ORR PJM Queue Reform Transition Proposal

*Building consensus by "**thinning out**" the serial backlog*

10/19/21

OPEN ROAD RENEWABLES

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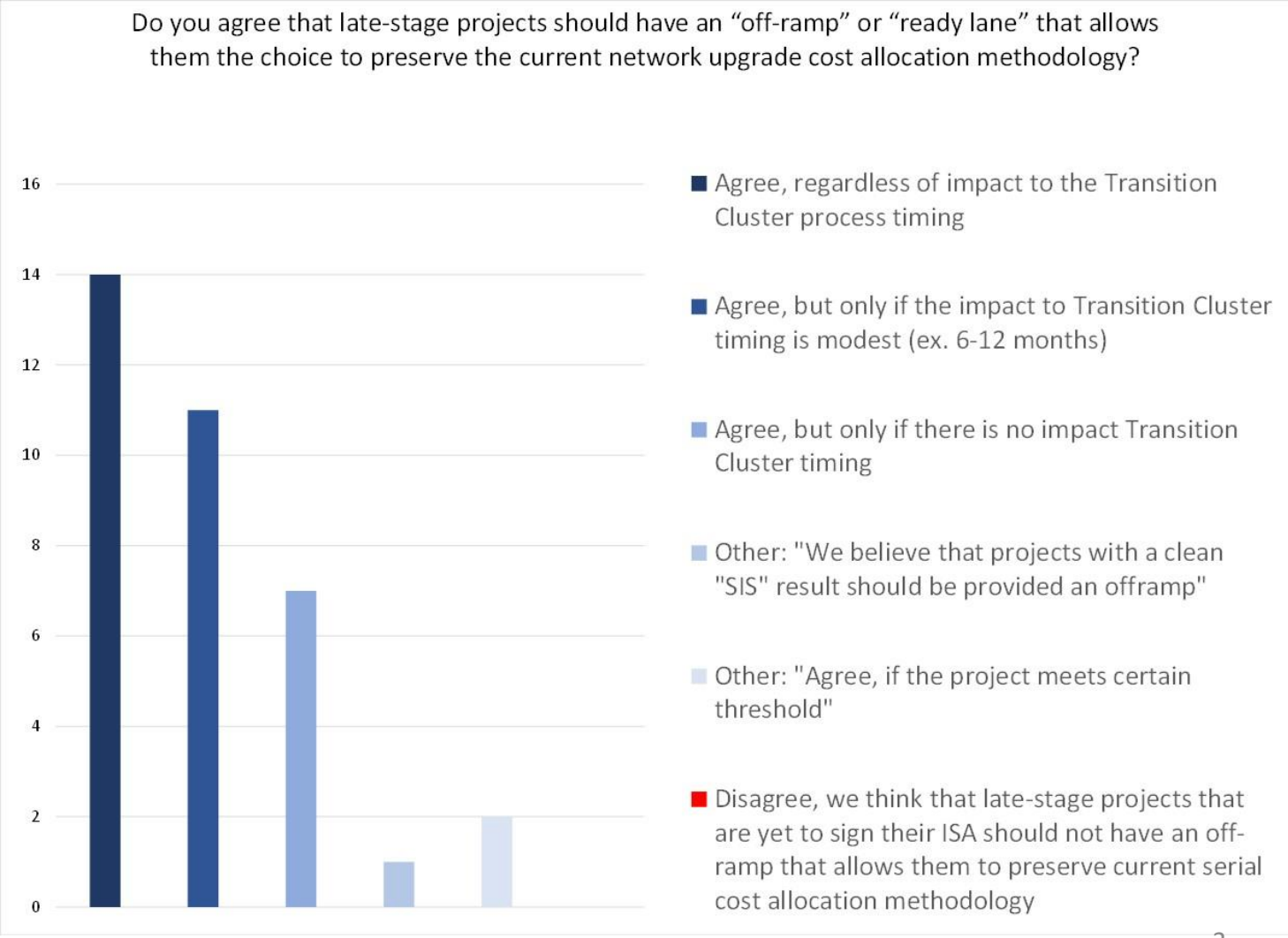
Backdrop to ORR's Proposal: IC Majority View

Updated 10/1 polling of 35 members of the Renewable IC community shows unanimous support for a ready-lane for late-stage projects to preserve queue priority with varying views on the acceptable impact to transition timing.

This area of common ground presents an opportunity for consensus and aligns with IC Choice under PJM's Option 4.

Note that the desire for a late-stage "ready lane" is incompatible with PJM's Option 2 or Option 3. **This will be a key theme of today's presentation.**

Full polling results in Appendix.



PJM Queue Reform: IC Community Interests

- The 10/7 Stakeholder discussion highlighted two key interests:
  - Expediently processing the backlog
  - Late-stage IC choice to stay in serial or opt for cluster processing
- 'Bimodal distribution' of IC Stakeholder interests clustered around PJM's Option 2 & 3 vs. PJM's Option 4/Similar proposals
  - Those who prefer **PJM's Option 2 & 3 support the expedient processing** of the backlog via transitional clusters
  - Those who prefer **PJM's Option 4 support IC choice** to continue under existing serial processing upon which their siting and investment decisions have been made
- ORR's proposal is focused on balancing these interests by enabling IC choice to protect late-stage interests (similar to PJM's Option 4) and expediting the transitional processing time by **thinning out** the transitional serial backlog

Path to FERC Approval: Balancing the Interests

We're all focused on a workable solution that will be approved by FERC. We believe that a workable solution must adequately address ***three*** questions:

Does the solution expeditiously address the queue backlog?

Does the solution provide 'careful consideration' to late-stage project interests?

Is the solution technically feasible and administratively workable?

Path to FERC Approval: How Do We Build Consensus?

- Can we improve PJM's Option 2 or 3 to address the late-stage project interests?
  - Not currently. PJM confirmed on the 10/7 call that an Interim ISA will not lock in serial cost allocation methodology and PJM discouraged establish a new process between now and FERC order to establish a 'ready-lane' for late-stage projects.
  - AE1-AG1 Active projects that are one day away from receiving their Facilities Study Report and ISA will be "swept" into the Transitional Cluster. This is unjust, unreasonable, and unduly discriminatory.
- Should we be responsive to ICs who are hoping to reduce their current NU cost allocation by reallocating costs to other "clean" projects that are swept into the transitional cluster?
  - No. While this may be an understandable self-interest, it is not a view that should be given weight as we try to build consensus.
- Can we improve PJM's Option 4 to address the 'expediency' interests?
  - Yes. We can reduce the timing of PJM's Option 4 by reducing the processing volume of the transitional serial backlog via a well-designed Readiness Requirement.

ORR's Transition Plan Focus: At-Risk TSRR

- 60 days following FERC Order Approval date, AE1-AG1 Active queue positions given one-time choice to remain under serial processing or opt for transitional cluster processing
- PJM issues latest power-flow cases within this 60-day window to support IC analysis
- Late-stage ICs that choose to stay in serial processing must post robust Transitional Serial Readiness Requirement **("TSRR")** and satisfy IC D2 site control requirements
- At-Risk TSRR intended to **thin out** serial backlog → "highly certain" projects will forfeit the at-risk TSRR if they don't sign/securitize ISA when tendered
- More "speculative" AE1-AG1 that opt for transitional cluster processing benefit from reduced Transitional Cluster Readiness Requirement **("TCRR")** and deferred timing to satisfy IC D2 site control requirements

At-Risk TSRR vs TCRR mechanism to "*thin out*" backlog

- ORR TSRR combines fixed $/MW + variable amount based on Network Upgrades ("NU"):
  1. $4k/MW fixed portion, plus
  2. The **greater of** a project's current NU cost allocation **OR** 50% of total network upgrades in the current SIS Report* on the FERC Order Approval date

  *Note: PJM's Option 4 has the TSRR due at IC D2 once the SIS Report has been retooled. Later slide outlines pros/cons of TSRR being due at FERC Order Approval or at IC D2.
- TCRR is the same as PJM's Option 4 proposal (10% of NU and site control to enter Phase 2)
- Examples:
  - Ex. 1 - A 100 MW project that has $0 NUs: **a $400k TSRR or $0 TCRR**
  - Ex. 2 – A 100 MW project that has 100% cost allocation to $500k upgrade: **$900k TSRR or $50k TCRR**
  - Ex. 3 - A 100 MW project that has 20% cost allocation to a $20m upgrade: **$10.4m TSRR or $400k TCRR**

More detail on ORR's TSRR proposal

- At FERC Order Approval, PJM will have 30 days to release the latest AE1-AE2, AF1-AF2, and AG1 powerflow cases that incorporate all Completed project updates.
- ICs will then have 30 days to make the decision of transitional serial or transitional cluster. This will hold the 60 day decision window in PJM's Option 4.
- If ICs choose transitional serial, they must post full TSRR at the time of serial election.
- As part of the Transition, both serial and cluster ICs will have 15 business days to post ISA Security once ISA is tendered (vs current 60 days)
- Both TSRR and TCRR securities will be applied to the ISA Security and forfeited if the ISA is not signed and securitized when tendered.
- If the ISA Security amount exceeds the TSRR posting, then the IC will need to increase the security posting within that 15 business day window.
- If the ISA Security amount is below the TSRR posted amount, then PJM will release the additional security once the ISA is executed.
- ISA Security sizing and refundability will be consistent with current rules.

Opportunities to Improve PJM Option 4 Timeline

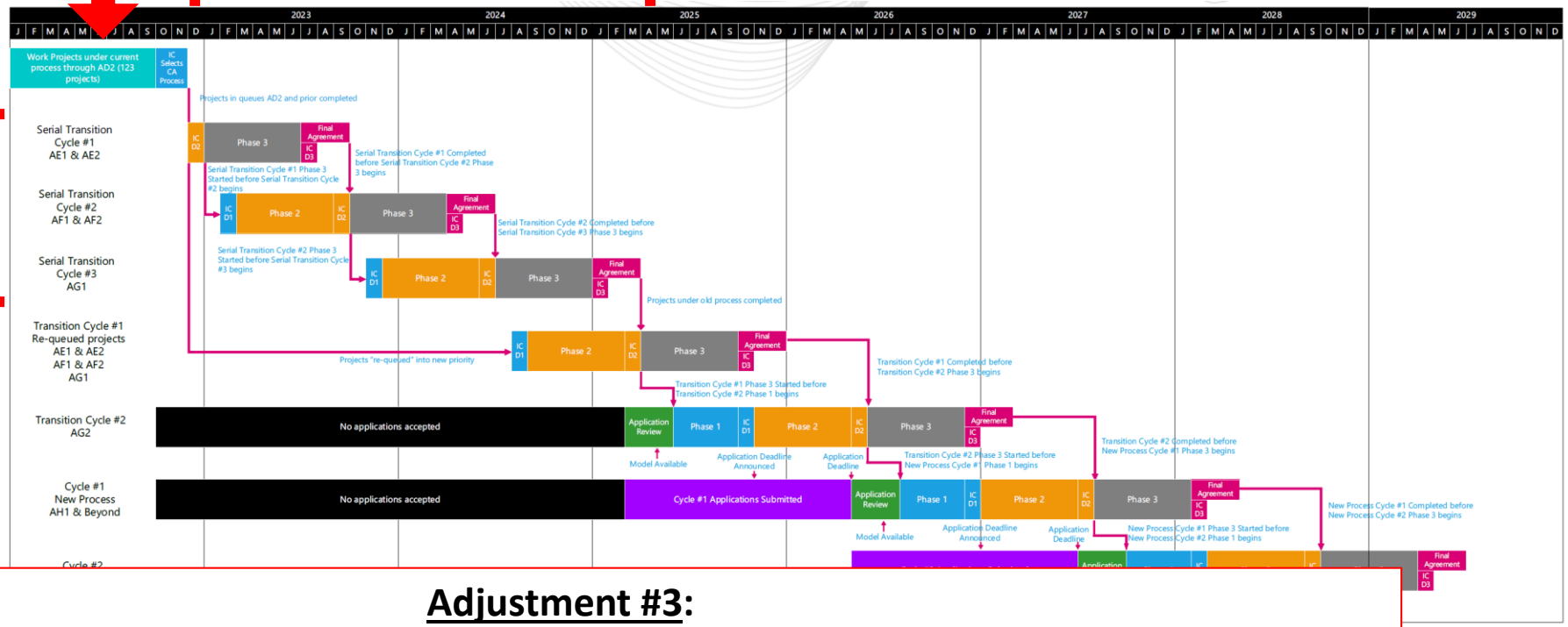
1. PJM's Option 4 imposed the same IC RD2 Readiness Requirement for the Transitional Serial vs Transitional Cluster → missing an opportunity to cull the serial backlog
   - PJM's Gantt shows 2.5 yrs of transitional serial study. 300 projects/yr Completion rate = 750 transitional serial projects following FERC order approval
2. PJM's Option 4 Gantt assumes only 123 "AD2 and early" projects Completed over the next 12 months
3. PJM's Option 4 Gantt shows sequential approach to serial queue driven by the SIS retool in advance of IC RD2. This has the benefit 'most current' information at TSRR posting, however, it slows down the serial backlog processing and is inconsistent with current processing where "clean" projects are often processed out of order because they have no upstream dependencies.

Adjusting these 3 aspects of PJM's Option 4 proposal can reduce the Transitional Serial processing from 2.5 years to ~12 months.

Three Adjustments to PJM Option 4 Timeline

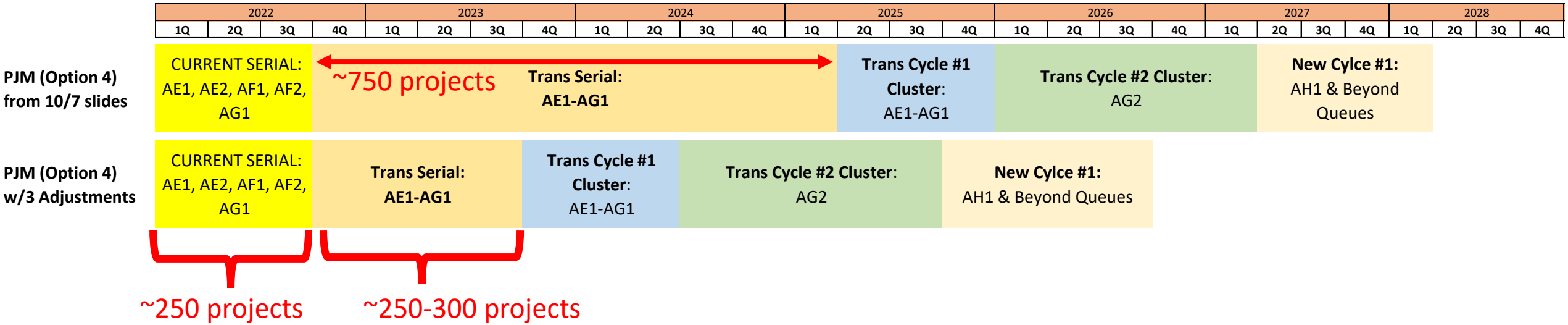
Adjustment #1:
~250 Completed before Oct '22 vs. 123

Adjustment #2:
Assume ~60% culled x 1200 = ~500-550 remaining serial queue – 250 Completed over next 12 months = ~250-300 projects over 12 months.



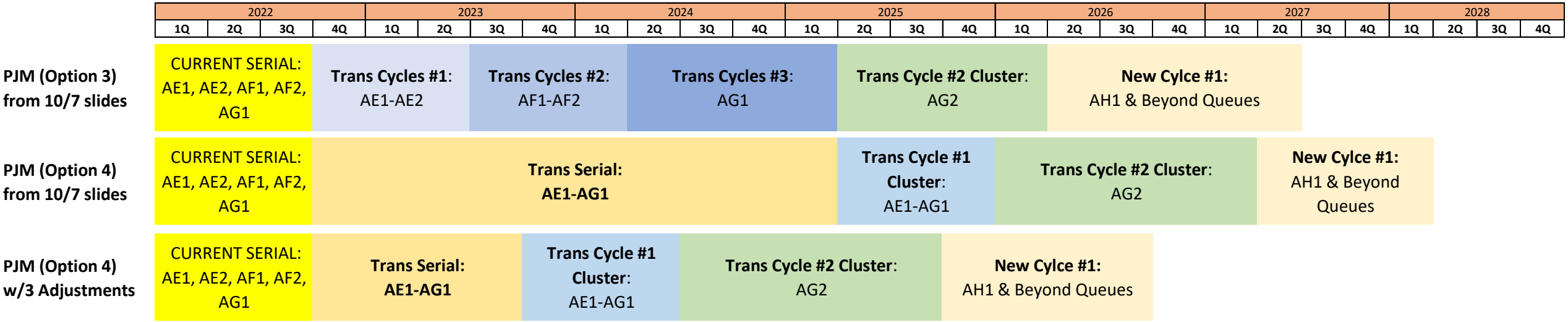
Adjustment #3:
Under ORR's proposal, TSRR will be posted at one-time election for transitional serial vs at IC D2. Serial projects that are not dependent on upgrades will be Completed when ready vs. waiting on prior queues as shown on PJM's Gantt. Robust TSRR will limit the withdrawals and re-tools.

Three Adjustments to PJM Option 4 Timeline



- Adjustment 1 increases projects studied over next 12 months to ~250 vs. 123 in PJM's 10/7 Gantt.
- Adjustment 2 applies a TSRR that culls serial backlog down to ~250-300 projects remaining at FERC Order approval.
- Adjustment 3, along with ORR's proposal of TSRR being due at the one-time decision, reflects the reality that clean serial queues will continue to be processed "as ready".
- These adjustments would enable the Transitional Serial backlog to be Completed in 2023 vs. 2025. Transitional Cycle #1 will be Completed in 2024 and AG2 processing will be Completed in 2025.

Comparing PJM Option 3 to “Adjusted” Option 4

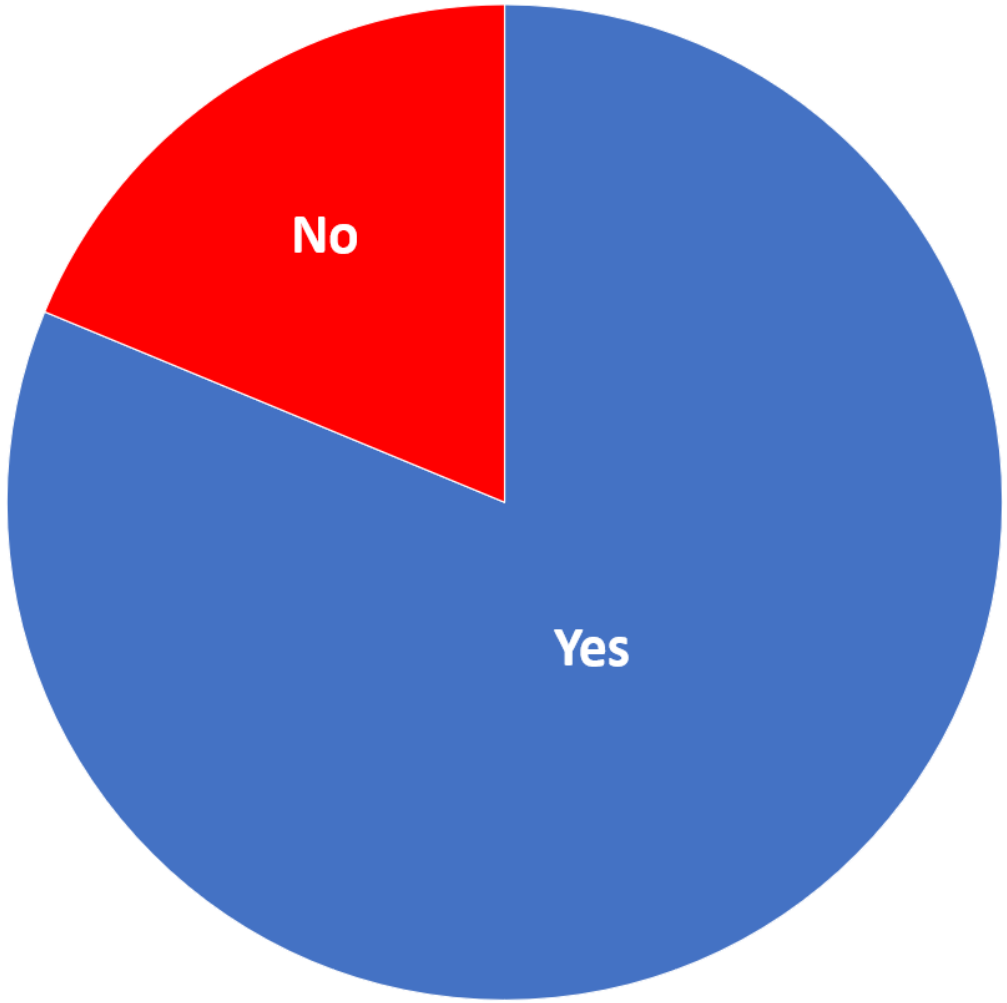


- “Adjusted” Option 4 versus PJM Option 3 showcases the opportunity to more expeditiously process the backlog than PJM’s Option 3.
- Allowing “clean” projects that do not trigger network overloads to continue serially will result in more ISA executions through 2023, and thus, more renewables online in 2024/2025/2026 vs. PJM Option 3.
- Additionally, these “clean” projects are not reliant on NUs to energize under serial processing. Alternatively, under PJM Option 3 they could face contamination of NUs triggered by other projects in the cluster and would be beholden to the completion of the NU work before energization.
- “Adjusted” Option 4 also has the benefit of focusing TO and PJM resources on “highly certain” projects over the next few years as we work through the backlog.

Do you believe that an appropriately structured "Readiness Obligation" as a condition to retaining the current serial cost allocation methodology at time of FERC Order Approval can effectively segregate late-stage projects that are highly likely to securitize their ISA vs. more speculative projects that may not ultimately securitize their ISA?

Vast majority of renewable ICs view an increased Readiness Requirement for late-stage projects to stay under serial processing (aka TSRR) as more equitable versus being swept into a transitional cluster and resulting in the loss of queue priority.

Additionally, a majority of renewable ICs (84%) believe that an appropriately structured **TSRR can effectively "thin out" the backlog**.



Key to Consensus → Agreement on TSRR

- Focus PJM, TOs, and ICs attention on hashing out a reasonable and effective TSRR that enables “highly certain” projects to maintain queue priority and reduces the near-term loading for PJM and TOs on the more speculative projects.
- ORR has proposed one way to achieve this outcome. Other approaches that have been proposed for discussion:
  - Avangrid – Higher of $20k/MW or 30% of NU Cost allocation
  - Various parties – 100% of NUs (rather than $4k/MW + 50% of NUs)
  - PJM – IC RD2 (10% of NU Costs)
  - Others – Include cap of NU at $5m, require 100% of NUs above $5m, only allow $0 NU queues to remain in serial, etc.
- **How do we surgically enable late-stage “highly certain” Active projects (AG1-AE1) to have their ISA tendered prior to Transition and/or have a Transition mechanism that ensures the late-stage “highly certain" projects can be expeditiously processed under current cost allocation methodology before the one-time transition to Cluster processing?**

Additional items worthy of future discussion

- Increase fees to increase PJM & TO staff pay to improve retention & expedite hiring
- Between now and Transition, can we reduce timing between ISA tender and security posting from 60 days to 15 business days?
- Pros/Cons of TSRR at one-time election following FERC Order Approval (ORR proposal) versus at IC RD2 once the SIS results have been retooled (PJM Option 4)
- What should the proper TSRR sizing be?
- Treatment of the 5-yr tail for any NU >$5M that are securitized under serial processing
- What is the appropriate site control for Phase 2?
- Should AG2 queue projects be given the same one-time choice to select serial vs cluster?

Thank you and we look forward to continuing to work together…to build consensus.

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APPENDIX

- FAQs
- PJM Option 2: potential TO processing limitation
- Comparison of Proposals
- 10/1 Industry Poll #2 Results
- PJM OATT Cost Allocation Background
- Network Upgrade Cost Allocation Example
  - Serial – Traditional Design
  - Cluster – Future Design
- FERC Protest = Delay of Transition
- 9/20 Industry Poll #1 Results
- Critique of PJM 8/23 Poll

Frequently Asked Questions

- Doesn’t this proposal allow “queue jumping”?
- How can we know how many projects will remain in the serial process vs. move to the cluster?
- Can’t we provide a “ready lane” before FERC approval vs. having to design one for after?
- Can we save a lot of time by reducing the time ICs have to post ISA security upon receipt of ISA?
- What if total TSRR postings are greater than the underlying NUs?
- Why tie TSRR to total NU vs. NU cost allocation?

FAQ: Doesn't this proposal allow "queue jumping"? Ex. can an AF1 project get ahead of my AE1 project?

- No. If your AE1 project chooses to remain in the serial queue and post the TSRR, your queue priority is preserved.
- Only if you choose to move to the transition cluster and that AF1 project chooses to remain in the serial queue would you then give up your existing queue priority.
- In contrast, PJM Options 2 and 3 eliminate your queue priority entirely within the transitional cluster and you have no choice to preserve your SIS results, queue position, or current network upgrade allocation rules.
- PJM Option 2 would expose that AE1 project to upgrades triggered by later queues through AG1. PJM Option 3 would expose that AE1 project to upgrades triggered by later queues within AE1 and AE2. Under both PJM Options 2 and 3, you would lose your existing queue position and the existing cost allocation rules that informed development of your project.
- IC Choice is the key point here.

FAQ: How can we know how many projects will remain in the serial process vs. move to the cluster?

- The design of the TSRR will directly impact how many projects will remain in the serial process vs. move to the cluster.
- Based on the specific TSRR design, we can make reasonable assumptions about how many projects will choose transitional serial vs. transitional cluster.
- On one extreme, if the TSRR is the same as the TCRR (see PJM's Option 4), we can reasonably assume that many projects will choose to preserve their queue priority and queue position by remaining in the serial process.
- On the other extreme, if the TSRR is 100% of NUs to which you contribute (regardless of your cost allocation), we can reasonably assume that very few projects that trigger NUs will elect to post TSRO and choose transitional serial.
- ORR's proposed TSRR formula is designed to remove uncertainty from the serial transitional queue by linking TSRR to the risk of being first-to-trigger NUs, which also furthers the interest of expediency in processing the serial queues.
- Even if most ICs elect to proceed under the serial rules at a very high TSRR (ex. 100% of Nus), the need for retools would be minimized because all NUs would be fully funded regardless of whether those ICs subsequently drop out.
- This unlikely scenario would also argue that IC Choice under Option 4 more closely reflects the interests of the IC community (i.e. if you are worried that even at very high TSRR too many ICs would be willing to pay to stay under the serial processing, that acknowledges a significant preference among ICs to retain queue priority and current cost allocation rules vs. be moved to a cluster).

FAQ: Can't we provide a "ready lane" before FERC approval vs. having to design one for after?

- A majority of renewable ICs support an option of a "ready lane" before FERC approval vs. being forced into a new cluster process
- Our understanding is that this was historically possible in the past when Stability Study modeling was completed as part of SIS phase
- PJM has confirmed that there is not currently a process today to lock in serial cost-allocation methodology before the Facilities Study report is issued
- PJM has indicated this is not a preferred route and would pull resources away from the Transition efforts
- Sources of complexity include uncertainty in final stability study, network upgrades, and facilities costs and how such uncertainties would be handled at the time of ISA securitization.
- That being said, ORR is still open to exploring this avenue if PJM and other stakeholders deem it worthy of additional discussion as this represents the only way to "fix" Options 2 and 3 to be responsive to late-stage project interests.

FAQ: Can we save a lot of time by reducing the time ICs have to post ISA security upon receipt of ISA?

- Yes. ICs currently have 60 days between receiving final ISA and posting security.
- Reducing that time to 15 business days could materially improve processing timeline.
- ICs already have notice that an ISA is coming weeks or even months before the final ISA is tendered (when draft ISA is being circulated and the Sec 6 milestone dates are discussed)

FAQ: What if total TSRR postings are greater than the underlying NUs?

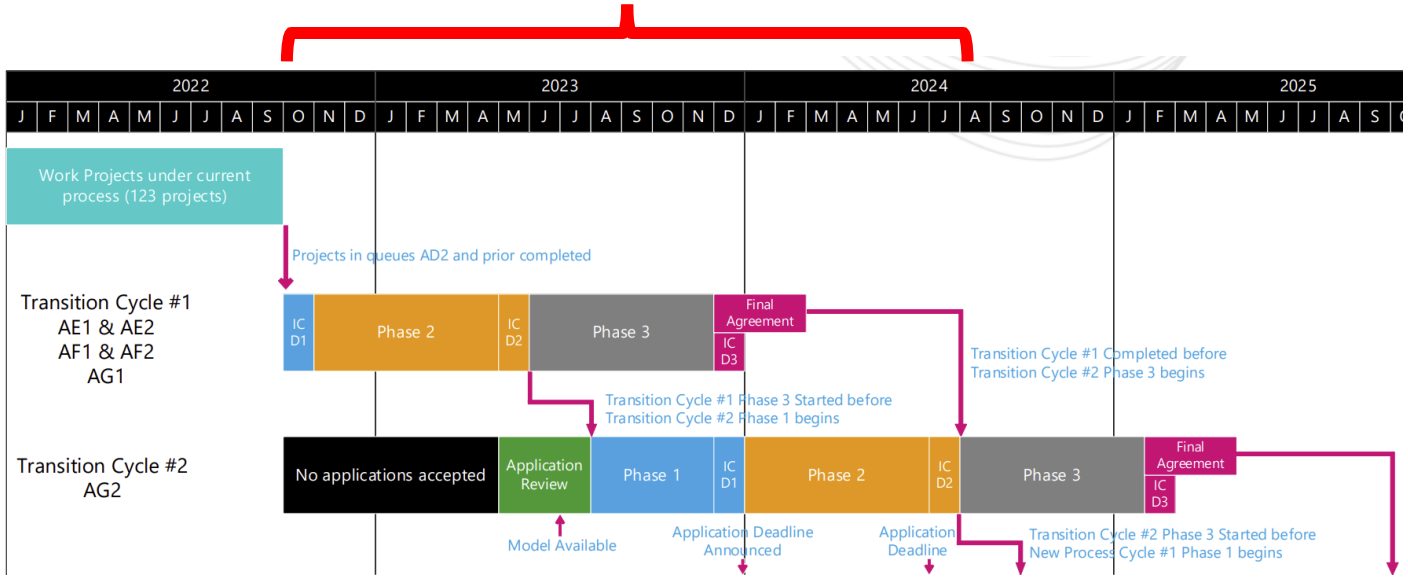
- If 2 or more projects that contribute to NUs posted ORR's proposed TSRR, the underlying NUs would be 100% funded in the serial queue
- Under serial backlog processing, at ISA tendering, PJM would apply the existing first-to-trigger approach to the first IC, with that IC's TSRR balance applying towards the ISA security requirement to cover 100% of the NU as is current practice.
- Any subsequent IC would then true up their ISA security requirement and TSRR balance including reimbursement of costs to the first IC as is current PJM practice.
- If an IC that has posted TSRR fails to execute an ISA, their TSRR is forfeited and goes toward funding the underlying NUs.
- This approach further ensures that virtually all projects that elect to proceed under the existing serial process are "clean" or highly-certain.

FAQ: Why tie TSRR to total NU vs. NU cost allocation?

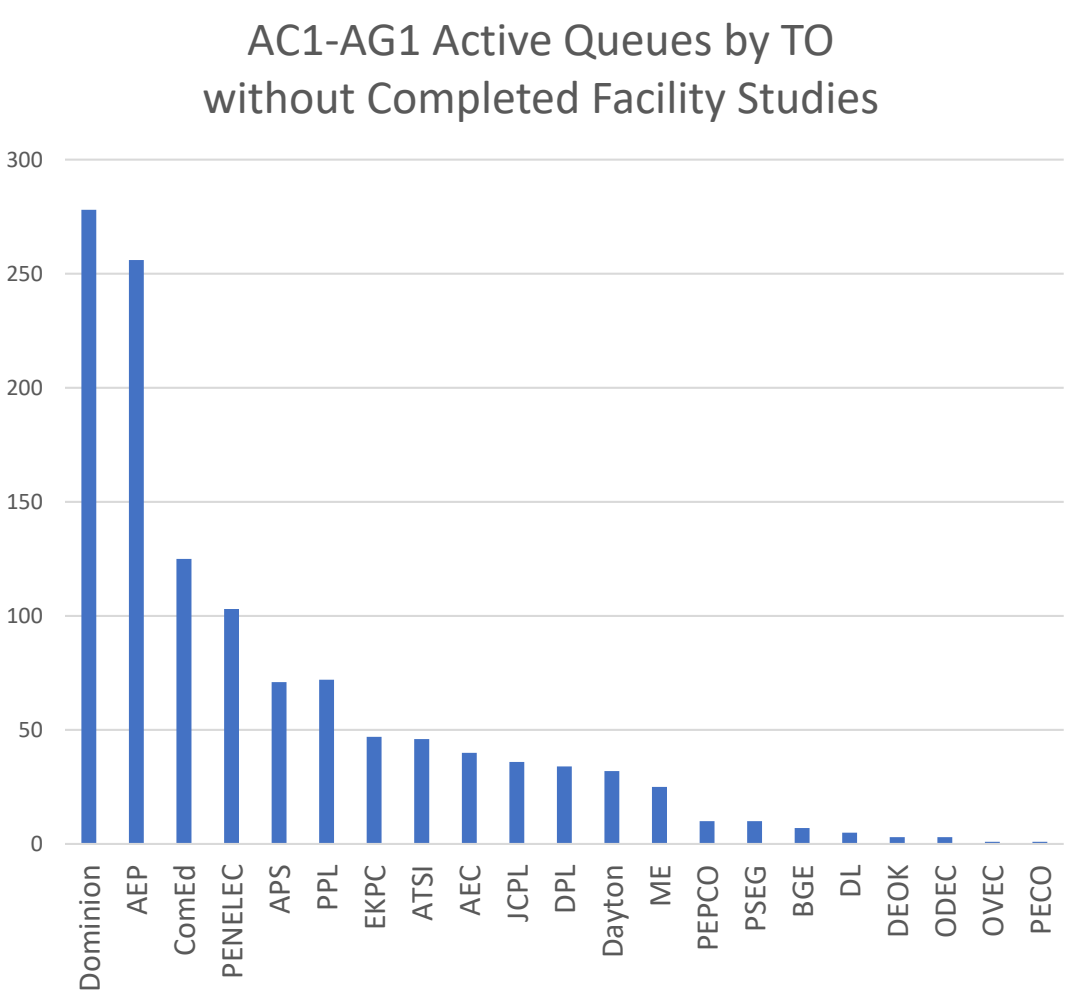
- A key reason for current delays in the serial processing is uncertainty around which queue will be first-to-trigger large upgrades and whether that first-to-trigger IC will post 100% security or queue out.
- Current NU allocations frequently represent only a small fraction of that real first-to-trigger amount
- Basing TSRR on NU cost allocation thus fails to adequately flush out projects that would be unwilling to post that larger first-to-trigger ISA security.
- Basing TSRR on total NUs vs. NU cost allocation thus more accurately targets uncertainty remaining in the serial queue

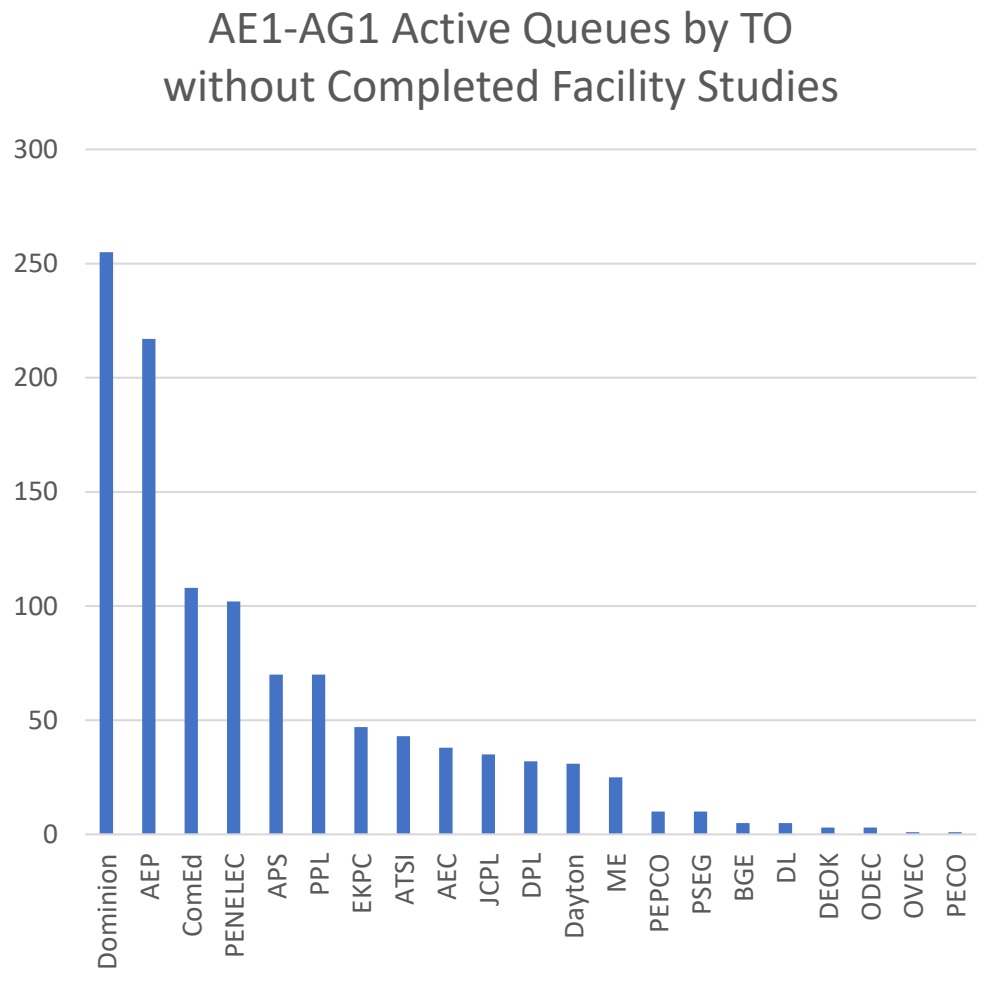
PJM Option 2: Potential TO processing limitation

- The rate at which TOs can process facility studies is a hidden constraint across all Transition proposals
- The top five TOs with the most queue requests in AE1-AG1 have over 750 of the 1111 queues.
- Thus, its most likely that Transition Cycle #1 Final Agreements won't be completed until late '24 or early '25 (as shown in red).
- Additionally, across all Transition proposals, each cluster will have to wait for <u>all</u> facilities studies in the preceding cluster or serial batch.

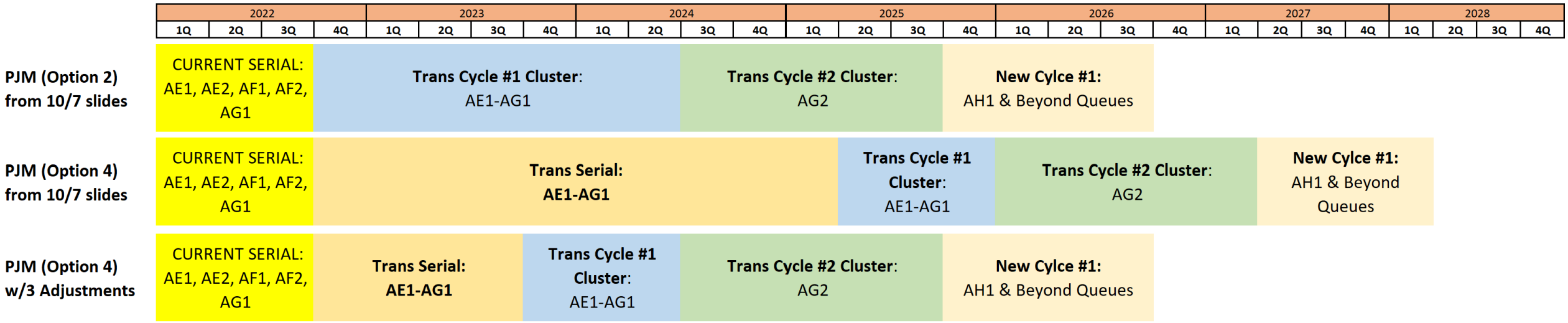


Current Backlog of Facility Study Results by TO



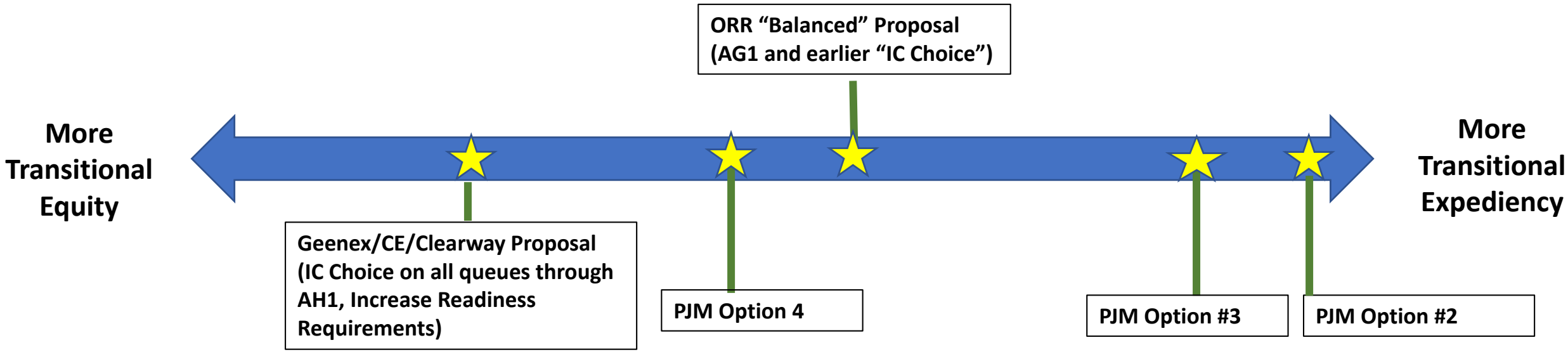


Comparing PJM Option 2 to Expedited Option 4



- Due to facilities study backlog and the large size of the Option 2 Trans Cluster #1 in PJM's Option 2, the Option 2 schedule in PJM's Gantt chart is likely unachievable.
- Noting the interests of expediently processing the backlog along with the interests of providing late-stage projects the choice to stay in serial, the Gantt chart above shows that the "Expedited" Option 4 represents a balanced approach to addressing key stakeholder interests.

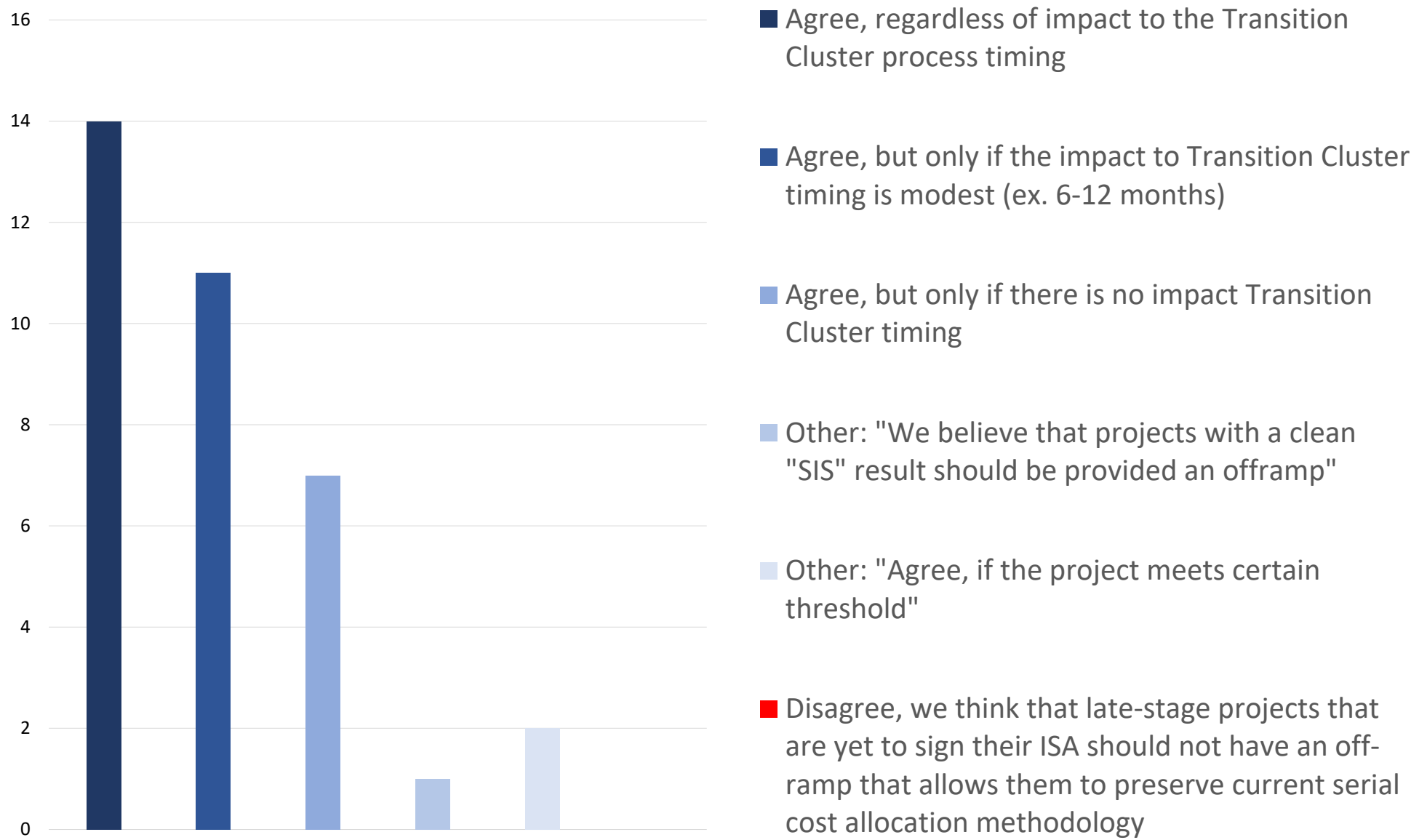
Queue Reform Transition Proposals To Date



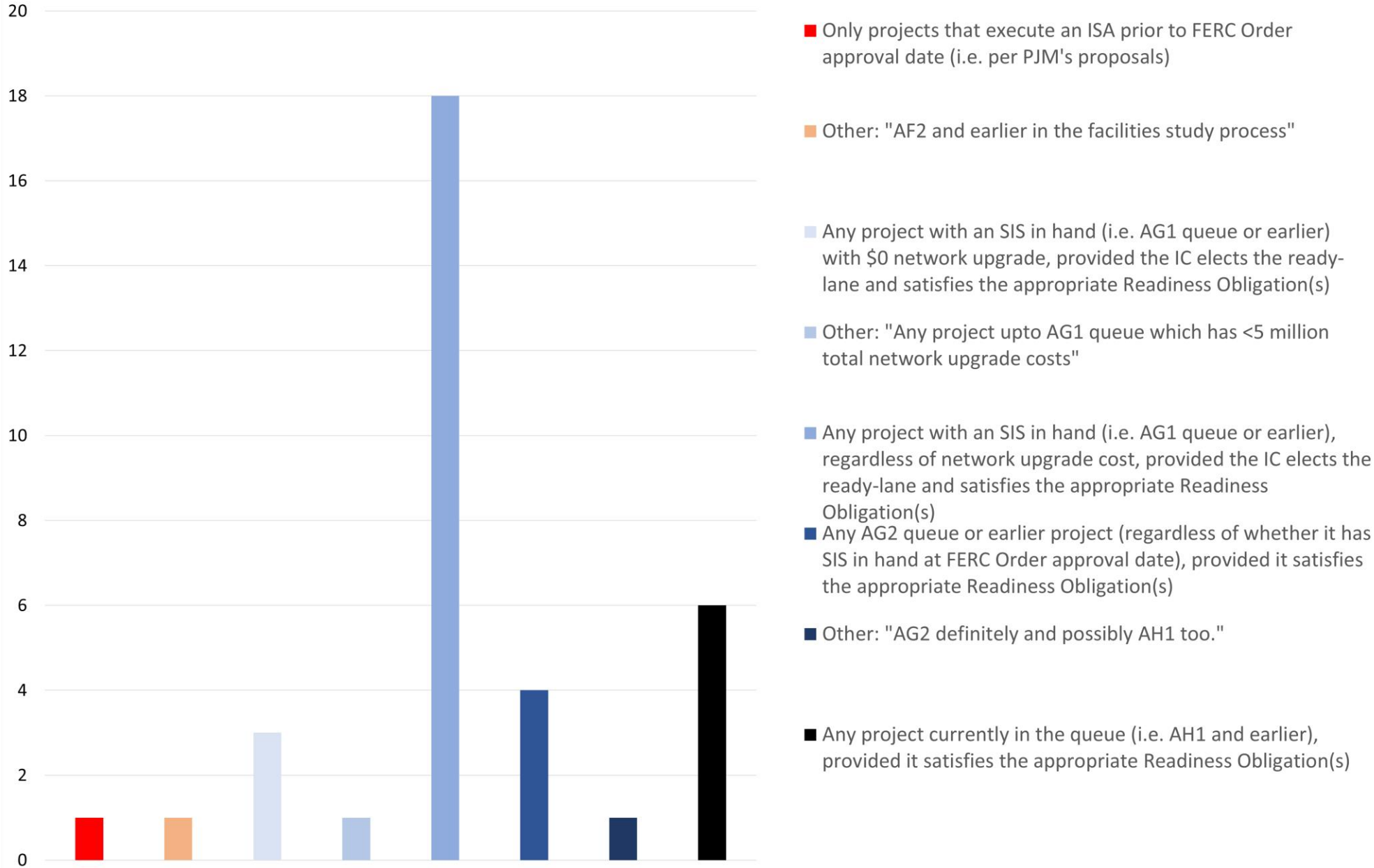
Renewable Coalition Poll #2 Details

- Following the 9/20 Stakeholder meeting, ORR coordinate with a number of renewable energy coalitions including SEIA, MAREC, CHESSA, and USSEC OH and **heard feedback from over 40 renewable companies**.
- A **poll** was released from 9/28 through 10/1 to members of these groups active in PJM and the results were assembled on 10/2.
- **36 companies participated** in the poll, ~1/3rd of which had participated in PJM's 8/23 stakeholder poll
- The polling results show **unanimous support for a 'ready-lane' for late-stage projects** to lock in the current serial cost-allocation methodology
  - With varying perspectives on any potential impact on Transition Timing
- Our hope is that the polling data will enable PJM and Stakeholders to continue working constructively towards a **balanced solution**

Do you agree that late-stage projects should have an “off-ramp” or “ready lane” that allows them the choice to preserve the current network upgrade cost allocation methodology?



With regard to an off-ramp or ready lane to preserve the current serial cost allocation methodology, which projects should be eligible?



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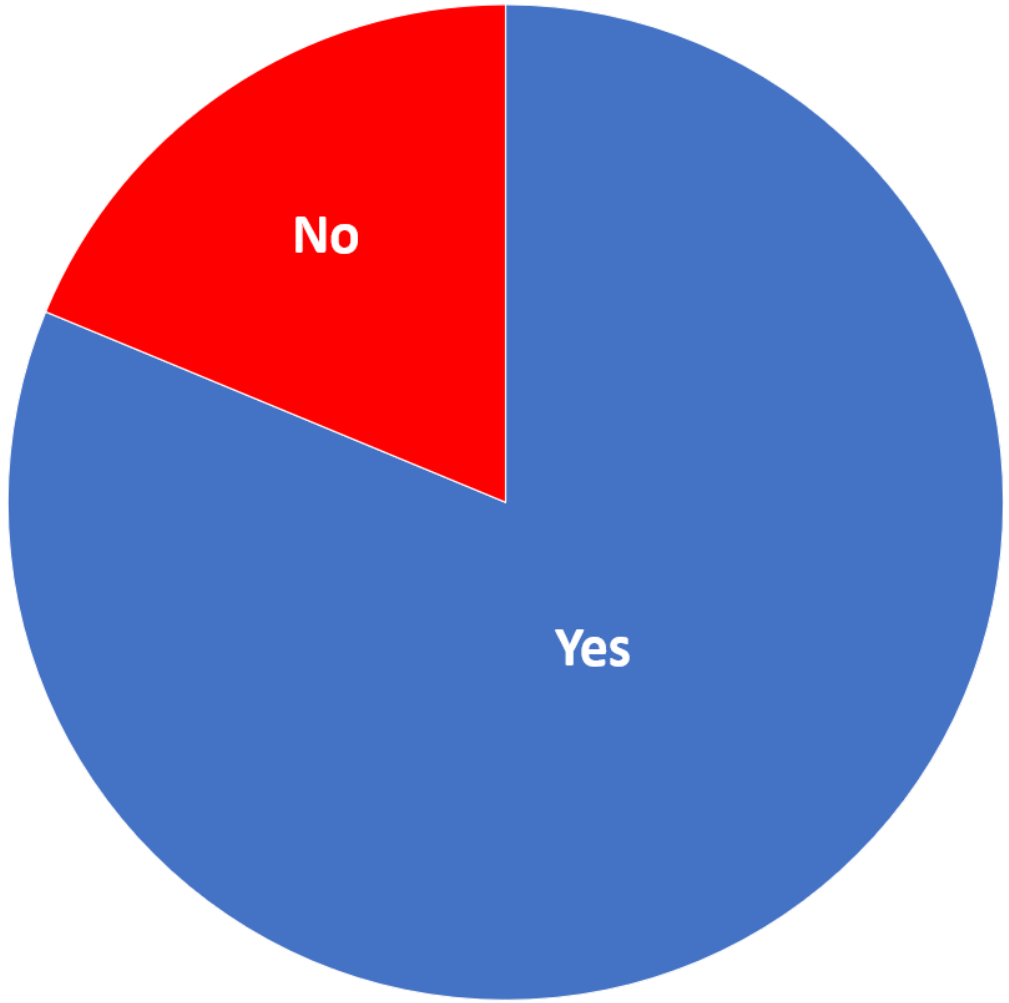
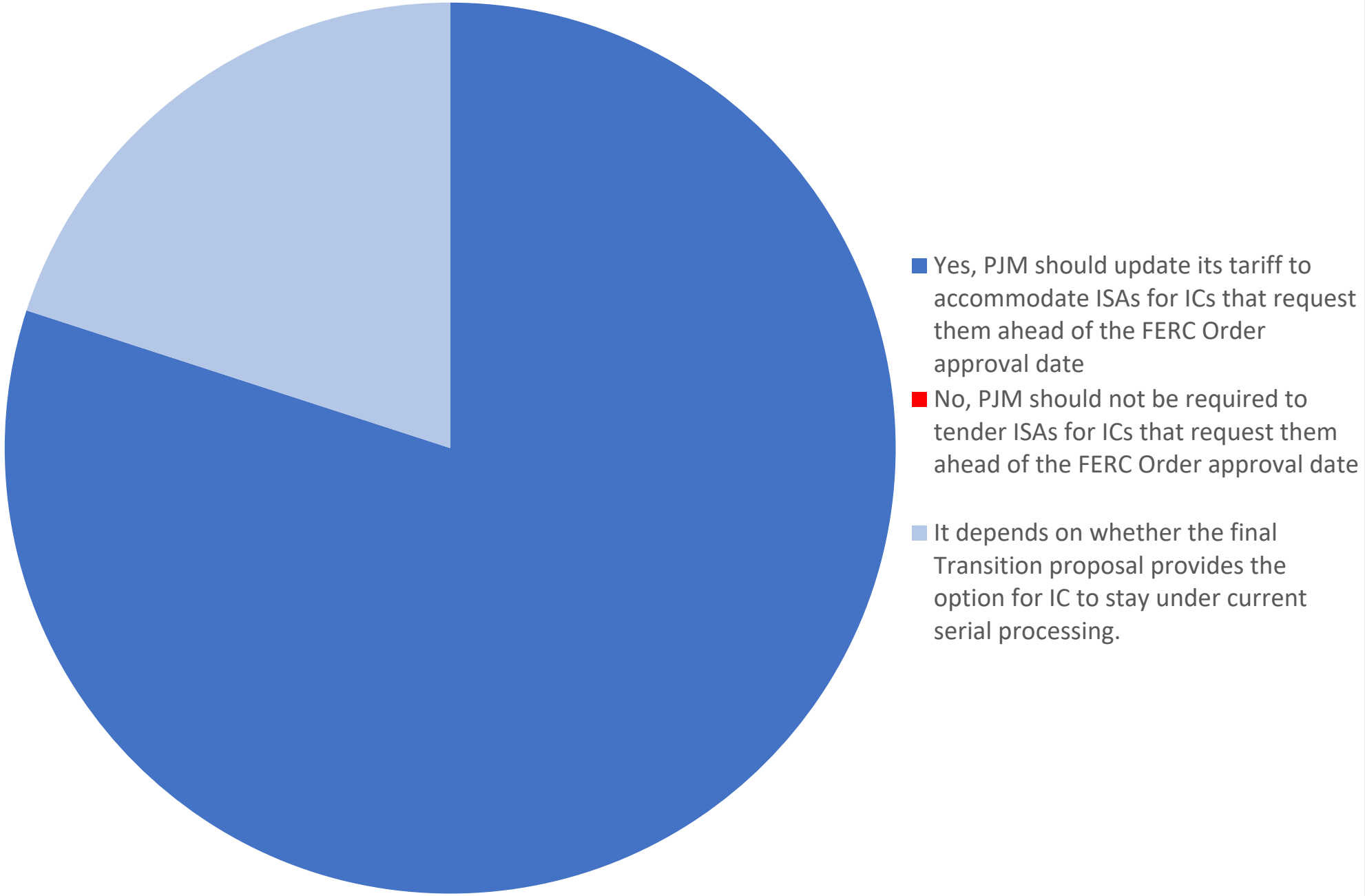
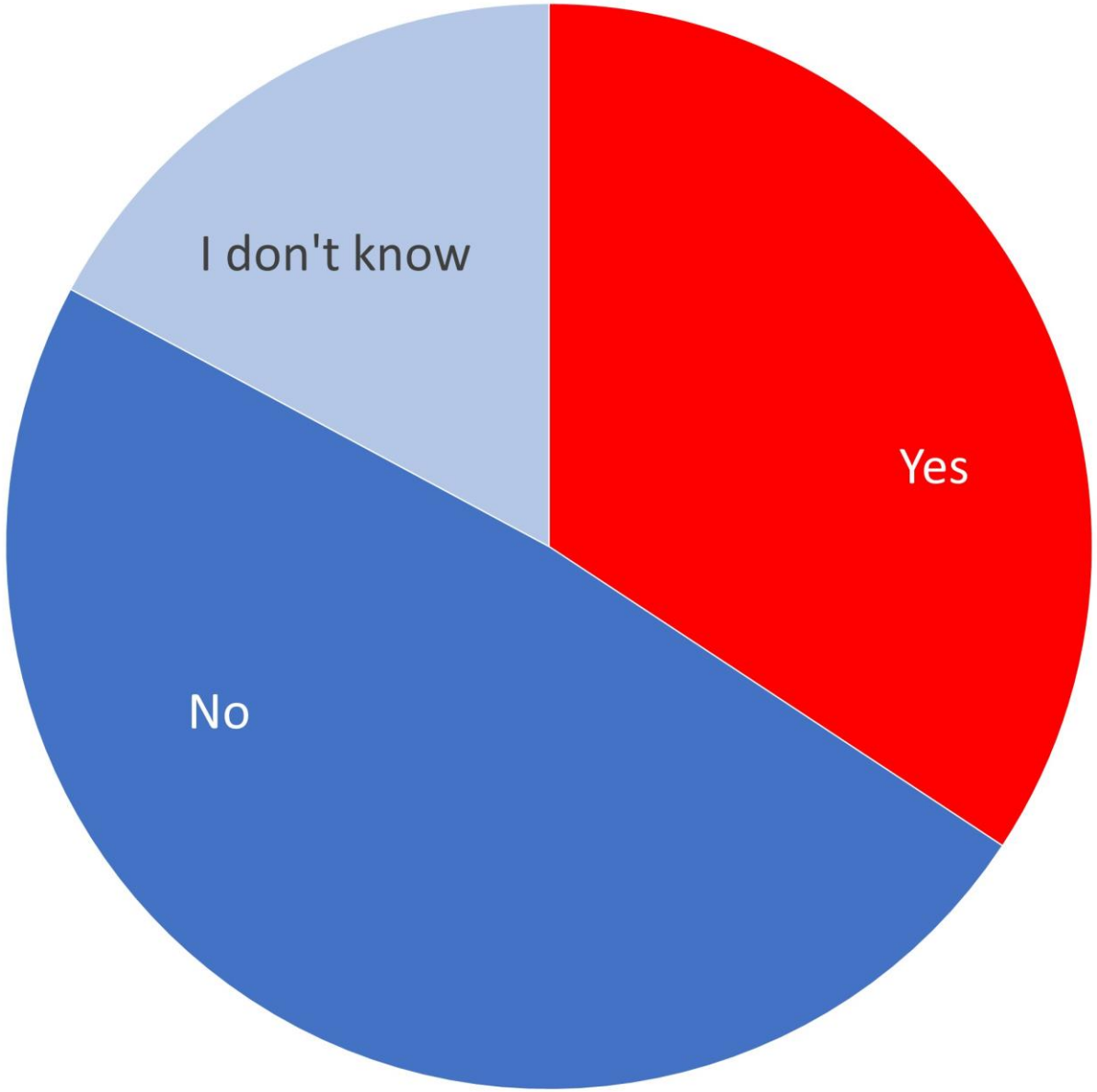
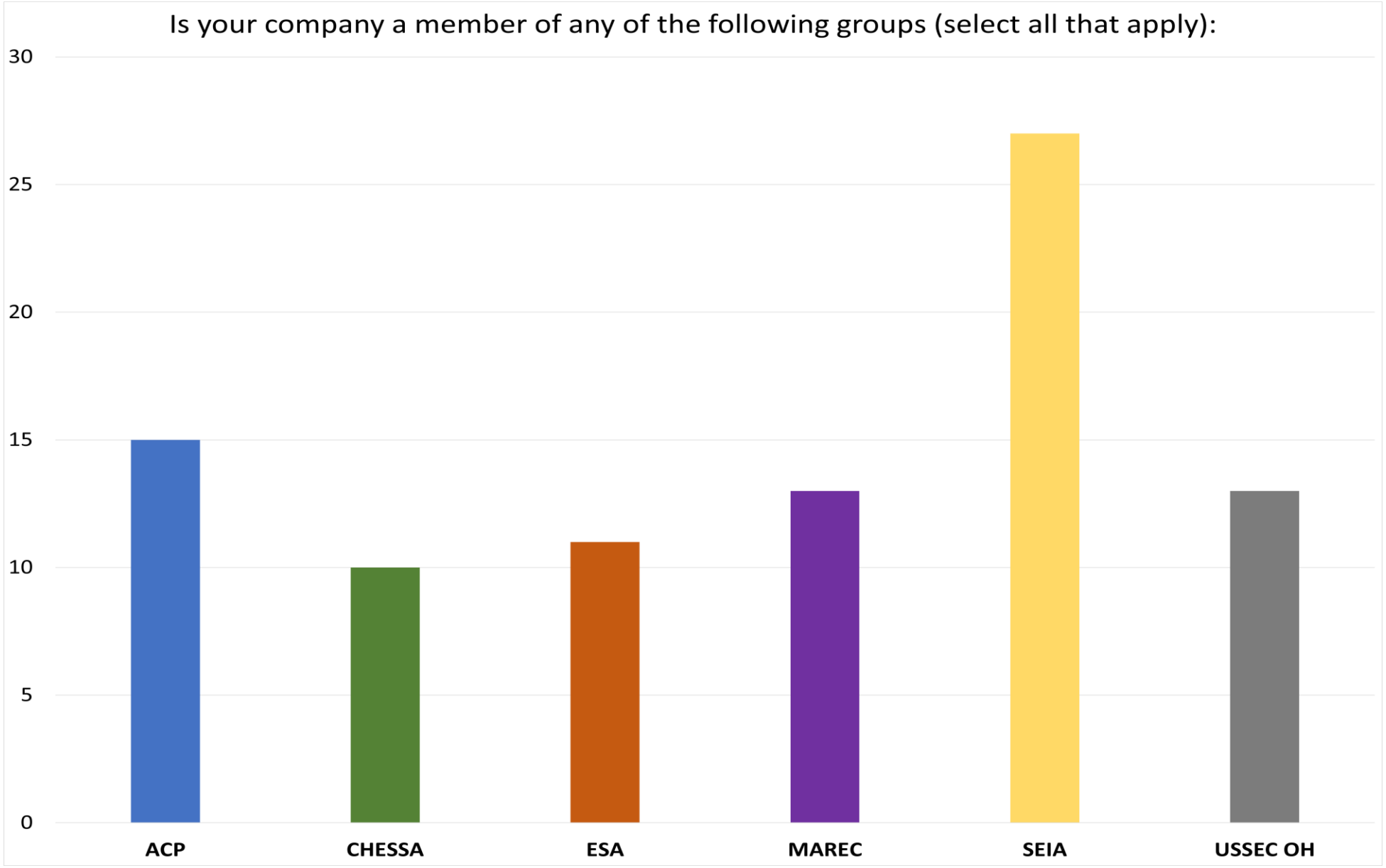


Between now and FERC Transition Order Approval, do you believe PJM should be required to tender ISAs for ICs that request an ISA?



Did your company participate in the PJM Task Force's 8/23 stakeholder poll?





ACP (The American Clean Power Association) - CHESSA (Chesapeake Solar and Storage Association) - ESA (Energy Storage Association) - MAREC (Mid-Atlantic Renewable Energy Coalition) - SEIA (Solar Energy Industry Association) - USSEC OH (Utility Scale Solar Energy Coalition of Ohio)

Poll #2 Responder Comments

- The below slides capture verbatim comments provided by poll respondents to the 2nd renewable coalition poll from October 1, 2021.
- Note: Some comments reflected confusion around PJM's inability tender early ISAs that lock in the serial cost allocation contribution before all studies are complete (PJM has repeatedly confirmed that they cannot)

Importance of Expeditious Processing Question

- Yes, as long as the expeditious processing avoids economic harm to late-stage projects with known upgrade costs (those with a SIS in-hand or expecting to have a SIS available shortly) and provides some choice to these ICs over whether to remain under the current serial cost allocation rules.
- It is important to process the backlog, however allowing a mid-course rule change would invalidate the work interconnection customers have been doing for years, all while adhering to the rules. PJM must at least give interconnection customers the option to continue under the existing rules. If the shoe were on the other foot and interconnection customers were not able to submit requests under the current rules because of staffing shortages, I doubt there would be much in the way of exceptions.
- Clearing out the PJM backlog is a priority but not at the expense of mature projects that have been investing based on existing rules for years
- PJM needs to focus on the Facility Study backlog
- Yes, we want the backlog to be cleared expeditiously but also making sure the older queue projects have some grandfathered rights.

Importance of Expeditious Processing Question

- We welcome PJM transitioning to a queue processing methodology that establishes high bar for entry to ensure quality projects occupy the queue and allow PJM to efficiently process the queue - both the existing queue and future queue.
- It is important but keeping too many projects status quo is not going to do that. There will be some winners and losers. If a project has a good SIS in hand they can ask for an IA now, if not doing that they they have good results but not willing to take any risk.

Off-ramp for Late-Stage Projects Question

- Difficult without a real definition of late-stage project. also, the standards around the off ramp are needing development
- ICs that entered earlier study cycles typically have much larger dollars invested in holding and maturing their projects than ICs that have only recently entered the queue. These earlier cycle projects (pre-AH1) should be allowed the opportunity to complete the serial study process. We understand that additional security may be necessary to signal to the stakeholder community that such ICs believe their projects are viable. However, ICs that post such additional security should also be protected, in the form of Penalty Free Withdrawal provisions, that protect the ICs in the event of substantial cost increases that are no fault of their own (e.g. the identification of multi-mile OPGW installation during the FacS that increases total cost by more than 20%).
- Interconnection have made significant financial investments and long range strategy and planning decisions based on the current rules. They have followed the rules and are now going to be penalized because of staffing issues at PJM.
- It's most equitable to let all projects that have been developed under existing rules get through the process under those rules. But at a minimum those projects advanced enough to have received SIS must be allowed the opportunity to continue under existing rules.

Off-ramp for Late-Stage Projects Question

- To some extent, clean interconnects should be able to move forward without regards to the transition cluster, but from a practical standpoint, there are many ICs that will care and in order to get a consensus of the group, there needs to be some consideration of timing of moving all queue positions forward, which is why we are all hear trying to figure out the best solution for interconnection reform.
- We believe an option to sign a "preliminary" ISA for any projects that want the current cost allocation rules applied is viable.
- It is my understanding that, PJM even now has upgrade cost allocation to lower queued project going in service within 5 years. I would like to discuss with this group how different the proposed cluster approach would be.
- Business decisions have been made based on issued studies and the process that was in place when the project entered PJM's queue
- If a project has completed a SIS it should proceed under the current system.
- There should be a threshold to get off-ramp or ready lane. A project which has minimal upgrades (<5M - total cost) and/or in the facilities study for more than 2 years could be ready and should be grandfathered.

Off-ramp for Late-Stage Projects Question

- With imposition of Readiness Payment obligations upon all projects - regardless of decision to i) remain in serial study / current NU cost allocation or ii) transition to Cluster study process and updated cost allocation methodology - non-serious projects should rationally drop out, thereby clearing out the queue [and allowing parallel pathways of serial and cluster studies to avoid delay to both sets of projects]
- Any project that is in an "off ramp" condition should be able to meet these time frames so this is reasonable.
- There also needs to be postings required to cover any upgrades the project is dependent on from earlier queued projects.

Off-ramp Qualification Question

- A lot has been made about FERC precedent driving toward an "SIS in - hand" being the standard for being allowed to stand under the current rules. That may not be a completely apples to apples comparison. My guess is those precedents were set in an environment where queues were being processed in an orderly and timely fashion. If we want to say that "having an SIS in hand" is the right threshold, that still unfairly penalizes ICs who were following the rules and but for the somewhat arbitrary and significant delays might have had a SIS under the usual schedule. So if we wanted to change that standard to projects that "should have an SIS" by the time of FERC approval, I think that would easily include AH1, but for the delays at PJM.
- It's most equitable to give projects through AG2 this option, but consistent with FERC precedent using the SIS threshold as a key milestone in grandfathering queued projects from new cost allocation rules would be acceptable.

Off-ramp Qualification Question

- I believe projects with reasonable NU costs should have the same benefit, since there is a chance they can move forward as well.
- We believe an option to sign a "preliminary" ISA for any projects that want the current cost allocation rules applied is viable.
- We cannot stop developing projects as PJM contemplates new rules and until the new rules are defined it is not reasonable to determine what changes to make in development
- Practically speaking, we do not think it is possible for some projects with SIS in hand with network upgrades to opt to remain in the serial process, while other projects with SIS in hand to opt for the new cluster process. There are interdependencies between these projects, and they need to be re-tooled using the same model/timing/process.
- PJM needs to give an option to IC if they want to post LOC for their current network upgrade allocation and get out as well.
- For many queues, SIS results were delivered so long ago as to now be obsolete. There are many queue positions reflecting system upgrades for overages that are no longer present (for that position) due to withdrawals and retirements.
- Any project up to AG1 queue which has <5 million total network upgrade costs
- $0 network upgrades should also be not dependent on prior upgrades and/or post for all potential risk and willing to sign the provisional IA

Readiness Obligation Question

- Projects with an incentive to socialize network upgrades will self select into a cluster option. The penalty for remaining in the serial process and then subsequently withdrawing, would be having to get back in line whenever the first cluster cycle is over.
- Readiness Obligation is key to ensuring that a transition serial queue doesn't get bogged down by a bunch of speculative queue positions. Suggest both a fixed and a variable component based on total network upgrades so that "cleaner" projects (with no NUs) face a lower cost of maintaining the serial cost allocation treatment vs. more uncertain projects. The cost for the latter has to be substantial, high enough to deter all but the most certain projects that have NU allocation. Suggest $4k/MW + the greater of the project's NU allocation OR 25% of the total upgrade costs to which the project has cost allocation.

Readiness Obligation Question

- Rather than an additional readiness deposit/obligation, we believe the option to sign an ISA based on SIS results can effectively segregate late-stage projects vs. more speculative projects
- Every project is speculative as there is much more than a PJM ISA to having a successful project
- Not just the readiness obligation could be used to retain current serial cost allocation. If a project has minimum upgrades and the facilities study could be done, there is no need for readiness obligation deposit which could be refunded at COD. There should be higher readiness deposit in the transition clusters compared to the actual queue reform queues. This will help to clear the backlog even faster.
- An appropriately structured RO will have some deterring effect but the speculative projects should be inherently incented to opt to cluster study for shared cost allocation benefits.

Readiness Obligation Question

- Such a low percentage of projects actually survive the process. Given scarce resources the process should recognize earnest developers so that the time commitments can be met.
- Readiness obligations should consider a $/MW or % of upgrades. Distinction between 'clean' and 'dirty' projects should be carefully considered as a 'dirty' project should not automatically be considered speculative given that interconnection upgrade costs could be sufficiently incorporated in commercializing the project.

Early ISA Question

- The option to request an ISA would be a good one as long as PJM would commit to providing System Impact Studies for projects that have applied through AH1.
- Especially given PJM's proposal to pull the rug out from under mature projects that have SIS in hand, they should absolutely be required to provide an off-ramp for such projects prior to implementation of the new rules. It would be patently unfair and unreasonable for PJM to neither offer something like this nor allow those projects to continue under serial cost allocation rules as part of the transition.
- Regardless of reform, this will help expedite a portion of the backlog
- We believe there is precedent for this and the option should be available.
- If this will reduce the queue, fine.
- Part of the current problem is the completion of Facilities Studies that PJM and developers have no control over.
- To the extent that the project has completed it's facility study, PJM should be required to issue an ISA for that project.
- Yes, projects with zero network upgrades and the choice should be given to the IC after the retools until AG1 that if IC wants to post their portion of NU and get out.

Early ISA Question

- The above question didn’t make any sense since I don’t think PJM is stopping to issue ISAs if all required studies are done and facilities study is completed. PJM can issue ISAs up to AG1 projects if the required studies are done before FERC rules on any reform. Since its a required question i selected the third option.
- Simply put, until a process is changed it should operate as written in the guidance.
- Not sure the point of this as it is an option, you can ask for one now
- The question is not completely clear to me. Do you mean IC would ask for an ISA prior to receiving their SIS and/or Facilities Study Report and without knowing network upgrade cost allocation?

Additional Comments

- Any proposal that simply pulls the rug out from projects who didn't happen to get their ISA by the time FERC rules is not a serious proposal and is truly indefensible. At a minimum, any transition plan has to allow late stage projects with SIS in hand some avenue for continuing under existing rules, which is consistent with FERC precedent.
- We have heavily invested in our projects that are already in the queue based off the existing PJM rules, changing those rules now for late stage projects would be unfair, unjust and high contested at FERC.
- State jurisdictional projects seeking wholesale access that were instructed to apply for IX via PJM and have assigned PJM queue positions should not be removed from the PJM queue as part of the PJM interconnection reform process - particularly in the case that there is no state-level IX process in place for these projects to apply to. This is highly discriminatory.
- There needs to be open discussion and listening in this group and not the pushing of one agenda. There will be projects that benefit and those that don't. We need to move the projects forward, be able to process faster, weed out the projects (good or bad on upgrades it doesn't matter if they aren't getting built)

Renewable Coalition Poll #1 Details

- Renewable Energy Trade association calls were held on 9/16 and 9/17 with USSEC OH, CHESSA and MAREC members to discuss the Task Force efforts and review PJM's proposal
- From these calls, it became evident that the majority of renewable energy developers and IPPs were not aware of the possibility of material change to the cost allocation rules for existing queue positions
- Following these calls, a poll was assembled with the questions included on the following slides

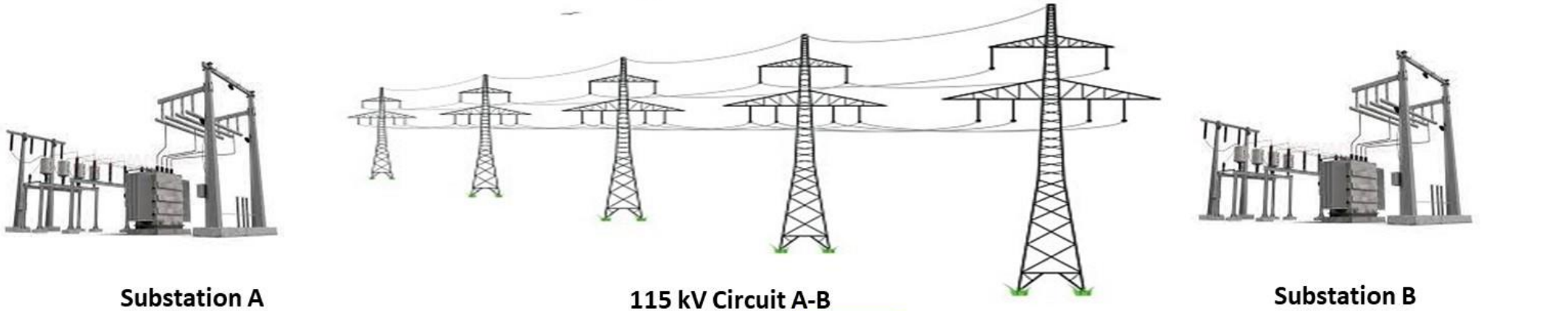
Summary of Additional Material

- Existing serial cost allocation rules have resulted in **many "clean" projects** that have System Impact Studies (SIS) that show $0 network upgrade (NU) costs (or highly certain economic NU costs) through the AG1 queue. Some, but not all of these clean projects will have ISAs by the time FERC rules on PJM queue reform.
- **Avoiding harm** to these clean projects and providing some **choice** to ICs while **expediting transition** to a new cluster process will **help ensure timely FERC approval.**
- We can look to other RTO transition plans that have been approved by FERC for guidance on just and reasonable transitions….specifically with regard to treatment of late-stage projects
- PJM's current cluster and transition queue reform proposal **would expose well-planned and clean projects to new, late-stage economic harm from new cost** allocation vs. their current "clean" results.
- ORR's queue reform proposal would result in a **similar timeline to PJM's** proposal while creating a **"ready lane" for late-stage clean projects** or those willing to meet significantly higher readiness obligations to stay under existing serial cost allocation rules.

Level Setting on Current PJM Serial Cost Allocation Process

- Date of entry into the queue matters ("**Queue Priority**" concept in OATT)
- **"First-to-trigger"** - The first queue position to exceed 100% loading on a network element pays for an upgrade
- Following the "first-to-trigger", for upgrades **<$5m**, queue positions **within the same queue window** that contribute to the overload share in network upgrades with the "first-to-trigger" queue position
- For upgrades **>$5m**, **all** subsequent queue positions (for the next **5 years**) that contribute to the same overload are allocated their share of network upgrades
- Key Implication: If you have a "clean" SIS (i.e. you have $0 network upgrade cost allocation or have highly certain upgrade costs) then **your project will most likely remain clean forever** and you can sign an ISA with confidence upon getting your facilities study results

Example: Current cost allocation methodology

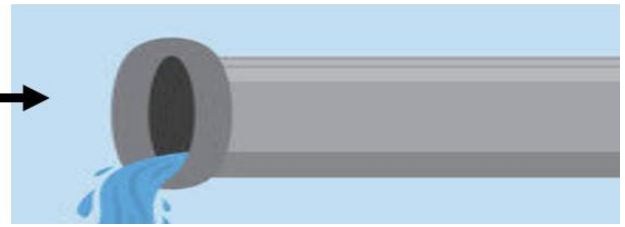


Substation A
Limiting Element MVA Rating: 350 MVA
Peak Loading in N-1: 125 MVA

115 kV Circuit A-B
Element MVA Rating: 250 MVA
Peak Loading in N-1: 125 MVA

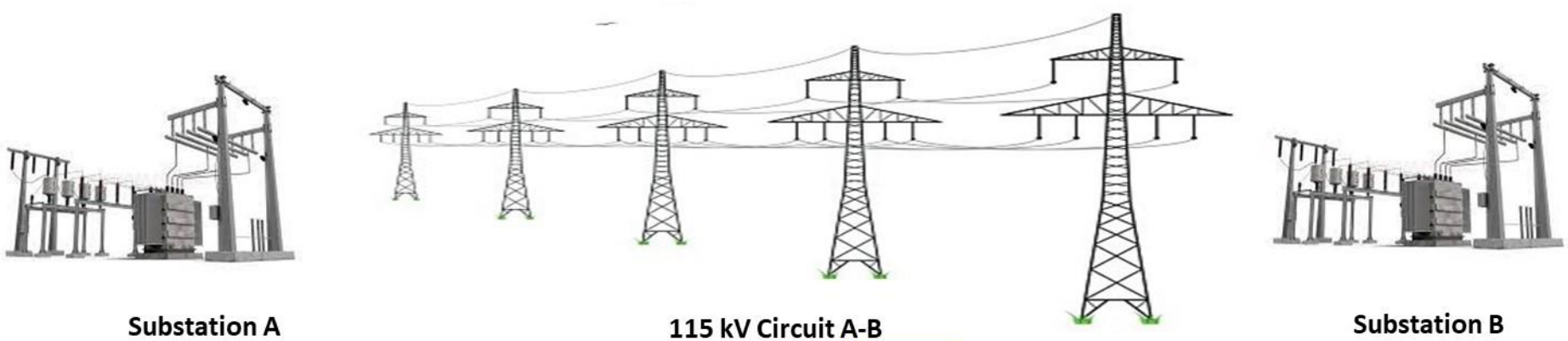
Substation B
Limiting Element MVA Rating: 350 MVA
Peak Loading in N-1: 125 MVA

Roughly 125 MW of injection capacity



- 20 mile long 115 kV circuit with 250 MVA thermal rating and summer peak loading of 125 MVA. Assume that 115 kV line is the limiting element and has ~125 MW of injection capacity per the pipe analogy above.
- Assume multiple generators seek interconnection on this 115 kV line across multiple queue windows starting in AE1….

Example: Current cost allocation methodology



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Example: 100 MW AE1-XXX project filed a new generator interconnection request on 115 kV Circuit A-B in Spring 2018 followed by 50 MW AG1-YYY request filed on the same 115 kV Circuit A-B a few miles away 2 years later.

AE1 Queue
4/1/18-9/30/18

AE1-XXX: 100 MW MFO
"Clean" SIS Results Aug 2019

AE2 Queue
10/1/18-3/31/19

No queue activity impacting the loading of these elements or local network

AF1 Queue
4/1/19-9/30/19

No queue activity impacting the loading of these elements or local network

AF2 Queue
10/1/19-3/31/20

No queue activity impacting the loading of these elements or local network

AG1 Queue
4/1/20-9/30/20

AG1-YYY: 50 MW MFO
"Encumbered" SIS Results Aug 2021

Example: Current cost allocation methodology

AE1 Queue
4/1/18-9/30/18

AE1-XXX: 100 MW MFO
"Clean" SIS Results Aug 2019

AE2 Queue
10/1/18-3/31/19

No queue activity impacting the loading of these elements or local network

AF1 Queue
4/1/19-9/30/19

No queue activity impacting the loading of these elements or local network

AF2 Queue
10/1/19-3/31/20

No queue activity impacting the loading of these elements or local network

AG1 Queue
4/1/20-9/30/20

AG1-YYY: 50 MW MFO
"Encumbered" SIS Results Aug 2021

- Under the current cost allocation methodology, the 100 MW AE1-XXX project initiated in Spring of 2018 has a "clean" SIS ($0 Network Upgrades)
- The 50 MW AG1-YYY that was initiated in 2020 is the "first-to-trigger" the overload of the 115 kV Circuit A-B and will have the responsibility for upgrading the 115 kV circuit
- Assuming a $15M cost of reconductoring the 20 mile-long 115 kV circuit, AG1-YYY would post a $15M security at the time of ISA execution
- Any generator that comes behind AG1-YYY and contributes to the overload for the next 5 years will have allocation of the $15M upgrade

What is PJM proposing going forward?

Cost Allocation – Proposed Revised Process Example

- Cost for a required system upgrade is allocated among the queue projects which contribute to the need for the system upgrade.
- Cost is proportional to the MW contribution from each queue project.
- Re-evaluate minimum thresholds and update as appropriate
- No queue priority within a queue cycle – all contributing queue projects are subject to cost allocation.
- Cost allocation remains in the queue cycle which drives the need for the upgrade.

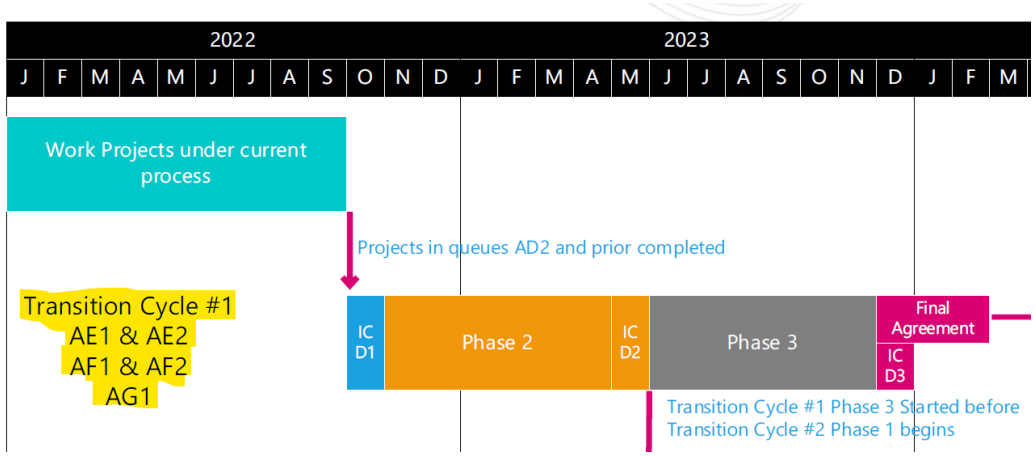
Queue Cycle 1	MW contribution	Percentage of Cost	$ Cost ($ 4.0 M)
Project A	10	25.00%	1.00
Project B	30	75.00%	3.00

From 7.14.21 proposal slide 21, new “cluster” based approach with **no queue priority** and no inter-queue funding.

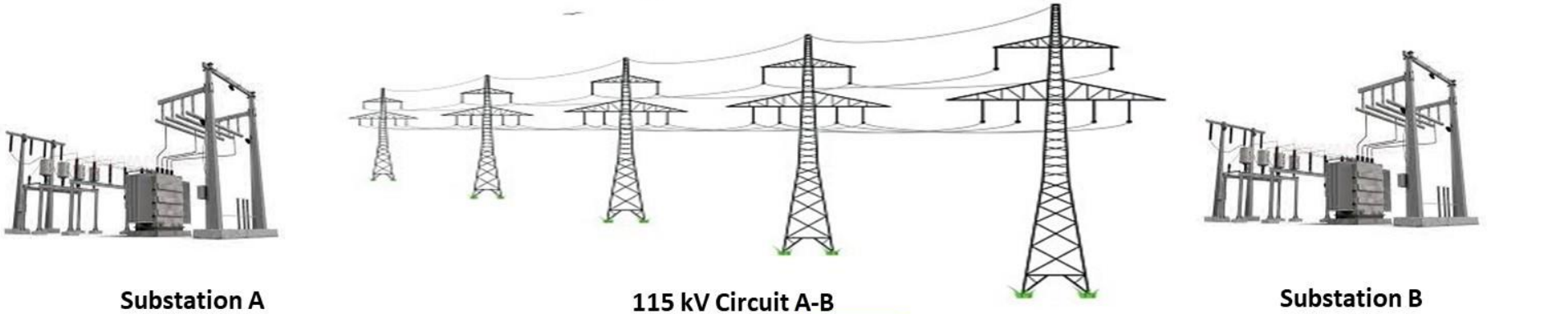
What is PJM proposing in the Transition?

- Transition Cycle #1
  - AE1 and AE2 projects (250) & AF1 and AF2 projects (454) & AG1 projects (422)
  - Start in IC Decision #1 after providing retool results.
  - Require to post RD #2 and meet site control requirements to enter Phase 2.

From 9.17.21 proposal slide 22, **PJM is proposing to 'co-mingle' AE1-AG1 queues and study in one cluster with no queue priority**. Slide 24 shows the proposed schedule and reconfirms PJM's proposal to 'co-mingle' AE1 through AG1 queues in one transition cycle that would be studied with newly proposed "cluster" allocation rules.



PJM's proposal under the previous Example



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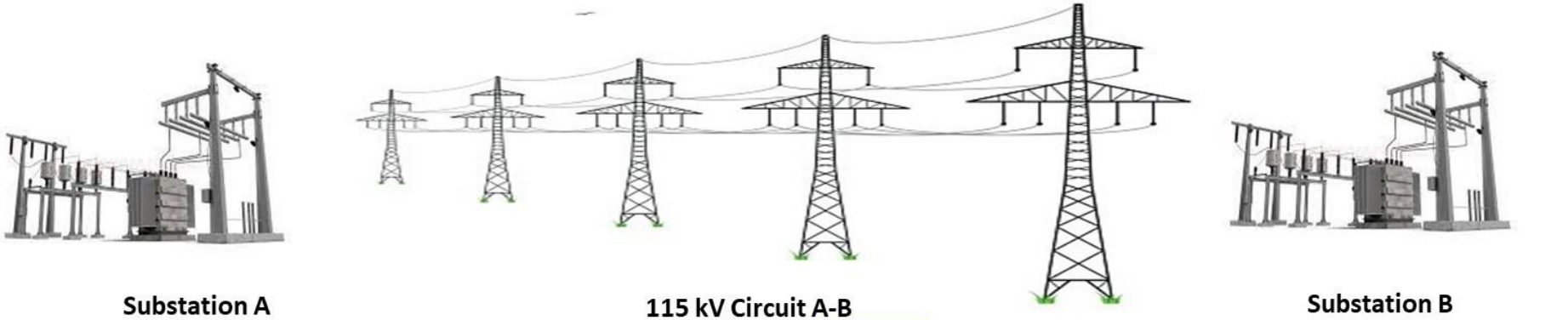
Peak Loading in N-1: 125 MVA

- Under PJM's proposed "cluster" study proposed Transition Cycle #1 (AE1-AG1), power flow modeling of the 115 kV Circuit A-B loading in the Transition Cycle #1 would show that AE1-XXX 100 MW + AG1-YYY 50 MW *collectively* overload the 250 MVA capacity
- Under PJM's proposal, AE1-XXX would be allocated 66% of the $15M upgrade cost and AG1-YYY would be allocated 33% of the $15 upgrade cost (based upon the 100 MW sizing of AE1-XXX and 50 MW sizing of AG1-YYY)
- **Net result:** AE1-XXX which has a "clean" SIS in hand under existing rules and is waiting for a facilities study to sign an ISA now has a **new cost allocation of $10M** (66% x $15M)

PJM's proposal under the previous Example



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115 kV Circuit A-B
Element MVA Rating: 250 MVA
Peak Loading in N-1: 125 MVA

Substation B
Limiting Element MVA Rating: 350 MVA
Peak Loading in N-1: 125 MVA

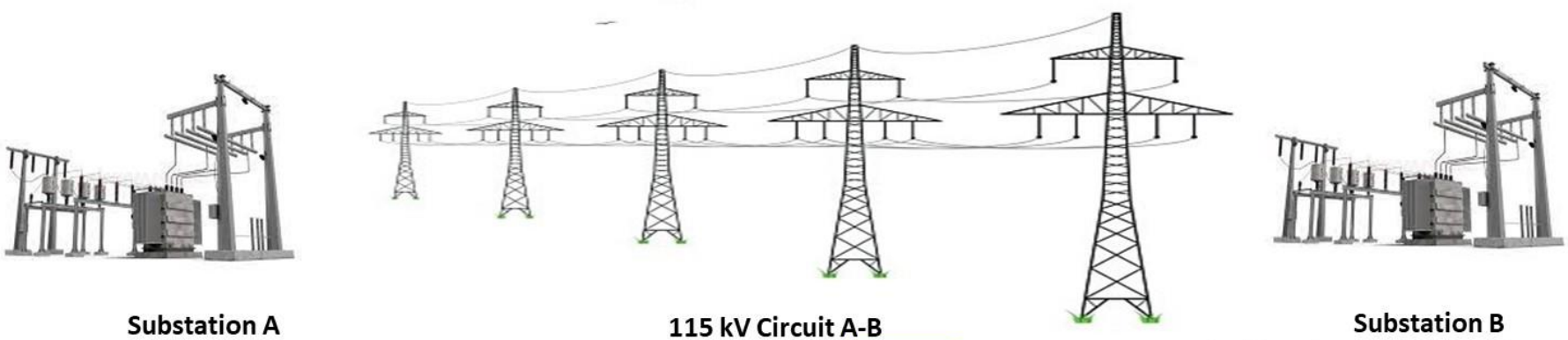
- This is a patently unfair and unjust and unreasonable transition cost policy.
- Any approach similar to PJM's proposal that exposes "clean" projects with SIS in hand to new cost allocation will be vigorously protested before FERC as **unduly discriminatory and unjust and unreasonable**
- Projects like AE1-XXX entered the queue in Spring of 2018 under one set of rules (see PJM OATT expressly established "queue priority" in Appendix) and made financial commitments based on those rules and study results and should not be subjected to cost allocation from <u>any projects</u> that entered the queue afterwards, never mind those that entered the queue over a year later
- Filing such a contested proposal at FERC is **<u>very likely to delay queue reform</u>** which is a lose-lose proposition for everyone

What about PJM's Alternate Transition Proposal?

- Transition Cycle #1 - AE1 and AE2 projects (250)
  - Start in IC Decision #2 after providing retool results.
  - Require to post RD #3 and meet site control requirements to enter Phase 3.
- Transition Cycle #2 - AF1 and AF2 projects (454)
  - Start in IC Decision #1 after providing retool results.
  - Require to post RD #2 and meet site control requirements to enter Phase 2.
- Transition Cycle #3 - AG1 projects (422)
  - Start in IC Decision #1 after providing retool results.
  - Require to post RD #2 and meet site control requirements to enter Phase 2.
- Transition Cycle #4 - AG2 projects (654)
  - Start in Application Review and provide load flow model
  - Require to post RD #1 and meet site control requirements to enter Phase 1
- New Process Cycle #1 - AH1 & Beyond projects (630+)
  - Start in Application Review and provide load flow model
  - Require to post RD #1 and meet site control requirements to enter Phase 1

From 9.17.21 proposal slide 25, PJM is proposing to 'co-mingle' AE1-AE2 queues and study in one cluster with no queue priority. Then study AF1-AF2 in the next transitional cluster with no queue priority. Then study AG1 queue projects in the next transitional cluster with no queue priority….and so on.

What about PJM's Alternate Proposal?



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Substation B
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Peak Loading in N-1: 125 MVA

Here is a revised example to highlight how PJM's Alternate Proposal is similarly **unduly discriminatory and unjust and unreasonable**.

AE1 Queue
4/1/18-9/30/18

AE1-XXX: 100 MW MFO
"Clean" SIS Results Aug 2019

AE2 Queue
10/1/18-3/31/19

AE2-ZZZ: 50 MW MFO
"Encumbered" SIS Results Feb 2020

AF1 Queue
4/1/19-9/30/19

No queue activity impacting the loading of these elements or local network

AF2 Queue
10/1/19-3/31/20

No queue activity impacting the loading of these elements or local network

AG1 Queue
4/1/20-9/30/20

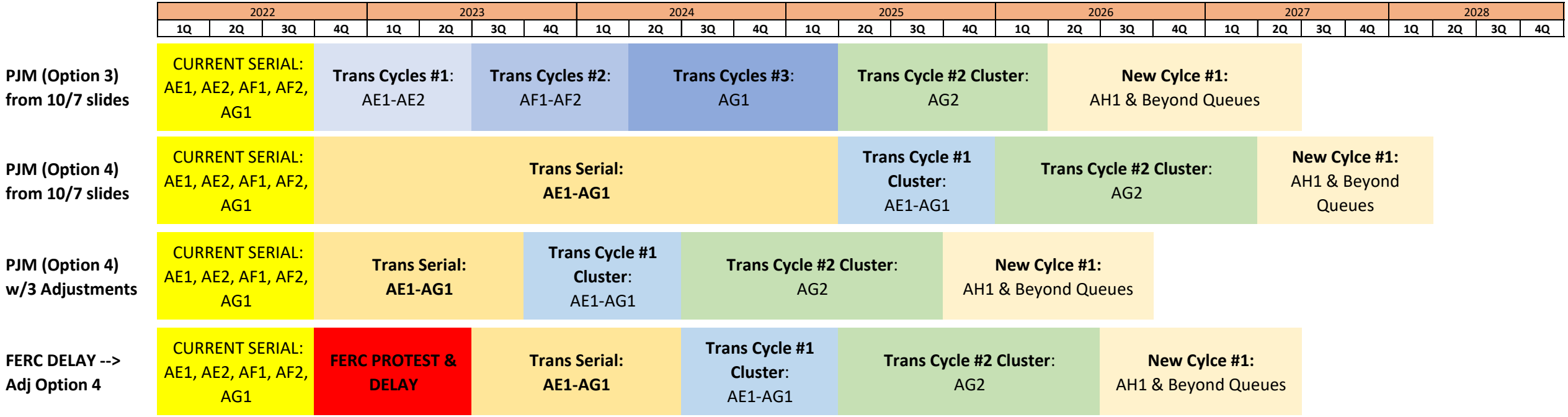
No queue activity impacting the loading of these elements or local network

PJM's Alternate Proposal Example

AE1 Queue 4/1/18-9/30/18	**AE2 Queue** 10/1/18-3/31/19	**AF1 Queue** 4/1/19-9/30/19	**AF2 Queue** 10/1/19-3/31/20	**AG1 Queue** 4/1/20-9/30/20
 AE1-XXX: 100 MW MFO "Clean" SIS Results Aug 2019	 AE2-ZZZ: 50 MW MFO "Encumbered" SIS Results Feb 2020	*No queue activity impacting the loading of these elements or local network*	*No queue activity impacting the loading of these elements or local network*	*No queue activity impacting the loading of these elements or local network*

- Under PJM's Alternate Transition Proposal Cycle #1 (AE1-AE2), power flow modeling of the 115 kV Circuit A-B loading in the Transition Cycle #1 would show that the AE1-XXX 100 MW + AE2-ZZZ 50 MW *collectively* overload the 250 MVA capacity
- Under the "cluster-based" cost allocation, AE1-XXX would be allocated 66% of the $15 upgrade cost and AE2-ZZZ would be allocated 33% of the $15M upgrade cost (based upon the 100 MW sizing of AE1-XXX and 50 MW sizing of AG1-YYY)
- We believe FERC would similarly view PJM's Alternate Transition Proposal as **unduly discriminatory** by exposing clean mature queue positions to new costs through a retroactive change of rules

Delay of FERC Approval = Delay of Transition



- It is reasonable to assume that if the IPRTF is presented with a viable proposal that balances late-stage interests with transition expediency and, instead, pursues a proposal that favors expediency with disregard for 'late-stage' project interests, the likelihood of protest and delay at FERC significantly increases vs. a consensus proposal.

- Therefore, we should all strive for a consensus proposal that strikes the right balance

Renewable Coalition Poll #1 Details

- Renewable Energy Trade association calls were held on 9/16 and 9/17 with USSEC OH, CHESSA and MAREC members to discuss the Task Force efforts and review PJM's proposal
- From these calls, it became evident that the majority of renewable energy developers and IPPs were not aware of the possibility of material change to the cost allocation rules for existing queue positions
- Following these calls, a poll was assembled with the questions included on the following slides

PJM Utility-Scale Renewables Poll on Transition

- Because the majority of PJM renewable Interconnection Customers had not participated in PJM's Task Force efforts, a poll focused on the potential transition options was presented to industry groups representing the majority of renewable energy developers and IPPs active in PJM (see Appendix for more details).
  - 33 poll responses to date (75% response rate), with an additional 3 respondents declining to respond
  - No "affiliate" votes (i.e. each company gets 1 vote).
- Result was ***overwhelming support for "grandfathering" most/all projects with SIS in hand*** to continue under existing serial cost allocation rules
  - This result is generally consistent with PJM's stakeholder poll result (noting the lack of support for Transition Option 1 on the Aug 23 poll results) despite lack of IC representation in that process.
  - This result is consistent with precedent that's been established in the FERC-approved MISO, SPP, PSColorado, and Duke Transition plans

PJM Utility-Scale Renewables Poll Cont…

- Coalition Poll responses in favor of grandfathering projects with SIS results:
  - **32 out of 33 respondents support broad grandfathering of existing serial cost allocation rules based on an SIS milestone:**
    - 20 respondents in favor of letting projects with SIS in hand choose whether to be studied serially or under new transition cluster
    - Additional 8 respondents in favor of automatically grandfathering all projects with SIS studies in hand from new rules
    - Additional 4 respondents in favor of applying a minimal cost threshold for projects with SIS to be studied serially (ex. $0 network upgrades, small network upgrades, etc.)
    - A number of poll responders commented that they would have elected to grandfather a broader list had the poll allowed it (ex. all projects that applied to the queue under existing rules)
  - Additionally, **>90% of respondents expressed support increased readiness obligations to remain in the serial process** as well as support for transition to a new cluster cost allocation process.

Renewable Coalition Poll Questions

1. Do you support the overall concept of moving the PJM interconnection process to a cluster process vs. a serial process?
2. Do you agree or disagree that existing queue positions with completed System Impact Studies should have the right to proceed under existing cost allocation rules (i.e. they should be grandfathered from new cost allocation rules)? Pick all options that apply.
    - Agree, all projects with completed SIS should be grandfathered.
    - Agree, but let developers choose whether to join the transitional cluster for each queue.
    - Agree, but only those queue positions with minimal network upgrade costs.
    - Agree, but only those queue positions with zero network upgrade costs.
    - Disagree, there are too many projects with SIS to grandfather.
3. In the interest of preserving existing cost allocation rules for projects that have their completed System Impact Studies, would you support accelerated securitization obligations that may allow PJM to more quickly process the existing serial queues?
4. Do you believe that one of PJM's guiding principles in this process should be to minimize harm to and consider the equity of changing the rules for advanced queued projects that have System Impact Studies in hand?
5. Do you have anything else to add about the transition to a new PJM queue regime?

Appendix: Renewable Industry Poll Invitees

Number	Company Name
1	Acciona
2	Algonquin/Liberty
3	Arevon
4	Avangrid
5	BayWa
6	Borrego
7	Brookfield
8	Candela
9	Capital Power
10	Clearway
11	Community Energy
12	ConnectGEN LLC
13	Cypress Creek Renewables
14	Dakota Power Partners
15	DESRI
16	EDF

Number	Company Name
17	EDPR
18	Enel
19	Engie
20	Eolian
21	Foundation Solar Partners
22	FSLR
23	Geenex
24	Hecate
25	Heelstone
26	Hexagon Energy
27	Innergex
28	Invenergy
29	Leeward
30	LightSource BP
31	National Grid
32	Navisun LLC

Number	Company Name
33	Nextera
34	North Ridge Resources
35	Open Road Renewables
36	Orsted
37	Pattern Energy
38	Pine Gate Renewables
39	Primergy
40	RWE
41	Savion
42	SolUnesco
43	sPower/AES
44	SunEnergy1
45	Urban Grid
46	Vesper
47	Walden

The poll was shared via multiple individual emails to the above list of companies and with a broader group of companies via MAREC, USSEC, and CHESSA utility-scale company lists.

Notable Poll Responder Comments

- “It would not be “just and reasonable” if the new rules caused material damage to those who were playing fairly by the old rules. In other words, PJM’s proposed solution should not pull the rug out from under advanced stage projects (those with a completed SIS) that in some cases have had millions of dollars of investment sunk into them based on the current network cost allocation rules.”
- “Companies signed up for a known process and should live by the rules. If PJM wants to change the rules, it should be for projects going forward. I think having developers have a choice of whether or not they want to join the transitional cluster would be a good compromise, but it also would depend on how those rules work and whether or not clean interconnects would be impacted.”
- “Changing the process and increasing uncertainty for projects that are further in the process (SIS complete with clean results) would greatly harm invested value for developers.”
- “There should be a method to transition to a transitional serial process or a transitional cluster process. This is something with significant FERC precedent in other regions. One critical aspect of this is that PJM has a Facilities Study backlog larger than any other region in history. PJM's current proposal is benefiting later queued projects because it is creating massive transitional clusters. PJM should complete Feasibility Studies for all projects before queue reform was announced (AG2 and earlier) and allow clean projects to provide readiness to stay in a serial process.”
- “Ideally our position would actually go further than the multiple choice allows. We think that any project that has entered the feasibility study process should be grandfathered or have the option to stay in the serial queue process. All of those sites submitted for feasibility were selected and pursued based on proprietary investment theses that were developed with investments of time and money to determine optimal siting. Throwing these projects into a cluster, arbitrarily and capriciously negates the strategic benefits of those projects.”

Notable Poll Responder Comments, Cont…

- “The projects that should be allowed to move forward should not be dependent on other projects upgrades and should also have no upgrades (outside of IF and new switchyards as these are technically NUs).“
- “if securitization pre-ISA helps address PJM's concerns about the pace of serially processing facilities studies before they can move on to the cluster, then that's better than pulling the rug out from under billions of dollars in mature projects!”
- “The cleanest way to do this is to simply grandfather the projects with clean SIS results and no network upgrades. Any other way is too controversial and there will not be consensus among developers.”
- “An unexpected increased cost for older projects is unjust.”
- “Minimize harm to all projects, not just those with SIS in hand. The concern is that many projects should have received their SIS by now and have not. It doesn't seem equitable to treat projects in the same queue group differently simply because some have received their SIS and some have not.”
- “The precedent queue reform transition plans submitted to FERC by MISO, SPP, Duke and Colorado all grandfathered in projects with a completed SIS. We strongly advocate that PJM follows this precedent and believe it is within its members best interest and will be much more likely to receive FERC approval.”
- “Any PJM queue regime changes should be for any queue positions after AG to minimize harm to investment value for developers.”
- “PJM’s guiding principles in this process should be to minimize harm to developers and letting them choose whether to join the transitional cluster for each queue. Also, all projects with completed System Impact Studies should be grandfathered.”

Notable Poll Responder Comments, Cont…

- “From our experience with SPP, hiring additional contractors to help get through the backlogged projects before moving on to new cluster studies will be critical to ensuring that PJM's goal of speeding the process up is achieved.”
- “We would support even higher readiness deposit requirements in the transition queue if that would help clear the backlog quicker and help move the serious projects forward quickly.”
- “[COMPANY NAME REDACED] is a long-time PJM member and has been successfully developing wind and solar projects in PJM since 2001. We support PJM queue reform generally and an orderly transition to a cluster study approach to cost allocation. We are VERY troubled, however, that PJM would consider changing cost allocation rules in the middle of the game for projects that have been diligently investing in development based on existing generator interconnection rules. Project developers have invested tens of millions of dollars in advancing projects based on the PJM process as we have known it for many years. PJM’s current proposal literally throws many viable projects out the window and changes the rules of the game midstream. At best, PJM is placing tens of millions of dollars of investment at risk. At worst, this change will cause repercussions that could lead to the failure of projects and even whole companies. All projects meeting the existing rules of generator interconnection must be grandfathered under the existing process or have the option to do so. If not, the entire queue reform process will be at risk of litigation at FERC, and will end up taking even longer to resolve than if an orderly process is agreed to up front.”

Critiques of PJM 8/23 Poll

- Poll choices did not reflect preferred options of many ICs to give transition choice to developers with SIS in hand
- Rank order format forced votes for options that respondents did not support at all
- Insufficient participation by renewable ICs who are most impacted by retroactive rule changes skewed poll responses
- Affiliate votes skewed poll responses
- PJM proposal to minimize grandfathering did not reflect 8/23 stakeholder poll outcome