gross oversimplification and are presented to illustrate how they may change as different projects are considered.



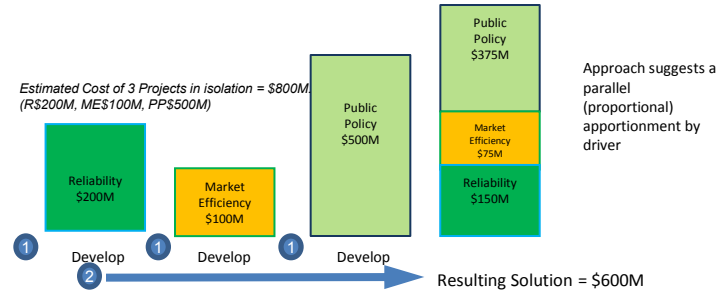
Definition - What constitutes "incremental" versus "non-incremental" treatment of upgrades

- Not an "upgrade<sup>1</sup>," then treated as "Parallel" apportionment
- Benefit/Cost on "standalone" ME project
- No Changes to Cost Allocation



## Incremental Approach

- If an "upgrade<sup>1</sup>", then treated as "Incremental" apportionment
- Benefit/Cost on "upgrade" portion of ME project
- No Changes to Cost Allocation



## Parallel Approach

<sup>1</sup>For discussion purposes – we are defining "upgrade" per FERC Order 1000A

- *The text on the next slides is organized in the following manner:*
- *Major Bullet = Topic*
  - Greyscale sub-bullet = issue/concern/idea raised at last meeting
  - *Next sub-bullet (“Business Rule”) = proposed Business Rule and associated principles*

## *Example:*

- “Timing of Commitment”
  - 24-month cycle is designed...
  - Business Rule – Recommend reliability projects...



- **Timing of Commitment**

- 24-month cycle is designed to examine proposed projects starting in March of second 12 months and make a recommendation to the Board for approval in October or December
- How long should a Board recommendation be deferred while States consider a Public Policy component of a Multi-Driver project?
  - Delaying past the end of the cycle will result in an incomplete base case (unsolved violations) going into the next RTEP cycle
  - Violations will also exist in base cases for next cycle of interconnection studies

- Timing of Commitment
  - Business Rule – Recommend reliability projects and/or market efficiency projects to PJM Board at December meeting if Public Policy component not prepared to commit

- **Timing of Commitment**
  - Once a reliability project is approved by the Board, should the States be able to request a change to that project to satisfy Public Policy through a Multi-Driver project?
  - Should a time limit be imposed for such a change or should each project be examined on a case-by-case basis?
    - Impacts on timely resolution of reliability criteria violation must be considered
    - Changes to transmission topology cannot adversely impact interconnection customers – they must be kept whole in analyses

- **Timing of Commitment**

- Business Rule – Allow for re-evaluation and replacement of previously approved R and/or ME projects, on a case-by-case basis, if Public Policy component is committed at a later date
  - Will require judgment related to completion status of previously approved project and nature of change to implement public policy component
    - Status Considerations include: Design, CPCN, Major Equipment Procurement, Construction, etc.
  - Consider impact regarding timing of any reliability criteria violations and delays associated with a change

- Treatment of PP Costs for Cancelled Projects
  - How would costs associated with the PP component of a Multi-Driver (MD) project be handled if the State chooses to cancel their commitment to the project?
    - Depending on timing, could revert to original reliability-based project
      - Same issues with RTEP and interconnection base cases
  - Business Rule – If PP component is cancelled, re-evaluation will be performed to determine need related to other drivers
  - Business Rule – Depending on status of approved MD project and timing of need, decision will be made, on a case-by-case basis, to retain approved MD project or revert to smaller scope project



- Treatment of PP Costs for Cancelled Projects
  - Business Rule – If approved MD project is not justified based on remaining drivers, but cannot be replaced in RTEP (due to status) with a lesser scope project, cost apportionment to PP will remain in force and be charged to customers within cancelling state
  - What if multiple states are involved?
  - Business Rule – Based on re-evaluation analysis, status of approved MD project and timing of need, decision will be made, on a case-by-case basis, to retain approved MD project or revert to smaller scope project

- Treatment of PP Costs for Cancelled Projects
  - Business Rule – If it is possible to revert to smaller scope project, remaining states will have option to retain currently approved MD project and reallocate cancelling state's PP portion of cost
  - Business Rule – If approved project is not justified based on remaining drivers, but cannot be replaced in RTEP (due to status) with a lesser scope project, and remaining states do not want to accept responsibility for PP cost share to cancelling state, apportionment to PP and allocation among states will remain in force and share will be charged to customers within cancelling state

- **Treatment of Costs Over-runs for Multi-Driver Projects**
  - Allocate costs pro-rata across all drivers
  - Attempt to associate cost over-runs with individual drivers on some causations basis
  - Would allocation of cost over-runs differ for incremental projects versus proportional projects?
  - **Business Rule – Allocate cost over-runs pro-rata across all drivers (R, ME & PP)**

- Selection of Project Developer
  - PJM will identify developer for Reliability and Market Efficiency projects
  - States will identify developer for stand-alone Public Policy projects
  - What will be State role in developer selection for Multi-Driver projects?
  - Business Rule – Developer selected by PJM based on filed process
  - Business Rule - Developer selected by States if PP is  $> X\%$  of apportionment of MD Project (50%? 75%? 90%?)



- Settlement issues
  - Billing State by State
  - Treatment of cancellation costs
- Cost estimate basis for apportionment
- Required Operating Agreement changes/language
- Any Transmission Owner rate issues?
- Remaining Stakeholder Process
  - Polling/Voting/Recommendation to MRC

### **Anti-trust:**

You may not discuss any topics that violate, or that might appear to violate, the antitrust laws including but not limited to agreements between or among competitors regarding prices, bid and offer practices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that might unreasonably restrain competition. If any of these items are discussed the chair will re-direct the conversation. If the conversation still persists, parties will be asked to leave the meeting or the meeting will be adjourned.

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