

Renewable Zone Transmission Development

- 1) Start with a more realistic load forecast, taking into account states' goals for non-wires alternatives, DERs, DR, EE, storage and local planning. States provide input in projecting the net forecast.
- 2) RTO defines the specific need (from states' statutes) to deliver certain amount of a resource type from select areas (e.g. OSW) and solicits competitive proposals for network upgrades. Proposals must be cost capped, make all efforts to minimize green field work and commit adhering to states' siting policies.
- 3) RTO evaluates network upgrade proposal combined with the new generation for market efficiency. The proposal with the highest B/C is selected, as calculated in accordance with PJM's Market Efficiency rules.
 - a. RTO evaluates impact of the proposed upgrades on emissions and competitiveness of non-emitting resources currently in operation.
- 4) If the B/C is higher than 1.25, the project is set for consideration. If the project moves forward, transmission customers pay for the network upgrades per the PJM Market Efficiency beneficiary-pays cost allocation rules.
 - a. RTO holds open season for generation development rights, soliciting bids for 20 MW blocks from prospective generation developers.
 - b. The highest bids are awarded and directed towards offsetting transmission customers that would be paying for the networks upgrades.
- 5) If the B/C is less than 1.25, RTO determines the revenue offset needed to bring the B/C above 1.25 for transmission customers funding the project per market efficiency rules.
 - a. RTO holds open season for generation development rights, soliciting bids for 20 MW blocks from prospective generation developers. The minimum offer price is reflective of the needed revenue offset.
 - b. The highest bids are selected and directed towards offsetting transmission customers that would be paying for the networks upgrades, if the network upgrades are designated to proceed.
 - c. Network upgrades are designated to proceed if the needed revenue offsets are available from the developers' offers.
 - i. If insufficient revenue offsets are available, states may opt to fund the unfunded portion of their revenue offset needs. States will have one year to put this limited states agreement into effect (time to legislate).
 - d. Unless the above steps are satisfied, the network upgrades do not proceed.
- 6) Once network upgrades are authorized to proceed, they must be completed within 3 years and generators must be operational within 5 years. This timeline would need to be reflected in the B/C evaluations.
- 7) Developers would be required to put up security to cover their proportional share (MW ratio) of the total network upgrade costs.