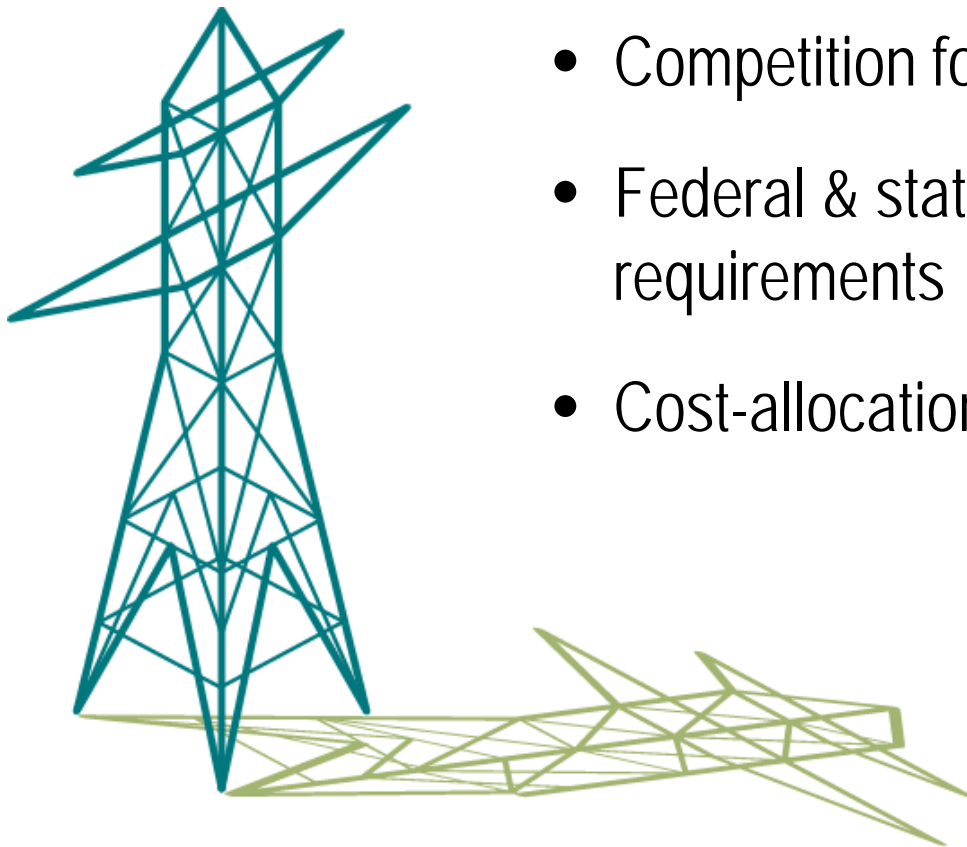




PJM's Compliance With FERC Order 1000

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Order 1000 addresses regional & interregional transmission planning



- Competition for new projects
- Federal & state “public policy” requirements
- Cost-allocation



PJM's Filing

- Improves internal planning
- Provides for competition by project class
- Exceeds public policy requirements
- Endorses transmission owner cost-allocation agreement

- Addresses reliability, market efficiency, aging infrastructure, public policy objectives
- Incorporates price-responsive demand
- Includes generation and merchant transmission interconnection provisions
- Models public policy requirements and objectives
- Public policy (and consideration of alternatives) actively being addressed, e.g. EPA MATS

- \$21 billion + of transmission upgrades approved
- ~7,200 MW of renewable generation interconnected (4,500 MW under construction; 25,500 in queue)
- Major 500kV facilities planned, sited and built in record time (TRAIL, Carson-Suffolk)
- Aging Infrastructure rebuilt (Mt. Storm-Doubs)
- Deployment of New Technologies (PMUs, storage, etc.)

Opportunities for Competition

Competitive solicitation processes for each class of projects based on when needed:

- Immediate need reliability projects (2-3 years or less)
- Short term reliability projects (4-5 years)
- Long term reliability projects (5+ years)
- Market efficiency projects

State agreement projects are identified by states

Opportunities for Competition

- Length of “proposal window” (7 days/30 days/120 days) tied to reliability need
- Imminent reliability needs default to incumbent transmission owner—only for reliability projects
- Consistent with Order 1000 existing ROFR exceptions

Modifications to Planning Cycle

Modify 24-month cycle to examine all voltage levels

- Provides opportunity to develop proposals for all upgrades for violations that evolve over time
- Address most violations in years 6-8 before they appear in short-term analysis
- Ensure that upgrades get into new RTEP and generation interconnection models when needed

Exceeding Public Policy Requirements

PJM is changing RTEP process and adopting a state agreement approach

As a result, PJM's process will:

- Meet and exceed Order 1000 "consideration of public policy requirements"
- Recognize states' determinant role in identifying and funding projects that satisfy public policy requirements

Cost-Allocation

- Historic agreement among transmission owners after years of litigation
- 500kV and above + Double Circuit 345kV facilities:
 - 50% flow-based analysis
 - 50% spread across PJM footprint
- Lower Voltage Facilities
 - 100% flow-based analysis

Next Steps

- Continuing interregional planning discussions through PJM stakeholder and joint stakeholder meetings
 - MISO
 - Duke
 - NYISO
 - TVA
- Discussion of multi-driver construct
- Interregional planning Order 1000 compliance filing on April 11, 2013