CIR Transfer Efficiency: Resource Replacement Process

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PREPARED FOR: Interconnection Process Subcommittee

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Overview of Issue Charge and Proposed Package

Enhancing CIR Transfer Efficiency Overview

❖ **EKPC and Elevate Renewable Energy brought this PS/IC to the PC to consider enhancements to the existing CIR Transfer process that would more efficiently facilitate the interconnection of resources that are replacing and utilizing the studied capacity capability of an existing resource**

- This effort has received support across stakeholder groups and from state interests

❖**Lotus sees this PS/IC as an opportunity to utilize existing practices in other regions to effectuate a process that is limited in scope and allows PJM the opportunity to determine if there are material impacts to the grid as a result of the replacement**

❖**Key Package Components**

- Standalone Replacement Process outside of the New Services Queue. Consistent with process that exists today in MISO, SPP, and NYISO
- Initial study to determine eligibility for standalone process
- Eligible replacement requests to be completed on a short timeline to complete the needed studies
- Utilize third-party consultants to provide studies to limit administrative burden and remove liability on study timeline from PJM

Benefits of Efficient Stand-Alone Replacement Resource Process

Replacement Process Enhances Efficiency for New Project Development

❖ **PJM projecting up to 40 GW of generation retirements by 2030**

- Maintaining generation capacity from deactivating resources in the most efficient manner reduces grid impacts and costs of retirements
- PJM citing looming reliability risks if new projects do not come on online
- New projects, including those replacing deactivating resources, cannot begin studies until at least 2026. No certainty that there will not be further delays in the queue.

❖ **Replacement Resource Process enhances efficiency by reallocating existing capacity via an expedited queue process.**

- Commission has upheld that stand-alone replacement processes limit duplicative study costs and operational costs
  - Approved in ER19-1065 in MISO, ER-20-1536 in SPP and in PaciCorp and Arizona Public Service.
- Removes some existing and new projects from the New Services Queue, shrinking the interconnection backlog
- Facilitate the interconnection of "shovel ready" projects replacing existing resources and eliminates long wait times and duplicative studies for capability that has already been studied.

❖**Limited Application to allow PJM to study differences between the Deactivating Resource and the New Resource**

- Consistent with the approach of Surplus Interconnection to study load capability of Energy Storage
- Does not impact opportunity for other projects that require additional study to maintain CIRs through the existing CIR Transfer Process.

Stand-Alone Generator Replacement Process

Key Features of Stand-Alone Generator Replacement Process

❖ **Today, The Replacement resource, along with the CIR Transfer, is evaluated and processed as part of the PJM New Services Request Process**

- Creates a long study period for replacing generation capacity that has already been studied in the PJM queue
- Creates uncertainty to other queue projects as the CIRs are "held" between the transfer notification and then the Replacement Generator is studied within the queue.

❖ **Limited application only to replacements of deactivating resources utilizing the same or electrically equivalent POI within 1 year of deactivation**

- No changes to existing CIR Transfer process within the queue, consistent with existing CIR transaction rules in OATT 230.3.3 and 230.4.
- Consistent with FERC approved replacement processes in other markets

❖ **Replacement resource study scope set by PJM and the TOs, limited to differences between the resource characteristics between the deactivating resource and the replacement resource**

- Limited time limit to complete studies and determine if any material impacts to the grid are identified

❖ **Replacement resource to provide necessary site control and deposits.**

- Provide all site control consistent with New Service Requests.
- Provide deposit of $60,000.

Striking a balance between efficiency for eligible projects and adding burdening to the existing queue.

New Process Enhances Queue Efficiency for All Projects

❖ **Limited Impact to administrative resources serving queue projects**

- Pre-Approved Consultants to provide initial study results, PJM and TO to provide determination on results within 30 days.
- Use of consultants minimizes load on engineering staff and removes liability for study delays past 120-days from PJM/TO
- Third-Party studies, with ISO and TO verification, currently allowed for similar generator replacement process in NYISO

❖ **Results of Replacement Study would determine any Material Adverse Impacts to the Queue**

- Studies limited to electrical differences
- Requests with Material Adverse Impacts would proceed with a CIR Transfer in the existing New Services Queue process.

❖ **No Impact to Queue Priority**

- No priority among Replacement Requests. PJM/TO to study serially in rolling increments.
- Does not require any new cost allocation.
- Reduces uncertainty in study results for other projects in the queue when CIR transfer projects withdraw after waiting in queue cycles