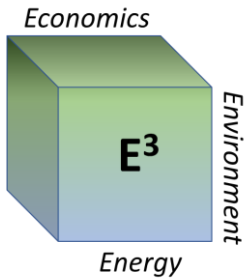


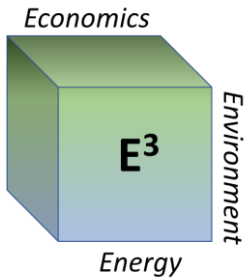
Proposed Interconnection Process Transition

Paul M. Sotkiewicz, Ph.D.

President and Founder

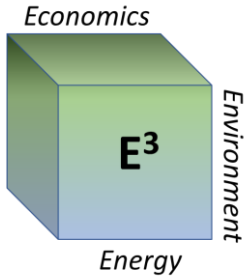
E-Cubed Policy Associates, LLC

October 19, 2021



Assumptions

- PJM will make its commitment to finish all projects to ISA or withdrawal through AD2 Queue
- Other projects in the AE1, AE2, AF1, and AF2 queues that have zero or low upgrade costs at the SIS stage will have close to completed Facilities Studies by the end of the transition.
- Transition period commences October 1, 2022
- Those with tendered ISAs or WMPAs are exempt from the transition and new process.
- All projects at the transition date will face new readiness deposits with some money at risk should the projects withdraw from the queue.



Option Current Cost Allocation Method at the Transition Date

- On October 1, 2022, a 30-day window will open for projects in the AE1 to AG1 queue with completed SIS studies may elect to move forward under the current cost allocation method with the initial costs and network upgrades reflected in their SIS, and move immediately to an ISA or Interim ISA.
    - Such a move is not forbidden under the current tariff as we read it
    - This still means the IC must go through the Facilities Study phase to get final costs for upgrades and attachment facilities and complete the transient stability study and pay for any required upgrades to solve a transient stability
    - A readiness deposit of 50% of the network upgrade and attachment facility costs in the SIS is required if choosing an ISA, and half of this deposit is at risk should the project decide to withdraw.
    - If choosing an Interim ISA, the IC must provide money for at least 50% of the upgrades and attachment facility costs required. But the amount at risk is dependent upon how much is spent under the Interim ISA, and any unspent money under the Interim ISA would be returned to the IC once it withdraws.
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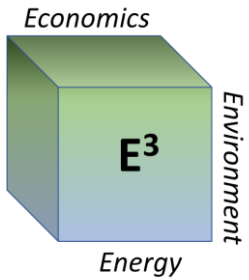
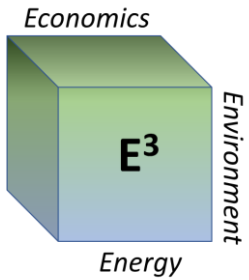


Incentives under the Option as Proposed

- Projects with zero or low-cost SIS studies for network upgrades would likely continue to proceed to an ISA and can avoid the transition queues.
- Projects with some higher upgrade costs may choose to go forward and could choose and Interim ISA to make sure they do not get surprised by cost increasing for the known upgrades in the Facilities Study phase
- Projects with the highest upgrade costs may withdraw or simply move to the transition queues

- *The punchline is to get ICs to self-select into groups that will move process along quicker*



Option Moving to the New Queue Process at the Transition Date

- On October 1, 2022, a decision to move to the new queue process
  - Starting the SIS process anew within the cluster
  - Readiness deposit of the greater of $4,000/MW or 20% of the most recent SIS network upgrade and attachment facility costs
    - 50% of this deposit is at risk if the project withdraws
  - The model assumes those projects choosing the option to stay with the cost allocation are going forward and in the network model
    - But those costs may now be shared by others in the cluster
  - Incentives for ICs with high SIS costs previously to still consider withdrawing with money at risk that was not at risk before.
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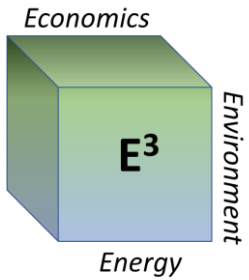
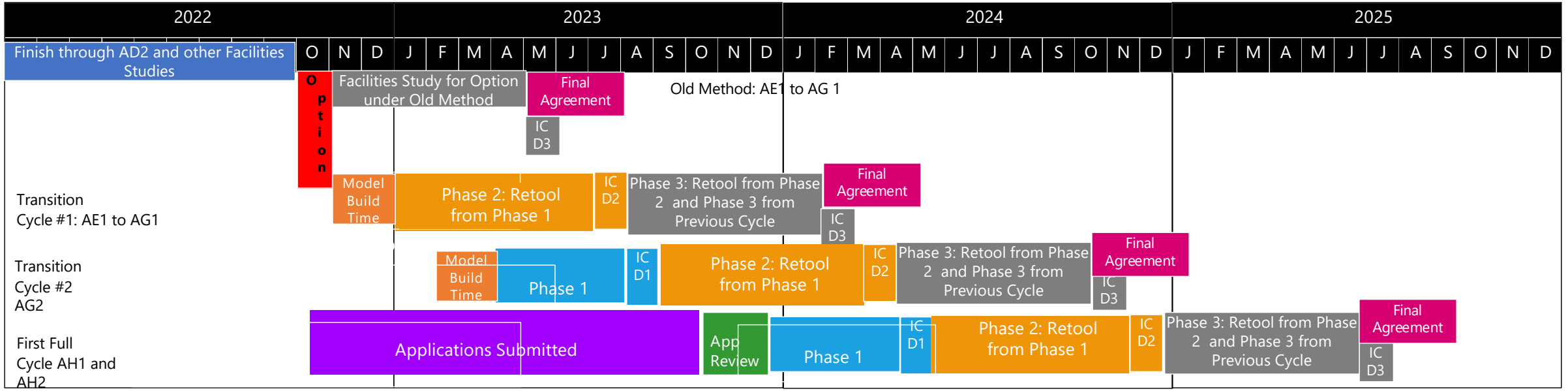
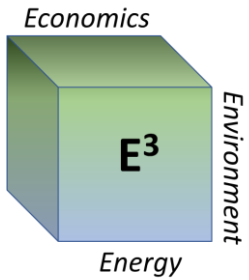


Proposed Transition Mechanism



Notes

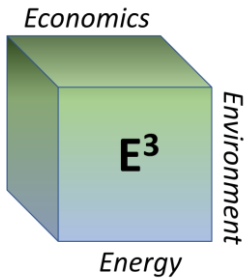
- Old Method includes all taking the option in AE1 to AG1
- Transition Cycle #1 includes AE1 to AG1 opting for the cluster
- Transition Cycle # 2 includes AG2
- First Full Cycle begins with what would be AH1 and AH2 queues.



Readiness Deposit and Money at Risk for those Opting for Transition Clusters

- Readiness Deposit 1:
  - 1st 4 months, $4,000/MW;
  - 2nd 4 months, $8,000/MW,
  - 3rd 4 months $12,000/MW
  - This provides and incentive to submit early in the window and avoid those just submitting a bunch of applications last minute hoping to find the “right spot”
  - 50% at risk if dropping out at any time.
  - Money can be used for Readiness payments 2 and 3.

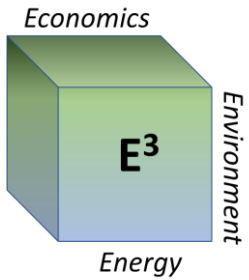
- Readiness Payment #2
  - 20% of network upgrade costs, but none at risk until Phase 3
- Readiness Payment #3
  - 40% of network upgrade costs, half of which is at risk if not going forward



Other Tools to be Used During the Transition

- By the end of the transition decision period (October 30, 2022) allow
  - Allow for CIR to be sold from a deactivated unit to a unit in the queue
  - IC can retire the CIRs immediately or can convert them to equivalent CIRs at their POI and/or retire any extra CIRs
  - Monetizes the CIRs for retiring units and once sold, ensures those resources will retire and moves more quickly to freeing up transmission

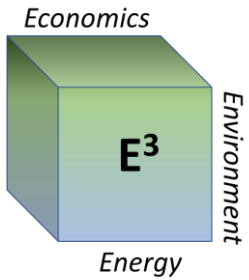
- Beginning with Transition Queue #1 (January 1, 2023), specific use of other "tools" must be considered before building new transmission assets
  - Dynamic Line ratings
  - Transmission switching/topology optimization
  - Special protection schemes/remedial action schemes
  - Advanced Power Flow Controls using voltage to control flows and prevent overloads with existing sources of reactive power used to support voltage.



Transition Impacts on New Resources in RPM

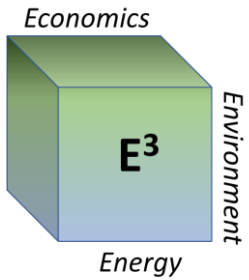
- Complete first transition queue early 2024
  - Able to offer into the BRA help in 2024 for the 2027/2028 DY
- Complete the AG2 queue by the end of 2024
  - Able to offer into the BRA in 2025 for the 2028/2029 DY

- Complete the first full cluster queue before the end of 2025
  - Able to offer into the BRA in 2025 for the 2028/2029 DY



Advantages of Proposed Transition Mechanism

- Clears the current queue in about 3 years compared to 5-7 years under PJM Option #1 (Queue Classic)
- Clears backlog and completes the first full cluster cycle before the end of 2025
- Leverages the fact most queue positions in the first transition cycle have issued SIS Reports
- Forces decisions absent the “first to cause cost burden” to be made given the long time in queue already.
  - If somebody is still in the queue...and does not have an ISA, they are waiting for others to drop
- Leverages the use of the group retool of in subsequent transition cycles to account for decisions to be made.

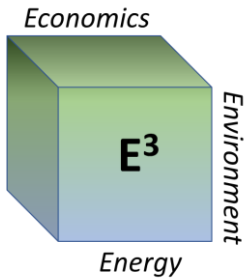


Advantages of Proposed Transition Mechanism

- Projects that are already moving forward have already decided to do so, though this could change cost allocation for those projects

- No reason for those still active in the queue to opt out of the new option given the incentives to hang around in the queue given the “first to cause” cost burden and risk is gone
- Forces decisions for projects to make quick decisions and move out of the queue to prevent backlogs and clogging the queue

- Leverages the use of the group retool as an opportunity to provide certainty to make decisions



Questions?

Paul M. Sotkiewicz, Ph.D.

drpaulg8r@gmail.com or paul.sotkiewicz@e-cubedpolicy.com

610-955-2411 or 352-244-8800