



## **STRAWMAN – Order No. 890 Compliance Planning Principles**

Transmission Provider is required to submit a proposal for a coordinated and regional planning process that complies with the nine planning principles (described in detail below) and other requirements in the Final Rule, or in the alternative, a Transmission Provider may make a compliance filing describing its existing coordinated and regional planning process, including the appropriate language in its tariff, and show that this existing process is consistent with or superior to the requirements in the Final Rule. (437)

Transmission Provider should post on its OASIS or website a “strawman” proposal for compliance with each of the planning principles adopted in the Final Rule, including a specification of the broader region in which it will conduct coordinated regional planning. (443)

The RTO must also indicate how all participating transmission owners within their footprint will comply with the planning requirements of the Final Rule. (440)

The PJM Regional Transmission Expansion Planning Process (“RTEPP”) is codified in the following documents, which are all available on [www.pjm.com](http://www.pjm.com):

- 1) The PJM Operating Agreement, Schedule 6, codifies the provisions under which PJM executes its RTEP;
- 2) The PJM Open Access Transmission Tariff (“OATT” or “PJM Tariff”) describes the interconnection request process for generating resources and merchant transmission interconnections and for long-term firm transmission service; and
- 3) The M-14 series of PJM Manuals describe the specific “business rules” for the RTEP Process.

The scope of PJM’s RTEPP is to focus on the reliability and market efficiency needs of the regional bulk power system. PJM transmission owners may be assigned the responsibility for planning local transmission reinforcements for evaluation, coordination, and integration into the PJM Regional Transmission Expansion Plan (“RTEP”). During the development of an RTEP, PJM and the transmission owners will post and present all assumptions, analysis results, and proposed transmission system reinforcements at the PJM Transmission Expansion Advisory Committee (“TEAC”) stakeholder meetings for comments and inputs.

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The PJM RTEPP is consistent with the planning principles and requirements in Order No. 890. However, PJM recognizes from experience, that early disclosure of the developed regional and local plans will provide additional lead time for stakeholders to provide timely input and meaningful feedback. This will improve the RTEPP overall. PJM is actively pursuing this objective and is scheduling more frequent TEAC meetings as well as furthering a plan to fully accomplish this objective.

In summary, the PJM RTEPP is intended to include the following principles:

- 1) All PJM Tariff facilities must be subject to the PJM RTEPP;
- 2) The PJM RTEPP will facilitate an open, collaborative, inclusive process for both local and regional projects. The RTEPP will be rationally tailored to the scope of a project
  - Broader scope and larger family of stakeholders for regional projects lead by PJM
  - Smaller scope and limited family of stakeholders for local projects led by local transmission owners; and
- 3) The RTEPP will be consistent throughout PJM to the extent practicable, and with allowances to recognize differing state regulatory requirements.

### **Principle 1: Coordination**

*The purpose of the coordination requirement is to eliminate the potential for undue discrimination in planning by opening appropriate lines of communication between transmission providers, their transmission-providing neighbors, affected state authorities, customers and other stakeholders. The Transmission Provider can meet this requirement by facilitating the formation of a permanent planning committee made up of itself, its neighboring transmission providers, affected state authorities, customers, and other stakeholders. (452)*

*Transmission Provider is required to craft a process that allows reasonable and meaningful opportunity to meet or otherwise interact meaningfully. (453)*

*The planning process should provide timely and meaningful input and participation of customers. Customers must be included in the early stages of the development of the transmission plan. 454*

*The ultimate responsibility for planning remains with the transmission providers. (454)*

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PJM's planning process fully meets this Coordination requirement. PJM's Operating Agreement ("OA") sets forth the basic principles as set forth by the Commission, in Facilities Planning and Operation (OA Sec. 11.3.2). This section states in relevant part:

Consistent with and subject to the requirements of this Agreement, the PJM Tariff, the governing agreements of the Applicable Regional Reliability Councils, the Reliability Assurance Agreement, the Reliability Assurance Agreement-West, the Reliability Assurance Agreement-South, (as of June 1 PJM will have a single RAA for the entire RTO) the Consolidated Transmission Owners Agreement, and the PJM Manuals, each Member shall cooperate with the other Members in the coordinated planning and operation of the facilities of its System within the PJM Region so as to obtain the greatest practicable degree of reliability, compatible economy and other advantages from such coordinated planning and operation. In furtherance of such cooperation, each Member shall, as applicable:

- 1) Consult with the other Members and the Office of the Interconnection, and coordinate the installation of its electric generation and Transmission Facilities with those of such other Members so as to maintain reliable service in the PJM Region; (OA Sec. 11.3.2(a))
- 2) Coordinate with the other Members, the Office of the Interconnection and with others in the planning and operation of the regional facilities to secure a high level of reliability and continuity of service and other advantages; (OA Sec. 11.3.2(b))
- 3) Cooperate with the Office of the Interconnection's coordination of the operating and maintenance schedules of the member's generating and Transmission Facilities with the facilities of other members to . . . obtain economic efficiencies (and facilitate competitive markets) (OA Sec. 11.3.2(f)). . . and
- 4) Cooperate with the other Members and the Office of the Interconnection in the analysis, formulation and implementation of plans to prevent or eliminate conditions that impair the reliability of the PJM Region. (OA Sec. 11.3.2(g))

Further, PJM will facilitate coordinated planning among its various transmission owner zones and sub regions, as well as taking the lead on identifying reliability and economic projects across its footprint. As the Transmission Provider, PJM will facilitate processes whereby stakeholders may participate in developing solutions to identified reliability violations or energy/capacity congestion problems and provide a formal structure to facilitate early and timely stakeholder input. The process will provide for, but not require, participation by non-transmission owners (responsibility remains with the Transmission Provider).

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In PJM, the RTEPP is the process by which PJM members rely upon PJM to prepare a plan for the enhancement and expansion of the transmission facilities in order to meet the demands for firm transmission service and to support competition in the PJM region. (Schedule 6, OA Sec. 1.1). PJM has a Planning Committee in place which is open to participation by all stakeholders and provides technical advice and assistance to PJM in all aspects of the regional planning functions. The PJM transmission owners are required to provide data and information to the Planning Committee, as needed to support the development of the RTEP. Also the Planning Committee is open to participation by all PJM members. (Schedule 6, OA Sec. 1.3(a))

In addition, PJM has established the Transmission Expansion Advisory Committee (“TEAC”). The responsibilities of the TEAC include review and consideration of all aspects of the RTEP, including: scope and assumptions for RTEP studies; RTEP analysis at defined points during the RTEP process cycle; RTEP recommendations to be proposed to the PJM Board for endorsement; specified RTEP matters as requested by the PJM Board. The TEAC invites participation by all transmission customers and applicants for transmission service, any other entity proposing to provide transmission facilities, all members of PJM, the agencies and offices of consumer advocates of the states in the PJM region, and any other interested parties or persons. (Schedule 6, OA Sec. 1.3(b)). The TEAC is the primary forum for exchange of RTEP information and discussion.

In order to address reliability issues associated with a small number of local transmission facilities and the interconnection of wholesale loads, PJM routinely relies on the expertise of the transmission owners of these localized facilities. PJM assigns these transmission owners the responsibility to develop necessary system reinforcements. This category of local plan is submitted to PJM for review, concurrence, coordination, and integration into the RTEP. This type of local reinforcement may be identified as an: (1) RTEP baseline project to be approved by the PJM Board of Managers; (2) a local RTEP project or transmission owner initiated project (“TOI”) that does not require approval by the PJM Board of Managers. Both types of projects will be presented at the TEAC meetings or at separate, similar forums designed specifically to address these localized matters, and all stakeholders will have an opportunity to review these projects and provide comments and feedback. All projects associated with the interconnection of retail or wholesale loads will be classified as local RTEP projects or TOI projects.

PJM is also a party to regional planning coordination agreements which are designed to facilitate coordination with other planning entities such as other RTOs, ISOs and regional groups. This is further discussed in Principle 7.

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### **Principle 2: Openness**

*Transmission planning meetings are required to be open to all affected parties including, but not limited to, all transmission and interconnection customers, state commissions, and other stakeholders. (460) Transmission Provider in consultation with affected parties, are to develop mechanisms to manage confidentiality and CEII concerns. (460)*

As stated in the response to Principle 1, meetings of both the PJM Planning Committee (“PC”) and the TEAC are open and accessible to all interested parties. In addition, other forms of transmission planning meetings, including local planning meetings with the transmission owners will be made open to the stakeholders. Meetings are posted on the PJM Website and relevant information is also posted and maintained on [www.pjm.com](http://www.pjm.com). Through these meetings and exchanges, the stakeholders are, or will be, provided the means to participate (but are not required to participate) in the development of solutions to identified reliability violations, energy/capacity congestion or economic problems, as opposed to presenting the stakeholders with final solutions.

The PJM OA has extensive provisions designed to manage confidentiality and CEII concerns (OA Sec. 18.17). These provisions include rules for party access, disclosure to FERC and other authorized parties, rules for the use and applicability of non-disclosure agreements and procedures regarding breach and liability. This section of the OA was developed with extensive stakeholder input, as well as the state commissions within PJM, and designed to allow an appropriate level of information sharing with PJM stakeholders and the public. The OA also includes a form of non-disclosure agreement to be used by parties seeking the release of confidential material.

Confidential information is defined in the OATT as:

Any confidential, proprietary, or trade secret information of a plan, specification, pattern, procedure, design, device, list, concept, policy, or compilation relating to the present or planned business of a New Service Customer, Transmission Owner, or other Interconnection Party or Construction Party, which is designated as confidential by the party supplying the information, whether conveyed verbally, electronically, in writing, through inspection, or otherwise, and shall include, without limitation, all information relating to the producing party’s technology, research and development, business affairs and pricing, and

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any information supplied by any New Service Customer, Transmission Owner, or other Interconnection Party or Construction Party to another such party prior to the execution of an Interconnection Service Agreement or a Construction Service Agreement. (Sec. 1.5.01)

The OATT also provides extensive guidelines for maintaining the confidentiality of information relating to applications for transmission service and the interconnection of generation, merchant transmission and transmission upgrades. (e.g. OATT Secs. 222, 223; Att. O Sec. 17; Att. GG Secs. 1.9, 16)

The PJM Manual (14D, Sec. 10) contains additional data confidentiality provisions for PJM generators and detailed guidelines for the management of confidential information. The Manual also provides the procedure to be followed for the execution of a data confidentiality agreement, as well as the procedure for the evaluation of a request for confidential data.

CEII is information concerning proposed or existing critical infrastructure (physical or virtual) that:

- 1) Relates to the production, generation, transmission or distribution of energy;
- 2) Could be useful to a person planning an attack on critical infrastructure;
- 3) Is exempt from mandatory disclosure under the Freedom of Information Act; and
- 4) Gives strategic information beyond the location of the critical infrastructure.

PJM is fully compliant with the Commission rules for the management of CEII information. PJM does not post or disseminate material that is CEII classified. Interconnection Service Agreements containing maps and diagrams are posted on the PJM website and also publicly filed with FERC, therefore this material is not CEII.

On an annual basis PJM files the Form No. 715 with FERC which provides the Annual Transmission Planning and Evaluation Report and Overview. This report includes base case data which is CEII protected information. PJM does not allow access to this type of information, unless the access is restricted pursuant to CEII procedure. Part 2 data in Form No. 715 may be accessed by a direct request to PJM, pursuant to the PJM OATT Sec. 36.1.7 and subject to related confidentiality provisions. Part 2 data is posted on the PJM website and password protected and all other Form No. 715 data may only be obtained by a request provided to FERC. Specifically, the public may file a Critical Energy Infrastructure

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Information (CEII) request under 18 C.F.R. § 388.113 or a Freedom of Information (FOIA) request under 18 C.F.R. § 388.108.

In addition, Sec. 36.71 of the PJM OATT contains specific provisions regarding base case data and confidentiality as follows:

Transmission Provider shall provide Interconnection Customer with base power flow, short circuit and stability databases, including all underlying assumptions, and contingency list upon request and subject to the confidentiality provisions of Section 223 of the Tariff. Transmission Provider may require Interconnection Customer to sign a confidentiality agreement before the release of commercially sensitive information or Critical Energy Infrastructure Information in the Base Case data. Such databases and lists, hereinafter referred to as Base Cases, shall include all (i) generation projects and (ii) transmission projects, including merchant transmission projects, that are included in the then-current, approved Regional Transmission Expansion Plan.

The relevant confidentiality provisions will be reviewed to ensure that stakeholders may have access to sufficient planning data from the transmission owner or the RTO to enable the stakeholders an opportunity to perform their own reliability and economic planning studies. This will occur after the signing of appropriate confidentiality documents and in full compliance with the confidentiality provisions in the PJM Operating Agreement.

### **Principle 3: Transparency**

*Transmission Provider disclose to all customers and other stakeholders the basic criteria, assumptions, and data that underlie their transmission system plans. (471)*

*Transmission Providers are required to reduce to writing and make available the basic methodology, criteria, and processes they use to develop their transmission plans, including how they treat retail native loads. (471)*

*Transmission Providers required to make available information regarding the status of upgrades identified in their transmission plans in addition to the underlying plans and related studies. (472)*

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*Form 715 is an insufficient basis for broad transmission planning proposes and must be supplemented by additional assumptions and data. (477)*

*Require disclosure of criteria, assumptions, data and other information that underlie transmission plans. (478)*

PJM regularly cooperates with stakeholders to exchange information regarding the basic criteria, assumptions and data that is used to develop the transmission system plans. First, exchange of this information is available through the Planning Committee, the TEAC as well as other working groups and PJM committees. Second, with appropriate confidentiality safeguards in place, PJM provides data and information to stakeholders as requested in order to enable other parties to recreate certain analyses. Also, PJM posts relevant data on the PJM website.

Specific process plans and related documentation are posted to the PJM website as well as the baseline study reports, and full RTEP process plans. In addition, project queues are presented for both generation interconnection and merchant transmission interconnection projects. These queues are listed chronologically and offer access to project status, analytical reports and other important information. Requests for Upgrade Auction Revenue Rights (OA Sec. 7.8) are also posted on the PJM website. Further, specific transmission owner and PJM standards are posted under the terms of the OATT to provide access to specific engineering design requirements and standards; engineering, procurement and construction process requirements and standards; and relay and other PJM requirements. In addition, PJM will post on the PJM website, the specific Transmission Owner transmission planning criteria for local transmission reinforcements, and interconnection and supporting facilities for wholesale load.

The generation and transmission interconnection planning process is outlined in the Manuals M14A-M14E as posted on the PJM website. In addition PJM will review the relevant Manuals and determine a suitable structure that will comprehensively address and present the planning criteria and methodology used by PJM.

As stated in Item 1, in PJM, the RTEPP is the process by which PJM members rely upon PJM to prepare a plan for the enhancement and expansion of the transmission facilities in order to meet the demands for firm transmission service and to support competition in the PJM region. (Schedule 6, OA 1.1). PJM has a Planning Committee in place which is open to participation by all stakeholders and provides technical advice and assistance to PJM in all aspects of the regional planning functions. The PJM transmission owners are required to provide data and information to the PC, as needed to support the development of the RTEP. Also, the



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Planning Committee is open to participation by all PJM members (Schedule 6, OA Sec. 1.3(a)).

In addition, PJM has established the TEAC. The TEAC invites participation by all transmission customers and applicants for transmission service, any other entity proposing to provide transmission facilities, all members of PJM, the agencies and offices of consumer advocates of the states in the PJM region, and any other interested parties or persons. (Schedule 6, OA Sec. 1.3(b)). The assumptions, data and criteria are presented in the TEAC meetings. Through the TEAC parties have access to the data that they require – PJM coordinates with the parties to supply needed load flow data so that parties have the ability to perform required simulations and analysis.

*Where demand resources are capable of providing the functions assessed in a transmission planning process, and can be relied upon on a long-term basis, they should be permitted to participate in that process on a comparable basis. (479)*

PJM's March 21, 2007 compliance filing with FERC in Docket No. ER06-1474 details how demand response resources will be further integrated into PJM's planning process, and in particular the market efficiency analysis. Demand response plays an important role in PJM's economic transmission planning process. A certain level of demand response is included in the PJM load forecast which is updated annually and initiates the annual expansion planning process. Also, load management programs (Interruptible Load for Reliability or ILR) are explicitly included in the planning analysis and may impact the plans for new transmission depending on the amount and location of the ILR. Further PJM includes demand response provisions in the Reliability Pricing Model ("RPM") and PJM will continue to develop the processes to incorporate demand response, distributed resources, energy efficiency, demand reductions and other related technologies and uses appropriately in the PJM RTEPP. Qualifying applications and proposals will continue to be reviewed and addressed through the appropriate PJM stakeholder processes.

When undertaking economic planning (i.e. planning to reduce congestion and improve the economics of the grid rather than solely meeting reliability criteria), PJM includes assumptions regarding anticipated demand response and generation in its market efficiency analysis. Included in the assumptions are demand resources that are committed in the RPM process. ILR (formerly Active Load Management) also is included in the assumptions as resources which are expected to be available with a high degree of certainty. Also, the economic planning process is designed to provide critical information both to states and to the marketplace. In addition to analyzing the type of upgrade which would be needed to alleviate projected congestion, PJM also will utilize the

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planning process to answer the reverse question i.e. “*What level and type of demand response would alleviate the need for a planned economic upgrade?*” (OA Schedule 6, Sec.1.5.7(g)). All of this information will be open, transparent and developed by working with stakeholders in a public process.

PJM is implementing a metrics tracking program that is expected to be in effect in the third quarter of 2007. PJM will consider the following for possible inclusion in a final tracking program, in addition to initial planning criteria violations, suitable metrics might include the following:

- 1) Project status including milestones of work completed, such as right-of-way, permitting, application for state certificate of need, construction progress, etc. Comparison of milestone originally projected dates, changes to projected dates, and actual completion dates;
- 2) Original project scope as compared to current scope;
- 3) Original projected in-service date compared to changes in planned in-service date and actual in-service date;
- 4) Project overruns;
- 5) Reliability impacts of delay;
- 6) Market impacts of delay;
- 7) Changes in classification from Transmission Owner Initiated Project to RTEP project;
- 8) Originally projected violations in each planning year compared to changes in projected violations as the planning year approaches; and
- 9) Operational and temporary fixes implemented to deal with delays in planned transmission.

### **Principle 4: Information Exchange**

*Transmission Providers, in consultation with their customers and other stakeholders, required to develop guidelines and a schedule for the submittal of information. The information exchanges principles are for both network and point-to-point transmission customers. (486)*

*Transmission Providers, in consultation with their customers and other stakeholders, required to develop guidelines and a schedule for the submittal of information on their projected loads and resources on a comparable basis (e.g., planning horizon and format) as used by the transmission providers in planning for their native load. The information exchanges principles are for both network and point-to-point transmission customers. In order for the Final Rule’s planning processes to be open and transparent as possible, the information collected by transmission providers to provide transmission service to their native load customers must be transparent and, to that end, equivalent information must be provided by transmission customers to ensure effective planning and*

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*comparability. We clarify that the information must be made available at regular intervals to be identified in advance. The information exchange should be a continual process, the frequency of which should be addressed in the transmission provider's compliance filing required by this Final Rule. However, we expect that the frequency and planning horizon will be consistent with the ERO requirements. (480, 486)*

*We also believe that it is appropriate to require point-to-point customers to submit any projections they have of a need for service over the planning horizon and at what receipt and delivery points. To the extent applicable, transmission customers also should provide information on existing and planned demand resources and their impacts on demand and peak demand. In addition, stakeholders should provide proposed demand response resources if they wish to have them considered in the development of the transmission plan. (487)*

Section 29.9 (iii) and (v) of the PJM Tariff already requires network customers to provide a description of the network load at each delivery point including a load forecast for 10 years. There is also a requirement, in Section 31.6 of the PJM Tariff, for network customers provide load and resource information updates annually, plus "timely" updates of other material changes. However, network customers do not traditionally provide PJM with a load forecast of a list of resources. PJM fulfills this requirement by preparing a "Load Forecast Report". The Load Forecast Report is preferable because this practice allows PJM to effectively develop an independent forecast that ensures that all market participants are treated equitably. In addition, the Load Forecast Report extends to a fifteen-year horizon (as of January 2007). Also, pursuant to Sec. 9.3 of the Reliability Assurance Agreement ("RAA") each signatory to the RAA is required to submit the data and other information necessary for the performance of the RAA, including its plans for the addition, modification and removal of Capacity Resources, its load forecasts, and such other data. (RAA Schedule 12).

In Order No. 693, the Commission approves the reliability standard using a 10-year planning horizon (Order No. 693, P 1744) and the FERC in Order No. 693 cites approvingly to PJM's 15- year planning horizon. The PJM Tariff Section 29.9 (iv) requires network customers to identify the amount of interruptible load in the 10-year load forecast required by Section 29.9 (iii). This meets the requirement in planning principle # 4 that transmission customers provide information on existing and planned demand resources.

The processes for development and implementation of the PJM Forecasts are maintained on the PJM website and are available in the PJM Manual M-19, "Load Data Systems." The normalized peak and allocations for the past several planning periods, along with the current Load Forecast

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Report, PJM Entity Forecast and Active Load Management (ALM) historical data are also available on the PJM website. Finally, Manual 19 will be updated next month following Planning Committee review on May 16, 2007.

Additional PJM Tariff amendments will be required to fully meet the directives contained in planning principle # 4. PJM will need to include comparable provisions for point-to-point transmission customers under Part II of the PJM Tariff.

### **Principle 5: Comparability**

*Transmission Providers, after considering the data and comments supplied by customers and other stakeholders, are to develop a transmission system plan that (1) meets the specific service requests of its transmission customers, and (2) otherwise treats similarly-situated customers comparably in transmission system planning. (494)*

*Customer demand resources should be considered on a comparable basis to the service provided by comparable generation resources where appropriate. (494)*

The RTEP process is designed to accommodate the view and inputs from all stakeholders, as discussed in Items 1 and 2. Further, the RTEP is designed to reflect the transmission enhancements and expansions, load and capacity forecasts and generation additions and retirements for at least the ensuing ten years. (OA, Schedule 6, Sec. 1.4(b)). The RTEP process accommodates inputs from all parties. The PJM network service provisions allow a PJM member access to all services and all members may participate in the RTEP. (OA Sec. 11.4) and all members are obligated to cooperate in the analysis, formulation, and implementation of plans to prevent or eliminate conditions that impair the reliability of the PJM region. (OA Sec. 11.3.2 (g)).

The RTEP routinely incorporates the following drivers:

- 1) Forecasted load growth, demand side response, and distributed generation;
- 2) Interconnection requests by developers of new generating resources;
- 3) Generation retirements and deactivations;
- 4) Interconnection requests by merchant transmission facilities;
- 5) Solutions to mitigate persistent congestion and forward looking economic constraints;
- 6) Assessments of the potential risk of aging infrastructure, additions, changes, and new technologies;

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- 7) Long-term firm transmission requests;
- 8) Transmission owner initiated improvements; and
- 9) Load-serving entity capacity plans.

Also, the 15-year planning process considers long-term load growth, the impacts of generation additions, changes, new technologies and retirements and the delivery needs of “clustered” generation development as it emerges in PJM.

A category of system reinforcements will be developed under the local transmission owner planning process. PJM will evaluate these local transmission owner planning standards and criteria to determine if these local reinforcements are needed to optimally meet the local transmission owner planning criteria and to determine whether these reinforcements may be categorized as PJM RTEP baseline projects or local TOI projects. In the event that the transmission owner elects to turn over the local system planning function for certain local facilities to PJM, PJM will also evaluate the local system to ensure that the system complies with the PJM planning criteria. In the event the system does not meet the PJM planning criteria, PJM will provide an estimate of the cost of the upgrades required to meet the planning criteria. After PJM assumes the responsibilities of the planning of the local transmission system, subsequent reinforcements planned by PJM for this local system will be classified as PJM RTEP baseline projects. All reinforcements will be posted and presented to the PJM stakeholders for review and comment.

### **Principle 6: Dispute Resolution**

*Transmission Providers required to develop a dispute resolution process to manage disputes that arise from the Final Rule’s planning process. (501)*

*If an existing dispute resolution process is relied upon, the Transmission Provider must specifically address how its procedures will be used to address planning disputes. (501)*

*The dispute process shall address both substantive and procedural planning issues. (501)*

*The dispute resolution process should be a three step process consisting of negotiation, mediation, and arbitration. (503)*

Schedule 5 of the PJM Operating Agreement provides the PJM Dispute Resolution Procedures which are designed to provide a common and uniform procedure for resolving disputes arising under the PJM Agreements. This encompasses disputes arising under the PJM Operating

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Agreement and the RTEP. Further, the OA, Schedule 6, Sec.1.5.6(j) provides for participants in the TEAC to submit disagreements relative to the analysis of costs and benefits of alternatives to Alternative Dispute Resolution.

The TEAC process also provides opportunity for stakeholders to provide written comments regarding the development of the RTEP. Communications between TEAC membership, the Office of the Interconnection and the Board of Managers will be comprised of a written notice-and-comment process modeled after the NOPR process of the Federal Energy Regulatory Commission (FERC). PJM will have the responsibility of compiling comments from the TEAC participants. All written comments will be posted to the PJM web site and provided to the PJM Board of Managers together with a PJM staff summary that will focus on conveying (1) what the issues are; (2) who has the issues; and, (3) why the issues are of importance to Board.

In addition to the Procedures in the OA, Sec. 12 of the PJM OATT also provides extensive provisions for dispute resolution, including arbitration. The OA provisions do not supersede the OATT provisions for disputes that arise for matters under the PJM Tariff. These provisions are applicable to disputes arising regarding the interconnection process, and other PJM Tariff related matters.

### **Principle 7: Regional Participation**

*In addition to preparing a system plan for its own control area on an open and nondiscriminatory basis, each Transmission Provider is required to coordinate with interconnected systems to (1) share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data and (2) identify system enhancements that could relieve congestion or integrate new resources. (523)*

*The regional planning processes must be open and inclusive and address both reliability and economic considerations. (528)*

As the largest RTO, PJM's regional planning scope encompasses a very broad area and is sufficiently large to recognize significant benefits. PJM also coordinates its planning process with neighboring systems to address issues of mutual concern. PJM participates in such interregional planning under contracted arrangements with the Midwest ISO, ISO New England, the New York ISO, the TVA and Progress Energy Carolinas.

The Midwest ISO and PJM are signatories to a Joint Operating Agreement ("JOA")(March, 2004). This JOA has extensive provisions regarding the coordination of regional transmission expansion planning, contained in

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Article 9 of the JOA. This furthers the Commission’s goal to enhance coordination between transmission providers, transmission customers and their interconnected neighbors. The JOA established the Joint RTO Planning Committee (“JRPC”) which consists of representatives from both PJM and Midwest ISO. The duties of the JRPC include all aspects of facilitating the joint planning effort as well as a requirement to prepare a Coordinated System Plan on at least an annual basis. The Coordinated System Plan will ensure that coordinated analyses occur across the regions for Midwest ISO and PJM. The goal of the Plan is to maintain reliability, improve operation performance and enhance the competitiveness of electricity markets. Schedule 6, Sec. 1.4(e) of the OA provides that the RTEP shall incorporate the results of the JOA’s Coordinated System Plan with the Midwest ISO.

In addition to the JRPC, the JOA established the Inter-regional Planning Stakeholder Advisory Committee (“IPSAC”). IPSAC is modeled after the TEAC to facilitate stakeholder review and input into coordinated system planning and specifically the Coordinated System Plan. IPSAC members shall include members of the Midwest ISO Planning Advisory Committee and the PJM TEAC. In addition other interested stakeholders may participate. This open participation provision allows for full participation from interested parties and incorporates the openness principle of Order No. 890. Further, the JRPC will prepare load flow cases, stability cases and ten-year load forecasts, as well as detailed ten-year planning models on an annual basis, and the JOA provides for a regular exchange of this information between the parties

PJM, the NYISO and ISO New England are signatories to the Northeastern ISO/RTO Planning Coordination Protocol. This protocol provides for the parties to coordinate the evaluation, on an on-going basis, of Tariff-provided services, such as generation interconnection, to recognize the impacts that result across the seams between systems. Second, the parties will produce, on a periodic basis, a Northeastern Coordinated System Plan (NCSP) that integrates 1) the system plans of the parties, 2) on-going load growth and retirements or deactivations of infrastructure, 3) market-based additions to system infrastructure, such as generation or merchant transmission projects, 4) distributed resources, such as demand side and load response programs, and 5) transmission upgrades identified, jointly, by the parties to resolve seams issues or to enhance the coordinated performance of the systems. The Protocol establishes the Inter-area Planning Stakeholder Advisory Committee (“IPSAC”) which is modeled after the PJM TEAC. The Protocol also provides for a subset of the IPSAC, or a Joint ISO/RTO Planning Committee (“JIPC”) which comprises staff members representing the signatories to the Protocol.

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Membership and participation in the IPSAC will be open to include the market participants within the regions of the parties, governmental agencies, regional state committees, regional reliability councils, and any other interested parties. There is also opportunity for data exchange as may be required for the performance of planning studies and as agreed upon by the JIPC. The Protocol provides a schedule for data exchanges as well. Finally this Protocol addresses dispute resolution and contains provisions to address issues arising in association with the implementation of the Protocol.

PJM, Tennessee Valley Authority (“TVA”) and the Midwest ISO are signatories to a Joint Reliability Coordination Agreement (“JRCA”) (April, 2005), which provides for data exchange and the continued pursuit of a multi-regional approach that will strengthen coordination for regions in transmission, operations and other transactions. Article 9 of the JRCA establishes the Joint Planning Committee (“JPC”) which is required to meet at least semi-annually to review and coordinate transmission planning activities. The JRCA contains provisions for coordinated planning in the areas of interconnection requests, long-term firm transmission service requests, and analyses in support of coordinated transmission planning.

In addition, PJM, TVA, and Midwest ISO are also signatories to the Congestion Management Process (“CMP”) (April, 2005). The CMP provides significant detail in the areas of market flow calculation, firm generation to load flow determination, the tagging of import and export transactions and flowgate determination and administration. This material is designed to aid the management of seams and facilitate open markets.

PJM and Progress Energy Carolinas are signatories to a Joint Operating Agreement (“JOA-Progress”) (July, 2005). Article 9 of the JOA-Progress provides provisions for the parties to perform Coordinated Transmission Planning Studies, if mutually agreed, including the exchange of data and information necessary to perform coordinated transmission planning studies. The JOA-Progress also provides for the sharing of relevant data and an annual meeting of the Parties to review issues that may impact long range planning and the coordination of planning, including Designated Network Resources, between and among the systems. PJM is receptive to accomplishing additional coordinated planning efforts in the southern region.

### **Principle 8: Economic Planning Studies**

*The planning process retains a congestion study principle for the transmission planning process and must consider both reliability and economic considerations. (542)*



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The PJM RTEP is developed to enable the transmission needs in the PJM region to be met on a reliable, economic and environmentally acceptable basis. (OA Schedule 6, Sec. 1.1) The RTEP is designed to maintain reliability, accommodate market efficiency and support competition. (OA Schedule 6, Sec. 1.4(a)). The market efficiency analysis will complement the reliability-based transmission enhancement and expansions that are included in the RTEP on an annual basis.

Schedule 6, Sec. 1.5.7 of the OA provides for the development of economic transmission enhancements and expansion. This section was originally developed in coordination with PJM stakeholders in 2003, and describes the analyses that PJM will undertake as it evaluates congestion on the system, and when appropriate, performs cost-benefit evaluations of alternative transmission solutions to unchangeable congestion. PJM filed its revised market efficiency analysis proposal with FERC in Docket No. ER06-1474, which was conditionally approved on November 21, 2006 (PJM Interconnection, L.L.C., 117 FERC ¶ 61,218 (2006)). In summary, PJM will conduct a market efficiency analysis annually to determine transmission expansion or enhancements that are necessary to address economic constraints that are not being addressed by market-driven solutions, and will include such economic-based upgrades in the RTEP.

Section 1.5.7 of Schedule 6 of the OA provides that each year, PJM shall obtain approval from the PJM Board of the assumptions to be used in the market efficiency analysis. These assumptions will be presented to the TEAC for review and comment prior to PJM Board consideration. In the market efficiency analysis, PJM will compare the costs and benefits of accelerating or modifying reliability-based enhancements; and/or new enhancements or expansions, in both the bulk power and local systems that could relieve one or more economic constraints. Economic constraints include, but are not limited to, constraints that cause (1) significant historical gross congestion (2) significant historical unhedgeable congestion (3) pro-ration of Stage 1B ARR requests and (4) significant simulated congestion as forecast in the market efficiency analysis. (OA, Schedule 6, Sec. 1.5.7(b))

*Transmission Providers, in consultation with their stakeholders during the development of the Attachment K compliance filings, are directed to develop a means to allow the Transmission Provider and stakeholders to cluster or batch requests for economic planning studies so that the Transmission Provider may perform the studies in the most efficient manner. (546)*

PJM's process is flexible and can accommodate clustered studies, when it makes sense to do so analytically. Generally, the sequential management of projects may be more efficient than a "clustering approach" for

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geographically dispersed projects because of the lack of interaction among such projects in a very large system such as PJM's. In addition, PJM's market efficiency process includes provisions for sensitivity analyses that may be utilized to determine the impact of projects over a range of assumptions. Clustering of multiple projects in close geographical proximity may be more efficient, however and PJM can apply this methodology on a case by case basis by incorporating these requests in the scope of the market efficiency analysis.

*Stakeholders shall have the right to request a defined number of high priority studies (5-10 annually) to address congestion and/or integration of new resources or loads. The costs of this defined number of high priority studies would be recovered as part of the overall pro forma OATT cost of service. Once requested, the transmission provider would conduct the studies, including appropriate sensitivity analyses, in a manner that is open and coordinated with the affected stakeholders. (547)*

*The study process should encompass the study of upgrades to integrate new generation resources or loads on an aggregated or regional basis. (548)*

*Requests for economic planning studies and the responses to the requests shall be posted on the Transmission Provider's OASIS or website. (546)*

PJM conducts the market efficiency analysis annually. This analysis studies the entire PJM region. The TEAC allows stakeholders to request additional economic studies as part of the RTEP process. The cost of these analyses is included in the RTEP. Specifically, expansion of the transmission system may be proposed by one or more transmission owners, interconnection customers, network service users, transmission customers, or any party that funds network upgrades . . . (OA Schedule 6, Sec. 1.5.1(a)) Also, the assumptions used in the analysis are vetted through the stakeholders via the TEAC. Therefore, PJM stakeholders, including new resources and load, have an opportunity for input into the economic planning process and to request additional studies that may be appropriate to address congestion.

Generally, PJM can also accommodate stakeholder requests for additional sensitivity analyses, where the sensitivities would add value to the analysis. The market efficiency analysis process, also provides opportunity for the stakeholders through the TEAC, to review and comment on PJM's analysis from the development of the assumptions to the identification of reliability upgrades to be accelerated or new economic-based enhancements to be included in the RTEP.

Also, PJM will include assumptions regarding expected new generation and retirements and demand resources over the ensuing 10 years in the market efficiency analysis. PJM includes generation with ISAs and generation, merchant transmission, and demand resources that are

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committed in the RPM auctions as well as ILR in the assumptions, as well. Loads are included in the analysis based on the load forecast used and on the transmission owners' assignment of loads to specific transmission buses. (OA Schedule 6, Sec. 1.5.7(k)).

In addition, Schedule 6, Sec. 1.5.6 (e) of the OA provides opportunity for stakeholders to propose merchant transmission facilities as well as interconnection requests to address an economic constraint. PJM studies market efficiency on an annual basis. For example, a category of merchant solution is as follows:

At any time, market participants may submit to the Office of the Interconnection requests to interconnect Merchant Transmission Facilities or generation facilities or generation facilities pursuant to Part IV of the PJM Tariff that could address an economic constraint. In the event the Office of the Interconnection determines that the interconnection of such facilities would relieve an economic constraint, the Office of the Interconnection may designate the project as a “market solution” and in the event of such designation, Sections 36A or 41A of the PJM Tariff, as applicable, shall apply to the project. (OA Schedule 6, Sec. 1.5.7(j))

PJM posts on a monthly basis the analyses of gross and unhedgeable congestion associated with transmission constraints in the PJM Region, including the level of available economic generation used to calculate hedgeable congestion costs. (OA Schedule 6, Sec. 1.5.7(i)) Also, the OA requires PJM to post the change in the metrics in the PJM region with respect to any proposed acceleration of a reliability based enhancement or expansion or new economic based enhancement or expansion. (OA Schedule 6, Sec. 1.5.7(e)) This information will be posted on the PJM website through the TEAC as part of the RTEP process.

*The Transmission Provider should be obligated to study the cost of congestion only to the extent it has the information to do so. If stakeholders request that a particular congested area be studied, they must supply relevant data within their possession to enable the transmission provider to calculate the level of congestion costs that is occurring or is likely to occur in the near future, . . .providing for confidential treatment and application of the Standards of Conduct. Transmission Provider must clearly define the information sharing obligations placed on customers in the planning attachments in the pro forma OATT. (550)*

Generally, the TEAC will continue to be the forum for requests to study a particular congested area as well as the opportunity for information sharing. The TEAC includes review and consideration of all aspects of the RTEP, including: scope and assumptions for RTEP studies; RTEP analysis at defined points during the RTEP process cycle; RTEP

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recommendations to be proposed to the PJM Board for endorsement; specified RTEP matters as requested by the PJM Board.

Information regarding the process as well as provisions for information sharing are specified in Schedule 6, Sec. 1.5.7 of the OA. The OA, Schedule 6, Sec. 1.5.7(j) provides for monthly posting on the PJM website of gross and unhedgeable congestion associated with transmission constraints in the PJM Region, including the level of available economic generation used to calculate unhedgeable congestion costs. The OA Schedule 6, Sec. 1.5.4(b) of the OA provides a requirement for transmission owners to, entities requesting transmission service and any other entities proposing to provide transmission facilities to be integrated into the PJM region to provide information and data as needed. Also, the OA Schedule 6, Sec. 1.5.4(c) allows PJM to solicit required or useful information from the stakeholders, including consumer advocates of the States in the PJM region.

As stated in Principle 2, PJM has extensive provisions to protect the confidentiality of information in the OA as well as the OATT. In particular, the PJM OA has extensive provisions designed to manage confidentiality and CEII concerns (OA, Sec. 18.17). These provisions include rules for party access, disclosure to FERC and other authorized parties, rules for the use and applicability of non-disclosure agreements and procedures regarding breach and liability. This section of the Operating Agreement was developed with extensive stakeholder input, as well as the state commissions within PJM, and designed to allow an appropriate level of information sharing with PJM stakeholders and the public. The OA also includes a form of non-disclosure agreement to be used by parties seeking the release of confidential material.

Confidential information is defined in the OATT as:

Any confidential, proprietary, or trade secret information of a plan, specification, pattern, procedure, design, device, list, concept, policy, or compilation relating to the present or planned business of a New Service Customer, Transmission Owner, or other Interconnection Party or Construction Party, which is designated as confidential by the party supplying the information, whether conveyed verbally, electronically, in writing, through inspection, or otherwise, and shall include, without limitation, all information relating to the producing party's technology, research and development, business affairs and pricing, and any information supplied by any New Service Customer, Transmission Owner, or other Interconnection Party or Construction Party to another such party prior to the

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execution of an Interconnection Service Agreement or a Construction Service Agreement. (Sec. 1.5.01)

The OATT also provides extensive guidelines for maintaining the confidentiality of information relating to applications for transmission service and the interconnection of generation, merchant transmission and transmission upgrades. (e.g. OATT Secs. 222, 223; Att. O Sec. 17; Att. GG Secs. 1.9, 16)

The PJM Manual (14D, Sec. 10) contains additional data confidentiality provisions for PJM generators and detailed guidelines for the management of confidential information. The Manual also provides the procedure to be followed for the execution of a data confidentiality agreement, as well as the procedure for the evaluation of a request for confidential data.

### **Principle 9: Cost Allocation for New Projects**

*Planning process must address the allocation of costs of new facilities (stakeholders and Transmission Providers are permitted to determine their own specific criteria). (557 & 558)*

*Guidance for cost allocation method: (1) whether it fairly assigns costs among participants, (2) whether it provides adequate incentives to construct new transmission, (3) whether it is generally supported by state authorities and participants across the region. (559)*

*Each region should address these issues up front, at least in principle, rather than having them relitigated each time a project is proposed. (561)*

PJM's cost allocation procedures are presented in Schedule 6, Sec. 1.5.6(g) of the Operating Agreement and further detailed in the PJM manuals. The present cost allocation practice is based on the principal of cost causation. The transmission zone which causes the highest level of violation bears the cost of the required transmission upgrades, pursuant to various rules as provided in the RTEP. Presently, PJM's cost allocation process is under review at FERC.

Recently, the Commission issued 2 companion orders approving PJM's continued use of license plate rates for existing facilities and conditionally accepting PJM's RTEPP cost allocations. In the first of the 2 companion orders, the Commission approved PJM's continued use of license plate rates. The Commission found that the current license plate rate design for allocating the cost of existing facilities remains just and reasonable because it reflects the prior investment decision of the individual transmission owners, who built their facilities primarily to support load within the individual transmission owners' zones and continue to serve

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those loads. The Commission also affirms the ALJ’s initial decision in this matter, regarding PJM’s approach for allocating costs of new PJM-planned facilities, which provides that those benefiting from the new facilities should pay for their costs.

In the second order, the Commission (i) adopts a region-wide postage stamp rate for new facilities (reliability and economic) at or above 500 kV, and (ii) requires the parties to develop a detailed “beneficiary pays” methodology for new facilities below 500 kV (reliability and economic) that will be set forth in the PJM Tariff (Docket Nos. ER06-1271, etc.). Specifically, the Commission granted rehearing to expand the scope of the PJM RTEPP cost allocation proceedings hearing to include the appropriate cost allocation methodology for determining “beneficiary pays,” (*i.e.*, a formula to be included in PJM’s OATT that will determine cost allocations for all projects below 500 kV – both reliability projects and economic projects). The Commission expanded the scope of the hearing to include all components of PJM’s DFAX methodology, including zonal netting, the treatment of phase angle regulators (PARS), and what processes should be used for allocations for electrically cohesive areas, as well as other issues.

The stated goal of the hearing will be to develop a methodology that makes the allocation process routine so that PJM can allocate RTEPP costs without project-by-project hearing procedures, so that any future RTEPP cost allocation filing would be more informational in nature. Because this order also provides that the allocation of costs for new projects at or above 500 kV should be addressed in accordance with the Commission’s opinion in Docket No. EL05-121 (*i.e.* on a region-wide postage stamp rate basis), the Commission required PJM to file proposed revisions to its cost allocations set forth in Schedule 12-Appendix of the PJM Tariff for all projects at or above 500 kV.