

Clean Line Comments on Interconnection as a Driver for Multi-Driver Projects - Feb 11, 2015

Generally speaking, Clean Line believes that the interconnection queue should be flexible enough to allow interconnection projects to become, in aggregate or in concert with other drivers (reliability, market efficiency, and public policy), a driver for new transmission projects.

High-level comments:

- 1) Interconnection Studies/Projects, here, refer to Generation Interconnection as well as Merchant Transmission Interconnection projects.
- 2) Multi-Driver Projects (MDP) should NOT, at least at this time, be considered a standard study requirement within the scope of the interconnection study process. An interconnection customer should request (or agree to) studies to be conducted that would result in MDP identification through a separate, focused discussion with PJM and the TO(s) based on RTEP analyses (ongoing and/or complete) as well as other interconnection studies, etc.
- 3) MDP analyses should be conducted in a parallel, but separate, process to limit impacts to the interconnection queue. MDPs should be considered for inclusion in other queue studies (for subsequent queue positions, RTEP analyses, etc.) only after an MDP Facilities Study Agreement (that addresses the timeline/cost of the MDP facilities) is executed.

Specific comments related to PJM staff questions on RPPTF slides from January 23, 2015:

Slide 2 “Interconnection Process” – Interconnection Process

Q: Will scope of Interconnection studies include evaluating the use of Multi-Driver Projects to facilitate an interconnection?

Clean Line believes that an interconnection customer should have the ability to add this to the scope of their interconnection study agreements; however, we do not believe this needs to be a standard part of the interconnection study scope or agreements.

Q: Will interconnection customers be responsible for costs of studying the feasibility of Multi-Driver Projects?

Clean Line believes this is a reasonable requirement, as MDP studies may require additional work by PJM and the Transmission Owner(s). Clean Line doesn't believe that separate funding for the MDP portion of the interconnection studies is necessary, but drawing against the deposits of the interconnection customers for which the MDP is analyzed should suffice.

Q: Will potential use of a Multi-Driver Project trigger re-studies?

Yes, if an interconnection project is in an area where an MDP is being analyzed, the customer is at-risk of undergoing re-studies. Re-studies may be expected when an MDP is identified and formally agreed to by an interconnection customer, or when an interconnection customer with an MDP upgrade withdraws from the queue. The former is likely a rare event, and the latter is a situation that PJM already encounters, as interconnection customers are today allowed to request modifications to upgrades identified in the system impact study, triggering re-study.

Q: Will the timing of interconnection studies be impacted due to evaluating Multi-Driver Projects for interconnections?

Yes, but if the approach is to 1) not include MDP analyses in the standard scope of interconnection studies and 2) the MDP analysis is a “parallel study” (that does not slow down or substitute for impact studies), then this should be a manageable issue. Clean Line supports an MDP approach with these 2 features.

Slide 3 “Interconnection Process (cont.)” - Interconnection Customer Responsibility for share of MDA-Project Costs

Q: But for test – how costs of Multi-Driver Project will meet this test?

Clean Line does not have suggestions on this topic at this time.

Q: How will net benefits resulting from generation interconnection driver be accounted for (e.g., if Multi-Driver Project is cheaper than project needed for both RTEP needs and to accommodate interconnection)?

Clean Line believes, as discussed in the January 23rd RPPTF meeting, that a process that encourages investment in multi-use projects through cost sharing is an appropriate way to endeavor grid expansions in PJM. One way to achieve this is to have the MDP result in a lower upgrade cost than the non-MDP upgrade alternative. For example, the interconnection driver’s cost apportionment could be the difference between the RTEP project cost with and without the interconnection driver (that is, the cost to enhance the RTEP project to accommodate the new interconnection customer).

Using “Example 1” from the RPPTF slides, the interconnection customer’s required upgrade was \$100MM, and the RTEP upgrade was \$200MM, but the MDP that addresses both drivers would cost \$250MM. It would discourage investment in larger, more beneficial projects if the interconnection customer was still required to pay \$100MM for their portion of the MDP, especially if it may take longer to build than the non-MDP upgrade alternative. Instead, the customer should be responsible for the portion of the cost that reflects the additional cost added to the RTEP project to accommodate the interconnection driver. In this example, the RTEP driver would still be \$200MM while the interconnection driver cost apportionment

would be \$50MM. This arrangement encourages new generation investments and right-sizing of transmission expansion alternatives.

Q: Will Interconnection Customer be responsible or elect to be responsible for accelerating construction of Multi-Driver Project to accommodate project in-service date?

Yes. As would be the case for a customer that needed to accelerate an RTEP upgrade today, it would make sense for the interconnection customer to take on any acceleration costs to accommodate an earlier in-service-date for the MDP.

Slide 4 “Interconnection Process (cont.)” – Interconnection Customer Responsibility for share of MDA-Project Costs (cont.)

Q: Will costs of a Multi-Driver Project be allocated to subsequently queued interconnection requests?

Yes. If a subsequent interconnection project has an impact on (and therefore benefits from) the inclusion of the MDP in the model, that customer should have a cost allocation. A subsequently queued interconnection request could be allocated costs with a cap equal to the costs that would have been required with the MDP interconnection driver but without the MDP in the model. The problem with this is that PJM/TOs would have to parse out the impacts of the injection from queue positions between the interconnection customer and the MDP interconnection driver customer, in case there are queue withdrawals. This may be acceptable because a queue withdrawal is a trigger for a re-tool today.

Q: Will current responsibility to pay only for minimum upgrades necessary for interconnection be impacted?

No. Today, if an interconnection customer has an impact on a transmission facility that was commissioned within the last five years, that customer has some cost allocation responsibility. This would be a similar situation. If the transmission facility that was commissioned in the last five years was never built, would the customer receiving a sub-allocation of costs be able to interconnect without that facility? This is not something that is debated because the fact is that the facility *does* exist. The same should be assumed of network upgrades (and MDPs) for prior-queued interconnection customers.

Slide 5 “Interconnection Process (cont.)” - Security

Q: How much security is required for share of Multi-Driver Project? 100% or some lower percent

Security should be based on the drivers that are included in the MDP. If reliability is one of the drivers, and without the MDP there is a potential criteria violation that does not already have an identified operating guide, the security should be some percentage that provides the certainty necessary to move forward. Maybe this is 100% of the “Non-Direct Connection” upgrades.

Q: When will security be due? Can it be deferred? Will security be reduced as construction on Multi-Driver Project progresses?

It seems like these questions can follow approaches similar to the existing tariff subject to discussion of whether a reliability driver can accommodate the standard provisions (120-day deferral allowed with \$200K deposit, or 125% of cost expected to be incurred during this 120 day period, etc.).

Slide 6 “Interconnection Process (cont.)” - Agreements

Q: Does the prospect of a Multi-Driver Project impact timing of PJM tendering ISA or UCSA?

Maybe – it depends on the study timing.

Q: Must an Interconnection Customer have an executed ISA for the interconnection to be considered as a driver for a Multi-Driver Project?

To help minimize re-studies in the queue and shorten overall study timeframes, Clean Line believes that interconnection customers should have the ability to request MDP analysis at any time during the impact study stage or facilities study stage – subject to limitations to ensure delays are not rampant – but the interconnection project cannot be considered a driver until an MDA-Facilities Study Agreement is executed.

Q: Will a CSA be required for the Multi-Driver Project?

It seems like the answer to this question is “yes,” but what are the alternatives?

Slide 7 “Interconnection Process (cont.)” – Rights related to customer-funded upgrades

Q: How will the Incremental ARR be determined and allocated for the portion of the Multi-Driver Project that is customer-funded?

The Incremental ARR should be allocated commensurate with the funding approach determined by PJM and the stakeholders. For example, if the interconnection customer funds 10% of an MDP, then it should be entitled to at least 10% of the Incremental ARRs. We say “at least” because if the Incremental ARRs are otherwise made available to the system (no owner) then the interconnection customer, as an enabler, should be eligible for any unclaimed rights.

Slide 8 “Interconnection Process (cont.)” – Cancellation of Interconnection Project

Q: What will be the cost responsibility of the cancelling Interconnection Customer? Will security be forfeited?

Same as today; the interconnection customer is on the hook for costs to ensure that the transmission system is left in a reliable state and any cancellation costs are covered. If significant construction has begun, security is forfeited in the amount to fund the remainder

of the driver of the project that cancelled. If construction has not begun then security may be refundable after re-tooled studies, if any, are funded.

Q: Will the Multi-Driver Project be re-evaluated?

This is subject to review of how much of the MDP is complete (constructed) and whether the interconnection driver was a major or majority portion of the funding.

Q: How will cost responsibility of other Interconnection Customers that share cost responsibility for the Multi-Driver Project be determined?

This, again, depends on how far along the MDP is in the construction process. If the MDP is already under construction, then the cost responsibility should be allocated to load temporarily and then allocated to future interconnection projects as a grid access charge for up to 5 years. If the MDP is not under construction or, in other circumstances (such as the scenario where some equipment has been ordered but can be cancelled) a re-evaluation would be required in order to determine what is needed to accommodate the other interconnection customers and the RTEP drivers.

Q: Participation in Multi-Driver Project – Mandatory or Optional?

Interconnection customers should have the option to participate in an MDP as a driver; however if a prior-queued request formally elects to become an MDP driver, resulting in inclusion of the MDP in models for subsequently queued projects; then if such customers will benefit from the MDP, sharing in cost responsibility should be mandatory.

Slide 9 “Cancellation of Multi-Driver Project (cont.)” – Cancellation of Interconnection Project

Q: How will re-studies be funded?

If there are funds remaining from the interconnection project that has withdrawn from the queue (or otherwise cancelled their interest in the MDP) then those funds should be used to pay for re-studies, providing a disincentive for queue withdrawal. If these funds are depleted then the interconnection customers remaining in the queue will need to pay for re-studies. This is no different from the way things work today.

Q: Cost Responsibility for Re-tooled Upgrades - What will Interconnection Customer’s cost responsibility be if costs of re-tooled upgrades are greater than the Interconnection Customer’s share of the cancelled Multi-Driver Project?

This seems to be an unlikely scenario – nevertheless, the process today does not protect interconnection customers from other interconnection customer decisions. If an ISA has already been executed then it seems that this would potentially require, at least temporarily, that the load pick up the balance.

Q: Interconnection In-Service Date before completion of Re-tooled Upgrades - How will Interconnection Customer's In-Service Date be facilitated?

Again, this seems to be an existing issue where an interconnection customer has an anticipated ISD that cannot be accommodated due to prior-queued interconnection customers withdrawing from the queue resulting in new studies and potentially different upgrade requirements.

Slide 10 "Cancellation of Multi-Driver Project (cont.)" – Rights

Q: How will rights such as Capacity Interconnection Rights and Incremental ARRs be preserved?

It seems like this is also an existing issue with how the queue process/studies work.

Thank you for considering our comments. Please direct any questions to Deral Danis at ddanis@cleanlineenergy.com or Diana Rivera at drivera@cleanlineenergy.com.