

# ISAC and Order 1000

Incorporating Consideration of Transmission Needs Driven by Public Policy Requirements  
in the Regional Transmission Planning Process

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Independent State Agencies Committee

March 27, 2023



# ISAC Creation

In accepting the initial tariff language describing ISAC, FERC wrote that

“PJM’s proposed [Operating Agreement] revisions establish that the role of the Independent State Agencies Committee is to provide input to the PJM planning process.”

“Moreover, this filing is not seeking to implement Order No. 1000.”

[ER12-1178](#) - Apr. 30, 2012 - 139 FERC ¶ 61,080.



# PJM OA - Schedule 6, 1.5

PJM shall facilitate periodic meetings with the Independent State Agencies Committee to discuss:

- *the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities;*
- **regulatory initiatives**, as appropriate, including state regulatory agency-initiated programs, and other Public Policy Objectives, to consider including in PJM transmission planning analyses;
- 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
- alternative **sensitivity studies**, **modeling assumptions** and **scenario analyses** proposed by Independent State Agencies Committee.

PJM shall also discuss the current status of the enhancement and expansion study process.

PJM 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.



# Order 1000 Transmission Planning Requirements

In particular, regarding regional transmission planning, Order No. 1000 amended the transmission planning requirements of Order No. 890 to require that each public utility transmission provider:

- (1) participate in a regional transmission planning process that produces a regional transmission plan;
- (2) amend its OATT to describe procedures for the consideration of transmission needs driven by public policy requirements established by local, state, or federal laws or regulations in the local and regional transmission planning processes;*
- (3) remove federal ROFRs from Commission-jurisdictional tariffs and agreements for certain new transmission facilities; and
- (4) improve coordination between neighboring transmission planning regions for new interregional transmission facilities.

“By incorporating public policy requirements and initiatives at the assumptions stage of the RTEP process and as part of its enhancement and expansion studies, PJM considers how public policy requirements and initiatives contribute to transmission system needs.”  
142 FERC ¶ 61,214 at P 111.



# PJM Compliance 10/25/2012

## In its first compliance filing, PJM wrote

“PJM’s *Explicit Identification and Evaluation of Public Policy Requirements and Public Policy Objectives* – “PJM has expanded the current planning process to consider all direct submissions of proposed public policy to be studied at the assumptions stage of the RTEP process by states via the ISAC and stakeholders through the TEAC. These submissions will then form the basis for what is considered in the development of scenarios and ultimately can be factored in to the selection of the optimal reliability and market efficiency projects. These explicit policies for the submission and consideration of Public Policy Requirements and Public Policy Objectives were set forth in PJM’s section 205 filing in Docket No. ER12-1178 and accepted, subject to compliance, by the Commission in its April 30 Order.”

“Although PJM had previously engaged with its state commissions, this amendment to its RTEP process memorialized PJM’s commitment to meet regularly with state representatives, not limited to state commissions, to facilitate their involvement in the PJM planning process to encourage greater input from the states and to better integrate individual state needs into the regional plans.”

ER13-198-000 (Oct. 25, 2012).



# PJM Compliance Role of ISAC

In it's first compliance filing, PJM wrote

***“Processes for Direct State Input on Public Policy Requirements and Public Policy Objectives.*”**

PJM worked with its state commissions through OPSI to form an Independent State Agencies Committee (“ISAC”) comprised of interested state agencies within the PJM Region. The purpose of the ISAC is to provide a forum for state agencies to participate in all aspects of the review and development of the RTEP. ***The ISAC will provide a vehicle for the state agencies to submit input into the assumptions to be used in performing the evaluation and analysis of potential transmission needs, including Public Policy Requirements.***

***ISAC has already offered suggested scenarios for PJM’s study, including “at risk” generation, off-shore wind and RPS scenarios.*** This approach is consistent with the Commission’s desire to have state commissions actively participate in the identification of transmission needs driven by Public Policy Requirements.”

ER13-198-000 (Oct. 25, 2012).



# Incorporating Consideration of Transmission Needs Driven by Public Policy Requirements in the Regional Transmission Planning Process

FERC wrote in its [first compliance order](#),

“By incorporating public policy requirements and initiatives at the assumptions stage of the RTEP process and as part of its enhancement and expansion studies, PJM considers how public policy requirements and initiatives contribute to transmission system needs.

*PJM, along with the TEAC, ISAC, and Subregional RTEP Committees, facilitates assumptions meetings, during which PJM develops the assumptions it will use to evaluate and analyze potential enhancements and expansions to the transmission system.*

Through PJM’s sensitivity studies and scenario analyses, the assumptions that PJM and its stakeholders develop yield specific transmission system needs.

From this set of transmission system needs, which reflects PJM’s consideration of public policy requirements and initiatives, PJM evaluates potential solutions and selects “the optimal reliability and market efficiency projects” for an identified transmission need.”

142 FERC ¶ 61,214 at P 111.



# Cost Allocation, Briefly

## FERC summary of First Compliance Order

“In the First Compliance Order, the Commission accepted PJM Transmission Owners’ proposal to apply the cost allocation methods for Reliability and Economic Projects to transmission facilities that also address public policy requirements. The Commission stated that Order No. 1000 does not explicitly require a separate and unique cost allocation method for reliability, economic, and public policy projects. The Commission explained that because it has found that PJM’s proposal to include public policy requirements in its sensitivity analyses complies with Order No. 1000, and therefore addresses transmission needs driven by public policy requirements, there is no need for a separate cost allocation method associated with a non-existent project category. Thus, the Commission concluded that PJM does not need a separate regional cost allocation method for projects to address transmission needs driven by public policy requirements, as the costs of such projects are appropriately allocated based on the type of transmission need that PJM’s consideration of public policy requirements creates.”

147 FERC ¶ 61,128 at P 383.

“We deny requests for rehearing and clarification. We affirm the finding in the First Compliance Order that PJM ‘does not need a separate regional cost allocation method for transmission projects that address transmission needs driven by public policy requirements.’”

147 FERC ¶ 61,128 at P 389.

## State Agreement Approach

“The State Agreement Approach is a voluntary approach to project selection and cost allocation. If any state or group of states that support a transmission project under the State Agreement Approach believes that another state’s public policies are being inappropriately subsidized as a result, they are under no affirmative obligation to continue pursuing the transmission project. PJM’s October 25 Filing adequately plans for public policy requirements in its RTEP process and will include general public policy project benefits within the confines of the reliability or economic cost allocation method....” To the extent that states believe “that a transmission project would result in costs being allocated to a non-sponsoring state, we find that discussion in the Independent State Agencies Committee (ISAC) or at the Organization of PJM States, Inc. would be more appropriate avenues through which to address its concerns.” 142 FERC ¶ 61,214 at P 444.

“We find PJM’s proposed State Agreement Approach is not needed for PJM to comply with the provisions of Order No. 1000 addressing transmission needs driven by public policy requirements.” 142 FERC ¶ 61,214 at P 142.





# Compliance on ISAC ‘Validation’ of Public Policies

## FERC summarized

“In the Second Compliance Order, the Commission directed PJM to incorporate into its OATT changes proposed by the Maryland Public Service Commission, as modified by PJM, to make clear that the PJM OATT did not impose an obligation on the Independent State Agencies Committee to validate or assess and prioritize the public policies that individual states adopted. In their compliance filing, PJM Parties propose revisions to make clear that the PJM OATT does not impose such obligations on the Independent State Agencies Committee. We find that PJM Parties’ proposed revisions comply with the directives in the Second Compliance Order.”

150 FERC ¶ 61,038 at P 17.



# Determination of Range of Assumptions

OA, Schedule 6, 1.5.6(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;

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,**

1. **the statement of Public Policy Requirements** provided individually by the states **and**
2. **any state member's assessment or prioritization** of Public Policy Objectives proposed by other stakeholders.

## Public Policy Objectives:

"Public Policy Objectives" shall refer to Public Policy Requirements, as well as public policy initiatives of state or federal entities that have not been codified into law or regulation but which nonetheless may have important impacts on long term planning considerations.

## Public Policy Requirements:

"Public Policy Requirements" shall refer to policies pursued by: (a) state or federal entities, where such policies are reflected in duly enacted statutes or regulations, including but not limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations; and (b) local governmental entities such as a municipal or county government, where such policies are reflected in duly enacted laws or regulations passed by the local governmental entity.



# Inclusion of Assumptions Explanation of Determination

OA, Schedule 6, 1.5.6(b)

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.**

