EKPC Perspectives on PJM's FERC Order No. 1920 Compliance

PJM TEAC
September 16, 2024

Denise Foster Cronin,
VP, Federal & RTO
Regulatory Affairs

EAST KENTUCKY POWER COOPERATIVE
A Touchstone Energy® Cooperative

EKPC's Overall Interest

Affordability

EAST KENTUCKY POWER COOPERATIVE

A Touchstone Energy® Cooperative

Order 1920 Scenario Requirements

- **Order 1920 requires Transmission Providers to develop at least 3 distinct Long-Term Scenarios**
  - The 3 required scenarios must be:
    - **Plausible**, meaning that each scenario must itself be reasonably probable, and collectively that the set of plausible scenarios must reasonably capture probable future outcomes, and
    - **Diverse**, in the sense that transmission providers can distinguish distinct transmission facilities in each Long-Term Scenario.
  - Even if more scenarios are developed, FERC requires each individual scenario to be **plausible.**
  - **The 3 required scenarios must incorporate 7 categories of factors, the first three without weighting.**
  - The first three factors:
    1. Federal, Tribal, state and local laws and regulations affecting resource mix and demand
    2. Federal, Tribal, state and local laws on decarbonization and electrification
    3. State-approved integrated resource plans & supply obligations for LSEs

Scenarios: Uncertain Resource Addition Assumptions

- **Laws driving resource additions rarely specify the exact "what", "where" and "when" needed to ensure modeling precision out 20 years**
  - Percentage of load targets with potential penalties for not achieving yearly requirements
  - Specify what resource types are eligible to meet compliance requirements but do not dictate what resources will be added, when they will be added or specifically where (in the state or broader region) they will be added

- **Many laws driving resource additions were enacted during a period with low/no load growth**
  - Will they be revisited now that the rapidly rising demand may further challenge the ability to meet the targets?
  - Will we see different resource types in different locations than what we would have initially assumed?

Scenarios: Uncertain Resource Addition Assumptions

- **Even laws that clearly target a specific resource type and build location are facing challenges with achievement.** (e.g., New York and New Jersey offshore wind)
  - Will construction be delayed? Will the policy be revised?

- **FERC declined to adopt a requirement that each transmission provider consider establishing geographic zones for the development of large amounts of new generation**

Assumptions development phase will be important and very complex.

Scenarios: Most Certain Case

- **In defending the use of a 20-year planning timeline, the Commission found that this duration balanced future uncertainty with the need to proactively plan and would not result in an increase in speculative transmission projects.**

- **In addition to the 3 required Scenarios, to best balance uncertainty and guard against selecting wrong or unneeded projects driving up consumer bills, PJM needs to develop a "Most Certain Scenario."**
  - The **Most Certain Scenario** must focus on reliability and include a load forecast, generation retirements (announced and policy driven), new generation from queue added to ensure meet 1 in 10 reliability requirement.
    - Discount any/all of the 7 factors to best represent a certain, plausible scenario.
  - The **Most Certain Scenario** with the most known inputs will identify the least speculative future needs that will best ensure a foundation of reliability is preserved.

Scenarios: Weighting Factors

- **All 4 non-mandatory factors should be weighted based on plausibility – how certain will those factors be achieved.**

- **Transmission Providers retain discretion to determine how specific factors will affect Long-Term Transmission Needs.**

- **At this time EKPC does not offer specific suggestions on factor weighting, *except*:**
  - No weight should be given to **utility and corporate commitments** that are not supported by actual generation build or PPA commitments by those utilities/corporations.
  - No weight should be given to federal, federally-recognized Tribal, state and local **policy goals** that are not supported by actual generation build or PPA commitments tied explicitly to those goals.
    - Goals are not mandates; there is even less certainty in their achievement than targets required by law/regulation with teeth.

Scenarios: Time Horizon

- **In addition to the 20 year out time horizon, PJM should perform analysis on all scenarios looking out 10 years.**
  - This will allow PJM and stakeholders to evaluate trends among the identified needs over time.
  - PJM's near term planning identifies need in a 5-year time-frame.
  - Adding a 10 year analysis in the scenarios will allow variation when load patterns and generation siting patterns evolve.

Selection: Reliability Focus

- **Order 1920 requires PJM to evaluate 7 benefits; however, it does not ultimately dictate a selection criteria or explicitly require that any projects be selected.**

- **PJM's selection criteria should be driven by reliability (and resilience) requirements, and not transmission congestion relief expectations.**
  - Transmission congestion selection criteria has been fraught with challenges.
    - Calculated C/B changes year to year, sometimes substantially.
    - May be harder to achieve siting approvals, creating uncertainty for all – and risking abandonment costs being recovered from customers.

Selection: Reliability Focus

- The needs driven by the Most Certain Case will be the most knowable at the time and are most directly focused on assuring future reliability.
- The needs identified by the other scenarios should inform the project selection, with reliability (resilience) being the key selection criteria.
- Projects addressing needs that weren't selected for inclusion in the LTRTP may be pursued voluntarily under a mechanism like the Order 1000 State Agreement Approach.

Selection: When Should a Project be Included In Plan

- **Needs satisfying the determined reliability criteria should not automatically drive a project to be included in a Plan the first cycle they appear.**
  - If sufficiently in advance of date when need arises, we should wait until a future LTRTP cycle to select a project for inclusion in the Plan due to narrow re-evaluation opportunities.
  - If not, include it act on it in the current LTRTP cycle.
  - Evaluate need trends over multiple LTRTP cycles to determine whether it is appropriate to select a project to include in the Plan.
    - If see same needs identified over multiple cycles, as more information becomes available and the drivers of the needs become more certain, it may be appropriate to address them.