

PJMICC Responses to PJM Stakeholder Questions on Transmission NOPR

Long-Term Transmission Planning Workshop

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Description of PJMICC

- PJMICC is a coalition of 28 large consumers with facilities in every jurisdiction and every zone in PJM except for the District of Columbia
- Several PJMICC members are PJM members for governance purposes and/or to fulfill business objectives
- Engaged in PJM stakeholder process and FERC/appellate courts



Topic One – Overall Content and Approach of the NOPR

PJM Issue:

PJM welcomes stakeholder feedback on a threshold question as to whether, in the view of stakeholders, the NOPR's focus on developing rules around long range scenario-based planning will substantially assist in getting needed transmission identified and built. Is it your view that the large focus on scenario development through long range planning will substantially address some of the experienced bottlenecks in getting new transmission built? Why or why not?



Topic One – Overall Content and Approach of the NOPR

- **PJMICC Response:**

- Need to explore the premise
 - A few studies have indicated a substantial increase in transmission capacity is needed, but why?
 - FERC needs to fully explore the various factors that would impact claims for a substantial amount of new transmission
- The NOPR falls short in that regard; for example:
 - Load forecasts for the next 10 years are uncertain at best
 - Some 10-year forecasts show stable or declining loads, which is not factored into the NOPR
 - FERC is finally moving in the direction of requiring advanced transmission technologies to optimize the capacity of the existing grid
 - For years, line ratings were extremely conservative; what additional capacity is currently available on existing facilities?
 - Interconnecting generators should continue to receive the right price signals to locate in areas that minimize the need for new transmission, and the absence in the NOPR of any proposed changes in the area of generation interconnection cost allocation is critical to maintaining the correct price signals



Topic One – Overall Content and Approach of the NOPR

- PJMICC Response (cont'd):
 - FERC is actively encouraging distributed generation, which is an increasingly attractive option for commercial/industrial customers
 - Acknowledge and consider in the Eastern Interconnection an apparent disconnect between ELCC of intermittent generation (50% or less of rated capacity) and the transmission capacity they require (100% of rated capacity)
- Query reference to “experienced bottlenecks”
 - Billions of dollars in new transmission investment are being included in “transmission plant in service” line items of formula transmission rates
 - There does not seem to be any material bottlenecks to the ability to deploy capital
 - The question is whether the capital is being deployed (and recovered from customers) in an efficient and organized way?
 - That answer seems to be “no”, based on experience and based on the findings in the NOPR



Topic One – Overall Content and Approach of the NOPR

PJM Question:

1. The NOPR focuses very heavily on the development of a long-range scenario-based planning process. Specific proposed rules are set forth governing how scenarios are to be selected, what information is to be used in deriving scenarios, the minimum number of scenarios to be considered etc.
 - c. Many have raised concern with inconsistencies as to the obligations of RTOs and transmission owners in RTOs as it relates to the planning process vs. obligations on transmission owners in non-RTO regions. Do you think the Commission has provided a balanced approach that will allow for consistency in implementation of the rule both in RTO and non-RTO areas? Should PJM make any recommendations on this point?



Topic One – Overall Content and Approach of the NOPR

- **PJMICC Response:**

- FERC needs to stop and perhaps reverse the disproportionate (unduly discriminatory?) treatment of not only TOs, but all market participants, based on their status of being or not being in an RTO
- As long as RTO participation is voluntary, and exiting an RTO remains a low-barrier option, this differential treatment will inevitably increase the pressure that exists within RTO governance structures
- With minimal difficulty and with limited exceptions, TOs have the right to take their ball and go home, or at least take their ball to an adjacent field
- The tension between that right and the objective of ISO/RTO independence creates an unhealthy framework



Topic Two – Long-Range Scenario-Based Planning

PJM Question:

2. The NOPR proposes a new process that would call for long term scenarios going out 20 years from the projected in-service date of new projects (NOPR at p. 54). This would require the forward look to go beyond 20 years to over 25 to 28 years. In your view, does the value of such a forward look exceed its inherent uncertainty and speculation? (We would note that 25 years ago from today, PJM covered only five states and experienced significant east/west transfers within the region. LMP was just being implemented and non-wires solutions such as demand response and energy efficiency were not part of the PJM market.)



Topic Two – Long-Range Scenario-Based Planning

- **PJMICC Response:**

- We appreciate that transmission assets are long-lived assets with depreciation periods of 40-45 years
- However, this quote from the Eastern Interconnection Planning Collaborative’s (EIPC) December 2021 “State of the Grid” Report fairly captures the consensus view: “A 10-year-forward forecast is utilized because that is the typical horizon utilized by EIPC member regions for their regional planning. EIPC used existing transmission plans provided by each planning coordinator as the source of data for model development.”
- The EIPC includes all ISO/RTOs in the Eastern Interconnection, including PJM, and the likes of Southern Company, TVA, Duke, and Florida Power & Light
- Interestingly, the NOPR does not mention the EIPC at all in 450+ pages dedicated to transmission planning



Topic Two – Long-Range Scenario-Based Planning

PJM Question:

3. The NOPR indicates at p. 70 and in several other locations that it is not requiring any changes to the present Order 1000-based reliability and market efficiency planning and project development and does not require a specific obligation to order projects considered in the 20-year planning process. What should PJM recommend to the FERC to ensure that this process provides value added to the existing processes? What should PJM recommend to the FERC to ensure that reliability and market efficiency projects that are added to the plan but not specifically identified in the 20+ year planning process are not subject to challenge for not having been considered in the 20+year planning process?

• PJMICC Response:

- Our view is that PJM should oppose the requirement of a 27-year forward look as being inherently too speculative
- If FERC removes that requirement, then questions about how the requirement dovetails with existing Order 1000-based projects become moot



Topic Two – Long-Range Scenario-Based Planning

PJM Question:

4. The NOPR does not identify benefits of new transmission or a means to determine beneficiaries of new transmission. These issues have been left to the stakeholder process and, for purposes of cost allocation, to the states. Should PJM seek additional guidance from FERC in these areas? And specifically for cost allocation, should PJM note that it has a cost allocation for RTEPP projects that was negotiated with states and stakeholders in a settlement process. In your view, should that cost allocation apply to this 20-year requirement? Should PJM seek clarity that settled cost allocations could be presented in the compliance process to address this new compliance requirement? Or, in your view, should PJM open up the cost allocations associated with the new 20+year scenario-based planning process and not attempt to utilize the existing settled cost allocation? Why or why not?



Topic Two – Long-Range Scenario-Based Planning

- **PJMICC Response:**

- There has been a lot of litigation over the past 15 years, and we are just now achieving some greater predictability and acceptance of cost allocation methods
- The “roughly commensurate benefits” standard is the law of the land, and its specific application in cases has become better defined
- PJMICC supports continued refinement of that standard – any process changes (*e.g.*, a state agreement approach) could change the means to that end, but that end must prevail



Topic Two – Long-Range Scenario-Based Planning

PJM Question:

5. The NOPR at p. 96 requires that PJM identify, among other things, ‘local regulations’ that affect the future resource mix. How would PJM build-in to its long-term planning process responding to local regulations that some localities embrace but others do not? Should PJM comment on this compliance requirement?



Topic Two – Long-Range Scenario-Based Planning

- **PJMICC Response:**

- Reflecting “local regulations” in regional, long-range transmission planning is an ask that appears to exceed the bounds of reasonableness, especially when local regulations tend to ebb and flow rapidly based on prevailing local politics
- At the end of the day, transmission planning is focused only on delivering supply to load
- The factors that impact supply and load have evolved over time and will continue to evolve over time, driven primarily by the evolution of technology
- Regulators should not be trying to predict or prescribe in any Final Rule the myriad factors that impact the location/quantity of supply and the location/quantity of load
- Regulators should set the overarching standards of good utility practice, reliability, prudence, etc., and require that qualified engineers make objective, sound judgments about planning needs



Topic Two – Long-Range Scenario-Based Planning

PJM Question:

6. The NOPR does not define resilience or specifically require planning for resilience other than inclusion of extreme weather events or events associated with potential cyber attacks in the 20+ year scenario-based planning (See NOPR at p. 112). Should PJM comment on this point and if so, how would you recommend that planning for resilience be integrated into the existing process beyond the steps PJM has taken to date?

• PJMICC Response:

- We have to operate within the realm of the reasonably predictable and always remain cognizant of the cost consequences of the decisions that are made
- As PJMICC commented to FERC when the concept of resilience was first raised, NERC and its many stakeholders have spent decades focusing on resilience without necessarily adhering the “resilience” label
- Why does N-1, N-1-1, and N-2 contingency planning no longer suffice?



Topic Two – Long-Range Scenario-Based Planning

PJM Question:

7. The NOPR at pp. 127-128 requires us to publish draft ‘geographic zones’ for consideration which requires PJM to, among other things, develop ‘a method to assess generation developers’ commercial interest in the potential geographic zone looking at letters of credit associated with generation that may develop in the zone, leasing agreements, merchant commitments etc. Do you believe that this information is readily available such that this should be a compliance obligation on PJM? Do you believe that PJM’s identification of geographic zones should be a mandatory part of the long-range scenario-based planning process? The NOPR does not specify how such geographic zones are to be utilized. What should PJM say about this requirement?



Topic Two – Long-Range Scenario-Based Planning

- **PJMICC Response:**

- PJM has published information about the geographic distribution of the projects currently in its interconnection queue, and that information shows broad geographic distribution
- There is not, for example, 50,000 MWs of new generation clustered in the panhandle of West Virginia that needs an extension cord to connect to load in Eastern MAAC
- PJM’s own experience and actual evidence of developer interests undercuts this concept that “geographic zones” exist for new generation that require “extension-cord” transmission into load centers
- That is just not the reality in PJM, and PJM should continue to emphasize that point to FERC



Topic Three – Generator Interconnection

PJM Question:

8. FERC argues in the NOPR at p. 137 that the primary reason for developers removing projects from the queue was ‘sticker shock’. The FERC argues at p. 140 that ‘planning these upgrades exclusively through the interconnection process may result in a mismatch between the beneficiaries of the transmission upgrades and those to whom the costs are allocated.’ Do you agree with this conclusion? What would you recommend PJM say in response?



Topic Three – Generator Interconnection

- PJMICC Response:

- We oppose, in the strongest possible terms, elimination of the concept of a participant funding approach for generation interconnection cost allocation, which supports proper price signals
- Interconnecting generators need to understand the cost consequences of their locational siting decisions
- We are not opposed to better cost-sharing of network upgrades among interconnecting generators to avoid the “straw that broke the camel’s back” problem, but under no circumstances should the costs of network upgrades driven by new generation be borne, in the first instance and on a socialized basis, by load
- To the extent an interconnecting generator makes the right siting decision, operates efficiently, and remains competitive in the market, customers will be the beneficiaries of that generation, and the generation will recover (and customers will pay for) those network upgrade costs through energy, capacity, and ancillary service charges; and if a generator is not competitive, customers will not pay for the costs
- The concept of customers paying for new transmission to certain geographic zones – with no assurance that supply will ever match the capacity of that new transmission – violates every prevailing principle of cost-causation and beneficiaries pay that courts have adopted



Topic Three – Generator Interconnection

PJM Question:

9. FERC requires that we identify all interconnection upgrades that have been identified in at least two cycles in the preceding five years and identify whether there were specific upgrades that were not developed due to developer withdrawals of projects. NOPR at p. 142. Should PJM comment on the workability of this requirement? Should these upgrades be planned for in the instance where the developer withdrew the project that gave rise to this upgrade?

• PJMICC Response:

- If PJM perceives this as an unworkable requirement (as we do), then, yes, PJM should comment accordingly
- Transmission network upgrades that were unfunded due to developer withdrawals are not necessarily upgrades that should now be funded by customers
- There are myriad reasons why generation projects are withdrawn, and the identification of a transmission network upgrade as part of the generation interconnection process does not mean that the upgrade is necessary for any other purpose
- The current “but for” standard captures this dynamic



Topic Four – ROFR and the Joint Ownership Agreements

PJM Question:

10. At p. 289 FERC proposes that PJM review the joint ownership agreements that form the basis for a federal ROFR. They propose at p. 292 that PJM determine whether the agreement reflects ‘meaningful level of participation and investment in proposed facilities’. Do you believe this is an appropriate role for PJM? Should PJM comment on this newly assigned role proposed by FERC?



Topic Four – ROFR and the Joint Ownership Agreements

- **PJMICC Response:**

- As a threshold matter, the reinstatement of a Federal ROFR should not be part of any Final Rule
- The fact that FERC proposes to rely on its authority under FPA section 309, rather than FPA section 206, is telling
- Our view is that section 309 does not provide FERC with authority to do what it is proposing
- FERC should not only forego the reinstatement of a Federal ROFR, but it should also affirmatively preempt all state ROFRs that are designed and intended to shield incumbent TOs from competition
- As we have seen in PJM, NITS charges have skyrocketed in more than half the TO zones in PJM
- If substantial additional transmission is necessary (and we do not agree that it is), then FERC needs to double down on competition as a means of mitigating consumer impact, not shy away from it as it appears FERC is doing through its proposal to reinstate a federal ROFR



Topic Five – Load Planning

PJM Question:

11. FERC appears to require TOs to publicly propose a 10 year look of their in kind replacement projects of 230kV and above to make these a candidate for ‘right-sizing’. Do the TOs believe they have this information and are there any objections to providing it?

• PJMICC Response:

- Our preference is to lower the voltage threshold to include replacement of any facility that is booked to transmission
- What is magical about a 230-kv threshold in this context?





QUESTIONS?

