

# Treatment of System Upgrade Costs Due to Changes in Deliverability Testing Requirements

What is the appropriate means by which to assign cost allocation responsibility for system upgrades necessitated by the deliverability testing requirements changes?

- **Relevant Facts:**

- In response to PJM's 12/20/2021 request for legal precedent relied upon by stakeholders to support their respective positions, PJM received minimal relevant legal precedent.
- Based on a review of PJM's Tariff and *pro forma* ISA, PJM found that:
  - Tariff, section 217.5 states that “[t]he cost responsibility of a New Service Customer shall be specified . . . in the [ISA] . . . .”
  - No provisions of the *pro forma* ISA allows PJM to unilaterally change an executed ISA to impose these additional costs on an Interconnection Customer:
    - ISA, section 16 and App. 2, section 22.3: Require amendments through written instruments signed by all parties;
    - ISA, section 5.0: Provides that the “Interconnection Customer acknowledges that its ultimate cost responsibility in accordance with Section 217 of the Tariff will be based upon the actual Costs of the facilities described in the Specifications [section of the ISA]”;
    - ISA, App. 2, section 3.4 (Modification of Costs): None of the scenarios under which an Interconnection Customer must pay additional costs are applicable to costs associated with planning assumption changes.

- Relevant Facts:
  - Based on a review of FERC precedent, PJM found that:
    - “[U]pgrade costs occurring after the interconnection process can be allocated based on Schedule 12 of PJM's tariff. Only in this way is the interconnection cost allocation process just and reasonable.”
      - See, e.g., *Neptune Reg'l Transmission Sys., LLC v. PJM Interconnection, L.L.C.*, 111 FERC ¶ 61,455, P22 (2005)
    - In limited instances, FERC has permitted MISO to make post-execution revisions to GIAs, but MISO has authoritative Tariff language permitting such revisions (PJM does not) and/or there were unique circumstances (see Appendix)
  - System upgrades resulting from changes to PJM's past planning assumption were implemented via baseline upgrades. Examples include:
    - Light load reliability analysis (7/20/2011)
    - Winter peak reliability analysis (12/31/2015)
    - Generation deliverability
      - Attachment C: Cap on generation delivery adders (12/21/09 MRC approval)
      - Revised Generator Deliverability procedure to limit the “Adder” contribution based on an estimated CETO for generation in the receiving end area (04/26/2012)
      - Updated the Light Load Reliability Analysis Procedure (03/01/2013)
      - Updated C.7 in Attachment C to add more detail to the Generator Deliverability Procedure (2/26/2015)
- Conclusion: System pays for upgrades due to anticipated changed system conditions necessitating changes to planning assumptions

# Appendix

- *Midwest Indep. Transmission Sys. Operator, Inc.*, 135 FERC ¶ 61,222 (2011)
  - 2/05/2010: Two interconnection customers had executed generator interconnection agreements (GIAs);
  - 4/29/2010: MISO informed the customers that due to a modeling oversight in the capacity of two higher queued projects (100 MW instead of 130 MW), the model used in their system impact studies was missing 30 MW. With the 30 MW added to the model, the customers were responsible for an additional \$10.26 M network upgrades.
  - FERC found under the facts presented:
    - The errors corrected in the GIAs arose from information “known at the time” to MISO when the SIS commenced;
    - Given the unusual circumstances presented, MISO and Ameren Illinois could not ignore a known reliability concern;
    - Because the error results in real costs for network upgrades that must be constructed before the generators can interconnect, the most appropriate parties to pay under these circumstances were the generators.

- *Midwest Indep. Transmission Sys. Operator, Inc.*, 141 FERC ¶ 61,068 (2012)
  - 12/2009: Crane Creek Project achieved commercial operation pursuant to the terms of its GIA executed on 3/26/2009;
  - MISO sought to further amend the original GIA to incorporate results of a recently-completed restudy to include additional network upgrades needed for the Crane Creek Project to obtain unconditional interconnection service;
  - MISO referenced its GIA reservation of rights provision that allows MISO to make a unilateral filing with FERC to modify a GIA under section 205 and the Transmission Owner and customer to make a unilateral filing with FERC per section 206 (no such provision exists in PJM’s *pro forma* ISA).
  - The MISO GIA, section 11.3.1 also allows MISO to modify a GIA under restudy conditions other than “changed system conditions” (no such provision exists in PJM’s *pro forma* ISA).