

Invenergy

One South Wacker Drive | Suite 1800 | Chicago, Illinois 60606
T 312-224-1400 | F 312-224-1444

Comments of Invenergy LLC November 27, 2024 PJM RRI and SIS Proposals

Invenergy LLC (Invenergy) thanks PJM for the opportunity to provide feedback on the Reliability Resource Initiative (RRI) and Supplemental Interconnection Service (SIS) proposals. As discussed herein, Invenergy objects to the speed at which these proposals have been rushed through the stakeholder process and is concerned that the revised RRI proposal remains unjust and unreasonable, and unduly discriminatory. Invenergy does not object to the SIS proposal but believes it can be improved with further stakeholder input.

I. The Stakeholder “Process” Has Been Inappropriately Truncated

The RRI proposal has gone from inception to the Members Committee in approximately 45 days. It has been substantially transformed at every interval, giving stakeholders minimal opportunity to vet any single proposal before it is changed. In fact, PJM first presented its most recent proposal, including revisions to the SIS process, on November 21st, and we understand PJM may again revise its RRI Proposal without further notice to stakeholders before filing it with the Commission on or about December 9, 2024.

PJM’s proposals would be better served with more fulsome stakeholder vetting and input. The RRI proposal remains highly flawed and problematic, and PJM has not meaningfully engaged with stakeholders’ concerns about harms to projects in the Transition Cycle 2 (TC2) cluster. PJM’s new SIS proposal, while appreciated, also remains underdeveloped.

Foremost, it is hard to analyze both proposals without fully understanding their drivers. PJM has justified the need for its RRI proposal by referencing potential capacity shortfalls in Delivery Year 2029/30. PJM must substantiate this concern with analysis. Vague assertions of reliability do not suffice to make PJM’s case, nor has PJM provided any evidence that its evolving proposals will address the anticipated shortfall. A clear understanding of the drivers will help guide PJM and its stakeholders to more appropriate solutions.

Invenergy also objects to the form of this process. The lack of stakeholder vote on these substantive proposals is concerning. PJM could have done a Critical Issue Fast Path process in the same time period, and in doing so, would have been able to shape all of the proposals to a greater degree. This would have potentially saved significant time litigating the issue before FERC.

Finally, PJM likely violated the spirit, if not the letter, of PJM Tariff section 9.2(b). While PJM presented the proposals to the membership at the November 21st Members Committee meeting, these proposals will likely be revised prior to filing with FERC. At this point, stakeholders do not know the final form of the proposals to be filed with FERC. Absent PJM holding another meeting, as Invenergy has requested, stakeholders will only learn of PJM’s final proposals once they are filed with FERC. That does not satisfy the 7 days of advance notice to the membership required under section 9.2(b).

II. The RRI Proposal Is Unjust, Unreasonable, Unduly Discriminatory and Will Not Achieve PJM's Stated Goals

1. The RRI Proposal is Unjust, Unreasonable and Unduly Discriminatory

PJM's RRI proposal will cause significant harm to projects in the TC2 cluster. TC2 projects were submitted into the interconnection queue prior to September 2021 and have been waiting at least 38 months to be studied. PJM's RRI Proposal will introduce up to 50 additional, large projects into TC2, likely resulting in further study delays; limiting PJM's available resources to execute GIAs for existing interconnection customers; and using available headroom, thereby likely increasing Network Upgrade costs.

These delays and cost increases to TC2 customers render the RRI proposal unjust and unreasonable. PJM itself acknowledged during its most recent stakeholder meeting that interconnection customers in TC2 bear the risk of significant network upgrade costs associated with the RRI proposal. But when stakeholders asked PJM to quantify those potential impacts, PJM has demurred. Given PJM's acknowledgement of this significant risk and consistent with the beneficiary pays principle, PJM should revise its proposal such that the RRI projects must hold harmless existing interconnection customers in TC2 from the potential Network Upgrade cost increases the RRI projects are likely to cause.

The RRI proposal as currently crafted will also likely upend the settled expectations of generators in TC2 by significantly delaying PJM's processing of the TC2 cluster. PJM has nonetheless not quantified or acknowledged those likely delays, much less presented a plan on how they could be mitigated.

Further, the RRI Proposal is unduly discriminatory to projects in the TC2 cluster. FERC has defined queue-jumping as the process whereby lower-queued generators are permitted to move ahead of higher queued generators, and has routinely rejected the concept. In such cases, FERC emphasized the harms that queue jumping causes – increasing uncertainty and changing the nature of available transmission capacity.¹ PJM's proposal to let generators not currently in PJM's interconnection queue jump into TC2 will have exactly these impacts.

PJM justifies the most recent proposal's use of scoring criteria by citing a recent FERC decision on a CAISO interconnection reform proposal.² But while FERC approved the use of scoring criteria, CAISO's proposal did not involve queue-jumping. Instead it proposed a prospective change to its interconnection queues, with the scoring criteria used in future processes, not current ones. PJM's RRI proposal is fundamentally different, and the use of scoring criteria can save an otherwise unjust and discriminatory proposal.

2. The RRI Proposal is Unlikely to Address PJM's Concerns

Finally, we are concerned that with all of its flaws, the RRI Proposal will not address PJM's stated reliability concerns. In the scoring criteria, PJM has emphasized the weight of the

¹ See *Sw. Power Pool, Inc.*, 147 FERC ¶ 61,201 at P 124 (2014).

² See *Calif. Indep. Sys. Op. Corp.*, 188 FERC ¶ 61,255 (2024).

UCAP element, and de-emphasized the in-service date of an RRI project. The in-service date itself, along with anticipated project milestones, are not binding, and PJM has not provided a concrete explanation of how it will weigh the various elements of each applicant's Critical Path Construction Schedule, such as equipment procurement, notwithstanding the fact that the PJM report allegedly underpinning the proposal determined that supply chain issues are a significant cause of project delays.³ Moreover, while PJM asserts that it will not provide flexible milestones, delays are inevitable during the development process. RRI projects are not subject to any penalties or harm mitigation if they drop out or do not provide capacity to PJM in advance of June 1, 2029.

Additionally, if 50 or less projects apply to RRI, then no scoring criteria will apply. In that case, PJM may find itself with 50 projects that will not reach commercial operation in advance of June 1, 2029, and may not have the UCAP PJM desires. This possibility is very concerning as it may result in disruptions and harms to the TC2 cluster with no commensurate reliability benefit to PJM.

III. The SIS Proposal Needs Additional Adjustments and Input

Invenergy does not oppose PJM's proposed modification to improve SIS. Rather, Invenergy believes that PJM's elimination of references in its Tariff to SIS causing Network Upgrade costs is a good step, but that it does not address the fundamental reason why developers are frequently unable to utilize SIS in PJM. As such, Invenergy supports the proposals put forth on SIS by the Rocky Mountain Institute (RMI) and MN8 Energy, LLC (MN8). As both explain, the "material impact" test currently referenced in the Tariff needs reform. The PJM Tariff currently states that SIS may not be granted in three circumstances:

1. Granting SIS would require new Network Upgrades;
2. The SIS service "would have additional impacts affecting the determination of what Network Upgrades would be necessary to New Service Customers already in the New Services Queue;" or
3. The SIS service "would have a material impact on short circuit capability limits, steady-state thermal and voltage limits, or dynamic system stability and response."⁴

As RMI explains, PJM has interpreted section 36.4(3) to mean that a material impact is *any* impact on short circuit capability limits, steady-state thermal and voltage limits, or dynamic system stability and response.⁵ A simple – and far more effective remedy – would be to revise the definition of "material impact" to exclude minor or insignificant impacts, or to include the Tariff language proposed by RMI, which mirrors the Southwest Power Pool's Tariff.

³ *Energy Transition in PJM: Resource Retirements, Replacements, and Risks*, (Feb. 24, 2023), available at: <https://www.pjm.com/-/media/library/reports-notice/special-reports/2023/energy-transition-in-pjm-resource-retirements-replacements-and-risks.ashx>.

⁴ PJM Tariff § 36.4(1-3).

⁵ *PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,145 at P 34 (2020).

Additional time discussing the SIS issue with stakeholders would yield a far more productive outcome than rushing an incomplete filing which achieves very little in terms of making SIS a viable pathway to increase capacity on the PJM grid.

IV. Stakeholders Including Inverenergy Have Tried to Shape the RRI Proposal

As explained below, Inverenergy and other stakeholders have tried to shape the RRI proposal into a less objectionable form. While Inverenergy strongly objects to the concepts of queue-jumping and upending the settled expectations of interconnection customers in TC2, it has made good faith attempts to address PJM's expressed reliability concerns and to avoid protracted litigation through counter-proposals and support for other stakeholders' proposals.

On November 14th, Inverenergy met with PJM and presented the proposal attached as Attachment A. The goal of this proposal was to minimize the harms to TC2 generators from the inclusion of RRI projects in TC2. We noted that several companies would have preferred that the RRI projects be processed in a separate cluster run either concurrently with, or immediately after, TC2.

The coalition proposes that PJM should compare the Network Upgrades for TC2 with and without the RRI projects included. That would give stakeholders actual insight into the magnitude of Network Upgrades necessitated by the RRI projects. Consistent with cost causation principles, if the difference were to show a positive delta, with RRI projects increasing the Network Upgrade Costs to TC2, the RRI projects would pay for the costs they cause. Further, the coalition proposes significantly limiting the number of projects eligible for RRI to no more than 20 projects or 5 GW. As detailed by MN8 Energy in its proposal and its verbal explanation at the Members Committee meeting, this analysis can be done with minimal disruption. AES raised similar concerns and a similar solution at the Members Committee, as well.

Finally, the coalition proposes requiring the RRI projects to post collateral to ensure that they show up and are held accountable for harms and delays to TC2. That collateral would be calculated based on a project's UCAP times the auction clearing price of the most recent Base Residual Auction. If an RRI project were to withdraw from the queue or fail to achieve commercial viability within its promised timeline, its collateral would be used to reduce Network Upgrades for the rest of the TC2 cluster.

The coalition also recommends other measures that can help address its reliability concerns. Most significantly, PJM should relax its Material Modification requirements, and permit generators in TC1 and TC2 to make changes to their projects' fuel type without losing their queue position. A project willing to move from a lower UCAP fuel to a higher UCAP fuel should be permitted to do so in this period when PJM is making radical changes to get more high-UCAP megawatts online quickly.

Finally, the coalition strongly encourages PJM to step back and analyze where the region is and where it is going, rather than making reactive, piecemeal changes. An integrated holistic study of generation, load and transmission for the 2030-2040 period is critically necessary so that PJM, its market participants and customers enter the next decade with a strong and resilient

system that serves consumers reliably. In response to Mr. Takahashi's question about the form of the recommended study, Invenergy notes that this could be the type of long-term planning required by FERC's Order No. 1920. However, this integrated holistic study needs to be done in the very near future, long before Order No. 1920's compliance deadlines. Finally, Invenergy agrees with the tariff language modifications proposed by RMI. PJM should adopt the SPP SIS tariff provisions regarding material impact.

V. Conclusion

Invenergy appreciates the opportunity to set forth its legal and substantive concerns with the RRI proposal and suggest recommended reforms. We are committed to continue working with PJM to strengthen its proposal to ensure it addresses PJM's resource adequacy concerns while also not unduly burdening existing interconnection customers. If you have any questions about our counterproposal or would otherwise like to discuss, please reach out. We are available at your convenience.

Respectfully submitted,

/s Omar Martino

Omar Martino
Executive Vice President, Markets and Regulatory
Nicole Luckey
Senior Vice President, Regulatory Affairs
Invenergy LLC
One South Wacker Drive, Suite 1800
Chicago, IL 60606
OMartino@inenergy.com
NLuckey@inenergy.com

Ruta K. Skučas, Esq.
Tyler O'Connor, Esq.
Crowell & Moring LLP
1001 Pennsylvania Ave, NW
Washington, DC 20004
RSkucas@crowell.com
TOConnor@crowell.com

Attachment A. Developers Coalition Counter-Proposal

The below proposal, supported by several developers, was presented to PJM on November 14th and to the Members Committee on November 21st.

While we strongly object to the concepts of queue-jumping and upending the settled expectations of interconnection customers in Transition Cycle 2 (TC2), we make this counter-proposal in a good faith attempt to address PJM's expressed reliability concerns and to avoid protracted litigation. This counter-proposal should not be used as a template for future interconnection changes, or as a model for other ISO/RTOs. The above-identified companies present this proposal in an effort to be collaborative and limit the RRI proposal's adverse impact on projects in TC2.

Changes to RRI Proposal

- Limited to a maximum of 20 projects or 5 GW, with geographic diversity
- Participants must have:
 - Load-serving/offtake agreement to demonstrate commercial interest
 - Generation equipment on order to demonstrate project viability/constructability
 - Permits in hand to demonstrate project viability/constructability
- Post collateral of UCAP x BRA ACP to ensure RRI participants timely achieve COD. If the project does not reach COD by the agreed-upon in-service date, PJM can apply the collateral to help pay for the Network Upgrades for TC2 as a whole. If the project timely achieves COD, then the collateral will be applied to Network Upgrades for the project, and if there is any remainder, to Network Upgrades for TC2 as a whole.
- Establish a mechanism to hold TC2 harmless from the Network Upgrade cost increases associated with the RRI projects. PJM shall determine the Network Upgrades for TC2 both with and without the RRI projects, and if the overall Network Upgrade costs for TC2 increase, then the RRI projects will cover that delta.

Modifications beyond RRI

- Fix Surplus Interconnection Service (SIS). PJM's proposed language does not adequately address the current roadblocks to using SIS and needs further stakeholder input.
- Give flexibility to generators currently in the Fast Lane, TC1, and TC2 on milestones and COD.
- Give flexibility to projects currently in TC2 to change technology from lower UCAP to higher UCAP without triggering a Material Modification resulting in loss of queue position. Such generators would be responsible for paying for any additional Network Upgrades that their change may trigger.

Further Issues for Discussion

- Open (post-transition) Cycle #1 and tender provisional ISAs to ready-to-build projects.
- Perform a Load Servicing Priority Cluster after TC2 whereby PJM performs an integrated study on load, generation and transmission for the 2030-2040 time frame.