**UNITED STATES OF AMERICA**
**BEFORE THE**
**FEDERAL ENERGY REGULATORY COMMISSION**

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| **PJM Interconnection, L.L.C.** | **:** | **Docket No. EL19-91-000** |

## ANSWER BY PJM INTERCONNECTION, L.L.C. TO COMMENTS

Pursuant to Rule 213[1] of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission" or "FERC"), PJM Interconnection, L.L.C. ("PJM") submits this answer to certain comments filed in this docket to PJM's December 27, 2019 response[2] to the Commission's Order Instituting Section 206 Proceedings[3] to consider how the exemption for immediate-need reliability projects ("immediate-need exemption" or "exemption") is being implemented by PJM, ISO New England, Inc. ("ISO-NE"), and Southwest Power Pool, Inc. ("SPP").

## I. ANSWER TO COMMENTS

### *A. The Immediate-need Reliability Exemption Continues to be Necessary to Ensure Safe and Reliable Operations and Should Not Be Eliminated or Replaced with a Case-by-Case Approach*

In comments filed in this docket, one commenter asserts that the Commission should eliminate PJM's immediate-need reliability exemption and replace it with a case-by-case determination by the Commission before PJM could designate an immediate-need reliability

[1] 18 C.F.R. § 385.213 (2019).

[2] *PJM Interconnection, L.L.C.*, Response to Order Instituting Section 206 Proceedings, Docket No. EL19-91-000 (Dec. 27, 2019).

[3] *ISO New England, Inc., et al.*, 169 FERC ¶ 61,054 (Oct. 17, 2019) ("Show Cause Order").

project to a transmission owner.[4] Another commenter recommends the blanket elimination of the immediate-need exemption "without exception."[5] PJM disagrees.

The proposal to substitute the exemption with case-by-case determinations by FERC has far reaching ramifications given the holistic nature of PJM's planning process and its synergies with PJM's overall operations and market design. For example, under PJM's annual planning cycle, the baseline studies must be completed and compliant with reliability criteria prior to the start of the next year's regional transmission expansion plan ("RTEP") studies. In addition, completion of the baseline studies is critical to other activities in the following year. For example, an incomplete baseline model at the end of a year would interfere with the provision of service under the interconnection queue for generator and merchant interconnection projects and transmission service customers as they rely upon a "clean" baseline model at the beginning of each year to identify any violations caused by their project. Also, failure to complete the baseline model for short-term issues by January each year would send inappropriate pricing signals to the market for the Baseline Residual Auction.

Moreover, the Commission's orders issued in response to PJM's Order No. 1000 compliance filings have always recognized the need for a balanced approach between holding a competitive solicitation process where feasible with ensuring that the requirements of Order No. 1000 do not hinder the transmission provider's ability to meet real short-term deadlines to address imminent reliability needs.

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[4] *PJM Interconnection, L.L.C.*, Response of LSP Transmission Holdings II, LLC, Docket No. EL19-91-000 at 3, 4 (Jan. 27, 2020) ("LS Power Comments").

[5] *PJM Interconnection, L.L.C.*, Answer and Motion for Leave to Answer of the Independent Market Monitor for PJM, Docket No. EL19-91-000 at 2 (Feb. 12, 2020) ("IMM Answer").

Immediate-need reliability projects remain an important component of PJM's RTEP process. It is inevitable that given changing load patterns, generator deactivation requests and system topology, reliability criteria violations will arise in three years or less as the result of unanticipated system conditions that were not known or knowable in earlier planning cycles and cannot be timely resolved if subject to the competitive window process. Thus, PJM approached its Order No. 1000 compliance filing with the goal of satisfying the Commission's Order No. 1000 requirements by advancing transparency and competition while at the same time ensuring that: (i) PJM maintains the reliability of the transmission system even in the face of unforeseen system changes; and (ii) the transmission owners will always be able to satisfy their reliability and service obligations.

PJM's implementation of the immediate-need exemption has improved substantially and PJM continues to improve its processes. PJM's 2019 list of immediate-need reliability projects reported to the Commission on January 31, 2020 in Docket No. ER13-198-000 certainly demonstrates PJM's efforts, working with transmission owners and other stakeholders, to ensure that the exemption is properly construed and limited in its application. Specifically, for 2019, PJM reported only eight immediate-need reliability projects consisting of eleven baseline upgrades that were exempted from PJM's competitive proposal window process as Immediate-need Reliability Projects and designated to the incumbent transmission owner.[6]

PJM's five-year base cases must accurately reflect known needs and planned projects. Accordingly, PJM has worked internally, as well as with the transmission owners, to improve its

[6] *PJM Interconnection, L.L.C.*, 2020 Informational Filing, Docket No. ER13-198-000 at 2 (Jan. 31, 2020) (reporting eight RTEP Projects consisting of eleven baseline upgrades).

implementation processes in evaluating reliability needs that qualify under the immediate-need exemption. To that end, in 2018 and 2019 PJM implemented the following improvements:

- Improved the modeling and testing regarding the projects reinforcements and upgrades planned on the system. By way of example, by improving its modeling and testing of the reinforcements for the short circuit models, PJM was able to better identify short circuit concerns that could have potentially resulted in immediate-need reliability projects.[7]

- Worked with the transmission owners to improve the alignment of the modeling they submit for the baseline upgrades and supplemental projects.

- Worked with the transmission owners to improve their submission of system information including planned modifications to be included in the five-year planning models.

- Improved internal processes to evaluate whether a violation first identified in three years or less should be classified as an immediate-need or could be included in the five-year case.

- Applied more structure to the analysis process by taking a more holistic view of the violations identified. This approach has helped to reduce the number of violations identified as immediate-need.

As illustrated in the chart below, the number of baseline upgrades required to address needs identified in three years or less has decreased. PJM continues to work internally, and with the transmission owners, to require timely information regarding the topology of the system, including any known changes or projects.

[7] PJM cautions that this improvement will not eliminate the potential for PJM to identify new violations as a result of engineering and design of final reinforcements that may qualify under the immediate-need exemption.


### *B. There is No Basis in the Record for the Commission to Direct a Blanket "Seven Years Out" Requirement on End of Life Information.*

LS Power recommends that the Commission mandate that end of useful life information relative to all transmission facilities under PJM's operational control be brought to PJM "on an annual basis looking [seven] years out."[8] However, LS Power proffers no basis for seven years out. Nor is there any basis for a seven-year requirement in PJM's governing documents or manuals.

On an annual basis, PJM uses a five-year model to evaluate reliability needs and to make planning decisions, including decisions regarding whether to pursue the construction of new/improved transmission facilities.[9] Simply put, PJM's reliability analysis looks five years forward. Information provided to PJM further out is used only to determine whether there may be a need for new 230 kV or 345 kV transmission facilities associated with load growth (looking eight

[8] LS Power Comments at 6.

[9] *See* PJM Manual 14 B: *PJM Region Transmission Planning Process*, Revision: 46 at 34 and Attachment B (Aug. 28, 2019).

years forward) or new 500 kV or greater transmission facilities associated with load growth (looking 12 years forward). Seven years forward is not a meaningful timeframe in the PJM planning process. The five-year planning horizon will capture more near-term problems; thus, decreasing immediate-need reliability projects.

PJM will continue to work to ensure that all system topology changes known to the transmission owners are submitted to PJM for inclusion in the five-year models.[10] Furthermore, consistent with recommendations submitted by commenters,[11] PJM will examine each proposed immediate-need reliability project to determine whether it qualifies for the immediate-need exemption, or whether it could be included in the five-year RTEP planning process. Finally, there is no reason to single out end of useful life information from all five factors[12] identified by PJM in its December 27 Response to the Show Cause Order that could drive an immediate reliability need.

### *C. The More Accurate the Five-Year Base Case, the Less Likely There will be Immediate-need Reliability Projects*

PJM recognizes the importance of receiving from transmission owners and including in the five-year models complete and timely information relative to transmission topology. The more accurate and complete the information, the less likely there will be any meaningful number of reliability violations identified in three years or less that will qualify as immediate-need reliability

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[10] *See PJM Interconnection, L.L.C.*, Comments of American Municipal Power, Inc., Docket No. EL19-91-000 at 6 (Jan. 27, 2020) ("AMP Comments") (recommending the Commission direct PJM to improve the RTEP load models through more frequent and accurate changes in load projections resulting from modifications of distribution system load).

[11] *See, e.g., PJM Interconnection, L.L.C.*, Comments of Old Dominion Electric Cooperative on Response of PJM Interconnection, L.L.C. to Order Instituting Section 206 Proceedings, Docket No. EL19-91-000 at 8 (Jan. 27, 2020) ("ODEC Comments") (urging the Commission to require PJM to provide sufficient detail regarding the need for the immediate-need reliability project, why it is time-sensitive and why it was not identified earlier); *see also*, AMP Comments at 6.

[12] *PJM Interconnection, L.L.C.*, Response to Order Instituting Section 206 Proceedings, Docket No. EL19-91-000 at 17 through 23 (Dec. 27, 2019) (identifying the following five factors that contributed to the number of immediate-need reliability projects reported to the Commission: (i) generator interconnection customer decisions; (ii) generator owner decisions to deactivate their generating facilities; (iii) changes to the distribution of load to accommodate local system needs; (iv) transmission owner end of useful life decisions and (v) operational performance issues.

projects exempted from the competitive window process. To that end, PJM will continue to require a showing that a violation identified in three years or less represents a legitimate emergent reliability issue that was not known five years out.[13]

### *D. PJM Is Working to Address the Concerns Raised by the New Jersey Board of Public Utilities ("NJ BPU")*

The NJ BPU also calls for a narrowing of the immediate-need exemption.[14] Although PJM has demonstrated that it is working, and will continue to work, to narrow the application of the exemption by improving the efficacy of the five-year model and thus ensuring that it is only utilized for projects that are truly needed on an immediate basis, the NJ BPU's proposed changes to the exemption are not appropriate at this time.

As noted above, PJM made adjustments to the way in which it implemented this exemption; and, as is evident in its 2020 Informational Report, PJM substantially reduced the number of immediate-need reliability projects listed in its 2020 Informational Report. Additionally, and as stated hereinabove, PJM is committed to further improve its implementation of the exemption.[15]

The NJ BPU also seems to challenge PJM's use of the Transmission Expansion Advisory Committee ("TEAC") and Subregional RTEP Committee processes to publicly notify stakeholders of PJM's identification of potential reliability violations, including violations identified as needed in three years or less, and its decision to exempt reliability concerns that qualify as immediate-need reliability projects. Under the TEAC and Subregional RTEP processes, PJM seeks to notify

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[13] AMP's assertion that PJM utilizes a five-year out RTEP model (including projects on the distribution system that PJM is aware have in-service dates within the five-year model) and then scales load down to three-year out projections is incorrect. In fact, PJM uses a case developed to include specific topology, generation and load forecast three years into the future to determine projects needed three years out that qualify as an immediate-need reliability project. By using a three-year out case, PJM ensures that any tests used to determine if a project is needed in three years or less is based on expected topology in that three year timeframe. *See* AMP Comments at 5, 6.

[14] *PJM Interconnection, L.L.C.*, Comments of the New Jersey Board of Public Utilities, Docket No. EL19-91-000 at 3 (Jan. 27, 2020).

[15] *See supra* at 3, 4.

stakeholders of such needs and solutions on multiple occasions in order to afford them an opportunity to comment on and potentially challenge violations and solutions that are exempted as immediate-need reliability projects. At a minimum, stakeholders have at least one month, and more likely in excess of two months, during which they can submit comments on projects, including immediate-need reliability projects, vetted at both the TEAC and the Subregional RTEP Committees.[16] In addition, as a general rule stakeholders have approximately thirty (30) days during which to submit comments on projects recommended by the TEAC to be submitted to the PJM Board of Managers ("PJM Board") for approval in the RTEP. Any written comments submitted through either the Planning Community website page or letters sent to the PJM Board via email are publicly posted on the Planning Community page or the PJM website as ex parte communications to the PJM Board.

Finally, in response to NJ BPU's concern that PJM did not directly respond to the Commission's question regarding its approval of the Flint Run 500 – 138 kV substation project ("Flint Run"), PJM provides the following explanation. The Flint Run project in West Virginia involved increased load at both an existing site and a new site to process natural gas produced from Marcellus shale.[17] The transmission owner received a load request from an existing customer, to

[16] In the Show Cause Order (at P12), the Commission states that PJM does not provide a defined period for stakeholders to comment on immediate-need reliability projects. In support of its observation, the Commission cited to its Order on PJM's First Order No. 1000 Compliance Filing. *See PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 at P 248 (Mar. 22, 2013) ("March 22 Order"). However, review of the March 22 Order simply requires that "stakeholders must be permitted time to provide comments" in response to PJM's posting on its website explaining its decision to designate an incumbent transmission owner as the entity responsible for construction and ownership of the project, other transmission or non-transmission options considered but were found insufficient to address the immediate reliability need, the circumstances that generated the immediate reliability need and an explanation of why that immediate reliability need was not identified earlier. That "comment period" is the same comment period available to all stakeholders for all potential reliability violations or system needs identified by PJM at the TEAC and solutions presented for recommendation to the PJM Board for approval.

[17] As PJM understands, the load growth was located at the MarkWest Sherwood Complex in Doddridge County, West Virginia. The Complex has 2.2 billion standard cubic feet per day of processing capacity making it the largest gas-processing facility in the country.

expand its load needs, notified PJM of this anticipated increased load growth, and requested an in-service date to accommodate the load need. Based on PJM's analysis of the increased customer load expectations, PJM identified potential generation deliverability, N-1 thermal and N-1 low voltage violations if no upgrades were identified to address the increased load. PJM reviewed the conditions that resulted in the identified reliability criteria violations, the potential solution required, and the construction timeframe and determined there was insufficient time to hold a shortened proposal window.[18] The immediate-need reliability project was then presented to the TEAC where no objections were received. Such a determination was based on when the project was needed, not the size of the project.

## II. CONCLUSION

WHEREFORE, for the foregoing reasons, PJM respectfully requests that the Commission consider this answer in response to comments submitted in this docket.

Respectfully submitted,

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[18] Operating Agreement, Schedule 6, section 1.5.8(m)(1).

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on those parties on the official Service List compiled by the Secretary in these proceedings.

Dated at Audubon, Pennsylvania this 26th day of February, 2020.

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