



S&P 500	2,171	+25	+1.09%
GlobalDow	1,104	+13	+1.14%
Gold	1,965	+30	+1.53%
Oil	1,165	+18	+1.56%
	77.56	0.09	0.12%

POWER SUPPLY | GENERATION | FINANCIAL | MEMBER SERVICES | RISK MANAGEMENT | SUSTAINABILITY

AMP/ODEC
Presentation to Special MRC
December 11, 2018



Overall Manual I4B Effort

- Great deal of progress made
- Major overhaul
- Rigorous conversations leading to improved mutual understanding
- **Three areas remain to be resolved:**
 - “Local”
 - “Useful”
 - **Section 1.5.4 Supplemental Planning**

Local

- “Local Plan” shall include **Supplemental Projects** as identified by the Transmission Owners within their zone and **Subregional RTEP projects** developed to comply with all applicable reliability criteria, including Transmission Owners’ planning criteria or based on market efficiency analysis and in consideration of Public Policy Requirements.
- “Subregional RTEP Project” shall mean a transmission expansion or enhancement rated below 230 kV which is required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

Local

- Regional RTEP Project" shall mean a transmission expansion or enhancement rated at 230 kV or above which is required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.
- Section 1.2(e), Schedule: The Regional Transmission Expansion Plan planning criteria shall include, Office of the Interconnection planning procedures, NERC Reliability Standards, Regional Entity reliability principles and standards, and the individual Transmission Owner FERC filed planning criteria as filed in FERC Form No. 715, and posted on the PJM website. FERC Form No. 715 material will be posted to the PJM website, subject to applicable Critical Energy Infrastructure Information (CEII) requirements.

Local

- OA has no other definitions of "local"
- In 14B, PJM makes a further distinction where projects above 230 kV are addressed at the TEAC and below at the Subregionals
- Nonetheless, "local" is used throughout current version of 14B
- **Concern:**
 - *Increased confusion and uncertainty by introducing new term not in current governing documents*
 - *Exacerbated by TO reduced responsiveness in recent subregional meetings*
- Important to stakeholders that PJM have ability to fulfill its role as independent planner

Useful

- New term in the PJM arena
- **Concern:**
 - *Connotes accounting term associated with a depreciable life*
 - *Unnecessarily narrow; properly maintained facilities can last beyond their depreciable life*
 - *Unintended consequence of replacing facilities simply because they are fully depreciated*

Useful

- “The useful life of an asset is an **accounting estimate** of the number of years it is likely to remain in service for the purpose of cost-effective revenue generation. The Internal Revenue Service employs useful life estimates to determine **the amount of time during which an asset can be depreciated**. There are a variety of factors that can affect useful life estimates, including usage patterns, the age of the asset at the time of purchase and technological advances.”

www.investopedia.com/terms/u/usefullife.asp

- “The useful life concept as employed within a business does not necessarily reflect the entire lifespan of an asset; it may be sold off to a third party, which then continues to use the asset for an extended period of time. Thus, the useful life figure used by a business may be a subset of an asset's actual usage period.”

www.accountingtools.com/articles/2017/5/11/useful-life

Supplemental Project Planning

- **P73 2/15/18 Show Cause Order :**

Order No. 890's transparency principle "require[s] transmission providers to disclose to all customers and other stakeholders the basic criteria, assumptions, and data that underlie their transmission system plans." To comply with that requirement, transmission providers must "**reduce to writing and make available the basic methodology, criteria, and processes they use to develop their transmission plans.**" "This information should enable customers, other stakeholders, or an independent third party to **replicate the results of planning studies** and thereby reduce the incidence of after-the-fact disputes regarding whether planning has been conducted in an unduly discriminatory fashion.

Supplemental Project Planning

- **P77 2/15/18 Show Cause Order :**

Based on this evidence, we find that the PJM Transmission Owners are implementing the transmission planning process for Supplemental Projects in a manner that is inconsistent with Order No. 890's transparency principle. ***The record indicates that, in practice, the PJM Transmission Owners are providing transmission planning information, including models, criteria, and assumptions, that is inadequate to allow stakeholders to replicate their planning studies, as Order No. 890 requires.*** In addition, we find that this information is often provided too late in the transmission planning process for stakeholders to participate before the PJM Transmission Owners have taken significant steps toward developing Supplemental Projects.

Supplemental Project Planning

- **P77 2/15/18 Show Cause Order :**

As a result, stakeholders are unable to use this information in the manner that Order No. 890 required that they be able to use it, including to ***“replicate the results of planning studies and thereby reduce the incidence of after-the-fact disputes regarding whether planning has been conducted in an unduly discriminatory fashion.”*** Without the ability to identify the underlying transmission needs identified in the planning studies performed by the PJM Transmission Owners, stakeholders will often be ill-positioned, or entirely unable, to provide timely and meaningful input on those needs or the transmission solutions proposed to meet those needs, at least when those needs and solutions are presented at the same time.

Supplemental Project Planning

1.5.4 Supplemental Project Planning

The criteria for Supplemental Projects (which could include criteria required to address end of ~~useful~~-life of existing transmission facilities as determined in accordance with good utility practice) and/or the PJM TO's M-3 assumptions) is driven by each PJM TO and follows the OATT Attachment M-3 process are described by each Transmission Owner.

Supplemental Projects should be based on written articulable criteria, models and guidelines that are measurable and, to the extent available, quantifiable (e.g., asset replacement prioritization) so stakeholders can replicate TO planning decisions and validate their proposed solutions.

In accordance with the coordination and transparency principles set forth in Order 890, for each Supplemental Project, to the extent available, each PJM TO should: (i) identify the owner of the asset(s); and (ii) provide an asset-specific condition assessment (e.g., assessments, outage history, operational challenges, etc.) that supports the need and proposed solution for the Supplemental Project consistent with the TO's models, guidelines or criteria. Also, each TO should provide the criteria, models, guidelines they utilized to identify the need and validate their proposed solutions so stakeholders can replicate their results.