



PJM Transition Proposal Update

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- Goals of the transition proposal
- Review issues with previously proposed transition options
- Establish assumptions upon which the new option is based and walkthrough the new transition option

- Timely move to the newly proposed process
- Get backlogged generation through the queue and into the construction phase
- Eliminate speculation from the queue
- Reduce the time for closing the queue to as little as possible
- Balances projects that would have proceeded under existing rules but are delayed due to timing/other projects

- Time to move to new process vs. Flexibility under old process
 - Options either preserved flexibility and took too long to enter into the new process or cut over to the new process quickly potentially at the expense of existing projects
 - Balanced options between new process and transition timing still could endanger existing projects
 - PJM's Option #4 potentially not strict enough in moving projects towards the new cycle-based approach leaving the bulk of projects under the existing cost allocation rules continuing backlog delays

- The effective date of the transition is October 1, 2022 based on the current work plan
- PJM expects to complete queues through the end of AD2 under the existing process by the transition date. Projects will be worked under the current process until the effective date of the transition (“business as usual”).
- After the transition date, based on historical throughput and recent re-prioritization, PJM expects to be able to complete approximately 300 projects per year that remain in the existing process. Complete indicates entering into a final agreement or withdrawal.
- Projects that have received a final ISA/WMPA for execution or have a signed final agreement will not be subject to the transition
 - Executed Interim ISAs do not fall into the above category

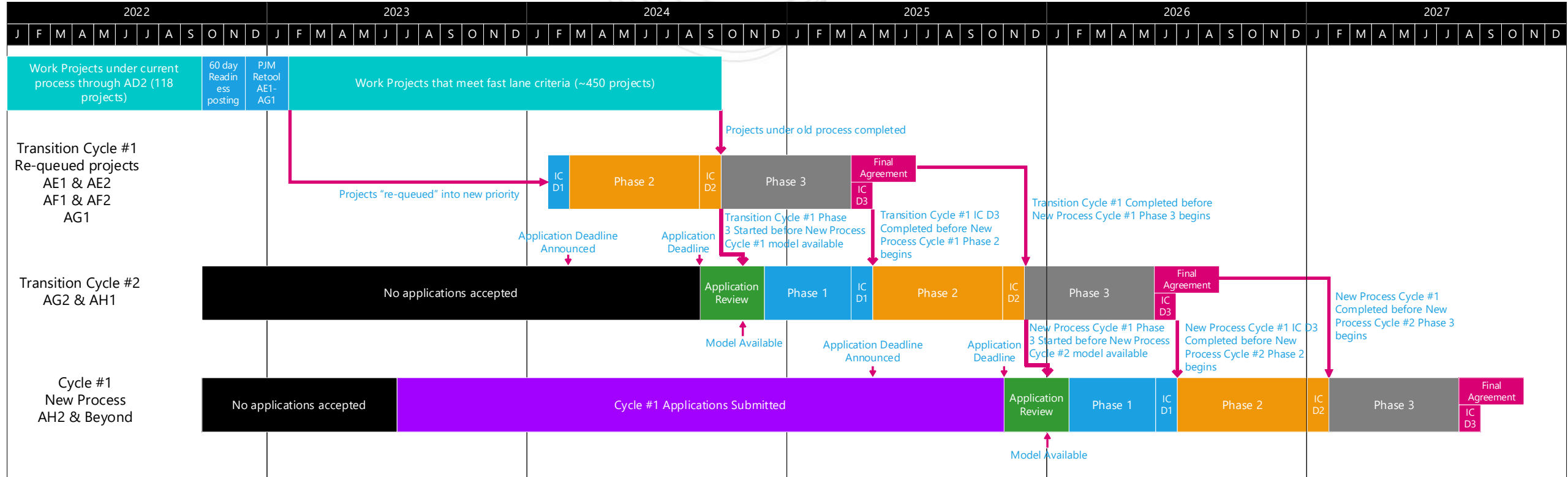
- PJM will limit the amount of projects that can remain under the existing cost allocation structure by developing a fast lane.
 - As of the transition date in the filing, all AE1-AG1 projects will have 60 days to post \$4K / MW as a readiness deposit and demonstrate the site control again for their generation facility for one year. Deposit is not at-risk.
 - Projects that have met this requirement will be retooled to determine shared network upgrade impacts
 - Network upgrade impacts includes the project meeting any cost allocation thresholds for shared network upgrades or a project being the first to cause the need for a network upgrade
 - Projects that have approved baselines and/or supplemental projects that obviate the need for a network upgrade will not be counted as a network upgrade impact but as contingent facilities
 - Affected system studies will not be evaluated during this retool

- Projects that are the first to cause a network upgrade or have cost allocation eligibility to a network upgrade for load flow and short circuit violations that are less than or equal to \$5 million ONLY will be allowed to enter the fast lane :
 - Facilities needed to interconnect the project will not be considered
 - PJM estimates approximately 450 projects will meet this criteria
 - No additional readiness requirements for fast lane projects
 - **If a project is an uprate whose base project does not qualify for the fast lane, the uprate will also not qualify regardless of the analysis results.**
 - If stability analysis or a sag study is completed during the fast lane and it is determined that a project has a network upgrade > \$5 million, it will be removed from the fast lane and shifted to Transition Cycle #1
 - If it is determined, during the Facilities study, that the scope of the project has changed such that the estimate of the upgrade is now > \$5 million, the project will be removed from the fast lane and shifted to Transition Cycle #1
- Projects that enter the fast lane will have their Facilities Study completed and their ISA/ICSA tendered under the existing cost allocation rules.

- Why use \$5 million or less?
 - PJM's current tariff has different treatment for upgrades that are \$5 million or less
 - No inter-queue cost allocation with only the driver project and those who contribute in the same queue being eligible.
 - This amount should cover the bulk of substation and terminal equipment upgrades and, as a result, shorten durations for Facilities study work
 - PJM will use existing cost estimates from on-going Facilities studies and retooled analysis to determine eligibility without having to reassess all project's detailed cost allocation

- Projects that have a cost allocation eligibility for a shared network upgrade greater than \$5 million will be processed in Transition Cycle #1.
 - Remaining projects re-queued into a single transition cycle to speed up the transition to the new process
 - Transition Cycle #1 will start within one year of the transition while the fast lane projects are ongoing. Phase #3 of Transition Cycle #1 will not begin until all fast lane projects are completed.
 - Retooled results and the new case will be provided in advance of IC Decision #1.
 - Rules applied will be consistent with the new process including readiness requirements such as deposits and site control **with one exception:**
 - **Site control requirement at IC D3 will be reduced from 3 years to 1 year.**
 - RD2 will be required by the end of IC Decision #1 and the original \$4K / MW provided at the initial 60 day period will be at risk

- AG2 and AH1 queues will be processed as Transition Cycle #2
 - Projects will be permitted to submit revised technical data and configuration
 - Increases to the MFO requested will not be permitted. Developers may choose between the primary and secondary POIs identified during the scoping meeting prior to the start of application review.
 - Rules applied will be consistent with the new process including readiness requirements such as deposits and site control with one exception:
 - Site control requirement at IC D3 will be reduced from 3 years to 1 year.
- All projects that have not been studied (AH2 and beyond) will be maintained and asked to submit changes to their application under the new process
 - Allows PJM to reduce the time to start accepting new applications to only 8 months
 - These projects would likely have to submit significant changes from their applications to PJM as a result of the delay
 - Projects submitted that claimed deactivating CIRs will be preserved by maintaining their queue position
 - Projects accepted in this cycle will be fully under the new rules and processed as New Cycle #1.



- Advantages
 - Consolidates the transition into two distinct parts – fast lane and **two transition cycles**
 - Fast lane bound by projects that can proceed upon completion of Facilities study which limits those under the serial cost allocation rules
 - Preserves the ability for backlogged projects who would have received an ISA under the existing process if not for queue delays
 - Reduces the time that the queue is closed for the transition and gets to the new process the quickest of all previously proposed PJM options.
 - Move projects with the least amount of network upgrades forward to an ISA to begin construction
 - Minimizes construction on the transmission system from a shared network upgrade viewpoint
 - Allows projects that could be used to meet state RPS goals to move quickly
- Disadvantages
 - Some projects may be pushed to Transition Cycle #1 due to small allocations of greater than \$5 million network upgrades
 - Longer fast lane transition process
 - Transition Cycle #1 will have a mix of projects from AE1-AG1 which may disadvantage some projects

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