

**Comments of the PJM Transmission Owners Agreement - Administrative
Committee**

The PJM Transmission Owners Agreement - Administrative Committee (“TOA-AC”)¹ respectfully submits these written comments in the above-captioned proceeding. The TOA-AC is comprised of representatives from all of the Transmission Owners (“TOs”) in PJM Interconnection, L.L.C (“PJM”). Under the FERC-approved Consolidated Transmission Owners Agreement (“CTOA”) between PJM and its TOs, the TOA-AC has the authority to propose policies and make recommendations to PJM regarding transmission facilities in PJM and holds regular meetings for the purpose of developing such policies and recommendations. Since one of the areas of focus of today’s legislative hearing is the PJM interconnection process, including the role of the TOs, the TOA-AC submits these comments to explain the current process and the TOs’ commitment to improving on it. The TOs are working closely with PJM and the rest of the PJM stakeholders to improve the PJM interconnection process and make it more efficient going forward.

Before addressing details of the PJM interconnection process, the PJM TOs would note that the siting and permitting process is a significant source of delay for bringing new generation facilities on-line. Proposals under consideration within PJM may help speed up the PJM interconnection process, but this will be an enhancement of only one relatively small piece of the overall process by which a developer sees an opportunity, does the engineering to design a generation facility, prepares and files for various federal, state and local permits, and arranges for generation project financing, all of which must be in place prior to or synchronized with the interconnection facilities study and construction.

The TOA-AC recognizes that timely interconnection of new generation is critical to maintaining the long-term reliability of the system. At the same time, PJM, like many other regions in the country, has adopted “but for” interconnection pricing, intended to ensure that each generator pays, and customers are not subsidizing, the costs of network upgrades required so that the system remains reliable after the generator is interconnected to the grid. “But for” pricing is designed to determine and charge for only the marginal cost of an interconnection, but the trade-off for that level of precision is that the PJM interconnection study process is iterative and granular and often takes a considerable amount of time to work through.

¹ These comments reflect a general consensus of the PJM Transmission Owners but may not fully reflect the views of any one Transmission Owner. Additionally, Allegheny Electric Cooperative has declined to participate in these comments.

The PJM interconnection process is set forth in a Tariff, which provides a step-by-step process for all participants to follow. The process is standardized and was approved by the FERC several years ago to ensure that all interconnections are treated in a uniform and non-discriminatory manner. The developer, PJM and the TO to whose system the developer is interconnecting, all play a role in the process, and all have the potential to cause delays in the processing of any given interconnection request by virtue of the hand-offs and interrelationship between the three parties. For example, a developer may be slow in providing requisite data to PJM, which PJM needs to complete a study. Another source of delay is often the execution of an interconnection agreement. PJM, the TOs and FERC have tried to minimize that delay by developing a standardized model three-party Interconnection Service Agreement (“ISA”) in PJM’s tariff that FERC has approved. Even with this standardized ISA, however, developers and their attorneys who may have limited experience with this particular model interconnection agreement often are slow to execute it, as they work through and sometime seek to negotiate different terms for its various provisions, including insurance and credit requirements. In contrast, and because of the experience they have had with this model ISA, delays in executing the ISA by PJM or the TOs are less frequent.

PJM and the TOs, of course, may not always be as quick to respond as they would like to be. PJM may experience delays in handing off review of studies to the TO, and the TO may experience delays in finalizing cost estimates which then need to be provided back to the developer. At that point, the developer may initiate another round of analysis based on its review of the study results and/or changes it chooses to make to the requisite data. The important point is that the PJM process currently can be lengthy **not** because any particular party is serving as an impediment, but instead because the process itself is iterative as an interconnection request is studied and re-studied to address various potential changes to the study parameters, including changes to the interconnection queue.

In the BPU’s September 27th Order Setting Additional Hearing (“Order”), the BPU has posed certain questions regarding PJM’s interconnection process. These questions seem to be based on the notion that the TOs in PJM control the study process. While the TOs certainly play a critical role in providing key inputs into the process, the process is managed by PJM in accordance with FERC’s pro forma interconnection tariffs including the responsibility for ensuring that the study process is completed in a timely manner. It is entirely appropriate and necessary for the TOs to play a role since the TOs know their respective systems better than anyone else. However, the TOs are in a support role, with PJM playing the predominant role in the interconnection study process.

The TOs, like PJM and the developer, operate within a Tariff framework that is standardized and transparent. This framework provides clear rules, with timetables and responsibilities, that bind all participants in the process. Thus, there are FERC-approved and PJM-overseen controls in place that significantly minimize the risk that any particular TO can cause delays in the process to benefit “incumbent generation affiliates.”

The PJM TOs are committed to making improvements in the interconnection process where possible and appropriate. PJM is close to concluding a Task Force that has

been at work for the last several months developing reforms to the process and the PJM TOs have actively participated in this process, supporting reforms put forward by PJM and/or putting forward reforms themselves. These reforms are all designed to get developers study results more quickly and shorten the number of retools currently being performed. Reforms actively being considered include: (i) implementing a “sliding queue” approach, which would push developers back into the next queue for significant size reductions, (ii) moving to two queues a year, (iii) moving projects rated 20 MW and below into a separate queue, (iv) tightening data and model submittal requirements, (v) changing the suspension provisions, (vi) changing the timing of when developers need to identify the utilization of existing Capacity Injection Rights, and (vii) changing the study deposit structure. PJM is currently on schedule to make a filing at FERC early in 2012, with a May 2012 effective date for these reforms.

One reform still being discussed in the Task Force is the outsourcing of certain interconnection studies (with an emphasis on the Facilities Study, which provides refined cost estimates to the developer) to third party consultants. In its Order, the BPU has asked whether such an approach should be implemented and/or whether developers should be given a choice to use a third party as an alternative to the current process. It has not been clear during these Task Force discussions that stakeholders necessarily see this as an attractive modification. Though under consideration, several concerns remain, given that the TO, not the developer, is focused on the long-term reliability of the system and will be held accountable if the developer is not interconnected in a reliable manner. The third party’s involvement would necessarily be limited because the TO will still have an obligation to review the third party’s analysis to ensure the reliability and integrity of the interconnected transmission system is maintained after the developer interconnects to that TO’s facilities, and also ultimately to enable that TO to sign the three-party Interconnection Service Agreement (“ISA”) and Construction Service Agreement (“CSA”) memorializing the network upgrades and cost estimates for that particular interconnection. Furthermore, outsourcing of “third party” study work would effectively introduce a fourth party into the study process, which has the potential of introducing more delays to the interconnection process. To the extent PJM and individual TOs see benefits from outsourcing some of their study work on a case-by-case basis, such flexibility is already available through the existing interconnection process. Nonetheless, more wide-scale study outsourcing is being seriously discussed within the Task Force.

The TOA-AC appreciates the opportunity to submit these comments and requests that the BPU consider them as it deliberates in this matter.

Respectfully submitted,

ss// *Randall V. Griffin*

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Dated: October 14, 2011