

Rights & Responsibilities of PJM and PJM Transmission Owners Related to Planning and Asset Management



PJM Transmission Replacement

Processes

Senior Task Force

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Prior to PJM Becoming an ISO/RTO

PJM companies had statutory or regulatory obligations where each was individually responsible for, among other things:

- ❑ Operating its transmission system
- ❑ Planning its transmission system to:
 - ◆ Provide transmission service
 - ◆ Maintain system reliability
 - ◆ Meet the needs of the underlying distribution system and end-use customers
- ❑ Managing transmission system assets, including retiring and/or replacing existing facilities

FERC Open Access Orders

- Orders 888, 889, and 890 were aimed at ensuring there was no undue discrimination in the provision of transmission service, and required:
 - ◆ Open access to transmission facilities
 - ◆ Open and transparent regional planning of facilities
- PJM companies voluntarily formed PJM as an ISO, with PJM responsible for:
 - ◆ Independently administering applications for Transmission Service
 - ◆ Expanding system capacity to meet the needs of Transmission Service customers
 - ◆ Working with the PJM TOs, ensuring transparency of Transmission Service and the capacity expansion and enhancement planning required for Transmission Service

PJM Consolidated Transmission Owners Agreement (CTOA) Highlights

- ❑ Sets out the general duties, rights and obligations of PJM and the PJM Transmission Owners
- ❑ Transfers certain rights and responsibilities to PJM and retains for the PJM Transmission Owners all rights and responsibilities not transferred to PJM
- ❑ Specifies rules for maintaining outage coordination and coordination of facility ratings information between PJM and TOs
- ❑ Establishes governance structure and meeting protocols of the PJM Transmission Owners Committee

CTOA Rights and Obligations

Rights Retained by the Transmission Owners

- ❑ Build, finance, own, acquire, sell, dispose, retire, merge or otherwise transfer or convey all or any part of their assets, including any Transmission Facilities (Section 5.2)
- ❑ Take whatever actions they deem necessary to fulfill their obligations under local, state or federal law (Section 5.3)
- ❑ Each TO: “will physically operate and maintain all transmission facilities that it owns consistent with, among other things, applicable reliability principles, guidelines and standards of the Applicable Regional Reliability Council and NERC, and Good Utility Practice” (Section 4.5)
- ❑ Retains all rights not specifically transferred to PJM pursuant to the CTOA or any other agreement (Section 5.6)

CTOA Rights and Obligations

Obligations to PJM

- ❑ Provide PJM with reasonable notice before taking transmission facilities out of service (Section 4.4)
- ❑ Provide information reasonably requested by PJM to prepare the RTEP and Operate the system in compliance with NERC standards (Sections 4.1.4, 4.15)
- ❑ Build RTEP projects (Section 4.12) Follow emergency operations instructions (Section 4.7)

CTOA Rights and Obligations

Rights Transferred to PJM

- ❑ Provide open access transmission service over their collective facilities (Section 4.11)
- ❑ Direct the operation of and coordinate the maintenance of TOs facilities including approving, denying or rescheduling any outage deemed necessary to ensure reliable operations (Sections 4.1.2, 6.3.1)
- ❑ Administer the PJM Tariff (Sections 4.1.3, 6.3.2)
- ❑ Prepare the Regional Transmission Expansion Plan and administer the regional planning process (Sections 4.1.4, 6.3.3)

PJM Operating Agreement (OA)

- ❑ PJM prepares the Regional Transmission Expansion Plan (RTEP)
- ❑ Definition of RTEP: “The plan prepared by the Office of the Interconnection pursuant to Schedule 6 of the Operating Agreement *for the enhancement and expansion of the Transmission System in order to meet the demands for firm transmission service* and to support competition in the PJM Region.” (Section 1.37A)
- ❑ OA Schedule 6: Regional Transmission Expansion Planning Protocol specifically requires the Regional Transmission Expansion Plan: “*take into account the legal and contractual rights and obligations of the Transmission Owners*” (Section 1.4(d)(iii))
- ❑ RTEP planning Criteria “shall include [PJM] planning procedures, NERC Reliability Standards, Regional Entity reliability principles and standards, and the individual TO FERC filed planning criteria as filed in FERC Form 715, and posted on the PJM website (Schedule 6, Section 1.2(e))

Agreements Summary

- ❑ The purpose of the RTEP is “to prepare a plan for *enhancement and expansion in order to meet the demands for firm transmission service* and to support competition, in the PJM region”
- ❑ TOs retained rights to physical control, operation and maintenance of their transmission assets, including when and how to retire or replace those facilities
- ❑ This right was affirmed by the Court of Appeals in the *Atlantic City* decision:

“When utilities joined the PJM ISO there was no transfer of ownership or even physical operation of their facilities. Pursuant to the operating agreement, each of the utilities retained both ownership and physical control of their facilities, but gave to PJM ISO certain operational responsibilities relating to the provision of transmission service using their jurisdictional facilities.” *Atlantic City Electric et al. v. FERC*, 295 F.3d 1, at 34 (2002)

Agreements Summary (continued)

- TO rights must be taken into account in preparation of the RTEP
- TOs required to provide information reasonably requested by PJM to Operate the system, prepare the RTEP and cooperate in the preparation of the plan; thus, Supplemental Projects are listed in the RTEP, although not approved by the Board:
 - ◆ Identifying the assumptions, criteria and models underlying their local planning, including Supplemental Projects to replace existing transmission facilities, at the TEAC and Sub-regional RTEP Committee Initial Assumptions meetings (OA Schedule 6, Section 1.3(d and f))
 - ◆ TEAC and Sub-regional RTEP Committee review could result in the elimination, expansion or replacement of a Supplemental Project with a PJM Baseline project submitted during proposal windows