

144 FERC ¶ 61,045  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

PJM Interconnection, L.L.C.

Docket No. ER12-1178-002

ORDER ON REHEARING

(Issued July 18, 2013)

1. On January 31, 2013, PSEG Companies<sup>1</sup> sought rehearing of the Commission's November 29, 2012 order in the above-captioned proceeding, in which the Commission accepted PJM Interconnection, L.L.C.'s (PJM) revisions to schedule 6 of the PJM Operating Agreement (OA)<sup>2</sup> 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.<sup>3</sup> In this order, the Commission denies PSEG Companies' request for rehearing.

**I. Background**

2. On February 29, 2012, PJM submitted revisions to schedule 6 of its OA to enable PJM to: (1) expand the reliability and market efficiency analyses that PJM conducts as part of its RTEP process beyond the bright-line tests to include sensitivity studies, modeling assumption variations, and scenario planning analyses and to consider public policy; (2) provide more transparency; and (3) clarify the opportunities for stakeholder

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<sup>1</sup> The PSEG Companies consist of Public Service Electric and Gas Company, PSEG Power, LLC, and PSEG Energy Resources & Trade LLC.

<sup>2</sup> PJM, Intra-PJM Tariffs, OA, Schedule 6 (2.1.0) (Regional Transmission Expansion Planning Protocol). Schedule 6 of PJM's OA contains the tariff provisions governing PJM's process to develop a regional transmission expansion plan.

<sup>3</sup> *PJM Interconnection, L.L.C.*, 141 FERC ¶ 61,169 (2012) (November 29, 2012 Order).

participation throughout its transmission planning process.<sup>4</sup> On April 30, 2012, the Commission conditionally accepted PJM's proposal to "identify and evaluate potential transmission system needs through sensitivity studies, modeling assumption variations, and scenario planning analyses that will consider public policy,"<sup>5</sup> to become effective May 1, 2012, subject to PJM submitting in a compliance filing "tariff revisions that broadly clarify how sensitivity studies, modeling assumption variations, and scenario planning analyses will be utilized in its RTEP process."<sup>6</sup>

3. On May 30, 2012, PJM submitted tariff revisions to comply with the condition that PJM propose tariff language to broadly clarify how it will use the sensitivity studies, modeling assumption variations, and scenario analyses in the RTEP process.<sup>7</sup> Specifically, PJM proposed to amend section 1.5.3 of schedule 6 to state that it "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."<sup>8</sup> PJM proposed to amend section 1.5.6(e) of schedule 6 to provide that these alternative solutions will be identified and chosen following review and input from PJM stakeholders.<sup>9</sup> PJM also proposed to reorganize schedule 6 to clarify that, as part of the development of the recommended transmission expansion plan, stakeholders will have the opportunity to discuss alternative sensitivity studies, modeling assumption variations, and scenario analyses proposed for PJM to use, as well as the opportunity to review and evaluate potential transmission solutions, including any acceleration, deceleration, or modification of a potential

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<sup>4</sup> PJM, Filing, Docket No. ER12-1178-000 (filed Feb. 29, 2012) (February 29, 2012 Compliance Filing).

<sup>5</sup> *PJM Interconnection, L.L.C.*, 139 FERC ¶ 61,080, at P 15 (2012) (April 30, 2012 Order).

<sup>6</sup> *Id.* We note that the Commission issued an order addressing PJM's compliance with Order No. 1000 on March 22, 2013. *See PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 (2013).

<sup>7</sup> PJM, Filing, Docket No. ER12-1178-001 (filed May 30, 2012) (May 30, 2012 Compliance Filing).

<sup>8</sup> May 30, 2012 Compliance Filing at 4; Schedule 6, § 1.5.3 (2.1.0).

<sup>9</sup> May 30, 2012 Compliance Filing at 4.

expansion or enhancement based on the results of the sensitivity studies, modeling assumption variations, and scenario analyses.<sup>10</sup>

4. On November 29, 2012, the Commission accepted PJM's proposed revisions, finding that they "'broadly clarify' how sensitivity studies, modeling assumption variations, and scenario planning analyses will be utilized in [PJM's] RTEP process."<sup>11</sup> The Commission found that PJM's "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."<sup>12</sup> Additionally, the Commission determined that PJM's revisions "define a reasonable framework for [PJM's] revised RTEP process while expanding the opportunities for stakeholder participation throughout [PJM's] transmission planning process."<sup>13</sup>

## **II. PSEG Companies' Request for Rehearing**

5. PSEG Companies assert that the Commission erred in the November 29, 2012 Order by not requiring PJM to include additional detail in schedule 6 on the decisional criteria PJM will use to select scenarios. PSEG Companies argue that PJM's proposal does not explain how PJM will choose one scenario over another or whether such scenarios will be weighted based on any factors.<sup>14</sup> PSEG Companies further argue that PJM's proposed tariff revisions failed to provide any decisional criteria that PJM would be obligated to follow in finalizing the RTEP before sending it to the PJM Board for approval.<sup>15</sup> They also argue that the Commission should require PJM to propose additional tariff revisions that detail how fundamental cost control measures will be maintained, asserting that PJM's proposal does not limit the extent to which a reliability or market efficiency project may be modified as a result of sensitivity and scenario analyses.<sup>16</sup> PSEG Companies also contend that PJM's proposed changes to schedule 6

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<sup>10</sup> See Schedule 6, §§ 1.5.6(b)-(d) (2.1.0).

<sup>11</sup> November 29, 2012 Order, 141 FERC ¶ 61,169 at P 20.

<sup>12</sup> *Id.* P 21.

<sup>13</sup> *Id.*

<sup>14</sup> PSEG Companies Request for Rehearing at 7.

<sup>15</sup> *Id.* at 6.

<sup>16</sup> *Id.* at 7-8.

section 1.5.6(e) obscure the process by which PJM will make planning decisions and, as a result, conflict with the principles of transparency found in Order Nos. 890<sup>17</sup> and 1000.<sup>18</sup>

6. In addition, PSEG Companies assert that the Commission erred by failing to ensure that the assumptions underlying the development of PJM's RTEP process are aligned with the design and intent of PJM's forward capacity market (that is, PJM's Reliability Pricing Model (RPM)).<sup>19</sup> PSEG Companies assert that, in order for generation adequacy to be effectively planned, PJM's "generation-related assumptions" in the RTEP should "be the same as the assumptions underlying the various RPM auctions."<sup>20</sup>

7. PSEG Companies request that the Commission grant rehearing, reject PJM's May 30, 2012 Compliance Filing, and direct PJM to submit a new compliance filing that articulates how: (1) PJM will decide what scenarios to utilize; (2) PJM will weight such scenarios, where applicable; and (3) PJM will maintain fundamental cost control parameters. Additionally, PSEG Companies request the Commission to direct PJM to submit a new compliance filing proposing tariff language that ensures the scenarios selected in the RTEP process are, at a minimum, consistent with the RPM's assumptions and parameters.<sup>21</sup>

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<sup>17</sup> *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*, 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).

<sup>18</sup> *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*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).

<sup>19</sup> PSEG Companies Request for Rehearing at 1-2, 8-11.

<sup>20</sup> *Id.* at 9.

<sup>21</sup> *Id.* at 10.

### **III. Discussion**

#### **A. Procedural Matters**

8. Rule 713(d) of the Commission's Rules of Practice and Procedure prohibits an answer to a request for rehearing.<sup>22</sup> Accordingly, we reject PJM's answer to the PSEG Companies' request for rehearing.

#### **B. Commission Determination**

9. We affirm our finding in the November 29, 2012 Order that, as directed, PJM's tariff revisions broadly clarify how sensitivity studies, modeling assumption variations, and scenario planning analyses will be utilized in the RTEP process. As we explained in the November 29, 2012 Order, PJM's tariff, as clarified on compliance, provides a just and reasonable level of detail concerning PJM's use of sensitivity studies, modeling assumption variations, and scenario planning analyses in the RTEP process.<sup>23</sup> We also affirm our finding that the PSEG Companies' request for greater alignment of the RTEP process and RPM is outside the scope of this proceeding.

10. In the April 30, 2012 Order, the Commission addressed the level of detail PJM must include in its tariff, accepting PJM's proposed tariff revisions subject to a compliance filing that "broadly clarify[ies] how sensitivity studies, modeling assumption variations, and scenario planning analyses will be utilized in its RTEP process."<sup>24</sup> PSEG did not seek rehearing of that requirement. The only issue now properly raised on rehearing is whether PJM's filing, in fact, complies with the requirement to "broadly clarify" how the studies will be utilized in the RTEP.<sup>25</sup> For the reasons discussed in our prior order and below, we find that PJM's filing does.

11. We affirm our finding in the November 29, 2012 Order that, given the scenario-based nature of the analyses in PJM's revised RTEP process, PJM's proposed revisions "strike an appropriate balance between the need for PJM to maintain some flexibility...and the need for sufficient detail in the tariff to allow stakeholders to

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<sup>22</sup> 18 C.F.R. § 385.713(d) (2012).

<sup>23</sup> November 29, 2012 Order, 141 FERC ¶ 61,169 at P 22.

<sup>24</sup> April 30, 2012 Order, 139 FERC ¶ 61,080 at P 15.

<sup>25</sup> To the extent PSEG Companies argue that the Commission should require PJM to provide more than a broad clarification, PSEG Companies should have raised the issue on rehearing of the April 30, 2012 Order.

participate in the planning process.”<sup>26</sup> In the earlier April 30, 2012 Order, we explained that “additional clarity from PJM on how its RTEP revisions will be utilized” will address “concerns regarding how PJM will recommend transmission projects or upgrades for inclusion in the RTEP absent the strict bright line test.”<sup>27</sup> By refining schedule 6 and clarifying the stakeholder role in the RTEP development process in its compliance filing, PJM has defined a reasonable framework that broadly describes how PJM will use sensitivity studies, modeling assumption variations, and scenario analyses in developing the recommended regional transmission expansion plan. In particular, stakeholders may provide input on both: (i) the sensitivity studies, modeling assumption variations, and scenario analyses that PJM uses to identify potential transmission enhancements and expansions; and (ii) the recommended transmission plan before it is submitted to the PJM Board for approval. Therefore, PJM’s tariff, as revised, describes the processes used to develop the regional transmission expansion plan and ensures stakeholders have the opportunity to participate in these processes. As we explained in the November 29, 2012 Order, this framework is “open and transparent” and will enable stakeholders “to participate in and monitor the process to ensure there is no undue discrimination.”<sup>28</sup> We thus affirm our finding that additional detail in the tariff is not needed to define a just and reasonable approach to utilizing sensitivity studies, modeling assumption variations, and scenario planning analyses in the RTEP process.

12. We further find that PSEG Companies provide no specific support for their assertions that PJM’s tariff language is “tantamount to black box decision-making” and “obscures the process by which PJM will make planning decisions” contrary to the principles of transparency under Order Nos. 890 and 1000.<sup>29</sup> As discussed above, the process is not a “black box” but an open and transparent process into which PSEG and all PJM stakeholders have the opportunity to provide input.

13. We also disagree with PSEG Companies’ assertion that, to ensure cost control, PJM must include additional detail in schedule 6 that limits the extent to which a market efficiency project may be modified as a result of sensitivity studies, modeling assumption variations, or scenario analyses. The proposed tariff revisions governing PJM’s use of sensitivity studies, modeling assumption variations, and scenario analyses do not alter

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<sup>26</sup> *Id.* P 22.

<sup>27</sup> April 30, 2012 Order, 139 FERC ¶ 61,080 at P 16.

<sup>28</sup> November 29, 2012 Order, 141 FERC ¶ 61,169 at P 23.

<sup>29</sup> PSEG Companies Request for Rehearing at 5, 7; *see also PJM Interconnection, L.L.C.*, 123 FERC ¶ 61,163, at PP 37-42 (2008) (finding that PJM’s OATT complies with the Order No. 890 transparency principle).

PJM's cost control measures. As PSEG Companies acknowledge, according to schedule 6, all economic-based expansions and enhancements, whether an acceleration or modification of a planned reliability-based expansion or enhancement or an additional market-participant-proposed economic-based expansion or enhancement, must pass a cost benefit test in order to be included in the regional transmission expansion plan recommended to the PJM Board.<sup>30</sup> PJM has not proposed to remove this requirement that all economic-based expansions and enhancements that are recommended to the PJM Board for approval must pass the cost benefit test. Further, PSEG Companies do not provide any concrete examples of how a lack of "limits to the extent to which an existing reliability or market efficiency project may be modified as a result of sensitivity and scenario studies" puts PJM's cost control measures at risk.

14. We also affirm our finding in the November 29, 2012 Order that PSEG Companies' request for greater alignment of the RTEP and RPM processes is outside the scope of this proceeding. PSEG Companies assert that "the potential for misalignment renders the current proposed rate unjust and unreasonable and the unjustness and unreasonableness of the proposed rate is not beyond the scope of this proceeding."<sup>31</sup> However, the only issue presented by the November 29, 2012 Order, and properly raised on rehearing, is whether PJM's proposed tariff revisions are sufficient to meet the condition of the order that PJM broadly clarify how it will use its sensitivity studies, modeling assumption variations, and scenario planning analyses in the RTEP process. As we stated in the November 29, 2012 Order, this proceeding "concerns the use of sensitivity studies, modeling assumption variations, and scenario planning analyses to develop the RTEP" and "[a]ny consideration of the appropriate correlation between the RTEP and the RPM is not properly the subject of this proceeding."<sup>32</sup> We note that PSEG Companies may raise any concerns related to the RPM in PJM's stakeholder process where those concerns can be considered by all stakeholders, or through a complaint pursuant to section 206 of the Federal Power Act.<sup>33</sup>

15. We therefore deny rehearing of the November 29, 2012 Order and decline to require PJM to submit a compliance filing that provides further details in schedule 6 on how PJM will decide what scenarios to utilize, and if applicable, how such scenarios will be weighted. We similarly decline to require PJM to provide further details in schedule 6 on cost control.

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<sup>30</sup> *Id.* at 4; *see* Schedule 6, § 1.5.7(d) (2.1.0).

<sup>31</sup> *Id.* at 8.

<sup>32</sup> November 29, 2012 Order, 141 FERC ¶ 61,169 at P 24.

<sup>33</sup> 16 U.S.C. § 824e (2006).

The Commission orders:

The PSEG Companies' request for rehearing of the November 29, 2012 Order is hereby denied, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.