



# Special PC Sessions: Cost Commitment for Competitive Transmission Proposals PJM Packages

Suzanne Glatz

Director, Infrastructure Planning

Markets and Reliability Committee

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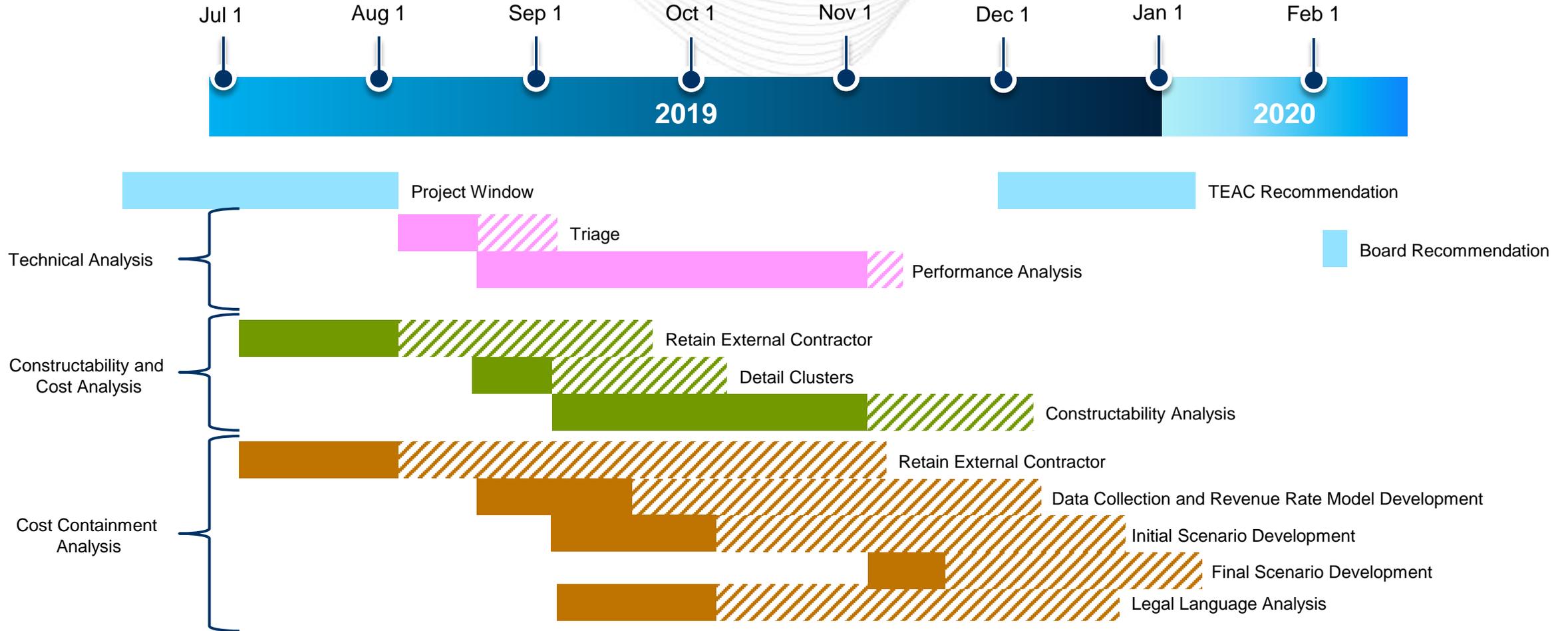
- PJM and stakeholders have developed two packages
- May PC voting results
  - PJM package 1 – passed
  - PJM package 2 - failed
- Packages similar on enhanced process transparency
  - Enhanced proposal submittal template
  - End of RTEP evaluation summary
  - Designated Entity cost containment notification requirement

- Includes process transparency items
  - Implementation timing – target the upcoming 2018/2019 long term proposal window in November
- Cost containment evaluation focused on construction cost only
  - PJM will consider cost commitment on construction cost only
  - PJM determines the reasonableness of cost estimates for construction cost only and uses the cost estimate it determines appropriate based on project risks and feasibility

- Similar to package 1, includes the transparency items
  - Implementation timing – target the upcoming 2018/2019 long term proposal window in November
- Cost containment evaluation
  - PJM can evaluate any cost commitment offered, and where necessary, evaluate revenue requirement impacts based on cost commitment for selected variable inputs to represent a reasonable range of possible outcomes
  - Evaluate risk of construction cost exceeding the estimate based upon specific project risk factors
  - Commit PJM to a feasibility and resource study to perform the evaluation in a timely fashion of any cost commitment of competitive projects
    - Study timing - target recommendations for implementation by the 2019 reliability window

- PJM will assess the resources, costs and impacts to include a revenue requirement analysis in a reliability planning process based on the sponsorship model
  - PJM will present its findings to the Planning Committee by the 2019 reliability window
  - PJM can engage a third party consultant to provide additional resources and expertise to conduct the feasibility and resource study
  - The next slide represents a conceptual schedule with concurrent analysis completing within the available evaluation time

# Transmission Planning Process Timeline Evaluation – Conceptual Optimized Schedule



- Proposed study areas
  - Engage consultants prior to the close of the proposal window
  - After the window closes
    - Leverage technology to shorten durations on critical path activities
    - Investigate the use of Planning Community, TEAC webcasts and other methods for more effectively communicating with stakeholders
    - Mitigate schedule risks for critical path items
  - Evaluate PJM resources
  - Develop construct to consider cost containment analysis on variations of ROE, capital cost, and equity structure inputs

Package Features	PJM Package 1	PJM Package 2
Enhanced project proposal template	X	X
End of RTEP evaluation summary	X	X
Designated Entity cost containment notification requirement	X	X
Cost containment evaluation focused on construction cost only	X	
PJM can evaluate any cost commitment offered		X

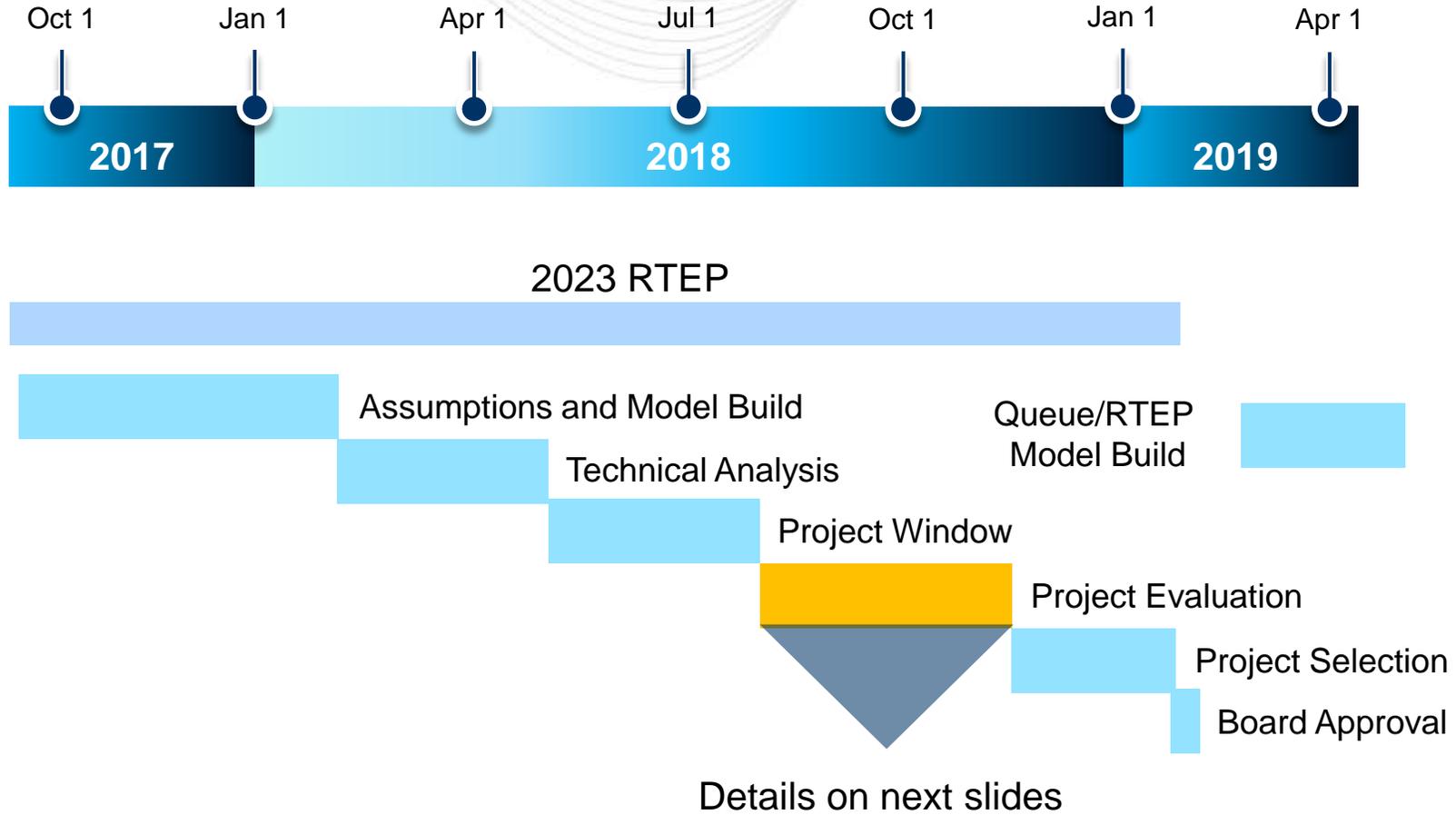
# Appendix



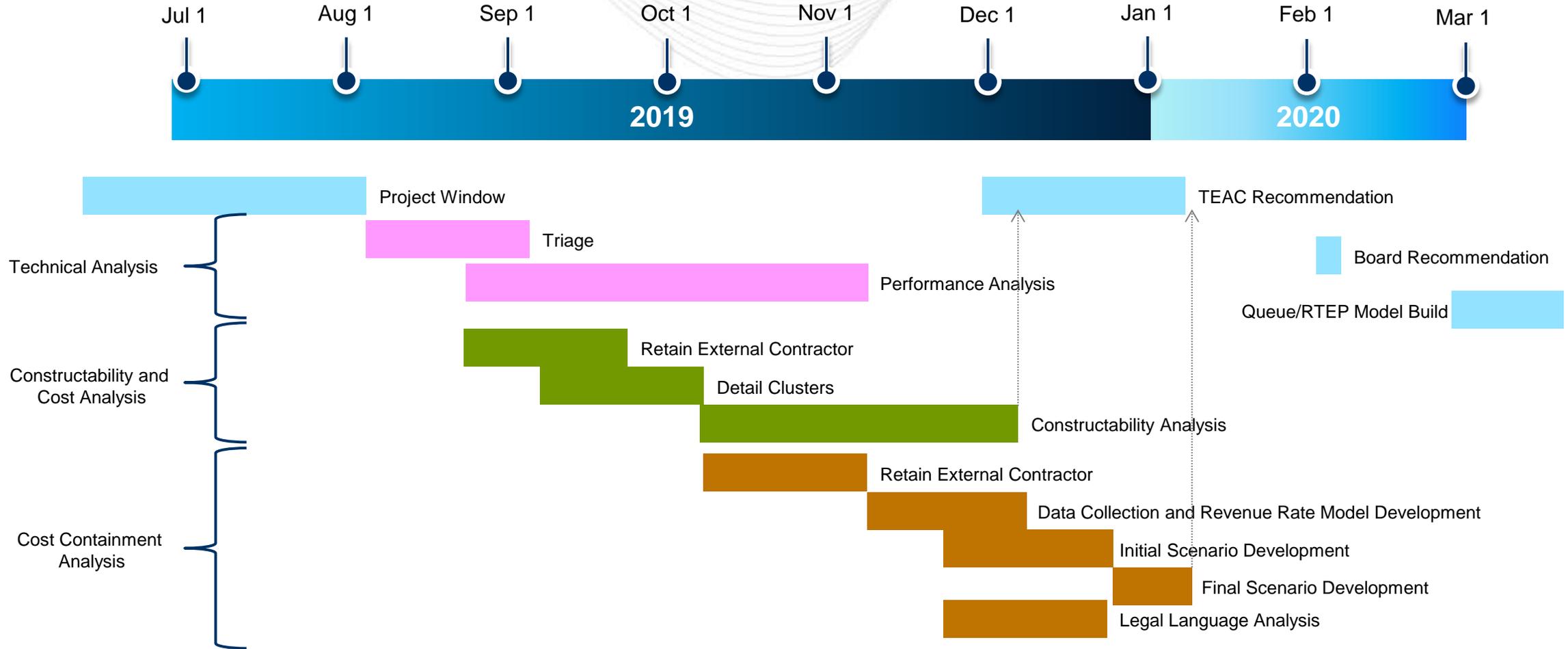
# End-of-RTEP Comparative Summary Example for Discussion

Proposal ID	Performance	Constructability	Cost	Cost Commitment
Proposal #1	Pass	Comments	\$\$\$\$\$	Yes – Comments
Proposal #2	Pass (with Good Margin)	Comments	\$	No
Proposal #3	Pass (with minimal margin)	Comments	\$\$\$	No
....	....	....	....	....
Proposal #N	Fail	Comments	\$\$	Yes – Comments

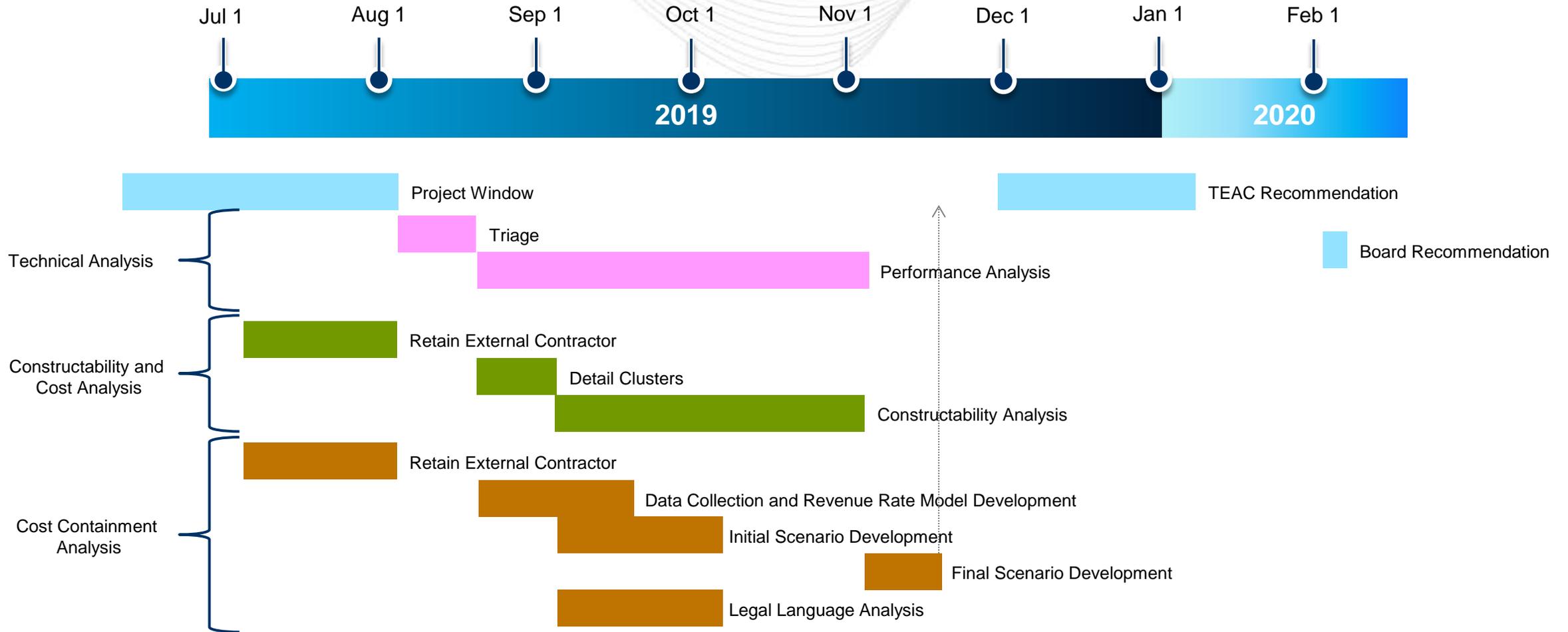
# Current Transmission Planning Process Timeline



# Transmission Planning Process Timeline Evaluation - Existing Process



# Transmission Planning Process Timeline Evaluation – Conceptual Optimized Schedule



- Prior to window close
  - Preliminary scoping of consultant work
  - Retain consultants
- After the window closes
  - Triage and processing of project proposal submittals
  - Stakeholder feedback
  - Mitigate schedule risks for critical path items
    - Triage
    - Constructability analysis
    - Data collection
  - PJM resources
- Cost containment analysis scenarios performed for variations of ROE, capital cost, and equity structure inputs