

141 FERC ¶ 61,169
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony T. Clark.

PJM Interconnection, L.L.C.

Docket No. ER12-1178-001

ORDER ACCEPTING COMPLIANCE FILING

(Issued November 29, 2012)

1. On May 30, 2012, PJM Interconnection, L.L.C. (PJM) submitted revisions to schedule 6 of the PJM Operating Agreement (OA) to broadly clarify how sensitivity studies, modeling assumption variations, and scenario planning analyses will be utilized in the PJM Regional Transmission Expansion Planning (RTEP) process, as directed in the Commission's April 30, 2012 Order (May 30 Compliance Filing).¹ In this order, the Commission accepts PJM's proposed revisions to be effective May 1, 2012, as requested.

I. Background

2. On February 29, 2012, PJM submitted revisions to schedule 6 of its Operating Agreement to implement changes to its RTEP process to enable PJM to (1) expand its analyses beyond the tests currently used as part of its reliability and market efficiency analyses and to consider public policy, (2) provide more transparency, and (3) clarify the opportunities for stakeholder participation throughout its transmission planning process (February 29, 2012 Filing).²

3. On April 30, 2012, the Commission conditionally accepted PJM's proposed revisions to become effective May 1, 2012, subject to PJM submitting in a compliance filing, within 30 days, "tariff revisions that broadly clarify how sensitivity studies,

¹ *PJM Interconnection, L.L.C.*, 139 FERC ¶ 61,080 (2012) (April 30, 2012 Order).

² The proposed revisions are to PJM's Operating Agreement, schedule 6, which contains the tariff provisions governing PJM's RTEP Process.

modeling assumption variations, and scenario planning analyses will be utilized in its RTEP process.”³

II. PJM’s Filing

4. PJM proposes several revisions to schedule 6 to comply with the Commission’s April 30, 2012 Order. First, PJM proposes to amend section 1.5.3 to state that PJM will use the sensitivity studies, modeling assumption variations and scenario analyses “in evaluating and choosing among alternative solutions to reliability, market efficiency and operational performance transmission solutions.”⁴ Second, PJM proposes to amend section 1.5.6(e)⁵ to clarify that upon completion of its studies and analyses, PJM will prepare a recommended plan that will include solutions identified to address reliability, market efficiency and operational performance, as well as any alternative solutions identified using the results of the sensitivity studies, modeling assumption variations and scenario analyses. PJM states that, upon completion of the recommended regional transmission plan, PJM shall submit the plan to the Transmission Expansion Advisory Committee (TEAC) for review. In addition, PJM proposes to further amend section 1.5.6(e) to provide that, following the TEAC’s review of, and comment on, any alternative solutions, PJM will determine which enhancements or expansions, including any alternative transmission solutions identified as a result of the sensitivity studies, modeling assumption variations and scenario analyses, will be included in the recommended plan.

5. PJM also proposes to amend section 1.5.6(e) to provide that PJM will invite interested parties to submit comments on the regional transmission plan to the TEAC and the Office of the Interconnection before submitting the recommended plan to the PJM Board of Managers for approval. PJM states that it will make its determination as to

³ April 30, 2012 Order, 139 FERC ¶ 61,080 at P 15.

⁴ See proposed section 1.5.3. PJM states that alternative solutions will include proposals to accelerate, decelerate or modify a potential reliability, market efficiency or operational performance expansion or enhancement identified as a result of the sensitivity studies, modeling assumption variations and scenario analyses. PJM May 30 Compliance Filing at 4; see also proposed section 1.5.6(e). Sensitivity studies, modeling assumption variations, and scenario analyses consider non-transmission factors including, but not limited to, projected changes in load growth, demand response resources, energy efficiency programs, price responsive demand, as well as other sensitivity studies, modeling assumptions and scenario analyses proposed by stakeholders participating in the planning process. See proposed sections 1.5.3 and 1.5.6(b).

⁵ Section 1.5.6 addresses the RTEP development process.

which solutions sufficiently meet reliability and market efficiency criteria, as set forth in schedule 6, based on PJM's engineering expertise and experience as the transmission planner and operator for the PJM region. Finally, PJM proposes reorganizational changes to its schedule 6.⁶ PJM requests a May 1, 2012 effective date, which is consistent with the Commission's April 30, 2012 Order.

III. Notice of Filing and Responsive Pleadings

6. Notice of PJM's filing was published in the *Federal Register*, 77 Fed. Reg. 34,372 (2012), with interventions and protests due on or before June 20, 2012.

7. Comments were filed by Atlantic GridOperations A, LLC (Atlantic Grid), American Wind Energy Association (AWEA),⁷ E.ON Climate & Renewables North America LLC (E.ON), Iberdrola Renewables, LLC (Iberdrola). A protest was filed by the PSEG Companies.⁸ On July 5, 2012, PJM filed a limited answer to the various comments and protest. On July 20, 2012, the PSEG Companies filed an answer to PJM's answer.

A. Comments and Protest

1. Comments

8. Commenters generally welcome PJM's proposed revisions to its transmission planning process but most argue that PJM's filing is deficient because it does not carry out the Commission's directive provided in the April 30, 2012 Order.

9. E.ON states that PJM's proposed revisions do not address the "persuasive protesters' arguments" that moved the Commission in the April 30, 2012 Order to order further compliance from PJM. E.ON and AWEA argue that PJM's proposed revisions do

⁶ Current sections 1.5.4(d) 1.5.4(e) and 1.5.4(f) are moved and renumbered as proposed sections 1.5.6(c), 1.5.6(e), and 1.5.6(f), respectively. PJM states that this reorganization will place all of the development provisions together, making it easier to locate the sections regarding the RTEP development process and thus benefit market participants. In addition, PJM's compliance filing rennumbers sections and revises references to accommodate this reorganization.

⁷ The Mid-Atlantic Renewable Energy Coalition filed jointly with AWEA. AWEA states that it also generally supports the comments submitted by E.ON and Iberdrola.

⁸ The PSEG Companies consists of Public Service Electric and Gas Company, PSEG Power, LLC, and PSEG Energy Resources & Trade LLC.

not explain “what basis PJM will use to recommend transmission projects or upgrades for inclusion in the RTEP,” or “what decisional mechanism will replace the bright-line test” and will “determine which public policy requirements will be included in the study scenarios.”⁹ Further, AWEA states that PJM does not provide details on how it will identify which solutions are included in the plan submitted for TEAC review.¹⁰ Iberdrola states that it shares the concerns expressed by AWEA and E.ON regarding the lack of sufficient detail on how certain sensitivity studies, modeling assumption variations, and scenario planning analyses as well as how various alternative solutions will be reviewed and ultimately, how all of this information will be utilized in the RTEP process.¹¹ Further, Iberdrola contends that PJM’s filing lacks the mechanism of how all of this information will be utilized in a clear and transparent manner.¹²

10. Several parties argue that the Commission should direct PJM to make a further compliance filing to provide the details outlined above, in its tariff which they state, the Commission’s April 30, 2012 Order required. Specifically, AWEA states that PJM needs to provide details regarding how it will consider and evaluate the results of its studies and analyses to determine grid additions, including those needed to support Public Policy Requirements¹³ to ensure PJM’s planning process is just and reasonable and meets the Commission’s requirements of transparency. E.ON and Iberdrola state that PJM should be directed to detail how sensitivity studies, modeling assumption variations, scenario planning analyses, and alternative solutions will be reviewed and how this information will be utilized in its RTEP process.”¹⁴ Finally, Atlantic Grid recommends that the

⁹ E.ON Comments at 3-4 and AWEA Comments at 4.

¹⁰ AWEA Comments at 5.

¹¹ Iberdrola Comments at 1.

¹² *Id.* at 2.

¹³ PJM defines “Public Policy Requirements” as referring to policies pursued by state or federal entities, where such policies are reflected in enacted statutes or regulations, including but not limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations. *See* PJM’s OA, section 1.38B.

¹⁴ E.ON Comments at 5; Iberdrola Comments at 2.

Commission condition its acceptance of this filing on PJM including in its Order No. 1000 compliance filing,¹⁵ modifications to its tariff to allow public policy-related sensitivity studies, modeling assumptions, variations and scenario planning analyses to also be used in the RTEP planning process to evaluate and select proposed projects designed to address Public Policy Requirements including projects that would address multiple needs or transmission drivers.¹⁶

2. PSEG Companies' Protest

11. The PSEG Companies argue that PJM's revisions fall short of the Commission's directive in several instances. First, the PSEG Companies state that PJM does not address how the planning scenarios used in the RTEP process will be selected. Second, the PSEG Companies state that PJM does not provide sufficient clarity regarding its decisional framework (i.e., how PJM will determine which solutions meet the planning criteria). Third, the PSEG Companies assert that PJM places no bounds on the extent to which an existing reliability or market efficiency project may be modified as a result of the sensitivity and scenario studies. Finally, the PSEG Companies contend that PJM has no requirement that enhancements pointed out by scenario planning must also pass the same cost-benefit test as a market efficiency project.

12. The PSEG Companies state that the Commission should require, at a minimum, that PJM articulate in a further compliance filing exactly how it will make a decision on what to include in the RTEP, including how it will decide what scenarios to utilize, how, if applicable, such scenarios will be weighted, and how fundamental cost control parameters will be maintained.¹⁷ Without such detail, the PSEG Companies argue that PJM's revised planning process amounts to "black box decision making." The PSEG Companies request that PJM be directed to vet this compliance filing with stakeholders prior to filing at the Commission. The PSEG Companies also recommend that the Commission provide 90 days for compliance to allow PJM sufficient time for PJM to convene a meaningful stakeholder process to gain input into this process.¹⁸

¹⁵ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh'g and clarification*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).

¹⁶ Atlantic Grid Comments at 2-3.

¹⁷ PSEG Companies Protest at 4.

¹⁸ *Id.*

13. The PSEG Companies assert that PJM should: (1) be directed to explain how the assumptions relied on through scenario planning will be aligned with those of its Reliability Pricing Model (RPM); and (2) be required to add language to its Open Access Transmission Tariff (OATT) to ensure that the scenarios selected in the RTEP process are, at a minimum, consistent with the assumptions and parameters on which the RPM auctions are being based.¹⁹

B. PJM's Answer

14. In response to parties' concerns that PJM has not defined a decisional framework, metric or criteria regarding how PJM will choose a solution, PJM states that its May 30 Compliance Filing clarified that PJM will use sensitivity studies, modeling assumption variations and scenario planning analyses only to accelerate or enhance the scope of a transmission project,²⁰ and the need for the transmission projects will have first been justified based either on reliability needs or market efficiency considerations, in accordance with standards in each case as stated plainly in schedule 6.

15. PJM states that similar concerns were raised in *California Independent System Operator Corporation, et al.*, when the California System Operator Corporation (CAISO) proposed to expand its transmission planning process to include elements similar to those proposed by PJM (e.g., consideration for public policy and scenario planning).²¹ However, PJM notes that the Commission was not persuaded by those concerns.²² PJM states that the Commission precedent established in *California Independent System Operator Corporation, et al.* is further supported by Order No. 1000, which found merit in allowing for flexible planning criteria.²³ PJM asserts that the robust stakeholder process that allows for stakeholder consideration and comment at every step in the revised transmission planning process is not a "black box decision making process" as

¹⁹ *Id.* at 5.

²⁰ PJM Answer at 2 n.9.

²¹ *Id.* at 3-4 (citing *California Indep. Sys. Operator Corp.*, 133 FERC ¶ 61,224 (2010) (CAISO)) (The Commission conditionally accepted CAISO's proposed revisions to expand its transmission planning process to include: (1) consideration for public policy; (2) additional consideration of alternative transmission solutions (e.g., demand resources, generation and other non-transmission alternatives); (3) improved transparency and openness; and (4) expanded stakeholder collaboration.).

²² *Id.* at 3 (citing CAISO, 133 FERC ¶ 61,224 at P 197).

²³ *Id.* at 3 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 223).

asserted by the PSEG Companies. PJM further states that to require specific decisional mechanisms, criteria, or metrics, as the PSEG Companies and commenters advocate, will simply replace the current bright-line metric with another bright-line metric.

16. Finally, PJM states that the PSEG Companies' assertion that the assumptions of the RTEP process and RPM must be aligned is beyond the scope of this filing. PJM states that the PSEG Companies' concerns regarding the assumptions used in the RTEP process should be brought back to the Regional Planning Process Task Force,²⁴ and reviewed, as well as considered, by all stakeholders.

C. PSEG Companies' Answer

17. The PSEG Companies state that, despite PJM identifying a list of inputs into its decision-making, the May 30 Compliance Filing is silent on how PJM would in practice weigh or consider such factors. The PSEG Companies state that there are no criteria identified by PJM that would prevent PJM from reaching inconsistent results notwithstanding similarly situated circumstances, which the PSEG Companies argue is the essence of black box decision-making. The PSEG Companies assert that PJM's answer misconstrues the PSEG Companies' concern with the treatment of the RPM in the May 30 Compliance Filing and clarify that their concern is that PJM should be selecting scenarios for planning that assume RPM outcomes consistent with the RPM's intended operation. The PSEG Companies also state that, if it becomes necessary to use alternate scenarios, PJM should provide a reasonable explanation as to why the "RPM success" scenario is not being used to ensure transmission planning and generation planning are better aligned.

IV. Discussion

A. Procedural Matters

18. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2012), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

²⁴ The Regional Planning Process Task Force is the stakeholder group that was tasked by PJM beginning in May 2010, to discuss reforms to its planning process at the behest of the PJM Board to address uncertainties in its planning process. In particular, the PJM Board directed PJM to review and consider enhancements to its RTEP process in order to provide more stability and certainty for stakeholders and markets. *See* PJM's February 29, 2012 Filing at 3 and n.8.

19. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2012), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept PJM's and the PSEG Companies' answers because they provided information that assisted us in our decision making process.

B. Commission Determination

20. We accept PJM's proposed revisions to become effective May 1, 2012, as proposed. We find that PJM has satisfactorily complied with the requirements of the April 30, 2012 Order by submitting tariff revisions that "broadly clarify" how sensitivity studies, modeling assumption variations, and scenario planning analyses will be utilized in its RTEP process.

21. As discussed in greater detail below, we find that the proposed revisions strike an appropriate balance between the need for PJM to maintain some flexibility given the scenario-based nature of the analysis in PJM's revised RTEP process and the need for sufficient detail in the tariff to allow stakeholders to participate in the planning process. Further, we find that PJM's proposed revisions define a reasonable framework for its revised RTEP process while expanding the opportunities for stakeholder participation throughout its transmission planning process.

22. Additionally, we do not find the tariff revisions to be unjust and unreasonable because they do not include specific metrics and criteria that PJM and its committees will employ to evaluate the results of sensitivity studies and scenario analyses. The scenario-based nature of the analysis provided for in PJM's revised RTEP process requires that PJM have some flexibility in applying the criteria.²⁵ PJM's planning process depends heavily on stakeholder involvement in reviewing the various scenarios put forward by PJM staff.²⁶ Consistent with our decision in *CAISO*, we find that PJM's proposed revisions to its tariff and operating agreement are sufficiently detailed.²⁷

²⁵ PJM's current tariff does not contain detailed specifications on scenario planning. *See e.g.*, section 1.5.3(a) ("An identification of existing and projected limitations on the transmission system's physical, economic and/or operational capability or performance, with accompanying simulations to identify the costs of controlling those limitations.").

²⁶ *See* section 1.5.6(a) ("[T]he Regional Transmission Expansion Plan ... shall be developed through an open and collaborative process with opportunity for meaningful participation through the Transmission Expansion Advisory Committee and the Subregional RTEP Committee.").

²⁷ *CAISO*, 133 FERC ¶ 61,224 at P 158 (rejecting arguments that a similar tariff

23. For these same reasons, we also reject the PSEG Companies' argument that PJM's proposed revised transmission planning process constitutes a "black box decision making process." PJM is required to conduct its transmission planning process in an open and transparent manner,²⁸ and previous Commission orders in this and other proceedings have found that stakeholders have opportunities at the various stages of PJM's transmission planning process to review and comment on PJM's assumptions, analysis, and study results.²⁹ In this filing, PJM proposes to further expand stakeholder involvement by ensuring that stakeholders will formally have the opportunity to comment on PJM's recommended plan prior to its submittal to the PJM Board for approval.³⁰ Given this open and transparent process, we find that stakeholders will be able to participate in and monitor the process to ensure that there is no undue discrimination and to take appropriate action if they conclude that there is any such behavior. Furthermore, in response to comments about the provision of data, we find that, as part of their participation in the planning process, stakeholders are not prohibited from requesting from PJM explanations on the various decisions made throughout the process, including, but not limited to, the basis on which PJM recommends certain transmission projects or upgrades for inclusion in the RTEP. Additionally, PJM, as part of the planning process, is required to respond to requests for information and data, and "supply reasonably required information and data utilized to develop the Regional Transmission Expansion Plan."³¹

24. We agree with PJM that the PSEG Companies' recommendation for greater alignment of the RTEP process and RPM is outside the scope of this proceeding. This filing concerns the use of sensitivity studies, modeling assumption variations, and scenario planning analyses to develop the RTEP. Any consideration of the appropriate correlation between the RTEP and the RPM is not properly the subject of this proceeding, nor was it required by the Commission's April 30, 2012 Order. Similarly, we find that

provision provides "too much discretion to CAISO regarding the selection of policy-driven elements").

²⁸ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g and clarification*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

²⁹ *E.g.*, *PJM Interconnection, L.L.C.*, 127 FERC ¶ 61,166, at P 28 (2008).

³⁰ *See* proposed section 1.5.6(e).

³¹ *See* proposed section 1.5.4(d).

the PSEG Companies' request that the Commission direct PJM to add language to its tariff to ensure consistency between the scenarios selected in the RTEP process and the assumptions and parameters of the RPM auctions is outside the scope of this proceeding. Moreover, the PSEG Companies may raise their RPM-related concerns in PJM's stakeholder process where those concerns can be considered by all stakeholders.

25. We next address Atlantic Grid's request that the Commission condition its acceptance on PJM including certain modification in its Order No. 1000 compliance filing. The April 30, 2012 Order made clear that the Commission's acceptance of PJM's earlier filing in this proceeding did not constitute a finding that PJM's earlier filing complied with Order No. 1000's requirements.³² This applies equally to the provisions accepted by the Commission here; our action on this filing will not pre-judge any Order No. 1000 issues, and PJM will still need in its Order No. 1000 compliance filing to justify its provisions in light of the Order No. 1000 requirements.

The Commission orders:

The proposed tariff revisions are hereby accepted effective May 1, 2012, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

³² April 30, 2012 Order, 139 FERC ¶ 61,080 at P 19 ("The acceptance of the proposed tariff provisions also does not pre-judge whether these provisions will be acceptable as part of PJM's Order No. 1000 compliance filing.")