August 17, 2020

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: PJM Interconnection, L.L.C., Docket No. ER20-___-000
   Compliance Filing to EL19-91

Dear Secretary Bose:

PJM Interconnection, L.L.C. (“PJM”) submits this filing in compliance with the June 18, 2020 order\(^1\) issued by the Federal Energy Regulatory Commission (“Commission”) regarding proceedings instituted under section 206 of the Federal Power Act\(^2\) into how PJM was implementing its proposal window exemption for immediate-need reliability projects. As required by the June 18 Order, PJM:

- explains how it will provide stakeholders “sufficient detail” regarding: (i) the specifics of the reliability violation driving the need for the immediate-need reliability exemption, (ii) why the violation arose, (iii) when the violation first occurred, (iv) the implications of the violation in terms of generation, load, congestion, etc., (v) the severity of the problem, and (vi) expectations for the violations’ severity in the future;

- explains how it will expound on its description to support the immediate-need reliability project, including: (i) time-sensitive need, (ii) why the incumbent transmission owner was selected, (iii) alternative solutions considered and (iv) why the need was not identified earlier;

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\(^1\) *PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,212 (2020) (“June 18 Order”).

\(^2\) The Commission opened three docket (Docket No. EL19-90 (ISO New England, Inc.); Docket No. EL19-91 (PJM) and Docket No. EL19-92 (Southwest Power Pool, Inc.)) instituting section 206 proceedings related to immediate-need reliability exemptions. The Commission terminated the ISO New England and Southwest Power Pool docket finding they implemented their process consistent with the required criteria.
submits revisions to the Operating Agreement, Schedule 6, section 1.5.8(m)(1) to include a ten-day time period to provide stakeholders sufficient time to review and comment on immediate-need reliability project materials posted on the PJM website; and

- describes the steps it is taking to post all immediate-need information so that it is more easily accessible to stakeholders on the PJM website.

PJM requests that the Commission accepts the revisions to the Operating Agreement, Schedule 6, section 1.5.8(m)(1), effective as of the date of a Commission order accepting this compliance filing.3

I. BACKGROUND

On June 18, 2020, the Commission found that the Commission-accepted criteria for the immediate-need reliability exemption appropriately maintains the balance between reliability and competition and ensures that the exemption is used in limited circumstances.4 The Commission also found that of the five criteria for the exemption PJM is compliant with Criterion One and Criterion Five.5 Specifically:

- Criterion One requires that the project must be needed in three years or less to solve reliability criteria violations; and

- Criterion Five requires that PJM (i) maintain and post a list of prior year designations of all immediate-need reliability projects to the incumbent transmission owner, and (ii) submit an informational filing with FERC on an annual basis with the list of the prior year’s immediate-need reliability projects.

The Commission further found that PJM’s implementation of the remaining three criteria is unjust and unreasonable; and, thus, directed PJM to submit a compliance filing, including

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3 PJM is already implementing this proposed revision.
4 June 18 Order at PP 1, 16.
5 June 18 Order at P 15.
revisions to the Operating Agreement, no later than August 17, 2020 to implement Criterion Two, Three and Four more fully and transparently on a prospective basis.6

PJM hereby submits that compliance filing, with the required revision to the Operating Agreement.

II. PJM’s COMPLIANCE WITH THE JUNE 18 ORDER

A. PJM’s Compliance with Criterion Two

Criterion Two requires that the RTO must separately identify and post an explanation of the reliability violations and system conditions in advance for which there is a time-sensitive need, with sufficient detail of the need and time sensitivity.

In the June 18 Order the Commission found that PJM’s explanations of the reliability violations and system conditions driving the time-sensitive need were not sufficiently detailed.7 The Commission directed PJM to provide, on a prospective basis, the reliability violations and system conditions, including sufficient detail regarding the need and time-sensitivity.8 By way of example, the Commission proposed that

PJM may provide details regarding the specifics of the violation; why the violation arose; when it first occurred; the implications of the violation in terms of generation, load, congestion, etc.; the severity of the problem; and expectations for the violation’s severity in the future (i.e., will the problem get worse or have a cascading effect at a later point in time).9

Following the June 18 Order, PJM began preparing a supplemental document, examples of which are attached with this filing as Attachments C and D, to post on its website for each identified immediate-need reliability violation PJM was proposing to exempt from the competitive

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6 June 18 Order at P 1.
7 June 18 Order at P 50.
8 June 18 Order at P 50.
9 June 18 Order at P 50.
The plan going forward is to post the supplemental document with the identified violations on the PJM website and to subsequently include that supplemental document with the Transmission Expansion Advisory Committee (“TEAC”) meeting materials in order to provide greater detail regarding reliability violations and system conditions for reliability violations identified as needed in three years or less and immediate-need reliability projects exempted from PJM’s competitive proposal windows.

To date, as part of the 2020 regional transmission expansion planning (“RTEP”) analysis, PJM has identified two immediate-need reliability violations that PJM is proposing to exempt from its proposal windows as immediate-need reliability projects. They are located in the Dominion Zone in (i) the Manassas area of northern Virginia (“Manassas Area”); and (ii) the Northern Neck Load pocket (“Northern Neck Area”).

Consistent with Manual 14F, section 5.3.1, PJM identified and posted the two sets of potential violations (including the supplemental document detailing the reason for the immediate need), on PJM’s Competitive Planning Process page of its website. Included with this compliance filing as Attachment C (Dominion Manassas Area Violations) and Attachment D (Dominion Northern Neck Area Violations) are the supplemental documents with detailed information about the violations provided to comply with the June 18 Order.

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11 Consistent with Manual 14F, section 5.3.1, stakeholders have 30 days after the opening of the window to provide comments regarding PJM’s determination to exempt these potential violations from a proposal window. The information specific to these violations is posted on the PJM website with the 2020 Window #1 in the Zip file containing non-confidential or non-CEII information entitled “Without Analytical Files V11.” See https://pjm.com/planning/competitive-planning-process.aspx.
Following the 30-day comment and answer period, these two immediate-need reliability needs will be presented at subsequent TEAC meetings as immediate-need reliability projects for further review and comment by stakeholders. At that time, PJM will add more details, if applicable, specific to the immediate-need reliability project proposed to address the violations.

B. PJM’s Compliance with Criterion Three

Criterion Three requires that the RTO must provide to stakeholders and post on its website a full and supported written description explaining: (i) the decision to designate an incumbent transmission owner as the entity responsible for construction and ownership of the project, including an explanation of other transmission or non-transmission options that the region considered; and (ii) the circumstances that generated the immediate need and why that need was not identified earlier.

In the June 18 Order the Commission found that PJM’s TEAC presentation materials did not provide enough detail as to PJM’s reasoning for selecting an incumbent transmission owner for an immediate-need reliability project or explanation as to why the reliability violations were not identified earlier. The Commission further found that the presentation materials provided with PJM’s December 27 Response did not explain why PJM determined there was insufficient time to open a full or shortened proposal window or whether PJM considered alternative factors beyond the need-by date of three years in making the decision that there was insufficient time to open a proposal window. As a consequence, the Commission directed PJM, on a prospective basis, to expound on such descriptions in the presentation materials by specifically addressing the time-

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12 The Manassas violations were posted on the PJM website on July 15, 2020, and the comment period ended on August 14, 2020. The Northern Neck violations were posted on the PJM website July 23, 2020, and the comment period ends on August 22, 2020.


14 June 18 Order at P 51.
sensitive nature of the need, why the incumbent transmission was selected, alternatives considered and why the need was not identified earlier.

The Commission further provided, but did not require, that for additional transparency PJM could: (i) describe how it is making its determination that a full or shortened proposal window is infeasible by explaining how it considers the nature of the reliability criteria, the nature and type of potential solution required and the projected construction time for a potential solution to the type of reliability criteria to be addressed; and (ii) explain the urgency of the violation and compare it to the typical timeline of a standard or shortened competitive proposal window, explaining how the proposal window would delay the solution further.\(^\text{15}\)

To comply, PJM includes Attachments C and D as examples of its compliance with the June 18 Order.\(^\text{16}\) More specifically, the description of the Northern Neck Area violations explains that despite efforts to monitor the area PJM has determined that continued use of the operating procedure under the current conditions “will result in a PJM planning criteria violation of dropping over 300 MW in the 2022/2023 timeframe based on PJM’s 2020 load forecast.”\(^\text{17}\) PJM also notes that “[i]ncreases in load and a shift in the load profile in Dominion to better match the winter peaking condition in Dominion” has caused the increase in the magnitude of the load in this area at an accelerated rate, thereby “leading to exceeding 300 MW load loss in this timeframe.”\(^\text{18}\) Also, as described in the Northern Neck document, the issue is specific to Dominion serving its load, as

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\(^{15}\) June 18 Order at P 52.

\(^{16}\) Neither the identified violations nor Attachments C and D have been presented to the TEAC as of this date. Instead, at the July and August TEAC meetings PJM notified stakeholders that the preliminary violations had been posted on the PJM website and individuals on the Planning Committee, TEAC and Subregional RTEP rosters were sent notice of the postings as well, including specific mention of the Manassas and Northern Neck documents.

\(^{17}\) Attachment D.

\(^{18}\) Attachment D.
well as future load. Given that detail, Dominion would likely be the transmission owner designated the immediate-need reliability project because it would be impractical and infeasible for anyone other than Dominion to solve this load-specific issue. PJM intends to provide the level of detail set forth in Attachment D, to the extent applicable, for future immediate-need reliability projects. If PJM determines to move forward with an immediate-need reliability project to address the Northern Neck Area violation, PJM will present the proposed immediate-need reliability project to the TEAC with the detail required by the June 18 Order.

Again, to date these are the only two violations PJM has proposed to exempt as immediate-need reliability projects in 2020. PJM has provided the templates attached as Attachments C and D to inform the Commission of the steps PJM has taken already to improve the information that will be included along with its slide presentations at future TEAC meetings. PJM intends to keep refining this effort based on stakeholder feedback with the goal of providing greater: (i) details regarding the specifics of the violation, including why the reliability violations were not identified earlier; and (ii) insight into PJM’s reasoning for selecting an incumbent transmission owner for an immediate-need reliability project.

Importantly, this is only the initial step PJM has taken to provide greater transparency into the planning of immediate-need reliability projects. These immediate-need violations still need to be brought to the TEAC as proposed immediate-need reliability projects for review and comment by stakeholders before they will be recommended to the PJM Board for approval. As a result, stakeholders will have ample opportunity to review and provide comments. More specifically, at the time the violations were identified and posted, stakeholders have been given 30 days after

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19 Attachment D.
posting to review the identified violations and detailed description; and, consistent with this compliance filing, at the time PJM submits the immediate-need reliability projects proposal to address the identified violations, stakeholders will have no less than 10 days to review the proposed projects and descriptions prior to providing comments at one, and generally two, subsequent TEAC meetings. Additionally, based on comments received regarding the current postings of the potential immediate-need violations, PJM can further expound on the description at future TEAC meetings when presenting the immediate-need reliability projects.

C. PJM’s Compliance with Criterion Four

Criterion Four requires that stakeholders must be permitted time to review and provide comments in response to the immediate-need reliability project description and such comments must be made publicly available.

In the June 18 Order the Commission found that, while Criterion Four does not specify an amount of time for PJM to allow stakeholders to comment on the immediate-need reliability project description, providing three days for stakeholders to review immediate-need reliability project materials before providing comments at stakeholder meetings was insufficient. Consequently, the Commission directed PJM to submit by way of a compliance filing revisions to the Operating Agreement to add a designated time period greater than three days for stakeholders to review the project description before providing comments at stakeholder meetings.

To comply, PJM proposes the following revision to Operating Agreement, Schedule 6, section 1.5.8(m)(1) to add a specific time period of “no less than ten days” to allow stakeholders

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20 June 18 Order at P 53.
21 June 18 Order at P 53.
22 June 18 Order at P 53 (noting that “PJM provides 10 days for stakeholders to review transmission project materials for Supplemental Projects in PJM’s Attachment M-3 process.”).
adequate time to review the immediate-need reliability materials prior to providing comments in response to the project description:

Stakeholders shall be afforded no less than ten days to review Immediate-need Reliability Project materials prior to providing comments at stakeholder meetings. However, PJM may review Immediate-need Reliability Project materials with stakeholders without the requisite ten-day notice so long as: (i) stakeholders do not object to reviewing the materials or (ii) PJM identifies in its posting to the meeting materials extenuating circumstances identified by PJM that require review of the materials at the stakeholder meeting.

In addition, the June 18 Order found that PJM’s response to stakeholder questions related to immediate-need reliability projects did not demonstrate compliance with Criterion Four. The Commission directed PJM, on a prospective basis, to post on its website all stakeholder comments and answers (whether presented in writing or submitted verbally at TEAC meetings) related to immediate-need reliability projects.23 PJM is committed to posting all questions and answers with regard to these and other projects.24

Although not germane to this compliance filing, PJM wishes to reiterate that the Commission may have misinterpreted the circumstances surrounding the posting of written questions received in the past. As PJM noted in its December 27 Response, PJM had no record of “receiving any written comments specific to PJM’s determination that a proposal window was infeasible for an immediate-need reliability project that warranted reversal of its determination.”25 PJM also noted in its December 27 Response that PJM currently provides on the PJM website the

23 June 18 Order at P 54.
24 For verbal comments received presently, PJM will request stakeholders to provide their verbal comments in writing to PJM. PJM will post the comments with response, if any, on the Planning Community page. Once PJM develops a web page designated solely to immediate-need reliability issues (as discussed in Part II.D below) all comments will be accessible through that page.
25 December 27 Response at 17.
ability to receive and post comments and answers through its website tool “Planning Community.”

Following issuance of the June 18 Order and after posting potential violations related to the Manassas and Northern Neck Areas, PJM received a question asking where the information related to the immediate-need violations listed in the spreadsheets for the 2020 Window #1 can be found. That question and answer are both posted on the Planning Community and read as follows:

PJM has received the following question regarding the posted violations for 2020 Window 1:
Where is the information relating to the immediate need projects which are included in the spreadsheets identifying the violations for the 2020 Window 1 materials?

PJM response:
The documents detailing information relating to the immediate need projects are separate narrative documents included in the materials posted on PJM’s website for the 2020 Window 1 materials. Stakeholders can access this link on the competitive process page and download the materials at the non-CEII link for 2020 Window 1 which will contain both the violations lists and the narrative document information.

D. Additional Compliance

In the June 18 Order, the Commission further observed that PJM must do more prospectively to provide stakeholders easier access to information related to immediate-need reliability projects. Thus, while the Commission did not require all information related to immediate-need reliability projects to be posted at a central location on the PJM website, the

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26 See December 27 Response at 17, n. 27 (stating “[t]he Planning Community provides transparency to the PJM planning processes and enables transmission and generation owner users to find answers to their questions, initiate discussions and collaborate with other users, as well as PJM subject matter experts regarding, for example, planning initiatives, proposal windows and process questions. Discussions within the Planning Community are based on planning topics and items covered at the Planning Committee and TEAC meetings.”)
Commission required that PJM post all such information in a manner that is more easily accessible to stakeholders than the current approach.\footnote{June 18 Order at P 55.}

To comply, PJM is working with its internal staff to implement potential software and workflow changes in order to develop a web page designated solely to immediate-need reliability issues. In order to consolidate access to the information related to each identified immediate-need violation and project listed on that web page, PJM is planning to include links to the information related to each violation/project. PJM is working to develop the web page by end of year 2020 or first quarter 2021.

III. CORRESPONDENCE AND COMMUNICATIONS

Correspondence and communications with respect to this filing should be sent to, and the parties request the Secretary to include on the official service list, the following:

Craig Glazer                      Pauline Foley
Vice President – Federal Government Policy  Associate General Counsel
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IV. DOCUMENTS ENCLOSED

PJM encloses the following:

1. This transmittal letter;
2. Attachment A – Revised Operating Agreement, Schedule 6 (redlined form);
3. Attachment B – Revised Operating Agreement, Schedule 6 (clean form);
4. Attachment C – Dominion Manassas Area Violations Immediate-need Description; and

\textsuperscript{27} June 18 Order at P 55.
5. Attachment D – Dominion Northern Neck Area Violations Immediate-need Description.

V. EFFECTIVE DATE

PJM respectfully requests that the proposed revisions become effective as of the date of a Commission order accepting this compliance filing.

VI. REQUEST FOR WAIVERS

PJM makes this filing in compliance with the Commission’s directives in the June 18 Order. By making this filing in compliance with the June 18 Order, PJM understands that it has hereby satisfied any of the Commission’s filing requirements that might apply. Should any of the Commission’s regulations (including filing regulations) or requirements not addressed be found to apply, PJM respectfully requests waiver of any such regulation or requirement.

VII. SERVICE

PJM has served a copy of this filing on all PJM Members on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission’s regulations,28 PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region29 alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will

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28 See 18 C.F.R §§ 35.2(e) and 385.2010(f)(3) (2019).

29 PJM already maintains, updates and regularly uses e-mail lists for all PJM Members and affected state commissions.
be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the FERC’s eLibrary website located at the following link: http://www.ferc.gov/docs-filing/elibrary.asp in accordance with the Commission’s regulations and Order No. 714.

VIII. CONCLUSION

For all of the foregoing reasons, PJM respectfully requests that the Commission accept the proposed revisions to the Operating Agreement submitted herein, effective as of the date of a Commission order accepting this compliance filing, and grant waiver of any Commission regulations that the Commission may deem applicable to this compliance filing.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on those parties on the official Service List compiled by the Secretary in these proceedings.

Dated at Audubon, Pennsylvania this 17th day of August, 2020.

/s/ Pauline Foley
Pauline Foley
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Attachment A

Revision to the Operating Agreement

(Marked/Redline Format)
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: (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 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’s market efficiency and operational performance; (iii) required as a result of the Office of the Interconnection’s assessment of the 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 the Operating Agreement, Schedule 1, section 7.4.2(b), 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 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 the Operating Agreement, Schedule 1, section 7.8. 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 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 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 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 costs, 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 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’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 the Operating Agreement, Schedule 1, section 7.8.

(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 the Operating Agreement, Schedule 1, section 7.4.2(b). Enhancements and expansions related to stage 1A
Auction Revenue Rights identified pursuant to this Section shall be recommended for inclusion in the Regional Transmission Expansion Plan together with a recommended in-service date based on the results of the ten (10) year stage IA simultaneous feasibility analysis. Any such recommended enhancement or expansion under this Operating Agreement, Schedule 6, 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 the Operating Agreement, Schedule 6, section 1.5.6(m) 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 planning information, including all criteria, assumptions and models used by the Transmission Owners, such as those used to develop Supplemental Projects. 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 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 planning information, including all criteria, assumptions and models
used by the Transmission Owners in their internal planning processes, including the development of Supplemental Projects (“Local Plan Information”). Local Plan Information shall be provided consistent with: (1) any applicable confidentiality provisions set forth in the Operating Agreement, section 18.17; (2) 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 the Operating Agreement, section 18.17 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 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 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., which is found at http://www.pjm.com/~/media/documents/agreements/joa-complete.ashx;

- Northeastern ISO/RTO Planning Coordination Protocol, which is described at Schedule 6-B and found at http://www.pjm.com/~/media/documents/agreements/northeastern-iso-rto-planning-coordination-protocol.ashx;


- Interregional Transmission Coordination Between the SERTP and PJM Regions, which is found at Operating Agreement, Schedule 6-A;

- Allocation of Costs of Certain Interregional Transmission Projects Located in the PJM and SERTP Regions, which is located at Tariff, Schedule 12-B;

(i) 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.

(ii) An entity, including existing Transmission Owners and Nonincumbent Developers, may submit potential Interregional Transmission Projects pursuant to the Operating Agreement, Schedule 6, section 1.5.8.

(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 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 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 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 Requirements identified by the states for consideration in the Office of the Interconnection’s transmission planning analyses; (iii) Public Policy Objectives identified by stakeholders for consideration in the Office of the Interconnection’s transmission planning analyses; (iv) 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 (v) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the Committee participants. Prior to the initial assumptions meeting, the Transmission Expansion Advisory Committee and Subregional RTEP Committees participants will be afforded the opportunity to provide input and submit suggestions regarding the information identified in items (i) through (v) of this subsection. Following the assumptions meeting and prior to performing the evaluation and analyses of transmission needs, the Office of the Interconnection shall determine the range of assumptions to be used in the studies and scenario analyses, based on the advice and recommendations of the Transmission Expansion
Advisory Committee and Subregional RTEP Committees and, through the Independent State Agencies, the statement of Public Policy Requirements provided individually by the states and any state member’s assessment or prioritization of Public Policy Objectives proposed by other stakeholders. The Office of the Interconnection shall document and publicly post its determination for review. Such posting shall include an explanation of those Public Policy Requirements and Public Policy Objectives adopted at the assumptions stage to be used in performing the evaluation and analysis of transmission needs. Following identification of transmission needs and prior to evaluating potential enhancements and expansions to the Transmission System the Office of the Interconnection shall publicly post all transmission need information identified as described further in the Operating Agreement, Schedule 6, section 1.5.8(b) herein to support the role of the Subregional RTEP Committees in the development of the Local Plan and support the role of Transmission Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection shall also post an explanation of why other Public Policy Requirements and Public Policy Objectives introduced by stakeholders at the assumptions stage were not adopted.

(c) The Subregional RTEP Committees shall also schedule and facilitate meetings related to Supplemental Projects, as described in the Tariff, Attachment M-3.

(d) 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 the Operating Agreement, Schedule 6, sections 1.3(b) and 1.3(c)) to review, evaluate and offer comments and alternatives to 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; (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 Regional Transmission Expansion Plan. These meetings will be scheduled as deemed necessary by the Office of the 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 Regional Transmission Expansion Plan at these meetings or at the regularly scheduled meetings of the Planning Committee.

(e) 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 section (b), above.

(f) 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 the Operating Agreement, Schedule 6, section 1.5.8(b) 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 the Operating Agreement, Schedule 6, section 1.5.8(c). Following the close of a proposal window, the Office of the Interconnection shall: (i) post all proposals submitted pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c); (ii) consider proposals submitted during the proposal windows consistent with the Operating Agreement, Schedule 6, section 1.5.8(d) and develop a recommended plan. Following review by the Transmission Expansion Advisory Committee of proposals, the Office of the Interconnection, based on identified needs and the timing of such needs, and taking into account the sensitivity studies, modeling assumption variations and scenario analyses considered pursuant to the Operating Agreement, Schedule 6, section 1.5.3, shall determine, which more efficient or cost-effective enhancements and expansions shall be included in the recommended plan, including solutions identified as a result of the sensitivity studies, modeling assumption variations, and scenario analyses, 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.

(g) 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.

(h) The recommended plan shall separately identify enhancements and expansions that are classified as Supplemental Projects.

(i) 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 the Operating Agreement, Schedule 6, sections 1.5.7 and 1.5.8.

(j) The recommended plan shall identify enhancements and expansions proposed by a state or states pursuant to the Operating Agreement, Schedule 6, section 1.5.9.

(k) 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 the Operating Agreement, Schedule 6, section 1.1, provided that (1) the requestor has complied, to the extent applicable, with the procedures and other requirements of the Tariff, Parts IV and VI; (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 the Tariff, Parts IV and VI 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.

(l) 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 the Operating Agreement, Schedule 1, section 7.8, or to facilitate upgrades pursuant to the Tariff, Parts II, III, or VI, and designate one or more Transmission Owners or other entities to construct, own and, unless otherwise provided, finance the recommended transmission enhancement or expansion. Any designation under this paragraph of one or more entities to construct, own and/or finance a recommended transmission enhancement or expansion shall also include a designation of 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.

(m) 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 the Tariff, Schedule 12, 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 the Tariff, Schedule 12 that establishes a Transmission Enhancement Charge Rate in connection with an economic expansion or enhancement developed under the Operating Agreement, Schedule 6, sections 1.5.6(i) and 1.5.7, (C) the costs associated with expansions and enhancements required to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to the Operating Agreement, Schedule 1, section 7 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 the Tariff, Schedule 12, section (b) 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 the Tariff, Attachment DD, section 15 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.

(n) 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.
1.5.7 Development of Economic-based Enhancements or 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 Operating Agreement, Schedule 6, 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 the Operating Agreement, Schedule 1, section 7.4.2(c); 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 in the Operating Agreement, Schedule 6, section 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, pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c), 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. 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 or 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 or 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 or 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 or Expansions pursuant to the Operating Agreement, Schedule 6, section 1.5.6(m). 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 the Operating Agreement, Schedule 6, sections 1.6 and 1.7. 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 Operating Agreement, Schedule 6, section 1.5.7(d). An Economic-based Enhancement or Expansion shall be included in the Regional Transmission Expansion Plan 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 = \[
\frac{\text{Present value of the Total Annual Enhancement Benefit for the 15 year period starting with the RTEP Year (defined as current year plus five) minus benefits for years when the project is not yet in-service}}{\text{Present value of the Total Enhancement Cost for the same 15 year period}}
\]

Where

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

and

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to the Tariff, Schedule 12, section (b)(i) the Energy Market Benefit is as follows:

\[
\text{Energy Market Benefit} = 0.50 \times \text{Change in Total Energy Production Cost} + 0.50 \times \text{Change in Load Energy Payment}
\]

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to the Tariff, Schedule 12, section (b)(v) the Energy Market Benefit is as follows:

\[
\text{Energy Market Benefit} = 1 \times \text{Change in Load Energy Payment}
\]

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]. The change in costs for purchases from outside of the PJM Region and sales to outside the PJM Region will be captured, if appropriate. Purchases will be valued at the Load Weighted LMP and sales will be valued at the Generation Weighted LMP.

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)]. The Change in the Load Energy Payment shall be the sum of the Change in the Load Energy Payment only of the Zones that show a decrease in the Load Energy Payment.

And

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to the Tariff, Schedule 12, section (b)(i) the Reliability Pricing Benefit is as follows:

$$\text{Reliability Pricing Benefit} = [.50] \times [\text{Change in Total System Capacity Cost}] + [.50] \times [\text{Change in Load Capacity Payment}]$$

and

For economic-based enhancements or expansions for which cost responsibility is assigned pursuant to the Tariff, Schedule 12, section (b)(v) the Reliability Pricing Benefit is as follows:

$$\text{Reliability Pricing Benefit} = [1] \times [\text{Change in Load Capacity Payment}]$$

Change in Total System Capacity Cost = [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under the Tariff, Attachment DD) * (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 the Tariff, Attachment DD) * (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 the Tariff, Attachment DD 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 the Tariff, Attachment DD 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. The Change in the Load Capacity Payment shall be the sum of the change in the Load Capacity Payment only of the Zones that show a decrease in the 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 or 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 or Expansions continue to provide measurable benefits, as determined in accordance with subsection (d), and should remain in the Regional Transmission Expansion Plan. The annual review of the costs and benefits of constructing new Economic-based Enhancements or 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 the Operating Agreement, Schedule 6, section 1.5.7(i). The Office of the Interconnection will not be required to review annually the costs and benefits of constructing Economic-based Enhancements or Expansions with capital costs less than $20 million if, based on updated cost estimates and the original benefits, the Benefit/Cost Ratio remains at or above 1.25. The Office of the Interconnection shall no longer be required to review costs and benefits of constructing Economic-based Enhancements and Expansions once: (i) a certificate of public convenience and necessity or its equivalent is granted by the state or relevant regulatory authority in which such enhancements or expansions will be located; or (ii) if a certificate of public convenience and necessity or its equivalent is not required by the state or relevant regulatory authority in which an economic-based enhancement or expansion will be located, once construction activities commence at the project site.

(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 or Expansions is consistent with the new Economic-based Enhancements or 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 the Tariff, Parts IV and VI 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, the Tariff, Part VI, Subpart B, section 216, 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:

(ii) Timely installation of Qualifying Transmission Upgrades, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to the Tariff, Attachment DD or any FRR Capacity Plan pursuant to the RAA, Schedule 8.1.
(ii) Availability of Generation Capacity Resources, as defined by the RAA, section 1.33, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to the Tariff, Attachment DD or any FRR Capacity Plan pursuant to the RAA, Schedule 8.1.

(iii) Availability of Demand Resources that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to the Tariff, Attachment DD or any FRR Capacity Plan pursuant to the RAA, Schedule 8.1.

(iv) Addition of Customer Facilities pursuant to an executed Interconnection Service Agreement or executed Interim Interconnection Service Agreement for which Interconnection Service Agreement is expected to be executed. Facilities with an executed Facilities Study Agreement or suspended Interconnection Service Agreement may be included by the Office of the Interconnection after review with the Transmission Expansion Advisory Committee.

(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 the Tariff, Attachment DD. 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 Customer Facilities pursuant to an executed Facilities Study Agreement or suspended Interconnection Service Agreement, ranked by their commercial probability. Commercial probability utilizes historical data from the PJM interconnection queues to determine the likelihood of a Customer Facility, pursuant to an executed Facilities Study Agreement or suspended Interconnection Service Agreement, reaching commercial operation. If the Office of the Interconnection finds that the PJM reserve requirement is not met in any of its future year market efficiency analyses, following
inclusion of the Customer Facilities discussed above in this section 1.5.7(i)(vii), then it will model adequate future generation based on type and location of generation in existing PJM interconnection queues and, if necessary, add transmission enhancements to address congestion that arises from such modeling.

(viii) Items (i) through (v) 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 (v) 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.

(j) 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 the Operating Agreement, Schedule 6, section 1.5.3 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, Immediate-need Reliability Projects, and Economic-based Enhancements or Expansions.

(a) Pre-Qualification Process.

(a)(1) On September 1 of each year, the Office of the Interconnection shall open a thirty-day pre-qualification window for entities, including existing Transmission Owners and Nonincumbent Developers, to submit to the Office of the Interconnection: (i) applications to pre-qualify as eligible to be a Designated Entity; or (ii) updated information as described in the Operating Agreement, Schedule 6, section 1.5.8(a)(3). Pre-qualification applications shall contain 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; (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 or its affiliate’s, partner’s, or parent company’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 or its affiliate, partner, or parent company to address and timely remedy failure of facilities; (ix) a description of the experience of the entity or its affiliate, partner, or parent company 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 Operating Agreement, Schedule 6, section 1.5.8(a).

(a)(2) No later than October 31, the Office of the Interconnection shall notify the entities that submitted pre-qualification applications or updated information during the annual thirty-day pre-qualification window, whether they are, or will continue to be, pre-qualified as eligible to be a Designated Entity. In the event the Office of the Interconnection determines that an entity (i) is not, or no longer will continue to be, pre-qualified as eligible to be a Designated Entity, or (ii) provided insufficient information to determine pre-qualification, the Office of the Interconnection shall inform the entity it is not pre-qualified and include in the notification the basis for its determination. The entity then may submit additional information, which the Office of the Interconnection shall consider in re-evaluating whether the entity is, or will continue to be, pre-qualified as eligible to be a Designated Entity. If the entity submits additional information by November 30, the Office of the Interconnection shall notify the entity of the results of its re-evaluation no later than December 15. If the entity submits additional information after November 30, the Office of the Interconnection shall use reasonable efforts to re-evaluate the application, with the additional information, and notify the entity of its determination as soon as practicable. No later than December 31, the Office of the Interconnection shall post on the PJM website the list of entities that are pre-qualified as eligible to be Designated Entities. If an entity is notified by the Office of the Interconnection that it does not pre-qualify or will not continue to be pre-qualified as eligible to be a Designated Entity, such entity may request dispute resolution pursuant to the Operating Agreement, Schedule 5.

(a)(3) In order to continue to pre-qualify as eligible to be a Designated Entity, such entity must confirm its information with the Office of the Interconnection no later than three years following its last submission or sooner if necessary as required below. In the event the information on which the entity’s pre-qualification is based changes with respect to the upcoming year, such entity must submit to the Office of the Interconnection all updated information during the annual thirty-day pre-qualification window and the timeframes for notification in the Operating Agreement, Schedule 6, section 1.5.8(a)(2) shall apply. In the event the information on which the entity’s pre-qualification is based changes with respect to the current year, such entity must submit to the Office of the Interconnection all updated information at the time the information changes and the Office of the Interconnection shall use reasonable efforts to evaluate the updated information and notify the entity of its determination as soon as practicable.
(a)(4) As determined by the Office of the Interconnection, an entity may submit a pre-qualification application outside the annual thirty-day pre-qualification window for good cause shown. For a pre-qualification application received outside of the annual thirty-day pre-qualification window, the Office of the Interconnection shall use reasonable efforts to process the application and notify the entity as to whether it pre-qualifies as eligible to be a Designated Entity as soon as practicable.

(a)(5) To be designated as a Designated Entity for any project proposed pursuant to the Operating Agreement, Schedule 6, section 1.5.8, existing Transmission Owners and Nonincumbent Developers must be pre-qualified as eligible to be a Designated Entity pursuant to this Operating Agreement, Schedule 6, section 1.5.8(a). This Operating Agreement, Schedule 6, section 1.5.8(a) 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 Transmission System Needs.** Following 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 Operating Agreement, Schedule 6 and the PJM Manuals, and after consideration of non-transmission solutions, and prior to evaluating potential enhancements and expansions to the Transmission System, the Office of the Interconnection shall publicly post on the PJM website all transmission need information, including violations, system conditions, and economic constraints, and Public Policy Requirements, including (i) federal Public Policy Requirements; (ii) state Public Policy Requirements identified or agreed-to by the states in the PJM Region, which could be addressed by potential Short-term Projects, Long-lead Projects or projects determined pursuant to the State Agreement Approach in the Operating Agreement, Schedule 6, section 1.5.9, as applicable. Such posting shall support the role of the Subregional RTEP Committees in the development of the Local Plans and support the role of the Transmission Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection also shall post an explanation regarding why transmission needs associated with federal or state Public Policy Requirements were identified but were not selected for further evaluation.

(c) **Project Proposal Windows.** The Office of the Interconnection shall provide notice to stakeholders of a 60-day proposal window for Short-term Projects and a 120-day proposal window for Long-lead Projects and Economic-based Enhancements or Expansions. The specifics regarding whether or not the following types of violations or projects are subject to a proposal window are detailed in the Operating Agreement, Schedule 6, section 1.5.8(m) for Immediate-need Reliability Projects; Operating Agreement, Schedule 6, section 1.5.8(n) for reliability violations on transmission facilities below 200 kV; and Operating Agreement, Schedule 6, section 1.5.8(p) for violations on transmission substation equipment. The Office of Interconnection may shorten a proposal window should an identified need require a shorter proposal window to meet the needed in-service date of the proposed enhancements or expansions, or extend a proposal window as needed to accommodate updated information regarding system conditions. The Office of the Interconnection may shorten or lengthen a proposal window that is not yet opened based on one or more of the following criteria: (1) complexity of the violation or system condition; and (2) whether there is sufficient time
remaining in the relevant planning cycle to accommodate a standard proposal window and timely address the violation or system condition. The Office of the Interconnection may lengthen a proposal window that already is opened based on or more of the following criteria: (i) changes in assumptions or conditions relating to the underlying need for the project, such as load growth or Reliability Pricing Model auction results; (ii) availability of new or changed information regarding the nature of the violations and the facilities involved; and (iii) time remaining in the relevant proposal window. In the event that the Office of the Interconnection determines to lengthen or shorten a proposal window, it will post on the PJM website the new proposal window period and an explanation as to the reasons for the change in the proposal window period. During these windows, the Office of the Interconnection will accept proposals from existing Transmission Owners and Nonincumbent Developers for potential enhancements or expansions to address the posted violations, system conditions, economic constraints, as well as Public Policy Requirements.

(c)(1) All 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; (v) 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; (vi) cost estimates and analyses that provide sufficient detail for the Office of Interconnection to review and analyze the proposed cost of the project; and (vii) with the exception of project proposals submitted with cost estimates of $5 million or less, a $5,000 non-refundable deposit must be included with each project proposal submitted by a proposing entity that indicates an intention to be the Designated Entity.

(c)(1)(i) In addition, any proposing entity indicating its intention to be the Designated Entity will be responsible for and must pay all actual costs incurred by the Transmission Provider to evaluate the submitted project proposal. To the extent the Transmission Provider incurs costs to evaluate multiple submitted project proposals where such costs are not severable by individual project proposal, the Transmission Provider shall invoice equal shares of the non-severable costs among the project proposals that cause such non-severable costs to be incurred. Notwithstanding this method of invoicing non-severable costs, non-severable costs will be jointly and severally owed by the proposing entities that cause such costs to be incurred.

(c)(1)(ii) All non-refundable deposits will be credited towards the actual costs incurred by the Transmission Provider as a result of the evaluation of a submitted project proposal.

(c)(1)(iii) Following the close of a proposal window but before the Transmission Provider incurs any third-party consultant work costs to evaluate a submitted project proposal, the Transmission Provider will issue to the proposing entity an initial invoice seeking payment of estimated costs to evaluate each submitted project proposal. The estimated costs will be determined by considering the: potential cost of consultant work, historical estimates for project proposals of similar scope, complexity and nature of the need, and/or technology and nature of
the project proposal. The Transmission Provider may issue additional invoices to the proposing entity prior to the completion of the evaluation activities associated with a project proposal if the Transmission Provider receives updated actual cost information and/or upon consideration of the factors specified in this section.

(c)(1)(iv) At the completion of the evaluation activities associated with a project proposal, the Transmission Provider will reconcile the actual costs with monies paid and, to the extent necessary, issue either a final invoice or refund.

(c)(1)(v) The proposing party must pay any invoiced costs within fifteen (15) calendar days of the Transmission Provider sending the invoice to the proposing entity or its agent. For good cause shown, this fifteen (15) calendar day time period may be extended by the Transmission Provider. If the proposing entity fails to pay any invoice within the time period specified and/or extended by the Transmission Provider in accordance with this section, the proposing entity’s pre-qualification status may be suspended and the proposing entity will be ineligible to be a Designated Entity for any projects that do not yet have an executed Designated Entity Agreement. Such a suspension and/or ineligibility will remain in place until the proposing entity pays in full all outstanding monies owed to the Transmission Provider as a result of the evaluation of the proposing entity’s project proposal(s).

(c)(2) Proposals from all entities (both existing Transmission Owners and Nonincumbent Developers) that indicate the entity intends to be a Designated Entity, also must contain information to the extent not previously provided pursuant to the Operating Agreement, Schedule 6, 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, its affiliate, partner, or parent company in developing, constructing, maintaining, and operating 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; (v) 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; (vi) the managerial ability of the entity, its affiliate, partner, or parent company to contain costs and adhere to construction schedules for the proposed project, including a description of verifiable past achievement of these goals; (vii) a demonstration of other advantages the entity may have to construct, operate, and maintain the proposed project, including any binding cost commitment proposal the entity may wish to submit; and (viii) any other information that may assist the Office of the Interconnection in evaluating the proposed project. To the extent that an entity submits a cost containment proposal the entity shall submit sufficient information for the Office of Interconnection to determine the binding nature of the proposal with respect to critical elements of project development. PJM may not alter the requirements for proposal submission to require the submission of a binding cost containment proposal, in whole or in part, or otherwise mandate or unilaterally alter the terms of any such
proposal or the requirements for proposal submission, the submission of any such proposals at all times remaining voluntary.

(c)(3) The Office of the Interconnection may request additional reports or information from an existing Transmission Owner or Nonincumbent Developers that it determines are reasonably necessary to evaluate its specific project proposal pursuant to the criteria set forth in the Operating Agreement, Schedule 6, sections 1.5.8(e) and 1.5.8(f). If the Office of the Interconnection determines any of the information provided in a proposal is deficient or it requires additional reports or information to analyze the submitted proposal, the Office of the Interconnection shall notify the proposing entity of such deficiency or request. Within 10 Business Days of receipt of the notification of deficiency and/or request for additional reports or information, or other reasonable time period as determined by the Office of the Interconnection, the proposing entity shall provide the necessary information.

(c)(4) The request for additional reports or information by the Office of the Interconnection pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c)(3) may be used 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 (whether an existing Transmission Owner or Nonincumbent Developer) 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 proposed project will not be considered for inclusion in the recommended plan.

(c)(5) Within 30 days of the closing of the proposal window, the Office of the Interconnection may notify the proposing entity that additional per project fees are required if the Office of the Interconnection determines the proposing entity’s submittal includes multiple project proposals. Within 10 Business Days of receipt of the notification of insufficient funds by the Office of the Interconnection, the proposing entity shall submit such funds or notify the Office of the Interconnection which of the project proposals the Office of the Interconnection should evaluate based on the fee(s) submitted.

(d) **Posting and Review of Projects.** Following the close of a proposal window, the Office of the Interconnection shall post on the PJM website all proposals submitted pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c). 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 the Operating Agreement, Schedule 6, section 1.5.9. The Office of the Interconnection shall review all proposals 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. Based on review and comment by the
Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary conduct further study and evaluation. 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. After consultation with the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the more efficient or cost-effective transmission enhancements and expansions for inclusion in the recommended plan consistent with this Operating Agreement, Schedule 6.

(e) **Criteria for Considering Inclusion of a Project in the Recommended Plan.** In determining whether a Short-term Project or Long-lead Project proposed pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c), individually or in combination with other Short-term Projects or Long-lead Projects, is the more efficient or cost-effective solution and therefore should be included in the recommended plan, the Office of the Interconnection, taking into account sensitivity studies and scenario analyses considered pursuant to the Operating Agreement, Schedule 6, section 1.5.3, shall consider the following criteria, to the extent applicable: (i) the extent to which a Short-term Project or Long-lead Project would address and solve the posted violation, system condition, or economic constraint; (ii) the extent to which the relative benefits of the project meets a Benefit/Cost Ratio Threshold of at least 1.25:1 as calculated pursuant to the Operating Agreement, Schedule 6, section 1.5.7(d); (iii) the extent to which the 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) the ability to timely complete the project, and project development feasibility; and (v) other factors such as cost-effectiveness, including the quality and effectiveness of any voluntary-submitted binding cost commitment proposal related to Transmission Facilities which caps project construction costs (either in whole or in part), project total return on equity (including incentive adders), or capital structure. In scrutinizing the cost of project proposals, the Office of Interconnection shall determine for each project finalist’s proposal, including any Transmission Owner Upgrades, the comparative risks to be borne by ratepayers as a result of the proposal’s binding cost commitment or the use of non-binding cost estimates. Such comparative analysis shall detail, in a clear and transparent manner, the method by which the Office of Interconnection scrutinized the cost and overall cost-effectiveness of each finalist’s proposal, including any binding cost commitments. Such comparative analysis shall be presented to the TEAC for review and comment. In evaluating any cost, ROE and/or capital structure proposal, PJM is not making a determination that the cost, ROE or capital structure results in just and reasonable rates, which shall be addressed in the required rate filing with the FERC. Stakeholders seeking to dispute a particular ROE analysis utilized in the selection process may address such disputes with the Designated Entity in the applicable rate proceeding where the Designated Entity seeks approval of such rates from the Commission. Neither PJM, the Designated Entity nor any stakeholders are waiving any of their respective FPA section 205 or 206 rights through this process. Challenges to the Designated Entity Agreements are subject to the just and reasonable standard.

(f) **Entity-Specific Criteria Considered in Determining the Designated Entity for a Project.** In determining whether the entity proposing a Short-term Project, Long-lead Project or Economic-based Enhancement or Expansion recommended for inclusion in the plan shall be the
Designated Entity, the Office of the Interconnection shall consider: (i) whether in its proposal, the entity indicated its intent to be the Designated Entity; (ii) whether the entity is pre-qualified to be a Designated Entity pursuant to Operating Agreement, Schedule 6, section 1.5.8(a); (iii) information provided either in the proposing entity’s submission pursuant to the Operating Agreement, Schedule 6, section 1.5.8(a) or 1.5.8(c)(2) relative to the specific proposed 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 relative to the project proposed; (2) ability of the entity or its affiliate, partner, or parent company to construct, maintain, and operate transmission facilities, as proposed, (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; (4) experience of the entity in acquiring rights of way; (5) evidence of the ability of the entity, its affiliate, partner, or parent company 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 (iv) any other factors that may be relevant to the proposed project, including but not limited to whether the proposal includes the entity’s previously designated project(s) included in the plan.

(g) Procedures if No Long-lead Project or Economic-based Enhancement or Expansion Proposal is Determined to be the More Efficient or Cost-Effective Solution. If the Office of the Interconnection determines that none of the proposed Long-lead Projects received during the Long-lead Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation, or system condition, the Office of the Interconnection may re-evaluate and re-post on the PJM website the unresolved violations, or system conditions pursuant to the Operating Agreement, Schedule 6, section 1.5.8(b), provided such re-evaluation and re-posting would not affect the ability of the Office of the Interconnection to timely address the identified reliability need. In the event that re-posting and conducting such re-evaluation would prevent the Office of the Interconnection from timely addressing the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion, the Office of the Interconnection shall propose a project to solve the posted violation, or system condition 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 the Zone(s) where the project is to be located shall be the Designated Entity(ies) for such project. In determining whether there is insufficient time for re-posting and re-evaluation, the Office of the Interconnection shall develop and post on the PJM website a transmission solution construction timeline for input and review by the Transmission Expansion Advisory Committee that will include factors such as, but not limited to: (i) deadlines for obtaining regulatory approvals, (ii) dates by which long lead equipment should be acquired, (iii) the time necessary to complete a proposed solution to meet the required in-service date, and (iv) other time-based factors impacting the feasibility of achieving the required in-service date. Based on input from the Transmission Expansion Advisory Committee and the time frames set forth in the construction timeline, the Office of the Interconnection shall determine whether there is sufficient time to conduct a re-evaluation and re-post and timely address the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion. To the extent that an economic constraint remains unaddressed, the economic constraint will be re-evaluated and re-posted.
(h) **Procedures if No Short-term Project Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Short-term Projects received during a Short-term Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation or system condition, the Office of the Interconnection shall propose a Short-term Project to solve the posted violation, or system condition 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 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 15 Business Days of PJM Board approval of the Regional Transmission Expansion Plan, the Office of the Interconnection shall notify the entities that have been designated as the Designated Entities for projects included in the Regional Transmission Expansion Plan of such designations. In such notices, the Office of the Interconnection shall provide: (i) the needed in-service date of the project; and (ii) a date by which all necessary state approvals should be obtained to timely meet the needed in-service date of the project. The Office of the Interconnection shall use these dates as part of its on-going monitoring of the progress of the project to ensure that the project is completed by its needed in-service date.

(j) **Acceptance of Designation.** Within 30 days of receiving notification of its designation as a Designated Entity, the existing Transmission Owner or Nonincumbent Developer shall notify the Office of the Interconnection of its acceptance of such designation and submit to the Office of the Interconnection a development schedule, which shall include, but not be limited to, milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary authorizations and approvals, including but not limited to, state approvals. For good cause shown, the Office of the Interconnection may extend the deadline for submitting the development schedule. The Office of the Interconnection then shall review the development schedule and within 15 days or other reasonable time as required by the Office of the Interconnection: (i) notify the Designated Entity of any issues regarding the development schedule identified by the Office of the Interconnection that may need to be addressed to ensure that the project meets its needed in-service date; and (ii) tender to the Designated Entity an executable Designated Entity Agreement setting forth the rights and obligations of the parties. To retain its status as a Designated Entity, within 60 days of receiving an executable Designated Entity Agreement (or other such period as mutually agreed upon by the Office of the Interconnection and the Designated Entity), the Designated Entity (both existing Transmission Owners and Nonincumbent Developers) shall submit to the Office of the Interconnection a letter of credit as determined by the Office of Interconnection to cover the incremental costs of construction resulting from reassignment of the project, and return to the Office of the Interconnection an executed Designated Entity Agreement containing a mutually agreed upon development schedule. In the alternative, the Designated Entity may request dispute resolution pursuant to the Operating Agreement, Schedule 5, or request that the Designated Entity Agreement be filed unexecuted with the Commission.

(k) **Failure of Designated Entity to Meet Milestones.** In the event the Designated Entity fails to comply with one or more of the requirements of the Operating Agreement, Schedule 6,
section 1.5.8(j); or fails to meet a milestone in the development schedule set forth in the
Designated Entity Agreement 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 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 Operating Agreement, Schedule 6, section 1.5.8, in all events, the
Transmission Owner(s) in whose Zone(s) a project proposed pursuant to the Operating
Agreement, Schedule 6, section 1.5.8(c) is to be located will be the Designated Entity for the
project, when the Short-term Project or Long-lead Project is: (i) a Transmission Owner
Upgrade; (ii) located solely within a Transmission Owner’s Zone and the costs of the project are
allocated solely to the Transmission Owner’s Zone; (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
and the project would alter the 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) Pursuant to the expansion planning process set forth in Operating Agreement,
Schedule 6, sections 1.5.1 through 1.5.6, the Office of the Interconnection shall identify
immediate reliability needs that must be addressed within three years or less. For those
immediate reliability needs for which PJM determines a proposal window may not be feasible,
PJM shall identify and post such immediate need reliability criteria violations and system
conditions for review and comment by the Transmission Expansion Advisory Committee and
other stakeholders. Following review and comment, the Office of the Interconnection shall
develop Immediate-need Reliability Projects for which a proposal window pursuant to the
Operating Agreement, Schedule 6, section 1.5.8(m)(2) is infeasible. The Office of the
Interconnection shall consider the following factors in determining the infeasibility of such a
proposal window: (i) nature of the reliability criteria violation; (ii) nature and type of potential
solution required; and (iii) projected construction time for a potential solution to the type of
reliability criteria violation to be addressed. The Office of the Interconnection shall post on the
Stakeholders shall be afforded no less than ten days to review Immediate-need Reliability Project materials prior to providing comments at stakeholder meetings. However, PJM may review Immediate-need Reliability Project materials with stakeholders without the requisite ten-day notice so long as: (i) stakeholders do not object to reviewing the materials or (ii) PJM identifies in its posting to the meeting materials extenuating circumstances identified by PJM that require review of the materials at the stakeholder meeting. The descriptions shall include an explanation of the decision to designate the Transmission Owner as the Designated Entity for the Immediate-need Reliability Project rather than conducting a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(m)(2), including an explanation of the time-sensitive need for the Immediate-need Reliability Project, other transmission and non-transmission options that were considered but concluded would not sufficiently address the immediate reliability need, the circumstances that generated the immediate reliability need, and why the immediate reliability need was not identified earlier. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments to the Office of the Interconnection. All comments received by the Office of the Interconnection shall be publicly available on the PJM website. Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee, 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 the Immediate-need Reliability Projects for inclusion in the recommended plan. In January of each year, the Office of the Interconnection shall post on the PJM website and file with the Commission for informational purposes a list of the Immediate-need Reliability Projects for which an existing Transmission Owner was designated in the prior year as the Designated Entity in accordance with this Operating Agreement, Schedule 6, section 1.5.8(m)(1). The list shall include the need-by date of Immediate-need Reliability Project and the date the Transmission Owner actually energized the Immediate-need Reliability Project.

(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 Immediate-need Reliability Project proposals, including an explanation of the time-sensitive need for an Immediate-need Reliability Project and provide notice to stakeholders of a shortened proposal window. Proposals must contain the information required in the Operating Agreement, Schedule 6, 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 the Operating Agreement, Schedule 6, section 1.5.8(a). In determining the more efficient or 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, individually or in combination with other Immediate-need Reliability Projects, would address and solve the posted violations or system conditions and other factors such as cost-effectiveness, the ability of the entity to timely complete the project, and project development feasibility in light of the required need. After PJM Board approval, the Office of the Interconnection, in accordance with the
Operating Agreement, Schedule 6, section 1.5.8(i), shall notify the entities that have been designated as Designated Entities for Immediate-need Projects included in the Regional Transmission Expansion Plan of such designations. Designated Entities shall accept such designations in accordance with the Operating Agreement, Schedule 6, 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 (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 the Operating Agreement, Schedule 6, section 1.5.8(m)(1).

(n) Reliability Violations on Transmission Facilities Below 200 kV. Pursuant to the expansion planning process set forth in the Operating Agreement, Schedule 6, sections 1.5.1 through 1.5.6, the Office of the Interconnection shall identify reliability violations on facilities below 200 kV. The Office of the Interconnection shall not post such a violation pursuant to the Operating Agreement, Schedule 6, section 1.5.8(b) for inclusion in a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c) unless the identified violation(s) satisfies one of the following exceptions: (i) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV that are impacted by a common contingent element, such that multiple reliability violations could be addressed by one or more solutions, including but not limited to a higher voltage solution; or (ii) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV and the Office of the Interconnection determines that given the location and electrical features of the violations one or more solutions could potentially address or reduce the flow on multiple lower voltage facilities, thereby eliminating the multiple reliability violations. If the reliability violation is identified on multiple facilities rated below 200 kV that are determined by the Office of the Interconnection to meet one of the two exceptions stated above, the Office of the Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with the Operating Agreement, Schedule 6, section 1.5.8(c). If the Office of the Interconnection determines that the identified reliability violations do not satisfy either of the two exceptions stated above, the Office of the Interconnection shall develop a solution to address the reliability violation on below 200 kV Transmission Facilities that will not be included in a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c). The Office of Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the below 200 kV reliability violations that will not be included in a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the below 200 kV reliability violation(s) in Operating Agreement, Schedule 6, section 1.5.8(c) proposal window, a description of the facility on which the violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such below 200 kV reliability violation will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. With the exception of Immediate-need Reliability Projects under the Operating Agreement, Schedule 6, section 1.5.8(m)(1).
Agreement, Schedule 6, section 1.5.8(m), PJM will not select an above 200 kV solution for inclusion in the recommended plan that would address a reliability violation on a below 200 kV transmission facility without posting the violation for inclusion in a proposal window consistent with the Operating Agreement, Schedule 6, section 1.5.8(c). All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

(o) [Reserved]

(p) Thermal Reliability Violations on Transmission Substation Equipment. Pursuant to the regional transmission expansion planning process set forth in the Operating Agreement, Schedule 6, sections 1.5.1 through 1.5.6, the Office of the Interconnection shall identify thermal reliability violations on existing transmission substation equipment. The Office of the Interconnection shall not post such thermal reliability violations pursuant to the Operating Agreement, Schedule 6, section 1.5.8(b) for inclusion in a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c) if the Office of the Interconnection determines that the reliability violations would be more efficiently addressed by an upgrade to replace in kind transmission substation equipment with higher rated equipment, excluding power transmission transformers, but including station service transformers and instrument transformers. If the Office of the Interconnection determines that the reliability violation does not meet the exemption stated above, the Office of the Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with the Operating Agreement, Schedule 6, section 1.5.8(c). If the Office of the Interconnection determines that the identified thermal reliability violations satisfy the above exemption to the proposal window process, the Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the transmission substation equipment thermal reliability violations that will not be included in a proposal window pursuant to Operating Agreement, Schedule 6, section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the transmission substation equipment thermal reliability violation(s) in Operating Agreement, Schedule 6, section 1.5.8(c) proposal window, a description of the facility on which the thermal violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such transmission substation equipment thermal violations will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

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 of a proposed transmission expansion or enhancement that addresses state Public Policy Requirements identified or accepted by the state(s) in the PJM Region. As determined by the authorized state governmental entities, such transmission enhancements or expansions may be included in the recommended plan, either 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 agreement of 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 be recovered from customers in a state that did not agree to be responsible for 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 the Operating Agreement, Schedule 6, section 1.5.8(l), the state(s) responsible for cost allocation for a Supplemental Project or a state public policy project in accordance with the Operating Agreement, Schedule 6, section 1.5.9(a) 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 the Operating Agreement, Schedule 6, section 1.5.8(a).

1.5.10 Multi-Driver Project.

(a) When a proposal submitted by an existing Transmission Owner or Nonincumbent Developer pursuant to Operating Agreement, Schedule 6, section 1.5.8(c) meets the definition of a Multi-Driver Project and is designated to be included in the Regional Transmission Expansion Plan for purposes of cost allocation, the Office of the Interconnection shall designate the Designated Entity for the project as follows: (i) if the Multi-Driver Project does not contain a state Public Policy Requirement component, the Office of the Interconnection shall designate the Designated Entity pursuant to the criteria in the Operating Agreement, Schedule 6, section 1.5.8; or (ii) if the Multi-Driver Project contains a state Public Policy Requirement component, the Office of the Interconnection shall evaluate potential Designated Entity candidates based on the criteria in the Operating Agreement, Schedule 6, section 1.5.8, and provide its evaluation to and elicit feedback from the sponsoring state governmental entities responsible for allocation of all costs of the proposed state Public Policy Requirement component (“state governmental entity(ies)”) regarding its evaluation. Based on its evaluation of the Operating Agreement, Schedule 6, section 1.5.8 criteria and consideration of the feedback from the sponsoring state governmental entity(ies), the Office of the Interconnection shall designate the Designated Entity for the Multi-Driver Project and notify such entity consistent with the Operating Agreement, Schedule 6, section 1.5.8(i). A Multi-Driver Project may be based on proposals that consist of (1) newly proposed transmission enhancements or expansions; (2) additions to, or modifications of, transmission enhancements or expansions already selected for inclusion in the Regional Transmission Expansion Plan; and/or (3) one or more transmission enhancements or expansions already selected for inclusion in the Regional Transmission Expansion Plan.

(b) A Multi-Driver Project may contain an enhancement or expansion that addresses a state Public Policy Requirement component only if it meets the requirements set forth in the Operating Agreement, Schedule 6, section 1.5.9(a) and its cost allocations are established consistent with the Tariff, Schedule 12, section (b)(xii)(B).
(c) If a state governmental entity(ies) desires to include a Public Policy Requirement component after an enhancement or expansion has been included in the Regional Transmission Expansion Plan, the Office of the Interconnection may re-evaluate the relevant reliability-based enhancement or expansion, Economic-based Enhancement or Expansion, or Multi-Driver Project to determine whether adding the state-sponsored Public Policy Requirement component would create a more cost effective or efficient solution to system conditions. If the Office of the Interconnection determines that adding the state-sponsored Public Policy Requirement component to an enhancement or expansion already included in the Regional Transmission Expansion Plan would result in a more cost effective or efficient solution, the state-sponsored Public Policy Requirement component may be included in the relevant enhancement or expansion, provided all of the requirements of the Operating Agreement, Schedule 6, section 1.5.10(b) are met, and cost allocations are established consistent with the Tariff, Schedule 12, section (b)(xii)(B).

(d) If, subsequent to the inclusion in the Regional Transmission Expansion Plan of a Multi-Driver Project that contains a state Public Policy Requirement component, a state governmental entity(ies) withdraws its support of the Public Policy Requirement component of a Multi-Driver Project, then: (i) the Office of the Interconnection shall re-evaluate the need for the remaining components of the Multi-Driver Project without the state Public Policy Requirement component, remove the Multi-Driver Project from the Regional Transmission Expansion Plan, or replace the Multi-Driver Project with an enhancement or expansion that addresses remaining reliability or economic system needs; (ii) if the Multi-Driver Project is retained in the Regional Transmission Expansion Plan without the state Public Policy Requirement component, the costs of the remaining components will be allocated in accordance with the Tariff, Schedule 12; (iii) if more than one state is responsible for the costs apportioned to the state Public Policy Requirement component of the Multi-Driver Project, the remaining state governmental entity(ies) shall have the option to continue supporting the state Public Policy component of the Multi-Driver Project and if the remaining state governmental entity(ies) choose this option, the apportionment of the state Public Policy Requirement component will remain in place and the remaining state governmental entity(ies) shall agree upon their respective apportionments; (iv) if a Multi-Driver Project must be retained in the Regional Transmission Expansion Plan and completed with the State Public Policy component, the state Public Policy Requirement apportionment will remain in place and the withdrawing state governmental entity(ies) shall continue to be responsible for its/their share of the FERC-accepted cost allocations as filed pursuant to the Tariff, Schedule 12, section (b)(xii)(B).

(e) The actual costs of a Multi-Driver Project shall be apportioned to the different components (reliability-based enhancement or expansion, Economic-based Enhancement or Expansion and/or Public Policy Requirement) based on the initial estimated costs of the Multi-Driver Project in accordance with the methodology set forth in the Tariff, Schedule 12.

(f) The benefit metric calculation used for evaluating the market efficiency component of a Multi-Driver Project will be based on the final voltage of the Multi-Driver Project using the Benefit/Cost Ratio calculation set forth in the Operating Agreement, Schedule 6, section 1.5.7(d) where the Cost component of the calculation is the present value of
the estimated cost of the enhancement apportioned to the market efficiency component of the Multi-Driver Project for each of the first 15 years of the life of the enhancement or expansion.

(g) Except as provided to the contrary in this Operating Agreement, Schedule 6, section 1.5.10 and Operating Agreement, Schedule 6, section 1.5.8 applies to Multi-Driver Projects.

(h) The Office of the Interconnection shall determine whether a proposal(s) meets the definition of a Multi-Driver Project by identifying a more efficient or cost effective solution that uses one of the following methods: (i) combining separate solutions that address reliability, economics and/or public policy into a single transmission enhancement or expansion that incorporates separate drivers into one Multi-Driver Project (“Proportional Multi-Driver Method”); or (ii) expanding or enhancing a proposed single driver solution to include one or more additional component(s) to address a combination of reliability, economic and/or public policy drivers (“Incremental Multi-Driver Method”).

(i) In determining whether a Multi-Driver Project may be designated to more than one entity, PJM shall consider whether: (i) the project consists of separable transmission elements, which are physically discrete transmission components, such as, but not limited to, a transformer, static var compensator or definable linear segment of a transmission line, that can be designated individually to a Designated Entity to construct and own and/or finance; and (ii) each entity satisfies the criteria set forth in the Operating Agreement, Schedule 6, section 1.5.8(f). Separable transmission elements that qualify as Transmission Owner Upgrades shall be designated to the Transmission Owner in the Zone in which the facility will be located.
Attachment B

Revision to the Operating Agreement

(Clean Format)
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: (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 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’s market efficiency and operational performance; (iii) required as a result of the Office of the Interconnection’s assessment of the 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 the Operating Agreement, Schedule 1, section 7.4.2(b), 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 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 the Operating Agreement, Schedule 1, section 7.8. 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 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 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 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 costs, 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 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’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 the Operating Agreement, Schedule 1, section 7.8.

(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 the Operating Agreement, Schedule 1, section 7.4.2(b). Enhancements and expansions related to stage 1A
Auction Revenue Rights identified pursuant to this Section shall be recommended for inclusion in the 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 Operating Agreement, Schedule 6, 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 the Operating Agreement, Schedule 6, section 1.5.6(m) 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 planning information, including all criteria, assumptions and models used by the Transmission Owners, such as those used to develop Supplemental Projects. 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 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 planning information, including all criteria, assumptions and models
used by the Transmission Owners in their internal planning processes, including the development
of Supplemental Projects ("Local Plan Information"). Local Plan Information shall be provided
consistent with: (1) any applicable confidentiality provisions set forth in the Operating
Agreement, section 18.17; (2) 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 the Operating
Agreement, section 18.17 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 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 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., which is found at
  http://www.pjm.com/~media/documents/agreements/joa-complete.ashx;

- Northeastern ISO/RTO Planning Coordination Protocol, which is described at Schedule
  6-B and found at http://www.pjm.com/~media/documents/agreements/northeastern-isor
to-planning-coordination-protocol.ashx;

- Joint Operating Agreement Among and Between New York Independent System
  Operator Inc., which is found at
  http://www.pjm.com/~media/documents/agreements/nyiso-pjm.ashx;

- Interregional Transmission Coordination Between the SERTP and PJM Regions, which is
  found at Operating Agreement, Schedule 6-A;

- Allocation of Costs of Certain Interregional Transmission Projects Located in the PJM
  and SERTP Regions, which is located at Tariff, Schedule 12-B;

- Joint Reliability Coordination Agreement Between the Midwest Independent System
(i) 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.

(ii) An entity, including existing Transmission Owners and Nonincumbent Developers, may submit potential Interregional Transmission Projects pursuant to the Operating Agreement, Schedule 6, section 1.5.8.

(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 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 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 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 Requirements identified by the states for consideration in the Office of the Interconnection’s transmission planning analyses; (iii) Public Policy Objectives identified by stakeholders for consideration in the Office of the Interconnection’s transmission planning analyses; (iv) 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 (v) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the Committee participants. Prior to the initial assumptions meeting, the Transmission Expansion Advisory Committee and Subregional RTEP Committees participants will be afforded the opportunity to provide input and submit suggestions regarding the information identified in items (i) through (v) of this subsection. Following the assumptions meeting and prior to performing the evaluation and analyses of transmission needs, the Office of the Interconnection shall determine the range of assumptions to be used in the studies and scenario analyses, based on the advice and recommendations of the Transmission Expansion
Advisory Committee and Subregional RTEP Committees and, through the Independent State Agencies, the statement of Public Policy Requirements provided individually by the states and any state member’s assessment or prioritization of Public Policy Objectives proposed by other stakeholders. The Office of the Interconnection shall document and publicly post its determination for review. Such posting shall include an explanation of those Public Policy Requirements and Public Policy Objectives adopted at the assumptions stage to be used in performing the evaluation and analysis of transmission needs. Following identification of transmission needs and prior to evaluating potential enhancements and expansions to the Transmission System the Office of the Interconnection shall publicly post all transmission need information identified as described further in the Operating Agreement, Schedule 6, section 1.5.8(b) herein to support the role of the Subregional RTEP Committees in the development of the Local Plan and support the role of Transmission Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection shall also post an explanation of why other Public Policy Requirements and Public Policy Objectives introduced by stakeholders at the assumptions stage were not adopted.

(c) The Subregional RTEP Committees shall also schedule and facilitate meetings related to Supplemental Projects, as described in the Tariff, Attachment M-3.

(d) 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 the Operating Agreement, Schedule 6, sections 1.3(b) and 1.3(c)) to review, evaluate and offer comments and alternatives to 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; (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 Regional Transmission Expansion Plan. These meetings will be scheduled as deemed necessary by the Office of the 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 Regional Transmission Expansion Plan at these meetings or at the regularly scheduled meetings of the Planning Committee.

(e) 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 section (b), above.

(f) 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 the Operating Agreement, Schedule 6, section 1.5.8(b) 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 the Operating Agreement, Schedule 6, section 1.5.8(c). Following the close of a proposal window, the Office of the Interconnection shall: (i) post all proposals submitted pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c); (ii) consider proposals submitted during the proposal windows consistent with the Operating Agreement, Schedule 6, section 1.5.8(d) and develop a recommended plan. Following review by the Transmission Expansion Advisory Committee of proposals, the Office of the Interconnection, based on identified needs and the timing of such needs, and taking into account the sensitivity studies, modeling assumption variations and scenario analyses considered pursuant to the Operating Agreement, Schedule 6, section 1.5.3, shall determine, which more efficient or cost-effective enhancements and expansions shall be included in the recommended plan, including solutions identified as a result of the sensitivity studies, modeling assumption variations, and scenario analyses, 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.

(g) 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.

(h) The recommended plan shall separately identify enhancements and expansions that are classified as Supplemental Projects.

(i) 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
(j) The recommended plan shall identify enhancements and expansions proposed by a state or states pursuant to the Operating Agreement, Schedule 6, section 1.5.9.

(k) 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 the Operating Agreement, Schedule 6, section 1.1, provided that (1) the requestor has complied, to the extent applicable, with the procedures and other requirements of the Tariff, Parts IV and VI; (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 the Tariff, Parts IV and VI 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.

(l) 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 the Operating Agreement, Schedule 1, section 7.8, or to facilitate upgrades pursuant to the Tariff, Parts II, III, or VI, and designate one or more Transmission Owners or other entities to construct, own and, unless otherwise provided, finance the recommended transmission enhancement or expansion. Any designation under this paragraph of one or more entities to construct, own and/or finance a recommended transmission enhancement or expansion shall also include a designation of 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.

(m) 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 the Tariff, Schedule 12, 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 the Tariff, Schedule 12 that establishes a Transmission Enhancement Charge Rate in connection with an economic expansion or enhancement developed under the Operating Agreement, Schedule 6, sections 1.5.6(i) and 1.5.7, (C) the costs associated with expansions and enhancements required to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to the Operating Agreement, Schedule 1, section 7 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 the Tariff, Schedule 12, section (b) 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 the Tariff, Attachment DD, section 15 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.

(n) 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.
1.5.7 Development of Economic-based Enhancements or 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 Operating Agreement, Schedule 6, 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-rata-ton of Stage 1B ARR requests as described in the Operating Agreement, Schedule 1, section 7.4.2(c); 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 in the Operating Agreement, Schedule 6, section 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, pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c), 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. 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 or 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 or 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 or 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 or Expansions pursuant to the Operating Agreement, Schedule 6, section 1.5.6(m). 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 the Operating Agreement, Schedule 6, sections 1.6 and 1.7. 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 Operating Agreement, Schedule 6, section 1.5.7(d). An Economic-based Enhancement or Expansion shall be included in the Regional Transmission Expansion Plan 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 the 15 year period starting with the RTEP Year (defined as current year plus five) minus benefits for years when the project is not yet in-service] ÷ [Present value of the Total Enhancement Cost for the same 15 year period]

Where

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

and

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to the Tariff, Schedule 12, section (b)(i) the Energy Market Benefit is as follows:

Energy Market Benefit = [.50] * [Change in Total Energy Production Cost] + [.50] * [Change in Load Energy Payment]

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to the Tariff, Schedule 12, section (b)(v) the Energy Market Benefit is as follows:

Energy Market Benefit = [1] * [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]. The change in costs for purchases from outside of the PJM Region and sales to outside the PJM Region will be captured, if appropriate. Purchases will be valued at the Load Weighted LMP and sales will be valued at the Generation Weighted LMP.

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)]. The Change in the Load Energy Payment shall be the sum of the Change in the Load Energy Payment only of the Zones that show a decrease in the Load Energy Payment.

And

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to the Tariff, Schedule 12, section (b)(i) the Reliability Pricing Benefit is as follows:

\[
\text{Reliability Pricing Benefit} = [.50] \times [\text{Change in Total System Capacity Cost}] + [.50] \times [\text{Change in Load Capacity Payment}]
\]

and

For economic-based enhancements or expansions for which cost responsibility is assigned pursuant to the Tariff, Schedule 12, section (b)(v) the Reliability Pricing Benefit is as follows:

\[
\text{Reliability Pricing Benefit} = [1] \times [\text{Change in Load Capacity Payment}]
\]

Change in Total System Capacity Cost = [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under the Tariff, Attachment DD) * (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 the Tariff, Attachment DD) * (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 the Tariff, Attachment DD 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 the Tariff, Attachment DD 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. The Change in the Load Capacity Payment shall be the sum of the change in the Load Capacity Payment only of the Zones that show a decrease in the 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 or 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 or Expansions continue to provide measurable benefits, as determined in accordance with subsection (d), and should remain in the Regional Transmission Expansion Plan. The annual review of the costs and benefits of constructing new Economic-based Enhancements or 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 the Operating Agreement, Schedule 6, section 1.5.7(i). The Office of the Interconnection will not be required to review annually the costs and benefits of constructing Economic-based Enhancements or Expansions with capital costs less than $20 million if, based on updated cost estimates and the original benefits, the Benefit/Cost Ratio remains at or above 1.25. The Office of the Interconnection shall no longer be required to review costs and benefits of constructing Economic-based Enhancements and Expansions once: (i) a certificate of public convenience and necessity or its equivalent is granted by the state or relevant regulatory authority in which such enhancements or expansions will be located; or (ii) if a certificate of public convenience and necessity or its equivalent is not required by the state or relevant regulatory authority in which an economic-based enhancement or expansion will be located, once construction activities commence at the project site.

(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 or Expansions is consistent with the new Economic-based Enhancements or 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 the Tariff, Parts IV and VI 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, the Tariff, Part VI, Subpart B, section 216, 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, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to the Tariff, Attachment DD or any FRR Capacity Plan pursuant to the RAA, Schedule 8.1.
(ii) Availability of Generation Capacity Resources, as defined by the RAA, section 1.33, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to the Tariff, Attachment DD or any FRR Capacity Plan pursuant to the RAA, Schedule 8.1.

(iii) Availability of Demand Resources that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to the Tariff, Attachment DD or any FRR Capacity Plan pursuant to the RAA, Schedule 8.1.

(iv) Addition of Customer Facilities pursuant to an executed Interconnection Service Agreement or executed Interim Interconnection Service Agreement for which Interconnection Service Agreement is expected to be executed. Facilities with an executed Facilities Study Agreement or suspended Interconnection Service Agreement may be included by the Office of the Interconnection after review with the Transmission Expansion Advisory Committee.

(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 the Tariff, Attachment DD. 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 Customer Facilities pursuant to an executed Facilities Study Agreement or suspended Interconnection Service Agreement, ranked by their commercial probability. Commercial probability utilizes historical data from the PJM interconnection queues to determine the likelihood of a Customer Facility, pursuant to an executed Facilities Study Agreement or suspended Interconnection Service Agreement, reaching commercial operation. If the Office of the Interconnection finds that the PJM reserve requirement is not met in any of its future year market efficiency analyses, following
inclusion of the Customer Facilities discussed above in this section 1.5.7(i)(vii), then it will model adequate future generation based on type and location of generation in existing PJM interconnection queues and, if necessary, add transmission enhancements to address congestion that arises from such modeling.

(viii) Items (i) through (v) 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 (v) 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.

(j) 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 the Operating Agreement, Schedule 6, section 1.5.3 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, Immediate-need Reliability Projects, and Economic-based Enhancements or Expansions.

(a) Pre-Qualification Process.

(a)(1) On September 1 of each year, the Office of the Interconnection shall open a thirty-day pre-qualification window for entities, including existing Transmission Owners and Nonincumbent Developers, to submit to the Office of the Interconnection: (i) applications to pre-qualify as eligible to be a Designated Entity; or (ii) updated information as described in the Operating Agreement, Schedule 6, section 1.5.8(a)(3). Pre-qualification applications shall contain 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; (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 or its affiliate’s, partner’s, or parent company’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 or its affiliate, partner, or parent company to address and timely remedy failure of facilities; (ix) a description of the experience of the entity or its affiliate, partner, or parent company 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 Operating Agreement, Schedule 6, section 1.5.8(a).

(a)(2) No later than October 31, the Office of the Interconnection shall notify the entities that submitted pre-qualification applications or updated information during the annual thirty-day pre-qualification window, whether they are, or will continue to be, pre-qualified as eligible to be a Designated Entity. In the event the Office of the Interconnection determines that an entity (i) is not, or no longer will continue to be, pre-qualified as eligible to be a Designated Entity, or (ii) provided insufficient information to determine pre-qualification, the Office of the Interconnection shall inform that the entity it is not pre-qualified and include in the notification the basis for its determination. The entity then may submit additional information, which the Office of the Interconnection shall consider in re-evaluating whether the entity is, or will continue to be, pre-qualified as eligible to be a Designated Entity. If the entity submits additional information by November 30, the Office of the Interconnection shall notify the entity of the results of its re-evaluation no later than December 15. If the entity submits additional information after November 30, the Office of the Interconnection shall use reasonable efforts to re-evaluate the application, with the additional information, and notify the entity of its determination as soon as practicable. No later than December 31, the Office of the Interconnection shall post on the PJM website the list of entities that are pre-qualified as eligible to be Designated Entities. If an entity is notified by the Office of the Interconnection that it does not pre-qualify or will not continue to be pre-qualified as eligible to be a Designated Entity, such entity may request dispute resolution pursuant to the Operating Agreement, Schedule 5.

(a)(3) In order to continue to pre-qualify as eligible to be a Designated Entity, such entity must confirm its information with the Office of the Interconnection no later than three years following its last submission or sooner if necessary as required below. In the event the information on which the entity’s pre-qualification is based changes with respect to the upcoming year, such entity must submit to the Office of the Interconnection all updated information during the annual thirty-day pre-qualification window and the timeframes for notification in the Operating Agreement, Schedule 6, section 1.5.8(a)(2) shall apply. In the event the information on which the entity’s pre-qualification is based changes with respect to the current year, such entity must submit to the Office of the Interconnection all updated information at the time the information changes and the Office of the Interconnection shall use reasonable efforts to evaluate the updated information and notify the entity of its determination as soon as practicable.
(a)(4) As determined by the Office of the Interconnection, an entity may submit a pre-qualification application outside the annual thirty-day pre-qualification window for good cause shown. For a pre-qualification application received outside of the annual thirty-day pre-qualification window, the Office of the Interconnection shall use reasonable efforts to process the application and notify the entity as to whether it pre-qualifies as eligible to be a Designated Entity as soon as practicable.

(a)(5) To be designated as a Designated Entity for any project proposed pursuant to the Operating Agreement, Schedule 6, section 1.5.8, existing Transmission Owners and Nonincumbent Developers must be pre-qualified as eligible to be a Designated Entity pursuant to this Operating Agreement, Schedule 6, section 1.5.8(a). This Operating Agreement, Schedule 6, section 1.5.8(a) 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 Transmission System Needs.** Following 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 Operating Agreement, Schedule 6 and the PJM Manuals, and after consideration of non-transmission solutions, and prior to evaluating potential enhancements and expansions to the Transmission System, the Office of the Interconnection shall publicly post on the PJM website all transmission need information, including violations, system conditions, and economic constraints, and Public Policy Requirements, including (i) federal Public Policy Requirements; (ii) state Public Policy Requirements identified or agreed-to by the states in the PJM Region, which could be addressed by potential Short-term Projects, Long-lead Projects or projects determined pursuant to the State Agreement Approach in the Operating Agreement, Schedule 6, section 1.5.9, as applicable. Such posting shall support the role of the Subregional RTEP Committees in the development of the Local Plans and support the role of the Transmission Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection also shall post an explanation regarding why transmission needs associated with federal or state Public Policy Requirements were identified but were not selected for further evaluation.

(c) **Project Proposal Windows.** The Office of the Interconnection shall provide notice to stakeholders of a 60-day proposal window for Short-term Projects and a 120-day proposal window for Long-lead Projects and Economic-based Enhancements or Expansions. The specifics regarding whether or not the following types of violations or projects are subject to a proposal window are detailed in the Operating Agreement, Schedule 6, section 1.5.8(m) for Immediate-need Reliability Projects; Operating Agreement, Schedule 6, section 1.5.8(n) for reliability violations on transmission facilities below 200 kV; and Operating Agreement, Schedule 6, section 1.5.8(p) for violations on transmission substation equipment. The Office of Interconnection may shorten a proposal window should an identified need require a shorter proposal window to meet the needed in-service date of the proposed enhancements or expansions, or extend a proposal window as needed to accommodate updated information regarding system conditions. The Office of the Interconnection may shorten or lengthen a proposal window that is not yet opened based on one or more of the following criteria: (1) complexity of the violation or system condition; and (2) whether there is sufficient time
remaining in the relevant planning cycle to accommodate a standard proposal window and timely address the violation or system condition. The Office of the Interconnection may lengthen a proposal window that already is opened based on or more of the following criteria: (i) changes in assumptions or conditions relating to the underlying need for the project, such as load growth or Reliability Pricing Model auction results; (ii) availability of new or changed information regarding the nature of the violations and the facilities involved; and (iii) time remaining in the relevant proposal window. In the event that the Office of the Interconnection determines to lengthen or shorten a proposal window, it will post on the PJM website the new proposal window period and an explanation as to the reasons for the change in the proposal window period. During these windows, the Office of the Interconnection will accept proposals from existing Transmission Owners and Nonincumbent Developers for potential enhancements or expansions to address the posted violations, system conditions, economic constraints, as well as Public Policy Requirements.

(c)(1) All 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; (v) 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; (vi) cost estimates and analyses that provide sufficient detail for the Office of Interconnection to review and analyze the proposed cost of the project; and (vii) with the exception of project proposals submitted with cost estimates of $5 million or less, a $5,000 non-refundable deposit must be included with each project proposal submitted by a proposing entity that indicates an intention to be the Designated Entity.

(c)(1)(i) In addition, any proposing entity indicating its intention to be the Designated Entity will be responsible for and must pay all actual costs incurred by the Transmission Provider to evaluate the submitted project proposal. To the extent the Transmission Provider incurs costs to evaluate multiple submitted project proposals where such costs are not severable by individual project proposal, the Transmission Provider shall invoice equal shares of the non-severable costs among the project proposals that cause such non-severable costs to be incurred. Notwithstanding this method of invoicing non-severable costs, non-severable costs will be jointly and severally owed by the proposing entities that cause such costs to be incurred.

(c)(1)(ii) All non-refundable deposits will be credited towards the actual costs incurred by the Transmission Provider as a result of the evaluation of a submitted project proposal.

(c)(1)(iii) Following the close of a proposal window but before the Transmission Provider incurs any third-party consultant work costs to evaluate a submitted project proposal, the Transmission Provider will issue to the proposing entity an initial invoice seeking payment of estimated costs to evaluate each submitted project proposal. The estimated costs will be determined by considering the: potential cost of consultant work, historical estimates for project proposals of similar scope, complexity and nature of the need, and/or technology and nature of
the project proposal. The Transmission Provider may issue additional invoices to the proposing entity prior to the completion of the evaluation activities associated with a project proposal if the Transmission Provider receives updated actual cost information and/or upon consideration of the factors specified in this section.

(c)(1)(iv) At the completion of the evaluation activities associated with a project proposal, the Transmission Provider will reconcile the actual costs with monies paid and, to the extent necessary, issue either a final invoice or refund.

(c)(1)(v) The proposing party must pay any invoiced costs within fifteen (15) calendar days of the Transmission Provider sending the invoice to the proposing entity or its agent. For good cause shown, this fifteen (15) calendar day time period may be extended by the Transmission Provider. If the proposing entity fails to pay any invoice within the time period specified and/or extended by the Transmission Provider in accordance with this section, the proposing entity’s pre-qualification status may be suspended and the proposing entity will be ineligible to be a Designated Entity for any projects that do not yet have an executed Designated Entity Agreement. Such a suspension and/or ineligibility will remain in place until the proposing entity pays in full all outstanding monies owed to the Transmission Provider as a result of the evaluation of the proposing entity’s project proposal(s).

(c)(2) Proposals from all entities (both existing Transmission Owners and Nonincumbent Developers) that indicate the entity intends to be a Designated Entity, also must contain information to the extent not previously provided pursuant to the Operating Agreement, Schedule 6, 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, its affiliate, partner, or parent company in developing, constructing, maintaining, and operating 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; (v) 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; (vi) the managerial ability of the entity, its affiliate, partner, or parent company to contain costs and adhere to construction schedules for the proposed project, including a description of verifiable past achievement of these goals; (vii) a demonstration of other advantages the entity may have to construct, operate, and maintain the proposed project, including any binding cost commitment proposal the entity may wish to submit; and (viii) any other information that may assist the Office of the Interconnection in evaluating the proposed project. To the extent that an entity submits a cost containment proposal the entity shall submit sufficient information for the Office of Interconnection to determine the binding nature of the proposal with respect to critical elements of project development. PJM may not alter the requirements for proposal submission to require the submission of a binding cost containment proposal, in whole or in part, or otherwise mandate or unilaterally alter the terms of any such
proposal or the requirements for proposal submission, the submission of any such proposals at all times remaining voluntary.

(c)(3) The Office of the Interconnection may request additional reports or information from an existing Transmission Owner or Nonincumbent Developers that it determines are reasonably necessary to evaluate its specific project proposal pursuant to the criteria set forth in the Operating Agreement, Schedule 6, sections 1.5.8(e) and 1.5.8(f). If the Office of the Interconnection determines any of the information provided in a proposal is deficient or it requires additional reports or information to analyze the submitted proposal, the Office of the Interconnection shall notify the proposing entity of such deficiency or request. Within 10 Business Days of receipt of the notification of deficiency and/or request for additional reports or information, or other reasonable time period as determined by the Office of the Interconnection, the proposing entity shall provide the necessary information.

(c)(4) The request for additional reports or information by the Office of the Interconnection pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c)(3) may be used 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 (whether an existing Transmission Owner or Nonincumbent Developer) 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 proposed project will not be considered for inclusion in the recommended plan.

(c)(5) Within 30 days of the closing of the proposal window, the Office of the Interconnection may notify the proposing entity that additional per project fees are required if the Office of the Interconnection determines the proposing entity’s submittal includes multiple project proposals. Within 10 Business Days of receipt of the notification of insufficient funds by the Office of the Interconnection, the proposing entity shall submit such funds or notify the Office of the Interconnection which of the project proposals the Office of the Interconnection should evaluate based on the fee(s) submitted.

(d) **Posting and Review of Projects.** Following the close of a proposal window, the Office of the Interconnection shall post on the PJM website all proposals submitted pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c). 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 the Operating Agreement, Schedule 6, section 1.5.9. The Office of the Interconnection shall review all proposals 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. Based on review and comment by the
Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary conduct further study and evaluation. 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. After consultation with the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the more efficient or cost-effective transmission enhancements and expansions for inclusion in the recommended plan consistent with this Operating Agreement, Schedule 6.

(e) **Criteria for Considering Inclusion of a Project in the Recommended Plan.** In determining whether a Short-term Project or Long-lead Project proposed pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c), individually or in combination with other Short-term Projects or Long-lead Projects, is the more efficient or cost-effective solution and therefore should be included in the recommended plan, the Office of the Interconnection, taking into account sensitivity studies and scenario analyses considered pursuant to the Operating Agreement, Schedule 6, section 1.5.3, shall consider the following criteria, to the extent applicable: (i) the extent to which a Short-term Project or Long-lead Project would address and solve the posted violation, system condition, or economic constraint; (ii) the extent to which the relative benefits of the project meets a Benefit/Cost Ratio Threshold of at least 1.25:1 as calculated pursuant to the Operating Agreement, Schedule 6, section 1.5.7(d); (iii) the extent to which the 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) the ability to timely complete the project, and project development feasibility; and (v) other factors such as cost-effectiveness, including the quality and effectiveness of any voluntary-submitted binding cost commitment proposal related to Transmission Facilities which caps project construction costs (either in whole or in part), project total return on equity (including incentive adders), or capital structure. In scrutinizing the cost of project proposals, the Office of Interconnection shall determine for each project finalist’s proposal, including any Transmission Owner Upgrades, the comparative risks to be borne by ratepayers as a result of the proposal’s binding cost commitment or the use of non-binding cost estimates. Such comparative analysis shall detail, in a clear and transparent manner, the method by which the Office of Interconnection scrutinized the cost and overall cost-effectiveness of each finalist’s proposal, including any binding cost commitments. Such comparative analysis shall be presented to the TEAC for review and comment. In evaluating any cost, ROE and/or capital structure proposal, PJM is not making a determination that the cost, ROE or capital structure results in just and reasonable rates, which shall be addressed in the required rate filing with the FERC. Stakeholders seeking to dispute a particular ROE analysis utilized in the selection process may address such disputes with the Designated Entity in the applicable rate proceeding where the Designated Entity seeks approval of such rates from the Commission. Neither PJM, the Designated Entity nor any stakeholders are waiving any of their respective FPA section 205 or 206 rights through this process. Challenges to the Designated Entity Agreements are subject to the just and reasonable standard.

(f) **Entity-Specific Criteria Considered in Determining the Designated Entity for a Project.** In determining whether the entity proposing a Short-term Project, Long-lead Project or Economic-based Enhancement or Expansion recommended for inclusion in the plan shall be the
Designated Entity, the Office of the Interconnection shall consider: (i) whether in its proposal, the entity indicated its intent to be the Designated Entity; (ii) whether the entity is pre-qualified to be a Designated Entity pursuant to Operating Agreement, Schedule 6, section 1.5.8(a); (iii) information provided either in the proposing entity’s submission pursuant to the Operating Agreement, Schedule 6, section 1.5.8(a) or 1.5.8(c)(2) relative to the specific proposed 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 relative to the project proposed; (2) ability of the entity or its affiliate, partner, or parent company to construct, maintain, and operate transmission facilities, as proposed; (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; (4) experience of the entity in acquiring rights of way; (5) evidence of the ability of the entity, its affiliate, partner, or parent company 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 (iv) any other factors that may be relevant to the proposed project, including but not limited to whether the proposal includes the entity’s previously designated project(s) included in the plan.

(g) Procedures if No Long-lead Project or Economic-based Enhancement or Expansion Proposal is Determined to be the More Efficient or Cost-Effective Solution. If the Office of the Interconnection determines that none of the proposed Long-lead Projects received during the Long-lead Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation, or system condition, the Office of the Interconnection may re-evaluate and re-post on the PJM website the unresolved violations, or system conditions pursuant to the Operating Agreement, Schedule 6, section 1.5.8(b), provided such re-evaluation and re-posting would not affect the ability of the Office of the Interconnection to timely address the identified reliability need. In the event that re-posting and conducting such re-evaluation would prevent the Office of the Interconnection from timely addressing the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion, the Office of the Interconnection shall propose a project to solve the posted violation, or system condition 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 the Zone(s) where the project is to be located shall be the Designated Entity(ies) for such project. In determining whether there is insufficient time for re-posting and re-evaluation, the Office of the Interconnection shall develop and post on the PJM website a transmission solution construction timeline for input and review by the Transmission Expansion Advisory Committee that will include factors such as, but not limited to: (i) deadlines for obtaining regulatory approvals, (ii) dates by which long lead equipment should be acquired, (iii) the time necessary to complete a proposed solution to meet the required in-service date, and (iv) other time-based factors impacting the feasibility of achieving the required in-service date. Based on input from the Transmission Expansion Advisory Committee and the time frames set forth in the construction timeline, the Office of the Interconnection shall determine whether there is sufficient time to conduct a re-evaluation and re-post and timely address the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion. To the extent that an economic constraint remains unaddressed, the economic constraint will be re-evaluated and re-posted.
(h) **Procedures if No Short-term Project Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Short-term Projects received during a Short-term Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation or system condition, the Office of the Interconnection shall propose a Short-term Project to solve the posted violation, or system condition 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 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 15 Business Days of PJM Board approval of the Regional Transmission Expansion Plan, the Office of the Interconnection shall notify the entities that have been designated as the Designated Entities for projects included in the Regional Transmission Expansion Plan of such designations. In such notices, the Office of the Interconnection shall provide: (i) the needed in-service date of the project; and (ii) a date by which all necessary state approvals should be obtained to timely meet the needed in-service date of the project. The Office of the Interconnection shall use these dates as part of its on-going monitoring of the progress of the project to ensure that the project is completed by its needed in-service date.

(j) **Acceptance of Designation.** Within 30 days of receiving notification of its designation as a Designated Entity, the existing Transmission Owner or Nonincumbent Developer shall notify the Office of the Interconnection of its acceptance of such designation and submit to the Office of the Interconnection a development schedule, which shall include, but not be limited to, milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary authorizations and approvals, including but not limited to, state approvals. For good cause shown, the Office of the Interconnection may extend the deadline for submitting the development schedule. The Office of the Interconnection then shall review the development schedule and within 15 days or other reasonable time as required by the Office of the Interconnection: (i) notify the Designated Entity of any issues regarding the development schedule identified by the Office of the Interconnection that may need to be addressed to ensure that the project meets its needed in-service date; and (ii) tender to the Designated Entity an executable Designated Entity Agreement setting forth the rights and obligations of the parties. To retain its status as a Designated Entity, within 60 days of receiving an executable Designated Entity Agreement (or other such period as mutually agreed upon by the Office of the Interconnection and the Designated Entity), the Designated Entity (both existing Transmission Owners and Nonincumbent Developers) shall submit to the Office of the Interconnection a letter of credit as determined by the Office of Interconnection to cover the incremental costs of construction resulting from reassignment of the project, and return to the Office of the Interconnection an executed Designated Entity Agreement containing a mutually agreed upon development schedule. In the alternative, the Designated Entity may request dispute resolution pursuant to the Operating Agreement, Schedule 5, or request that the Designated Entity Agreement be filed unexecuted with the Commission.

(k) **Failure of Designated Entity to Meet Milestones.** In the event the Designated Entity fails to comply with one or more of the requirements of the Operating Agreement, Schedule 6,
section 1.5.8(j); or fails to meet a milestone in the development schedule set forth in the Designated Entity Agreement 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 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 Operating Agreement, Schedule 6, section 1.5.8, in all events, the Transmission Owner(s) in whose Zone(s) a project proposed pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c) is to be located will be the Designated Entity for the project, when the Short-term Project or Long-lead Project is: (i) a Transmission Owner Upgrade; (ii) located solely within a Transmission Owner’s Zone and the costs of the project are allocated solely to the Transmission Owner’s Zone; (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 and the project would alter the 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) Pursuant to the expansion planning process set forth in Operating Agreement, Schedule 6, sections 1.5.1 through 1.5.6, the Office of the Interconnection shall identify immediate reliability needs that must be addressed within three years or less. For those immediate reliability needs for which PJM determines a proposal window may not be feasible, PJM shall identify and post such immediate need reliability criteria violations and system conditions for review and comment by the Transmission Expansion Advisory Committee and other stakeholders. Following review and comment, the Office of the Interconnection shall develop Immediate-need Reliability Projects for which a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(m)(2) is infeasible. The Office of the Interconnection shall consider the following factors in determining the infeasibility of such a proposal window: (i) nature of the reliability criteria violation; (ii) nature and type of potential solution required; and (iii) projected construction time for a potential solution to the type of reliability criteria violation to be addressed. The Office of the Interconnection shall post on the
PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the Immediate-need Reliability Projects for which a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(m)(2) is infeasible. Stakeholders shall be afforded no less than ten days to review Immediate-need Reliability Project materials prior to providing comments at stakeholder meetings. However, PJM may review Immediate-need Reliability Project materials with stakeholders without the requisite ten-day notice so long as: (i) stakeholders do not object to reviewing the materials or (ii) PJM identifies in its posting to the meeting materials extenuating circumstances identified by PJM that require review of the materials at the stakeholder meeting. The descriptions shall include an explanation of the decision to designate the Transmission Owner as the Designated Entity for the Immediate-need Reliability Project rather than conducting a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(m)(2), including an explanation of the time-sensitive need for the Immediate-need Reliability Project, other transmission and non-transmission options that were considered but concluded would not sufficiently address the immediate reliability need, the circumstances that generated the immediate reliability need, and why the immediate reliability need was not identified earlier. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments to the Office of the Interconnection. All comments received by the Office of the Interconnection shall be publicly available on the PJM website. Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee, 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 the Immediate-need Reliability Projects for inclusion in the recommended plan. In January of each year, the Office of the Interconnection shall post on the PJM website and file with the Commission for informational purposes a list of the Immediate-need Reliability Projects for which an existing Transmission Owner was designated in the prior year as the Designated Entity in accordance with this Operating Agreement, Schedule 6, section 1.5.8(m)(1). The list shall include the need-by date of Immediate-need Reliability Project and the date the Transmission Owner actually energized the Immediate-need Reliability Project.

(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 Immediate-need Reliability Project proposals, including an explanation of the time-sensitive need for an Immediate-need Reliability Project and provide notice to stakeholders of a shortened proposal window. Proposals must contain the information required in the Operating Agreement, Schedule 6, 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 the Operating Agreement, Schedule 6, section 1.5.8(a). In determining the more efficient or 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, individually or in combination with other Immediate-need Reliability Projects, would address and solve the posted violations or system conditions and other factors such as cost-effectiveness, the ability of the entity to timely complete the project, and project development feasibility in light of the required need. After PJM Board approval, the Office of the Interconnection, in accordance with the
Operating Agreement, Schedule 6, section 1.5.8(i), shall notify the entities that have been designated as Designated Entities for Immediate-need Projects included in the Regional Transmission Expansion Plan of such designations. Designated Entities shall accept such designations in accordance with the Operating Agreement, Schedule 6, 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 (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 the Operating Agreement, Schedule 6, section 1.5.8(m)(1).

(n) **Reliability Violations on Transmission Facilities Below 200 kV.** Pursuant to the expansion planning process set forth in the Operating Agreement, Schedule 6, sections 1.5.1 through 1.5.6, the Office of the Interconnection shall identify reliability violations on facilities below 200 kV. The Office of the Interconnection shall not post such a violation pursuant to the Operating Agreement, Schedule 6, section 1.5.8(b) for inclusion in a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c) unless the identified violation(s) satisfies one of the following exceptions: (i) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV that are impacted by a common contingent element, such that multiple reliability violations could be addressed by one or more solutions, including but not limited to a higher voltage solution; or (ii) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV and the Office of the Interconnection determines that given the location and electrical features of the violations one or more solutions could potentially address or reduce the flow on multiple lower voltage facilities, thereby eliminating the multiple reliability violations. If the reliability violation is identified on multiple facilities rated below 200 kV that are determined by the Office of the Interconnection to meet one of the two exceptions stated above, the Office of the Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with the Operating Agreement, Schedule 6, section 1.5.8(c). If the Office of the Interconnection determines that the identified reliability violations do not satisfy either of the two exceptions stated above, the Office of the Interconnection shall develop a solution to address the reliability violation on below 200 kV Transmission Facilities that will not be included in a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c). The Office of Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the below 200 kV reliability violations that will not be included in a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the below 200 kV reliability violation(s) in Operating Agreement, Schedule 6, section 1.5.8(c) proposal window, a description of the facility on which the violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such below 200 kV reliability violation will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. With the exception of Immediate-need Reliability Projects under the Operating Agreement, Schedule 6, section 1.5.8(m)(1),
Agreement, Schedule 6, section 1.5.8(m), PJM will not select an above 200 kV solution for inclusion in the recommended plan that would address a reliability violation on a below 200 kV transmission facility without posting the violation for inclusion in a proposal window consistent with the Operating Agreement, Schedule 6, section 1.5.8(c). All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

(o) [Reserved]

(p) **Thermal Reliability Violations on Transmission Substation Equipment.** Pursuant to the regional transmission expansion planning process set forth in the Operating Agreement, Schedule 6, sections 1.5.1 through 1.5.6, the Office of the Interconnection shall identify thermal reliability violations on existing transmission substation equipment. The Office of the Interconnection shall not post such thermal reliability violations pursuant to the Operating Agreement, Schedule 6, section 1.5.8(b) for inclusion in a proposal window pursuant to the Operating Agreement, Schedule 6, section 1.5.8(c) if the Office of the Interconnection determines that the reliability violations would be more efficiently addressed by an upgrade to replace in kind transmission substation equipment with higher rated equipment, excluding power transmission transformers, but including station service transformers and instrument transformers. If the Office of the Interconnection determines that the reliability violation does not meet the exemption stated above, the Office of the Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with the Operating Agreement, Schedule 6, section 1.5.8(c). If the Office of the Interconnection determines that the identified thermal reliability violations satisfy the above exemption to the proposal window process, the Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the transmission substation equipment thermal reliability violations that will not be included in a proposal window pursuant to Operating Agreement, Schedule 6, section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the transmission substation equipment thermal reliability violation(s) in Operating Agreement, Schedule 6, section 1.5.8(c) proposal window, a description of the facility on which the thermal violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such transmission substation equipment thermal violations will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

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 of a proposed transmission expansion or enhancement that addresses state Public Policy Requirements identified or accepted by the state(s) in the PJM Region. As determined by the authorized state governmental entities, such transmission enhancements or expansions may be included in the recommended plan, either 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 agreement of 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 be recovered from customers in a state that did not agree to be responsible for 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 the Operating Agreement, Schedule 6, section 1.5.8(l), the state(s) responsible for cost allocation for a Supplemental Project or a state public policy project in accordance with the Operating Agreement, Schedule 6, section 1.5.9(a) 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 the Operating Agreement, Schedule 6, section 1.5.8(a).

1.5.10 Multi-Driver Project.

(a) When a proposal submitted by an existing Transmission Owner or Nonincumbent Developer pursuant to Operating Agreement, Schedule 6, section 1.5.8(c) meets the definition of a Multi-Driver Project and is designated to be included in the Regional Transmission Expansion Plan for purposes of cost allocation, the Office of the Interconnection shall designate the Designated Entity for the project as follows: (i) if the Multi-Driver Project does not contain a state Public Policy Requirement component, the Office of the Interconnection shall designate the Designated Entity pursuant to the criteria in the Operating Agreement, Schedule 6, section 1.5.8; or (ii) if the Multi-Driver Project contains a state Public Policy Requirement component, the Office of the Interconnection shall evaluate potential Designated Entity candidates based on the criteria in the Operating Agreement, Schedule 6, section 1.5.8, and provide its evaluation to and elicit feedback from the sponsoring state governmental entities responsible for allocation of all costs of the proposed state Public Policy Requirement component (“state governmental entity(ies)” regarding its evaluation. Based on its evaluation of the Operating Agreement, Schedule 6, section 1.5.8 criteria and consideration of the feedback from the sponsoring state governmental entity(ies), the Office of the Interconnection shall designate the Designated Entity for the Multi-Driver Project and notify such entity consistent with the Operating Agreement, Schedule 6, section 1.5.8(i). A Multi-Driver Project may be based on proposals that consist of (1) newly proposed transmission enhancements or expansions; (2) additions to, or modifications of, transmission enhancements or expansions already selected for inclusion in the Regional Transmission Expansion Plan; and/or (3) one or more transmission enhancements or expansions already selected for inclusion in the Regional Transmission Expansion Plan.

(b) A Multi-Driver Project may contain an enhancement or expansion that addresses a state Public Policy Requirement component only if it meets the requirements set forth in the Operating Agreement, Schedule 6, section 1.5.9(a) and its cost allocations are established consistent with the Tariff, Schedule 12, section (b)(xii)(B).
(c) If a state governmental entity(ies) desires to include a Public Policy Requirement component after an enhancement or expansion has been included in the Regional Transmission Expansion Plan, the Office of the Interconnection may re-evaluate the relevant reliability-based enhancement or expansion, Economic-based Enhancement or Expansion, or Multi-Driver Project to determine whether adding the state-sponsored Public Policy Requirement component would create a more cost effective or efficient solution to system conditions. If the Office of the Interconnection determines that adding the state-sponsored Public Policy Requirement component to an enhancement or expansion already included in the Regional Transmission Expansion Plan would result in a more cost effective or efficient solution, the state-sponsored Public Policy Requirement component may be included in the relevant enhancement or expansion, provided all of the requirements of the Operating Agreement, Schedule 6, section 1.5.10(b) are met, and cost allocations are established consistent with the Tariff, Schedule 12, section (b)(xii)(B).

(d) If, subsequent to the inclusion in the Regional Transmission Expansion Plan of a Multi-Driver Project that contains a state Public Policy Requirement component, a state governmental entity(ies) withdraws its support of the Public Policy Requirement component of a Multi-Driver Project, then: (i) the Office of the Interconnection shall re-evaluate the need for the remaining components of the Multi-Driver Project without the state Public Policy Requirement component, remove the Multi-Driver Project from the Regional Transmission Expansion Plan, or replace the Multi-Driver Project with an enhancement or expansion that addresses remaining reliability or economic system needs; (ii) if the Multi-Driver Project is retained in the Regional Transmission Expansion Plan without the state Public Policy Requirement component, the costs of the remaining components will be allocated in accordance with the Tariff, Schedule 12; (iii) if more than one state is responsible for the costs apportioned to the state Public Policy Requirement component of the Multi-Driver Project, the remaining state governmental entity(ies) shall have the option to continue supporting the state Public Policy component of the Multi-Driver Project and if the remaining state governmental entity(ies) choose this option, the apportionment of the state Public Policy Requirement component will remain in place and the remaining state governmental entity(ies) shall agree upon their respective apportionments; (iv) if a Multi-Driver Project must be retained in the Regional Transmission Expansion Plan and completed with the State Public Policy component, the state Public Policy Requirement apportionment will remain in place and the withdrawing state governmental entity(ies) shall continue to be responsible for its/their share of the FERC-accepted cost allocations as filed pursuant to the Tariff, Schedule 12, section (b)(xii)(B).

(e) The actual costs of a Multi-Driver Project shall be apportioned to the different components (reliability-based enhancement or expansion, Economic-based Enhancement or Expansion and/or Public Policy Requirement) based on the initial estimated costs of the Multi-Driver Project in accordance with the methodology set forth in the Tariff, Schedule 12.

(f) The benefit metric calculation used for evaluating the market efficiency component of a Multi-Driver Project will be based on the final voltage of the Multi-Driver Project using the Benefit/Cost Ratio calculation set forth in the Operating Agreement, Schedule 6, section 1.5.7(d) where the Cost component of the calculation is the present value of
the estimated cost of the enhancement apportioned to the market efficiency component of the Multi-Driver Project for each of the first 15 years of the life of the enhancement or expansion.

(g) Except as provided to the contrary in this Operating Agreement, Schedule 6, section 1.5.10 and Operating Agreement, Schedule 6, section 1.5.8 applies to Multi-Driver Projects.

(h) The Office of the Interconnection shall determine whether a proposal(s) meets the definition of a Multi-Driver Project by identifying a more efficient or cost effective solution that uses one of the following methods: (i) combining separate solutions that address reliability, economics and/or public policy into a single transmission enhancement or expansion that incorporates separate drivers into one Multi-Driver Project (“Proportional Multi-Driver Method”); or (ii) expanding or enhancing a proposed single driver solution to include one or more additional component(s) to address a combination of reliability, economic and/or public policy drivers (“Incremental Multi-Driver Method”).

(i) In determining whether a Multi-Driver Project may be designated to more than one entity, PJM shall consider whether: (i) the project consists of separable transmission elements, which are physically discrete transmission components, such as, but not limited to, a transformer, static var compensator or definable linear segment of a transmission line, that can be designated individually to a Designated Entity to construct and own and/or finance; and (ii) each entity satisfies the criteria set forth in the Operating Agreement, Schedule 6, section 1.5.8(f). Separable transmission elements that qualify as Transmission Owner Upgrades shall be designated to the Transmission Owner in the Zone in which the facility will be located.
Attachment C

Dominion Manassas Area Violations
Immediate-Need Description
DOMINION MANASSAS AREA VIOLATIONS

The Manassas area of northern Virginia in the Dominion territory is experiencing significant load growth due to the introduction of multiple new load locations and increases to existing load. The original introduction of new load was identified with smaller magnitudes of new load. However, subsequent increases in that new load have resulted in a magnitude of load significantly greater than was originally reviewed.

The original introduction of load in this area had commitments by customers to connect load as was studied by PJM in the do no harm tests. PJM and Dominion discussed with the stakeholders during these meetings that there was a potential to have a significant increase in load at a later date, however, this additional load was not confirmed, during initial discussion by the customers, through the process Dominion employs to determine if new load is to be served, and how that service would be provided. Based on evolving information from the customers since the summer of 2019, the load increases in the load pocket identified in the violations as discussed briefly below and are posted in the list of reliability violations for PJM 2020 Window 1 results, are now expected to exceed 500 MW.

The results of both the winter and summer 2025 RTEP N-1-1 analysis show that load drop violations will occur for the loss of multiple pairs of 230 kV feeds into this area of the system in 2025 and as a result of reverse power relay schemes to prevent feeding the 230 kV system in the area from the 115 kV system. Due to the significant increase in load over the near term, and the interaction of the reverse power relay scheme, the load drop violations are now anticipated to occur in the 2022/2023 time frame.

Additionally, due to the expected arrival of future load growth in this area, integrated plans need to be considered to address the growth potential that has been evident in this area of the system.

As a result, this project will be designated immediate need to address the near term violation of dropping more than 300 MW in the 2022/2023 timeframe as well as those violations seen in 2025. Due to the interrelated nature of the existing facilities that serve load, as well future anticipated load growth, Dominion will be designated the entity to mitigate these violations.
Attachment D

Dominion Northern Neck Area Violations
Immediate-Need Description
DOMINION NORTHERN NECK AREA VIOLATIONS

The Northern Neck Load pocket is provided power from 3 sources. (2083 from Fredericksburg, 224 from Lanexa, and 65 from Harmony Village). Historically, Dominion has employed an operating procedure to open the 115kV LN 65 at the Northern Neck end to accommodate outages on one of the two 230 kV feeds into Northern Neck to mitigate thermal overloads on Dominion Line 65 and also to help control & mitigate voltage issues when either of the 230kV feeds are out going to the Northern Neck area.

The results of the winter 2025 RTEP N-1-1 analysis show that both thermal and voltage violations will occur on the loss of both 230 kV feeds (230kV Line 224 and 230kV Line 2145) that go into the Northern Neck area in 2025.

However, continued use of the operating procedure by Dominion Operations to mitigate thermal and voltage issues on Line 65 will result in a PJM planning criteria violation of dropping over 300 MW in the 2022/2023 timeframe based on the 2020 PJM load forecast. Increases in load and a shift in the load profile in Dominion to better match the winter peaking condition in Dominion has resulted in the increase in the magnitude of the load in this area of Dominion at an accelerated rate, leading to exceeding 300 MW load loss in this timeframe.

As a result, this project will be designated immediate need to address the near term violation of dropping more than 300 MW in the 2022/2023 timeframe as well as those violations seen in 2025. Given the configuration of the facilities in the area, Dominion will be designated the entity to mitigate these violations.