

**Notice of Transmission Owners Consultation with the Members Committee  
Regarding Proposed Amendments to  
Schedule 12, Section (b)(iii)(A)(6) of the PJM Tariff**

Section 7.3.2 of the Consolidated Transmission Owners Agreement (“CTOA”) and section 9.1(b) of the PJM Open Access Transmission Tariff (“PJM Tariff”) require that the PJM Transmission Owners<sup>1</sup> “consult” with PJM Interconnection, L.L.C. (“PJM”) and the PJM Members Committee beginning no less than thirty (30) days prior to any section 205 filing to modify their transmission rates, revenue requirements or rate design.

Pursuant to section 7.3.2 of the CTOA and section 9.1(b) of the PJM Tariff, the PJM Transmission Owners Agreement Administrative Committee (“TOA-AC”) hereby initiates a 30-day consultation period with PJM and the PJM Members Committee with regard to a proposed change to Schedule 12, section (b)(iii)(A)(6) of the PJM Tariff (the “Proposed Schedule 12 Amendment”).

***Background***

Schedule 12, section (b)(iii) of the PJM Tariff details the solution-based distribution factor (“SBDFAX”) methodology that PJM uses for purposes of the assignment of cost responsibility for reliability projects planned under the PJM regional transmission expansion plan (“RTEP”).

Schedule 12, section (b)(iii)(A)(6) of the PJM Tariff specifies that, in allocating RTEP costs under the SBDFAX method, “[n]o cost responsibility shall be assigned to a Responsible Zone unless the magnitude of the distribution factor is greater than or equal to 0.01. Any distribution factor of a smaller magnitude shall be set equal to zero.” This provision is generally referred to as the “1% de minimis threshold.”

On December 31, 2020, the Long Island Power Authority and Neptune Regional Transmission System, LLC filed a complaint with the Federal Energy Regulatory Commission (“Commission”) (the “Complaint”). The Complaint challenges the 1% de minimis threshold and netting provisions of the SBDFAX method as unjust and unreasonable. The Complaint is pending before the Commission under Paper Hearing procedures in Docket No. EL21-39.

Certain PJM Transmission Owners (the “Sponsoring Transmission Owners”)<sup>2</sup> have identified a potential refinement and improvement to the SBDFAX method, which addresses issues raised in the Complaint, as well as the Commission’s Paper Hearing proceeding. The Sponsoring Transmission Owners, in consultation with PJM, have developed a proposal to implement a targeted modification to the SBDFAX method to address situations in which, as a result of the application of the 1% de minimis threshold, the Zone where a RTEP project is located (the “host zone”) is entirely excepted from cost allocation for that project. The Sponsoring Transmission Owners agree that it would be more reasonable for Zones where a RTEP project is located to bear at least some level of cost responsibility for those

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<sup>1</sup> Unless otherwise indicated, capitalized terms have the meaning set forth in the CTOA or the PJM Tariff.

<sup>2</sup> The Sponsoring Transmission Owners include, but are not limited to, Duke Energy Corporation on behalf of its affiliates Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., and Duke Energy Business Services LLC, Exelon Corporation, The Dayton Power & Light Company d.b.a. AES Ohio and The FirstEnergy Transmission Companies.

projects if there is any impact on the Zone. Therefore, the proposed targeted solution would exclude the host zone from the application of the 1% de minimis threshold so that the host zone will be assigned cost responsibility based on its distribution factor, regardless of the magnitude of its distribution factor.

### ***The Proposed Schedule 12 Amendment***

The Sponsoring Transmission Owners are proposing to modify Schedule 12, section (b)(iii)(A)(6) of the PJM Tariff. The purpose of this modification is to exclude the host zone from the application of the 1% de minimis threshold so that the host zone will be assigned cost responsibility for RTEP projects based on its distribution factor, regardless of the magnitude of its distribution factor.

Below are clean and redlined versions of Schedule 12, section (b)(iii)(A)(6) of the PJM Tariff showing the Proposed Schedule 12 Amendment.

#### ***Clean:***

(6) Except as provided in this subsection, no cost responsibility shall be assigned to a Responsible Zone unless the magnitude of the distribution factor is greater than or equal to 0.01, and any distribution factor of a smaller magnitude shall be set equal to zero. This rule shall not apply to the Zone(s) in which the Required Transmission Enhancement is located, which shall be assigned cost responsibility based on its distribution factor, regardless of the magnitude.

#### ***Redlined:***

(6) **Except as provided in this subsection, n**~~No~~ cost responsibility shall be assigned to a Responsible Zone unless the magnitude of the distribution factor is greater than or equal to 0.01~~;~~**and a**~~Any~~ distribution factor of a smaller magnitude shall be set equal to zero. **This rule shall not apply to the Zone(s) in which the Required Transmission Enhancement is located, which shall be assigned cost responsibility based on its distribution factor, regardless of the magnitude.**

### ***Establishment of the Consultation Period and Commission Filing***

Written comments on the Proposed Schedule 12 Amendment may be submitted for consideration by the PJM Transmission Owners by email to: (Comments\_for\_Transmission\_Owners@pjm.com) on or before Friday, February 11, 2022.

Under the CTOA and the PJM Tariff, the Proposed Schedule 12 Amendment is subject to a vote of the TOA-AC subsequent to the 30-day Members Committee consultation period.<sup>3</sup> If the TOA-AC approves the amendment, the TOA-AC, acting pursuant to the CTOA, will submit the Proposed Schedule 12 Amendment to the Commission for acceptance under section 205 of the Federal Power Act. As the Commission has recognized, the PJM Transmission Owners have exclusive and unilateral rights regarding the cost allocation provisions of Schedule 12 of the PJM Tariff.<sup>4</sup>

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<sup>3</sup> CTOA § 7.3.2; Tariff 9.1(b).

<sup>4</sup> *Neptune Regional Transmission System, LLC and Long Island Power Authority v. PJM Interconnection, L.L.C.*, 175 FERC ¶ 61,247 at P 47 (2021). See also, *PPL Electric Utilities Corporation, et al.*, 177 FERC ¶ 61,123 at PP 34 and 36 (2021).