



September 16, 2019

Ake Almgren, Chairman PJM Board of Managers
Susan J. Riley, Interim President and CEO
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403

PJM Board or Managers
c/o Ake Almgren, Ph.D., Chairman
2750 Monroe Boulevard
Audubon, PA 19403

Dear Chairman Almgren, President Riley, and the Members of the Board,

The Consumer Advocates of the PJM States (CAPS) hired Continuum Associates (Continuum) to perform a detailed assessment of the planning, approval, and oversight process associated with supplemental transmission projects in the PJM region. Attached is the Report.

As many stakeholders are aware, the costs associated with supplemental projects within the PJM region have increased significantly. Continuum noted that the total capital expense associated with these projects is projected to increase from \$3 million in 2013 to \$3.9 billion by 2020.¹ A total of 1,094 supplement projects are proposed now, and many have in-service dates through 2040.² Undertaking this effort, CAPS members were seeking more insight into how supplemental projects are incorporated into PJM's regional planning efforts, the magnitude of supplemental projects, the standards used to review projects, and perhaps most importantly, where jurisdiction to approve or review supplemental projects rests.

Continuum's Findings

Continuum found that while the planning criteria used by transmission owners and PJM are generally consistent, there is inconsistency in how required details are reported for specific projects.³ There are often minimal to no details on criteria exceptions or deviations from generally accepted standards. Where transmission owners make reference to criteria that may be more stringent than what is required by

¹ Final Report, Expert Consultation on PJM Supplemental Transmission Projects: Standards and Oversight (Report), September 4, 2019, at 1.

² Report at 6.

³ Report at 4.

federal law,⁴ no details are provided on these more stringent criteria. Moreover, Continuum concluded many transmission owners are not regularly – or even periodically – updating their standards.⁵ Most importantly, Continuum also concluded that PJM performed little to no oversight on how these standards and planning criteria were applied and incorporated into the regional transmission planning process.⁶

In reviewing the PJM planning process, Continuum noted that many CAPS members had little or no insight into the supplemental project pipeline, that is, how projects were conceived and designed.⁷ Meetings with transmission owners and Commission staff regarding supplemental project planning happen sporadically and without any formal requirement.⁸ As a result, there is very little chance for advocates to receive meaningful information or provide feedback as supplemental projects are planned.⁹ Continuum found that once a supplemental project was incorporated into the regional planning process there was no additional analysis. PJM does not conduct an independent needs assessment for supplemental projects, nor does PJM study whether a project already planned could address a different system need. As a result, supplemental projects in states which do not require any certificate of convenience or need (CPCN) have no needs assessment applied to them at any point.¹⁰ Further, this means no assessment of solution options and no assessment of cost prudence occurs.¹¹

Continuum found very similar issues at the later planning stages as well, noting the lack of any requirement to assess alternatives to proposed projects or provide efficient ways for stakeholders to offer feedback.¹² They also identified a number of transparency-related issues within the PJM regional planning process, from minimal and vague information provided by project sponsors to missing or outdated information, and a failure on PJM’s part to ensure the information is adequate.¹³ The report specifically calls out the lack of insight and transparency transmission owners provide throughout the “pipeline” process,¹⁴ and the lack of communication from transmission owners about their intended plans for development.¹⁵

CAPS Member Responses

Continuum makes several suggestions to enhance and improve oversight of supplemental projects. Members are considering adopting some – if not all - of these options:

- Improving the PJM stakeholder process and better implementation of the PJM Attachment M-3 process.
- Periodic and on-going access and review of supplemental project information, and access to the transmission owner staff developing the projects, from the conceptual stage.

⁴ E.g. standards imposed by the North American Electric Reliability Corporation (NERC). Report at 4.

⁵ Report at 4 (noting for example that Duke Energy last updated its planning criteria in 2011).

⁶ Report at 5.

⁷ Report at 14.

⁸ Report at 14.

⁹ Report at 14.

¹⁰ Report at 15.

¹¹ Report at 15-16.

¹² Report at 17.

¹³ Report at 16-17.

¹⁴ Report page 14, 19.

¹⁵ Report page 14. (Point 2. Minimal Communications during the Conceptual Planning Phase).

- Create appropriate levels of oversight at the state level
- Improve expertise in the transmission planning area and address any resource availability constraints among advocates and state commission staff.
- Ensure adequate oversight during the implementation phase of supplemental projects.
- Consider use of emerging technologies to address system needs.

It would be helpful if PJM works with stakeholders to develop a standardized planning criteria that includes supplemental transmission projects in the PJM regional transmission plan.¹⁶

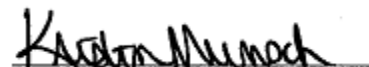
The report raises a number of concerns for the Consumer Advocates. In particular, the report finds the level of transparency and oversight for supplemental projects is woefully lacking. CAPS members are concerned that without the application of certain standard planning criteria, the transparent sharing of project data, and the opportunity to provide meaningful feedback on proposed needs and solutions, the costs associated with supplemental projects will continue to rise. Moreover, end-use customers may well find themselves paying for projects to address needs identified using outdated or incomplete information, and with project costs higher than customers would have paid had non-wires alternatives, emerging technologies, or existing distributed energy resources been deployed. PJM's competitive energy markets have worked to deliver savings to customers and provide pathways to promote new technologies. CAPS members believe increased transparency and competitive planning can deliver similar results for transmission.

When considering the report's findings and ongoing discussions regarding updating PJM Manual 14b, the Advocates are concerned that it will be increasingly hard for PJM to regionally plan. For instance, it will be hard to identify baseline solutions that also address the need underlying a supplemental project if PJM is unable to even see, assess, or verify the underlying need. These supplemental projects are included in the RTEP so easily that it creates an issue for PJM and all stakeholders because much of the data underlying their regional plan is not verifiable. PJM oversight and review of these projects would permit identification of supplemental projects that could displace reliability projects. The transmission grid is dynamic, and it is essential that PJM adequately assess grid reliability with specific information and analyses about supplemental projects.

As a result, transmission planning will remain a top priority for the foreseeable future. Establishing clear lines of authority over supplemental projects, and clear lines of sight on system needs, solutions, project costs, and project benefits, will be essential to meeting consumers' demands placed on the region's transmission system in coming years.

CAPS thanks Continuum Associates for its work on this effort, and looks forward to working with PJM stakeholders, staff and Board of Managers on these very important issues.

Sincerely,



Kristin Munsch
President, Board of Directors

¹⁶ Public Utilities Commission of Ohio, July 30, 2019 recommendations to PJM.