

Package A for End of Life Transmission Facilities

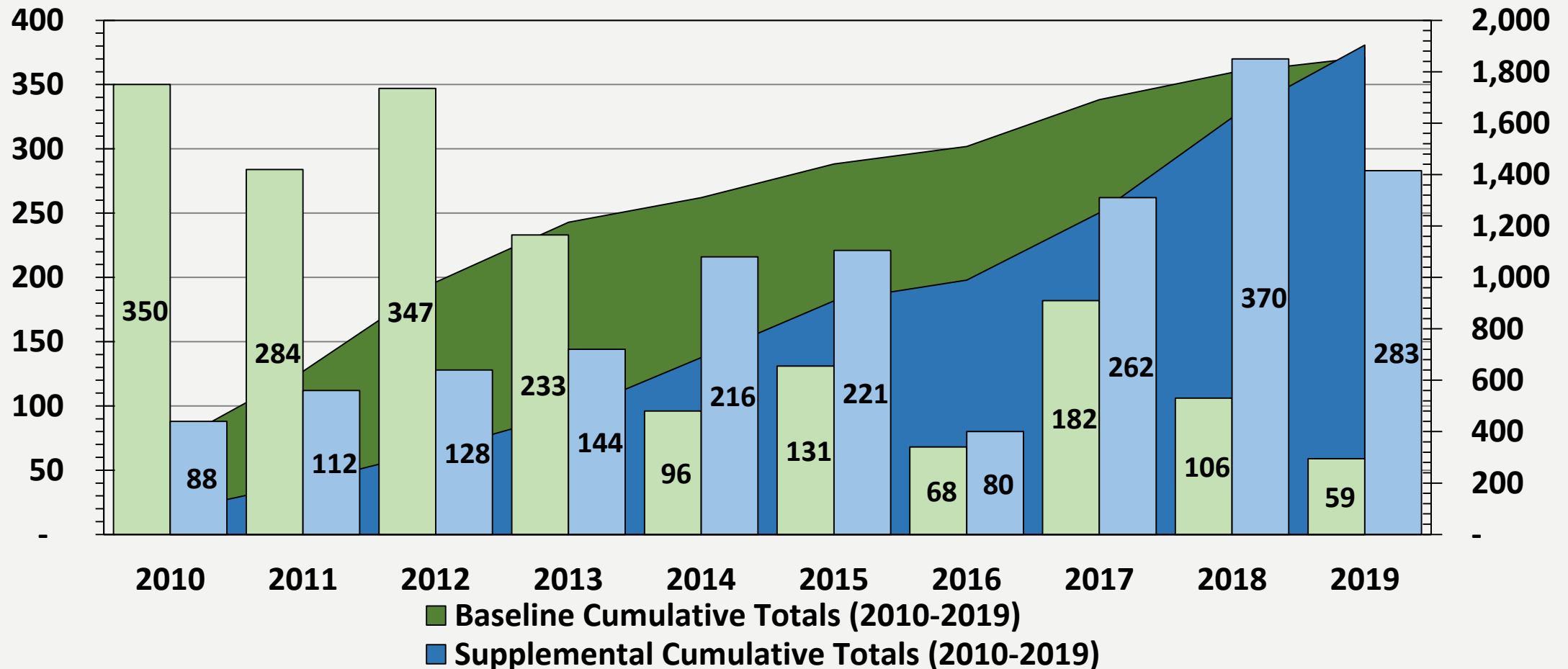
**Markets and Reliability Committee
May 28, 2020**

Package A alignment with the Issue Charge

- Improve transparency in EOL determination process
 - Establish requirements for an EOL determination process that coordinates with the PJM RTEP process
 - Determination of EOL is still a TO decision with stakeholder review for consistency with TO's EOL program
- PJM plans EOL projects once TO EOL Notification is made
 - Aligns TO EOL projects with existing Order 1000 competitive process
 - Allows PJM to plan for EOL replacement projects to ensure the Grid of the Future is being built
 - Developed Operating Agreement changes

Why this is so important...

Number of Baseline Vs. Supplemental Projects (2010-2019)



Package A Overview



Forward look-ahead process

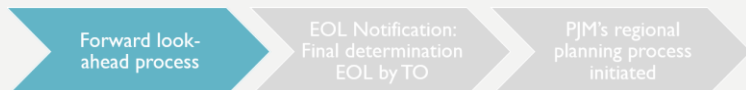
EOL Notification:
Final determination
EOL by TO

PJM's regional
planning process
initiated

Package A

Forward look-ahead process- EOL Condition

- TO specific, 10-year look-ahead program on all PJM Transmission Facilities for increased transparency to stakeholders
- TO presents their program on an annual basis to stakeholders and highlight any changes in approach from the previous year
- TO presents a list of look-ahead facilities on annual basis to advise stakeholders of likely future notifications (*non-binding*)

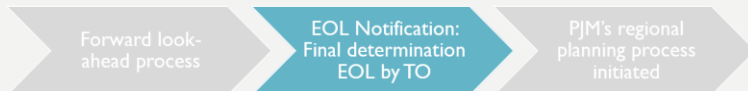


Transparency

Package A

EOL Notification: Final determination of EOL by each Transmission Owner

- TO specific EOL determination on all PJM Transmission Facilities
- TO provides EOL notification to PJM and stakeholders 6 years from EOL date
 - Compatible with current schedule for 5-year PJM RTEP planning models
 - Enables PJM to hold open window competition for EOL projects subject to applicable exclusions
- TO provides specific information to allow stakeholders to ensure determination was consistent with TO program

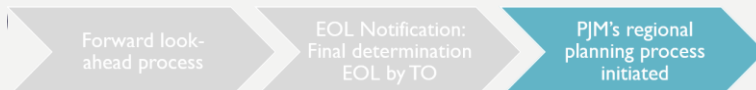


Transparency

Package A

PJM's regional planning process initiated

- Once EOL Notification provided, PJM regionally plans as part of RTEP
 - Existing governing documents clearly define that PJM plans the RTEP (Section 4 of the CTOA (Consolidated Transmission Owners Agreement))
- PJM, in its RTEP study processes, looks for solutions that now would include EOL needs from Transmission Owners and ensures no CIP-14-2 critical facilities are created
- Allows for EOL needs to be placed in competitive open windows and for EOL needs to be potentially combined with other needs, for most cost-effective solutions
 - Subject to competition exemptions under existing OA (i.e., Upgrades, State law, etc.)
 - EOL needs not subject to 200 kV reliability competition exemption
- Only PJM would have authority to alter in-service dates for EOL projects as they currently do for any RTEP project.



PJM Plans

Package A - OA Highlights

- PJM Stakeholders have the 205 rights to change the PJM Operating Agreement
 - No required changes to the Tariff or CTOA or conflicts with these Agreements
- Creates new definitions for EOL look-ahead transparency programs and EOL notifications by the TOs
- Revises definition of Supplemental Projects to align with new EOL definition
- Changes have been posted on the PJM website since April 23rd under the MRC

Let's be clear on Package A...

- Not part of Form 715 process; EOL projects become RTEP projects under Package A
- As with all RTEP projects, Stakeholders don't vote on EOL projects, TOs make this EOL decision, PJM plans
- Does not take away TO's right to maintain assets
 - Planning starts when TO determines a facility needs to be replaced/retired. TO is not required to use EOL, they can choose to continue to maintain their facilities instead.
- Does not conflict with CTOA or OATT
 - OA revisions are needed and give PJM the authority to plan EOL projects
 - CA Orders are not applicable
- No shift in liability to PJM
- Stakeholder proposal will not increase costs, should decrease costs
 - Will increase transparency and accountability
 - EOL projects eligible for competition should reduce costs
 - PJM will plan for least cost/best option, saves costs
- Stakeholder proposal should lead to fewer Supplemental Projects
- Provides improved clarity and timeliness for the generation queue as PJM will be able to establish Required/Need by in-service dates for all EOL driven Baseline projects

PJM Package vs. The Issue Charge

IMPROVE TRANSPARENCY- **NO**

- No forward-looking information from the TOs on future EOL projects
 - Limits ability of stakeholders to know about future EOL projects from their TO
- No requirement for the PJM and/or the TOs to share EOL list with stakeholders
 - Where is the accountability on the TOs to follow their own processes?
- Allows TOs to continue to use the M-3 process to submit their EOL projects
 - Immediate Needs projects will continue, very minimal open windows for EOL competition
Per Brattle Report, transmission competition saves 30%
 - FERC issued a Show Cause Order against PJM in October 2019 related to its use of its Immediate Needs competition exemption - awaiting FERC decision

PJM Package vs. The Issue Charge

PJM PLANS EOL PROJECTS- **NO**

- PJM will plan for the voluntary 5-year notices ONLY if:
 - There is a related PJM reliability open window violation (above 200kV), and
 - The EOL need can be combined with a PJM open window reliability violation, and
 - The EOL project is over 200 kV, and
 - The EOL project relates only to poles and wires (not substation equipment, including transformers)
- From 2015-2019 for PJM reliability violation projects, less than 8% of projects reliability open window projects and then the TO must offer in an EOL candidate project in the same location and for the same RTEP year
- For every EOL project not chosen by PJM, the EOL project will be planned by the TO under the current M-3
 - Average timeframe for EOL project identification under M-3 is 2.1 years, allows for continued open widow exclusion (immediate need) by the TOs

May 2020 TOs 205 Proposal-Why?

- Same as with PJM's Package but is memorialized in OATT under M3 giving the TOs total control over most of the transmission planning that will occur in the future.
- Means that the PJM Package, as advanced by the PJM Transmission Owners, could be filed at FERC sometime after June 8, 2020
- If PJM stakeholders want their voices heard at FERC, then Package A need to gets a super majority of votes today or it will just be the TO Proposal that gets filed at FERC
- With the pending 205 Filing by the PJM Transmission Owners, the TOs will have circumvented the PJM CBIR process

Conclusions

PJM's Proposal

- Almost zero transparency
- Allows the TOs to continue to plan the vast majority of EOL transmission projects
- Does not coordinate EOL projects with the RTEP process so PJM will continue to have to “retool” their generation queue for EOL projects
- Fails to meet PJM's mission to be “the electric industry leader – today and tomorrow – ...in infrastructure planning”
No Grid of the Future

Stakeholder Proposal

- Increases transparency with the 10-year look-ahead
- Improves transparency and consistency amongst PJM market functions with coordination within the RTEP timeline
- Allows for Order 1000 competition for EOL projects, lowers costs to ratepayers
- PJM has the authority to alter in service dates to meet their needs (current situation)
- Improves the overall transmission system performance because PJM is planning EOL projects