




**Order No. 1000**  
**Transmission Planning and Cost Allocation Reforms**  
**Compliance Requirements**  
**Docket No. RM10-23-000**


Markets and Reliability Committee  
September 15, 2011

## Planning Requirements for Regional Facilities:

- Amend OATT in consultation with stakeholders to develop procedures to identify and evaluate a set of potential solutions that may meet the region's needs more efficiently and cost-effectively. Such process should include:
  - For guidance: review Order No. 890 and 890-A and PJM compliance filings.
  - Stakeholder Input. Procedures that give stakeholders
    - » (i) an opportunity to provide information; and
    - » (ii) greater access to information, e.g., models and data used in the regional planning process.
  - Alternative Transmission Solutions. Develop procedures to evaluate alternative transmission solutions and consider non-transmission alternatives.
  - New Facilities. Explain how PJM will determine which facilities will be subject to the Final Rule.
  - Comparability. Tariff language must be clear how one type of investment would be considered against another and how the TP would choose one resource over another or a competing proposal.


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 expand language


 non-compliant

## Public Policy Requirements:

- Amend OATT to describe procedures that will:
  - (i) identify transmission needs driven by Public Policy Requirements in the planning process;
  - (ii) evaluate potential solutions to the transmission needs driven by Public Policy Requirements; and
  - (iii) allow stakeholders an opportunity to provide input and offer proposals regarding the transmission needs they believe are driven by Public Policy Requirements.

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Interregional Transmission Coordination Requirements obligate each TP, through its regional planning process, to:

- coordinate with the TPs in each of its neighboring planning region;
- develop and implement procedures for information sharing regarding potential solutions to the needs of each neighboring region, and
- describe the methods by which the TPs will identify and jointly evaluate interregional transmission
- Describe the type of transmission studies that will be conducted to evaluate conditions on neighboring systems to determine whether interregional transmission facilities are more efficient or cost-effective than regional facilities .



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Eliminate federal ROFR provisions in Tariff(s) or agreements, subject to the following exceptions:


- Does not apply to transmission facilities that are not included in PJM's RTEP for purposes of cost allocation;
- Does not apply to upgrades of existing facilities, *e.g.*, tower change outs or reconductoring;

In place of a ROFR, each TP must include in its Tariff language that

- identifies how the TP will evaluate and select among competing solutions and resources;
- Includes criteria by which TP will evaluate the relative economics and effectiveness of performance for each alternative offered for consideration.


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Each TP must revise its Tariff to:

- establish appropriate qualification criteria for determining an entity's (incumbent or nonincumbent) eligibility to propose a transmission project for selection in the RTEP for purposes of cost allocation;
- Identify the information that must be submitted by a prospective developer in support of a project proposed in the RTEP;
- Identify the date by which information must be submitted to be considered in a given planning cycle;
- Describe a transparent and not unduly discriminatory process for evaluating whether to select a proposed project in the RTEP for cost allocation;
- Establish procedures to ensure that all projects are eligible to be considered for selection in RTEP for purposes of cost allocation
- Describe circumstances and develop procedures for ROFR backstop for delays in development of RTEP facility to ensure incumbent meets its reliability needs or service obligations.

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TP must have in place a common method or set of methods for allocating the costs of new transmission facilities selected in the RTEP for purposes of cost allocation.

RTO: Cost allocation method(s) must be set forth in the RTO Tariff.

Each planning region may develop a common method(s) for different types of transmission projects



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# Compliance Requirement – Interregional Cost Allocation

Each TP must have a common method or methods for allocating the costs of a new interregional transmission facility among the beneficiaries of that transmission facility in the two neighboring transmission planning regions in which the transmission facility is located.\*

In an RTO, the method must be filed in the TP's Tariff.

\* See Midwest ISO JOA







- The regional and interregional cost allocation methods must comply with the following six principles:
  - (i) cost must be allocated commensurate with estimated *benefits*;
  - (ii) no benefits, no involuntary cost allocation;
  - (iii) no costs allocated outside a transmission planning region unless the other region agrees;
  - (iv) a benefit to cost ratio threshold not required; however, if used, it must not exceed 1.25 to 1 unless justified and accepted by the Commission;
  - (v) the cost allocation method(s) for determining benefits and identifying beneficiaries must be transparent
  - (vi) a planning region may use different cost allocation methods for different types of transmission facilities in the regional plan

## Compliance

- October 11, 2011. Effective Date of the Order
- October 11, 2012. PJM must make a compliance filing to:
  - Revise Tariff and FERC jurisdictional documents to include local and regional transmission planning processes consistent with the Final Rule.
  - Revise Tariff and FERC jurisdictional documents to include a cost allocation method(s) for regional cost allocation consistent with principles of the Final Rule.
- April 11, 2013. PJM must make a compliance filing for interregional transmission coordination and interregional cost allocation.
  - Revise Tariff and FERC jurisdictional documents to include interregional transmission coordination procedure(s) consistent with the Final Rule.
  - Revise Tariff and FERC jurisdictional documents to include a cost allocation method(s) for interregional cost allocation consistent with principles of the Final Rule.

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