UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Transmission Planning and Cost Management	)))	Docket No. AD22-8-000
Joint Federal-State Task Force on Electric Transmission	))	Docket No. AD21-15-000

POST-TECHNICAL CONFERENCE COMMENTS
OF PJM INTERCONNECTION, L.L.C.

PJM Interconnection, L.L.C. ("PJM") submits the following comments ("Comments") in response to the Federal Energy Regulatory Commission's ("Commission") December 23, 2022 Notice Inviting Post-Technical Conference Comments.[1] The Notice raises numerous questions, also addressed during the Technical Conference, about existing local and regional transmission planning processes.[2] Through these Comments, PJM provides the Commission with factual information about (i) local transmission planning and planning for Asset Management Projects[3] in PJM, and (ii) the processes by which PJM tracks the status and completion of transmission projects, including of the projects' associated costs. Additionally, PJM responds to questions

[1] *Transmission Planning and Cost Management*, Notice Inviting Post-Technical Conference Comments, Docket Nos. AD22-8-000, *et al*. (Dec. 23, 2022) ("Notice"). The Commission convened a technical conference in this proceeding on October 6, 2022 ("Technical Conference") to "discuss transmission planning and cost management for transmission facilities developed through local or regional transmission planning processes." Notice at 1.

[2] The Commission asks questions about several issues, including: (i) how transmission providers develop local planning criteria and whether those processes are sufficiently transparent; (ii) the role of cost management measures for solutions selected to address identified local transmission and regional reliability-related transmission needs; (iii) whether and how the Commission should establish an independent transmission monitor for various regions around the country; (iv) the processes through which transmission developers recover their cost to ensure just and reasonable rates; and (v) whether the level of review at the state and federal levels is sufficient to ensure that a cost-effective mix of local, asset management, and regional reliability transmission projects is developed.

[3] An Asset Management Project is defined as "any modification or replacement of a Transmission Owner's Transmission Facilities that results in no more than an Incidental Increase in transmission capacity undertaken to perform maintenance, repair, and replacement work, to address an EOL Need, or to effect infrastructure security, system reliability, and automation projects the Transmission Owner undertakes to maintain its existing electric transmission system and meet regulatory compliance requirements." Tariff, Attachment M-3, section (b)(1).

regarding whether the Commission should require the establishment of an independent transmission monitor for various regions of the country.

I. COMMENTS

A. Local Transmission Planning Under Order No. 890 and Planning for Asset Management Projects

In the Notice, the Commission asks several questions regarding whether state regulators and other stakeholders have sufficient transparency into, and information about, transmission providers' local transmission planning criteria and the resulting identification of transmission system needs.[4] In response, PJM describes below the existing process detailed in PJM Open Access Transmission Tariff ("Tariff"), Attachment M-3 (the "Attachment M-3 Process"), which sets forth the transparency, information sharing and stakeholder input rules related to local transmission facilities that are not eligible for selection in the regional transmission plan for purposes of cost allocation.[5]

1. Background Regarding the PJM TOs' Attachment M-3 Process

In Order No. 890,[6] the Commission directed all transmission providers to develop a transmission planning process that, among other things, satisfies nine transmission planning

[4] *See* Notice, Questions 1-3. In particular, the Commission poses questions regarding: (i) whether existing Order No. 890 transmission planning principles provide sufficient transparency and opportunities for information sharing, or whether transmission providers should be required to provide any additional information such as cost estimates and/or alternatives considered; (ii) whether the Commission should require transmission providers to make asset management decisions more transparent; and (iii) whether transmission providers should be required to provide more information, either through project-specific disclosure requirements or through a filing with the Commission, about the need for a specific local transmission project or asset management project.

[5] *See Monongahela Power Co.*, 164 FERC ¶ 61,217 (2018) ("Attachment M-3 Order") (accepting Attachment M-3 and related revisions to the PJM Operating Agreement); *Am. Transmission Sys., Inc.,* 172 FERC ¶ 61,136, *reh'g denied*, 173 FERC ¶ 62,021 (2020) (accepting revisions to Attachment M-3).

[6] *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 118 FERC ¶ 61,119, at P 444, *order on reh'g*, Order No. 890-A, 121 FERC ¶ 61,297 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

principles designed to reduce "opportunities for undue discrimination in transmission planning."[7] In particular, transmission providers were required to provide customers and other stakeholders the opportunity participate fully in the transmission planning process by facilitating their timely and meaningful input and participation, particularly at the early stages, in the development of transmission plans.[8]

The PJM transmission owners' ("PJM TOs") Attachment M-3 Process stems from a Commission-established proceeding[9] to determine whether the PJM TOs were complying with their Order No. 890 obligations with respect to local planning of Supplemental Projects.[10] In conjunction with the PJM TOs' response to the Show Cause Order, which demonstrated that the process for planning Supplemental Projects was consistent with Order No. 890, the PJM TOs and PJM jointly submitted revisions to the PJM Tariff to include a new Attachment M-3, and revisions to Schedule 6 of the Operating Agreement to implement the Attachment M-3 Process with respect to Supplemental Projects.[11] The new Attachment M-3 Process provided additional detail and transparency regarding the PJM TOs' process for planning Supplemental Projects.[12]

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[7] Order No. 890, at P 425.

[8] *Id.*

[9] *Monongahela Power Co.*, 156 FERC ¶ 61,134 (2016) ("Show Cause Order").

[10] A "Supplemental Project" is defined in the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement") as "a transmission expansion or enhancement that is not required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection and is not state public policy project pursuant to Operating Agreement, Schedule 6, section 1.5.9(a)(ii).

[11] *PPL Electric Utilities Corp., et al.*, Proposed Tariff Revisions in Response to Show Cause Order, Docket No. ER17-179-000, at 2 (Oct. 25, 2016) ("Attachment M-3 Filing"). As further discussed below, in August 2020, the Commission accepted revisions to Attachment M-3 to (i) identify and include Asset Management Projects within the planning procedures of Attachment M-3, and (ii) include procedures for the identification and planning for end-of-life ("EOL") needs. *See infra*, n.14.

[12] Attachment M-3 Filing at 2.

The Commission ultimately accepted the PJM TOs' Attachment M-3 Process as compliant with Order No. 890, finding that it provides "sufficient transparency to stakeholders regarding the basic criteria, assumptions, and data that underlie their transmission system plans and ensure[s] appropriate lines of communication between stakeholders and the PJM [TOs]."[13] Additionally, in response to the PJM TOs' most recent changes to Attachment M-3,[14] which extended the Attachment M-3 Process to Asset Management Projects and certain end-of-life projects, the Commission found that those revisions "maintain the existing just and reasonable Attachment M-3 process and provide greater transparency into certain planning activities."[15] The Commission further stated with respect to the Attachment M-3 Revisions:

> In addition to expanding the applicability of the existing Attachment M-3 to include Asset Management Projects, the proposed revisions also include a process for the identification and planning for EOL Needs. Significantly, the proposed revisions provide for coordination of EOL Needs with the PJM [Regional Transmission Expansion Plan ("RTEP")] planning criteria needs. This provides PJM and stakeholders with increased opportunities to review and comment on EOL Need transmission projects, and thus provides greater transparency.[16]

More recently, in the pending proceeding in which the Commission proposes revisions to long-term regional transmission planning processes,[17] the Commission expressed concern that, broadly speaking, local transmission planning processes may not comply with Order No. 890.[18]

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[13] *Monongahela Power Co.*, 164 FERC ¶ 61,217, at P 30 (2018) ("Attachment M-3 Order").

[14] *Am. Transmission Sys., Inc.,* Amendments to Attachment M-3 to the PJM Interconnection, L.L.C. Open Access Transmission Tariff of the PJM Transmission Owners, Docket No. ER20-2046-000 (June 12, 2020) ("Attachment M-3 Revisions").

[15] *Am. Transmission Sys., Inc.,* 172 FERC ¶ 61,136, at P 88 (2020), *reh'g denied*, 173 FERC ¶ 62,021 (2020).

[16] *Id*. at P 88.

[17] *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection, Notice of Proposed Rulemaking,* 179 FERC ¶ 61,028, 87 Fed. Reg. 26,504, at P 398 (May 4, 2022) ("NOPR" or "LTRTP NOPR") (stating that "local transmission planning processes may lack adequate provisions for transparency and meaningful input from stakeholders, and that regional transmission planning processes may not adequately coordinate with local transmission planning processes.")

[18] *Id.*

In particular, the Commission was concerned that local transmission planning processes may lack adequate provisions for transparency and meaningful input from stakeholders, and that regional transmission planning processes may not be adequately coordinated with local transmission planning processes.[19] In order to address these concerns, the Commission proposed that transmission providers be required to adopt an iterative stakeholder meeting process that largely replicates the PJM TOs' currently-effective Attachment M-3 Process.[20]

2. Implementation of the PJM TOs' Attachment M-3 Process

With respect to PJM, the Attachment M-3 Process serves as a framework through which the PJM TOs develop and select their respective Attachment M-3 Projects in an open and transparent forum accessible to all stakeholders, including state regulators.[21] The Attachment M-3 Process requires the relevant PJM TO to present its proposed needs and solutions to stakeholders through the Transmission Expansion Advisory Committee ("TEAC") (for 230 kV and above facilities) or the Subregional RTEP Committees (Mid-Atlantic, Southern and Western) (for below 230 kV facilities)[22] for review and comment in a three-part meeting process that includes, at a minimum:

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[19] *Id*.

[20] *See id*. at PP 400-415.

[21] PJM refers to Supplemental Projects and Asset Management Projects collectively as "Attachment M-3 Projects." *See* Tariff, Attachment M-3, section (b)(2). PJM TOs have developed and adopted Attachment M-3 Process guidelines ("Attachment M-3 Process Guidelines"), which provide increased details regarding the implementation of the Attachment M-3 Process. *See* https://www.pjm.com/-/media/planning/rtep-dev/pjm-to-attachment-m3-process-guidelines.ashx. The Attachment M-3 Process Guidelines provide stakeholders with an understanding of the step-by-step iterative information exchange details under the Attachment M-3 Process, including how they can best provide input at various stages of the process.

[22] Transmission Owners that comprise each of the various subregions must participate in the Subregional RTEP Committee meeting that includes their area and each PJM TO must be present at the TEAC meeting where its Attachment M-3 Projects are presented. In addition, membership and participation at the TEAC and Subregional RTEP Committee meetings is open to: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the agencies and offices of consumer advocates of the States in the PJM Region exercising regulatory authority over the rates, terms or conditions of electric service or the planning, siting, construction or operation of electric facilities and (v) any other interested entities or persons. *See* Operating Agreement, Schedule 6, sections 1.3(b) and (e).

(i) an assumptions meeting, during which each PJM TO reviews its criteria, assumptions and models that will be used to develop its Attachment M-3 Projects;

(ii) a needs meeting where each PJM TO reviews its identified system needs based on its criteria, assumptions and models vetted during the assumptions meeting; and

(iii) a solutions meeting at which time the PJM TO presents potential solutions developed to address previously identified system needs.[23]

All stakeholders, including state regulators, have the opportunity to ask questions and provide feedback throughout the development and selection of Attachment M-3 Projects. Information about Attachment M-3 Projects is posted on the PJM website 10 days prior to the relevant TEAC or Subregional RTEP Committee meeting to allow stakeholders to review materials in advance of the meeting.[24] Additionally, all stakeholders, including state regulators, may attend TEAC and Subregional RTEP Committee meetings, and are invited to provide feedback, either through formal presentations, questions raised during the meetings, or written comments before, during or after the meetings. Stakeholders can also submit questions or comments via the PJM Planning Community tool on PJM.com.[25] All stakeholders, including state

[23] Appendix B of the Attachment M-3 Guidelines lists the information that the PJM TOs include in the materials prepared for the TEAC and Subregional RTEP Committee meetings, which includes information such as: a description of the project driver; the model required to represent the current topology of the systems which might be necessary for modeling the needs; a problem statement or description of the facilities and associated problems and relevant supporting information; a map identifying the geographic location of the transmission facilities; a description of the potential solution, which may include a primary and multiple alternate solutions; a project cost estimate for proposed solution; the expected or projected in-service date of the proposed solution; a connection diagram to visualize the solution on the system; a description of each alternative solution considered by the PJM TO, including cost information, as relevant; a description of the selected solution; a description of the current status of the project (*i.e.*, conceptual, engineering, construction, in-service, other); and a description of any ancillary system benefits provided by the solution which exceed requirements of the stated needs.

[24] *See id*. Additionally, a presentation prepared by a PJM TO for a Subregional RTEP Committee meeting can be found at the following link: https://www.pjm.com/-/media/committees-groups/committees/srrtep-w/2020/20200117/20200117-aep-supplemental-projects.ashx. The information contained in this PJM TO's presentation is representative of the type of information the PJM TOs prepare and present to stakeholders during TEAC and Subregional RTEP Committee meetings.

[25] The PJM Planning Community tool gives stakeholders the ability to find answers to their questions by initiating discussions and collaborating with other users - including PJM subject matter experts - about planning initiatives, proposal windows and PJM TO Attachment M-3 process questions. Discussions within the Planning Community are based on planning items discussed in the Planning Committee, TEAC, and other RTEP stakeholder forums. The PJM Planning community tool is accessible at https://www.pjm.com/markets-and-operations/etools/planning-community.

regulators, have access to all of the information posted on the PJM Planning Community tool, including questions and answers between PJM and other stakeholders.[26]

After the PJM TO selects its Attachment M-3 Project as the appropriate solution, and before the Attachment M-3 Project is submitted by the PJM TO for inclusion in the Local Plan[27] and ultimate inclusion in the RTEP, PJM performs a "do no harm" study to evaluate whether a proposed Attachment M-3 project will adversely impact the reliability of the PJM transmission system as represented in the planning models used in all other reliability planning studies.[28] In addition, PJM examines the impact of the Local Plan on the electrical area including other regional needs or regional violations which may drive or require a broader regional solution. At the end of each, the Local Plan and other RTEP drivers are evaluated and integrated into the annual RTEP.

3. Overlap Between Solutions Identified through the RTEP Process and through the Attachment M-3 Process

In the Notice, the Commission asks several questions about whether appropriate measures are in place "to ensur[e] that a cost-effective mix of local, asset management and regional reliability transmission projects is developed."[29] As discussed above, Attachment M-3 allows PJM TOs to plan projects not needed to address PJM's planning criteria. In some cases, there may be

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[26] As PJM explained in comments in the LTRTP NOPR docket, internal PJM data shows that since the tool's creation in 2018, the Planning Community has received 305 questions (otherwise known as "discussion threads"), focusing mainly on consideration of alternate solutions in the context of lower cost. Overall, 302 out of 305 - over 99 percent – Planning Community discussion threads received responses. It is clear that stakeholders have made use of the Planning Community and have had a meaningful opportunity to participate in the Attachment M-3 Process. *See Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection* ("*RM21-17*"), Reply Comments of PJM Interconnection, L.L.C., Docket No. RM21-17-000, at 12-16 (Sept. 19, 2022).

[27] *See* Operating Agreement, OA 1, Definitions I – L. *See also PJM Interconnection, L.L.C.*, 3rd Compliance Filing, Docket No. ER13-198-000 at 4 – 5 (July 14, 2014) (proposing revisions to the definition of Local Plan to clarify that the Local Plan is not developed by the TO alone; rather it is the product of the Subregional RTEP Committee and may include both Subregional RTEP projects and Supplemental Projects.).

[28] All stakeholders have the opportunity to provide comments on Attachment M-3 Projects before the Local Plan is integrated in the RTEP.

[29] Notice, Question 9.

projects driven by Operating Agreement, Schedule 6 (*i.e.*, baseline projects) and the Attachment M-3 Process (*i.e.*, Attachment M-3 Projects) which require changes or upgrades to be made to the same transmission facilities on the system.

During the course of reviewing any upgrade or project, PJM will identify any upgrades or projects, or portions thereof that interact electrically. Where there is an intersection between a proposed Attachment M-3 Project and a baseline project that would address a regional need, it is appropriate for PJM, as regional planner, to examine other violations identified as part of the baseline RTEP process in the electrical area and determine the more efficient or cost-effective enhancements and expansions to address the overall need.[30]

B. Project Implementation and Variance Analysis

The Commission asks a series of questions regarding whether it should require transmission providers, as part of their regional transmission planning processes, to perform analyses to determine whether a selected regional transmission facility remains the more efficient or cost-effective enhancement if the facility's costs rise above estimates, or if there are delays in its development.[31] As discussed below, PJM currently has processes in place pursuant to which a PJM TO or incumbent developer constructing either a RTEP baseline project approved by the PJM Board of Managers ("PJM Board") or an Attachment M-3 Project provides reports to PJM, which allows PJM to track the project's scope, schedule and any cost increases.[32] PJM uses the revised

[30] *See* PJM, *Manual 14B: PJM Region Transmission Planning Process*, § 1.4.2 (rev. 51, Dec. 15, 2021), https://www.pjm.com/~/media/documents/manuals/m14b.ashx.

[31] Notice, Questions 4(a) – 4(f).

[32] *See* PJM, *Manual 14C: Generation and Transmission Interconnection Facility Construction*, §§ 6.1.7 and 6.2.1.1 (rev. 14, Jan. 27, 2021), https://www.pjm.com/~/media/documents/manuals/m14c.ashx.

data to evaluate whether a different, more economical solution is better suited to solve the issue,[33] while taking into consideration additional factors as discussed more fully below.

Specifically, with respect to baseline projects,[34] PJM tracks the status and estimated cost to complete all approved baseline projects from Board approval through the completion of the project. PJM requires the entity responsible for constructing the project to provide routine project updates, including engineering progress, updated cost estimates, and construction updates.[35] If the PJM TO or non-incumbent developer identifies changes to the costs, scope or schedule associated with baseline upgrades, the PJM TO or non-incumbent developer is required to communicate the changes to PJM as part of its routine updates to allow PJM to continue to evaluate the project.[36] The project information is posted publicly on the PJM planning page and updated throughout the year as new information is available. PJM provides updates to the stakeholders through its Subregional RTEP and/or TEAC meetings for project scope, schedule or cost changes. Cost increases and decreases for baseline projects are presented to and approved by the PJM Board.

Significant project scope, schedule or cost increases to baseline upgrades may warrant a re-evaluation of the project. That is, PJM may use the current project information, which reflects

[33] *See id*.

[34] PJM identifies system violations to reliability criteria and standards, determines the potential to improve the market efficiency and operational performance of the system, and incorporates any public policy requirements. PJM then develops transmission system enhancements to solve identified violations and reviews them with stakeholders through the TEAC and Subregional RTEP Committee prior to submitting its recommendation to the PJM Board. As part of the stakeholder review, PJM presents information including: (i) a description of the recommended solution to address the need; (ii) the estimated cost for the project; (iii) the required in-service date; and (iv) the entity designated to construct the project. This information is included in a white paper that describes the TEAC's recommendations to the PJM Board.

[35] PJM, *Manual 14C: Generation and Transmission Interconnection Facility Construction*, § 6.1.2.1 (rev. 14, Jan. 27, 2021), https://www.pjm.com/~/media/documents/manuals/m14c.ashx. At a minimum, these updates, including cost estimate updates, are required when the PJM TO or non-incumbent developer provides the following project status updates and milestones: (i) acceptance of construction responsibility; (ii) status change from engineering and procurement to under construction; and (iii) status change to in-service. *Id*.

[36] *See id*.

the updated project status, to re-analyze the criteria violation and determine if a more cost-efficient or economic solution is better suited to solve the issue or whether it is recommended to continue to proceed with the current project. As part of any such re-evaluation, PJM considers things like: (i) any sunk costs associated with the Board-approved baseline project; (ii) the required in-service date for the baseline project, and whether any delay would potentially threaten system reliability; and (iii) whether there is a reasonable alternative to the approved project. A re-evaluation of an approved project would be presented to all stakeholders via the TEAC or Subregional RTEP Committee meetings.[37]

With respect to Attachment M-3 Projects, PJM similarly requires the relevant PJM TO to provide regular status updates including engineering progress, cost estimates, and construction updates.[38] As with baseline projects, if there are any significant changes in project scope, cost or schedule, related to the Attachment M-3 Project, the PJM TO presents updates at the TEAC or

[37] The following examples describe situations where PJM and the relevant PJM TO re-evaluated baseline projects in response to scope changes and cost increases: (i) Baseline project b2779. After a PJM TO began to construct the project, the TO realized that the initial planned configuration of the facility was no longer viable, leading the PJM TO to bring the need for a scope change and related cost increase to the TEAC. After discussions with the TEAC, the PJM TO ultimately reconfigured the project in a way that resulted in a decrease of costs as compared to the initial estimate (*see* PJM TEAC, Reliability Analysis Slides 3-6 (Dec. 1, 2020), https://www.pjm.com/-/media/committees-groups/committees/teac/2020/20201201/20201201-item-07-reliability-analysis-update.ashx); (ii) Baseline project b2756 . The project was initially selected to mitigate over-dutied circuit breakers, but re-evaluations over subsequent years indicated that b2756 was insufficient, leading b2756 to be cancelled and replaced by b2979 (*see* PJM TEAC, Reliability Analysis Slide 56 (Dec. 14, 2017), https://www.pjm.com/-/media/committees-groups/committees/teac/20171214/20171214-reliability-analysis-update.ashx); (iii) Baseline project b1690. The project was initially approved to mitigate voltage issues, but the PJM TO was subsequently unable to site the project. As a result b1690 was cancelled and replaced by b3130-b3130.10, which included additional lower voltage upgrades to address the same issue as b1690 (*see* PJM TEAC, Reliability Analysis Slides 8-11 (Sept. 12, 2019), https://www.pjm.com/-/media/committees-groups/committees/teac/20190912/20190912-reliability-analysis-update.ashx); and (iv) Baseline projects b2896 and 2897. Following Board approval to reconductor and/or rebuild two 138 kV circuits, PJM determined that the as-built data for baseline project b2559 eliminated the need for b2896 and b2897, leading PJM to cancel baseline projects b2896 and b2897 (*see* PJM TEAC, Reliability Analysis Slides 20-22 (May 3, 2018), https://www.pjm.com/-/media/committees-groups/committees/teac/20180503/20180503-teac-reliability-analysis-update.ashx).

[38] *See* PJM, *Manual 14C: Generation and Transmission Interconnection Facility Construction*, § 6.1.2.1 (rev. 14, Jan. 27, 2021), https://www.pjm.com/~/media/documents/manuals/m14c.ashx. At a minimum, these updates, including cost estimate updates, are required when the PJM TO provides the following project status updates and milestones: posting of the Local Plan; status change from Engineering & Procurement to Under Construction; and Status change to In-Service.

Subregional RTEP meetings, and a re-evaluation of the project may be warranted. The PJM TO would need to ensure that the updated solution addresses the identified need, and PJM would perform a "do no harm" analysis for the updated solution.

As discussed above, PJM has in place processes to track project scope, schedule and cost increases which allow it to analyze whether an RTEP project remains the more efficient or cost-effective solution if costs significantly increase or if there are delays in development of the project. PJM believes that these current processes provide it with the necessary information to effectively develop and update the RTEP, while also providing opportunity for stakeholders to monitor and provide feedback on changes to project status or cost.

Finally, PJM cautions the Commission against creating an overly burdensome administrative variance process to track changes in project scope or cost, as such a process could lead to a hyper-focus on project cost or scope variance, which in turn could lead to more project re-evaluations at the expense of ensuring projects are timely completed in order to address the reliability need for which the projects were planned. Failure to timely complete transmission needed for reliability could adversely impact the reliability of the transmission system. The Commission, therefore, refrain from injecting into the transmission planning process a series of cost- and scope change-related reviews that can be addressed through other existing regulatory processes.

C. Independent Transmission Monitor

The Commission asks a series of questions regarding whether it would be appropriate to establish an Independent Transmission Monitor to oversee the planning and cost of transmission facilities in RTO/ISO and non-RTO/ISO regions.[39] As PJM has explained,[40] the Commission has previously expressly declined to require the establishment of an independent third party coordinator as part of the RTO/ISO regions' planning processes, finding there is no need for an independent evaluator in an RTO/ISO region, which already is a Commission-approved independent organization.[41] PJM further explained that, consistent with the requirements of Order Nos. 890 and 1000, PJM has a coordinated open and transparent planning process, as well as meaningful dispute resolution processes for both planning and generator interconnection projects.

Accordingly, PJM urged that absent any evidence that an independent RTO, like PJM, is not implementing its regional transmission planning process in a just, reasonable and not unduly discriminatory or preferential manner, the Commission should follow its decision in Order No. 890,[42] and allow independent RTOs to address concerns related to oversight of local or regional transmission planning processes by continuing to demonstrate that they have a coordinated open and transparent planning process and meaningful dispute resolution processes.[43] This would be far more efficient than simply creating another independent entity to review a NERC-registered independent entity.

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[39] Notice, Question 5(a) – 5(j). PJM notes that the Commission raised similar questions in its Advance Notice of Proposed Rulemaking in the LTRTP docket. *See Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*, Advance Notice of Proposed Rulemaking, 176 FERC ¶ 61,024, at P 163 (2021) ("ANOPR").

[40] *See Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection* ("*RM21-17*"), Initial Comments of PJM Interconnection, L.L.C., Docket No. RM21-17-000, at 75-80 (Aug. 17, 2022) ("PJM Initial ANOPR Comments").

[41] *See Id.* citing Order No. 890 at P 567.

[42] In Order No. 890, the Commission expressly declined to require the establishment of an independent third party coordinator as part of the RTO/ISO regions' planning processes. Order No. 890 at P 567. Despite arguments in favor of such a proposal, the Commission found no need for an independent evaluator in an RTO/ISO region, which already is a Commission-approved independent organization. While the Commission found that there may be benefits to be gained from independent third party oversight, transmission providers, customers and other stakeholders should determine for themselves in developing their regional planning process whether and, if so, how to utilize an independent third party. Order No. 890-A at P 258 (citing *to* Order No. 890 at P 567).

[43] *See* PJM Initial ANOPR Comments at 75-80.

PJM further explained that if the Commission were to require an Independent Transmission Monitor, it would be far more appropriate to begin this initiative in areas where there is no structural independence as between the transmission planner and its generation affiliates.[44] Additionally, PJM suggested that, rather than simply layering another level of independent oversight onto a Commission-approved independent RTO/ISO, the oversight function over costs of transmission and the prudence of those investments not reviewed through the RTEP process are best addressed by improving customers' ability to make their voices heard through the Commission's regulatory process.[45]

Moreover, the function of an Independent Transmission Monitor should be different from that of an Independent Market Monitor. PJM's Independent Market Monitor is responsible for guarding against the exercise of market power in PJM's markets and assisting in the maintenance of competitive and nondiscriminatory markets in PJM. Market Monitoring was established as a RTO requirement under Order No. 2000 in recognition of the fact that prices under a market-based regime are being set every five minutes as well as hourly.[46] As a result, the Commission found that its traditional regulatory tools to examine the reasonableness of rates for the commodity of electricity would never be able to keep up on a real-time basis with approving individual rate levels. Order No. 2000 therefore provided a market monitor to serve as a regulatory tool to examine, in real-time, supply and demand fundamentals, patterns and concentration of ownership,

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[44] *See id*.

[45] *Id*.

[46] *See Reg'l Transmission Orgs.*, Order No. 2000, FERC Stats. & Regs. ¶ 31,089 (1999) (cross-referenced at 89 FERC ¶ 61,285 (1999)), *order on reh'g*, Order No. 2000-A, FERC Stats. & Regs. ¶ 31,092 (2000) (cross-referenced at 90 FERC ¶ 61,201 (2000)), *aff'd sub nom. Pub. Util. Dist. No. 1 of Snohomish Cty. v. F.E.R.C.*, 272 F.3d 607 (D.C. Cir. 2001).

trade volumes, prices, revenue, revenue adequacy, participant bids, market structure test results, the application of offer bid caps and other relevant metrics.[47]

No such minute-by-minute price changes occur in the determination of the prudence and reasonableness of the costs of transmission upgrades. Project costs are added to rate base for the life of the asset unless challenged on prudence grounds. No "market" exists at that point. As a result, the traditional rationale for establishment of market monitoring for RTO markets simply does not carry over when addressing the prudence and reasonableness of costs of fixed assets being added to rate base. In PJM's view, this is a traditional regulatory function.

II. CONCLUSION

PJM appreciates the opportunity to submit these comments, and looks forward to working with the Commission and stakeholders to address the issues identified in the Notice.

Respectfully submitted,

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[47] *Id*.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service lists compiled by the Secretary in these proceedings.

Dated at Audubon, PA this 23rd day of March 2023.

/s/ Jessica M. Lynch
Jessica M. Lynch