

**Notice of Transmission Owners Consultation with the Members Committee
Regarding Proposed Amendments to
Schedule 12, Section (b)(iii)(A) of the PJM Tariff**

November 7, 2024

Pursuant to section 7.3.2 of the CTOA and section 9.1(b) of the PJM Tariff,¹ the PJM Transmission Owners Agreement Administrative Committee (“TOA-AC”) hereby initiates a 30-day consultation period with PJM and the PJM Members Committee with regard to proposed changes to Schedule 12, section (b)(iii)(A) of the PJM Tariff (the “Proposed Schedule 12 Amendments”).

Background

Schedule 12, section (b)(iii) of the PJM Tariff details the solution-based distribution factor (“SBDFAX”) methodology that PJM uses for purposes of the assignment of cost responsibility for reliability projects planned under the PJM Regional Transmission Expansion Plan (“RTEP”).

On December 31, 2020, the Long Island Power Authority and Neptune Regional Transmission System, LLC (“LIPA/Neptune”) filed a complaint with the Federal Energy Regulatory Commission (“Commission”) (the “Complaint”). The Complaint challenges the 1% de minimis threshold and netting provisions of the SBDFAX method as unjust and unreasonable. The Complaint is pending before the Commission under Paper Hearing procedures in Docket No. EL21-39.

On April 11, 2022, the PJM Transmission Owners (“PJM TOs”), in Docket No. ER22-1606, acting through the CTOA, submitted for filing an amendment to Schedule 12, Section (b)(iii)(A)(6) of the PJM Tariff to revise the SBDFAX methodology used for assignment of cost responsibility for Reliability Projects identified in the PJM RTEP.

On June 10, 2022, the Commission issued an Order accepting and suspending the PJM TOs’ proposed tariff revisions, effective June 11, 2022 subject to refund, establishing paper hearing procedures, and consolidating Docket Nos. EL21-39-000 and ER22-1606 (“Consolidated Proceeding”).²

After settlement discussions with LIPA/Neptune, certain PJM Transmission Owners (the “Sponsoring Transmission Owners”) have identified modifications to Schedule 12 that will form the basis of settlement of the Consolidated Proceeding.

The Proposed Schedule 12 Amendments

In order to settle the Consolidated Proceedings, the Sponsoring Transmission Owners are proposing to modify Schedule 12 in three respects.

¹ Unless otherwise indicated, capitalized terms have the meaning set forth in the CTOA or the PJM Tariff.

² *PPL Elec. Utils. Corp. et al.*, 179 FERC ¶ 61,176 (2022).

First, they propose to add new section (b)(iii)(A)(7) to Schedule 12. The proposed new section provides:

(7) For any Transmission Enhancement Charges determined based on the DFAX Analysis for Reliability Projects, as set forth in this section (b)(iii) of this Schedule 12, each Merchant Transmission Facility shall be considered a Responsible Customer in the Zone to which it is interconnected and shall be assigned a share of the Transmission Enhancement Charges assigned to Responsible Customers in such Zone based on the ratio of the Merchant Transmission Facility's Firm Transmission Withdrawal Rights, as determined in accordance with section (b)(iii)(A)(3) and used in accordance with section (b)(iii)(H)(2), to the sum of the applicable interconnected Zone's peak load as used in the base case of the most recent Regional Transmission Expansion Plan approved by the PJM Board, in accordance with section (b)(iii)(H)(2), plus all Firm Transmission Withdrawal Rights for all Merchant Transmission Facilities interconnected with such Zone, as determined in accordance with section (b)(iii)(A)(3) and used in accordance with section (b)(iii)(H)(2).

The purpose of this new section (7) is to incorporate Merchant Transmission Facility FTWRs into the Zone with which they are interconnected for purposes of determining their cost allocation assignments of transmission upgrades using the SBDFAX cost allocation methodology described in Schedule 12.

Second, the Sponsoring Transmission Owners propose to add new section (b)(iii)(A)(8) to Schedule 12. The proposed new section provides:

(8) Notwithstanding any other provision herein, each Merchant Transmission Facility shall have the right to elect to have its Transmission Enhancement Charges based on the DFAX analysis for Reliability Projects, as set forth in this section (b)(iii) of this Schedule 12, determined separately from the Zone to which it is interconnected if a material modification is made to the boundaries of that Zone. A Merchant Transmission Facility shall have three (3) years from the date a material modification to the Zone to which it is interconnected becomes effective to make this election.

The purpose of this new section (8) is to provide Merchant Transmission Facilities with a limited right to elect to opt out of the treatment specified in new section (7), but only in circumstances involving a material modification to the boundaries of the Zone to which they are interconnected.

Third, the Sponsoring Transmission Owners propose to revise the 1% de minimis rule, as set forth in Schedule 12, section (b)(iii)(A)(6), to add the following:

For a Required Transmission Enhancement approved by the PJM Board of Managers prior to December 11, 2023, the Zone(s) in which the Required Transmission Enhancement is located shall be the Zone(s) of the owner(s) of the Required Transmission Enhancement. For a Required Transmission Enhancement approved by the PJM Board of Managers on or after December 11, 2023, the Zone(s) in which the Required Transmission

Enhancement is located shall be based on the physical location of the Required Transmission Enhancement, based on information to be provided to PJM by the entity designated to construct and own and/or finance the Required Transmission Enhancement.

Under Schedule 12, section (b)(iii)(A)(6), as modified in Docket No. ER22-1606, the host zone is excluded from the application of the 1% de minimis threshold so that the host zone will be assigned cost responsibility for RTEP projects based on its distribution factor, regardless of the magnitude of its distribution factor. The purpose of this addition to section (6) is to clarify the manner in which PJM will determine a transmission upgrade's host zone(s) for Required Transmission Enhancements approved by the PJM Board during different periods of time. Prior to December 11, 2023, PJM did not record the physical location of projects that crossed Zonal boundaries. It began tracking physical location and began assigning project numbers after that date. Thus, the modification is based on the information available to PJM regarding the physical location of these facilities.

Establishment of the Consultation Period and Commission Filing

Written comments on the Proposed Schedule 12 Amendments may be submitted for consideration by the PJM Transmission Owners by email to:

michaelkunselman@dwt.com on or before December 9, 2024.

Under the CTOA and the PJM Tariff, the Proposed Schedule 12 Amendments are subject to a vote of the TOA-AC subsequent to the 30-day Members Committee consultation period.³ If the TOA-AC approves the amendments, the TOA-AC, acting pursuant to the CTOA, will submit the Proposed Schedule 12 Amendments to the Commission for acceptance under section 205 of the Federal Power Act. As the Commission has recognized, the PJM Transmission Owners have exclusive and unilateral rights regarding the cost allocation provisions of Schedule 12 of the PJM Tariff.⁴

³ CTOA § 7.3.2; Tariff 9.1(b).

⁴ *Neptune Regional Transmission System, LLC and Long Island Power Authority v. PJM Interconnection, L.L.C.*, 175 FERC ¶ 61,247 at P 47 (2021). See also, *PPL Electric Utilities Corporation, et al.*, 177 FERC ¶ 61,123 at PP 34 and 36 (2021).