



# Understanding the PJM OATT, OA and Related Agreements

Transmission Replacement Processes  
Senior Task Force Meeting  
June 3, 2016

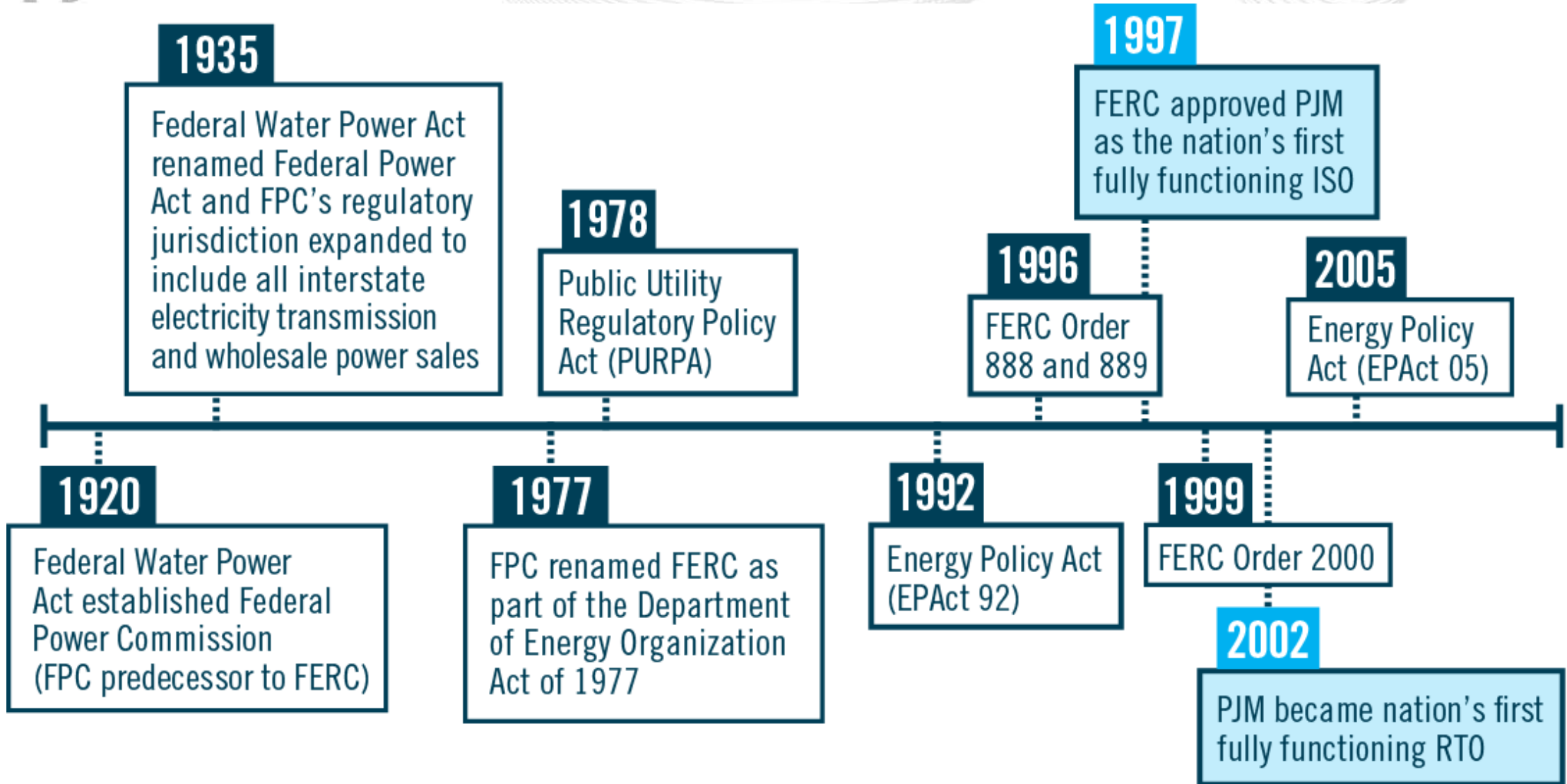
# Overview of the PJM's Governing Documents,

Order No. 888

Order No. 890

Order No. 1000

*The Atlantic City Decision*



- Order No. 888 in 1996 – Requires open access to transmission facilities to address undue discrimination and to bring more efficient, lower cost power to the Nation's electricity consumers
- Order No. 890 in 2007 – Requires coordinated, open and transparent regional transmission planning processes to address undue discrimination
- Order No. 1000 in 2011 – Requires transmission planning at the regional level to consider and evaluate possible transmission alternatives and produce a regional transmission plan – Requires the cost of transmission solutions chosen to meet regional transmission needs to be allocated fairly to beneficiaries 3 Order No. 1

- Basic Principle – Build the transmission system to meet the needs of open access customers
- Determined the public interest would be best served by a competitive wholesale market
  - Deliverable: Provided for a non-discriminatory and open access transmission system
- Encouraged formation of independent system operators (ISOs)

- Required All Transmission Owners:
  - To file “open access non-discriminatory transmission tariffs”
  - To provide transmission service for TO’s own wholesale sales on the same terms as provided in tariffs
  - To provide real-time information system for purchasing non-discriminatory transmission service
  
- Allowed Transmission Owners to recover stranded costs through their tariffs

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- Drastic increase in wholesale sales
- Rise of power marketers
- Increases in new independent power producer generation
- NO Corresponding increase in investment in transmission facilities



- Order No. 888-A
  - Encouraged joint planning
  - Did not require transmission providers to coordinate with either their network or point-to-point customers in transmission planning
  - Did not publish the criteria, assumptions, or data underlying their transmission plans

- **Purpose:**
  - Strengthen the pro forma OATT to ensure that it achieves its original purpose of remedying undue discrimination
  - Provide greater specificity in the pro forma OATT to reduce opportunities for the exercise of undue discrimination, make undue discrimination easier to detect and facilitate the Commission's enforcement
  - Increase transparency in the rules applicable to planning and use of the transmission system

- Each transmission provider must participate in a coordinated, open and transparent planning process on both a local and regional level
- Each transmission provider's planning process must meet the Commission's **nine planning principles** which are: coordination, openness, transparency, information exchange, comparability, dispute resolution, regional coordination, economic planning studies, and cost allocation
- Each transmission provider must describe its planning process in its tariff
- The Commission will allow regional differences in planning processes.

- Basic Planning Requirements:
  - Requires a more open, transparent, inclusive planning process
  - Requires all transmission providers to file a new attachment to their OATT containing their transmission planning process
  - Requires that the transmission planning is memorialized in the OATT must follow 9 Transmission Planning Principles 9 Transmission Planning Principles ...

## FERC Order No. 1000

- Order No. 890. Compliance with nine (9) regional planning principles.
- Public Policy Requirements (PPR). Consideration of Transmission Needs Driven by PPR (*Identify and Evaluate* but No Obligation to Evaluate Potential Transmission Solutions).
- Right of First Refusal (ROFR). Remove tariff provisions granting an incumbent transmission owner a federal ROFR.
- Non-Incumbent Developers. Develop criteria for non-incumbent developers to be designated construction responsibility of RTEP facilities.
- Interregional Coordination. Required Transmission Providers to develop a process to identify and jointly evaluate interregional transmission facilities.
- Regional and Interregional Cost Allocation. Transmission Providers must comply with the six cost allocation principles.

## FERC Order No. 1000

## Regional Update

## What Did PJM Need to Change to Comply?

- Compliance with Order No. 890 Planning Principles: Clarified compliance with Order No. 890 comparability principle.
- Consideration of PPR:
  - Removed Bright-Line Test (Docket No. ER12-1178).
  - Added Scenario Analyses at Assumptions Stage.
  - Added State Agreement Approach.
- ROFR: Adopted a time-based exception v. solution-based exception process using three new project categories:
  - Immediate-need Reliability Projects;
  - Short-term Projects; and
  - Long-lead Projects.
- Opportunity for Non-incumbent Developers: Adopted a project proposal window process.

- The *Atlantic City* Decision as memorialized in sec. 9 of the Tariff provides that:
  - Transmission Owners shall have the exclusive, unilateral rights to make filings under Section 205 of the FPA in or relating to the establishment and recovery of the Transmission Owners' transmission revenue requirements and the transmission rate design under the PJM Tariff
  - The TOs' rights include any provision of the PJM Tariff governing the recovery of transmission-related costs incurred by the Transmission Owners