EKPC Perspectives on PJM's FERC Order No. 1920 Compliance

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EKPC's Overall Interest





Order 1920 Scenario Requirements

- Order 1920 requires Transmission Providers to develop at least 3 distinct Long-Term Scenarios
 - $\circ~$ The 3 required scenarios must be:
 - <u>Plausible</u>, meaning that each scenario must itself be reasonably probable, and collectively that the set of plausible scenarios must reasonably capture probable future outcomes, and
 - **Diverse**, in the sense that transmission providers can distinguish distinct transmission facilities in each Long-Term Scenario.
 - Even if more scenarios are developed, FERC requires each individual scenario to be plausible.
 - $\circ\,$ The 3 required scenarios must incorporate 7 categories of factors, the first three without weighting.
 - $\circ~$ The first three factors:
 - 1. Federal, Tribal, state and local laws and regulations affecting resource mix and demand
 - 2. Federal, Tribal, state and local laws on decarbonization and electrification
 - 3. State-approved integrated resource plans & supply obligations for LSEs



Scenarios: Uncertain Resource Addition Assumptions

- Laws driving resource additions rarely specify the exact "what", "where" and "when" needed to ensure modeling precision out 20 years
 - Percentage of load targets with potential penalties for not achieving yearly requirements
 - Specify what resource types are eligible to meet compliance requirements but do not dictate <u>what</u> resources will be added, <u>when</u> they will be added or specifically <u>where</u> (in the state or broader region) they will be added
- Many laws driving resource additions were enacted during a period with low/no load growth
 - Will they be revisited now that the rapidly rising demand may further challenge the ability to meet the targets?
 - Will we see different resource types in different locations than what we would have initially assumed?



Scenarios: Uncertain Resource Addition Assumptions

- Even laws that clearly target a specific resource type and build location are facing challenges with achievement. (e.g., New York and New Jersey offshore wind)
 - Will construction be delayed? Will the policy be revised?
- FERC declined to adopt a requirement that each transmission provider consider establishing geographic zones for the development of large amounts of new generation

Assumptions development phase will be important and very complex.



Scenarios: Most Certain Case

- In defending the use of a 20-year planning timeline, the Commission found that this duration balanced future uncertainty with the need to proactively plan and would not result in an increase in speculative transmission projects.
- In addition to the 3 required Scenarios, to best balance uncertainty and guard against selecting wrong or unneeded projects driving up consumer bills, PJM needs to develop a "Most Certain Scenario."
 - The Most Certain Scenario must focus on reliability and include a load forecast, generation retirements (announced and policy driven), new generation from queue added to ensure meet 1 in 10 reliability requirement.
 - Discount any/all of the 7 factors to best represent a certain, plausible scenario.
 - The **Most Certain Scenario** with the most known inputs will identify the least speculative future needs that will best ensure a foundation of reliability is preserved.



Scenarios: Weighting Factors

- All 4 non-mandatory factors should be weighted based on plausibility how certain will those factors be achieved.
- Transmission Providers retain discretion to determine how specific factors will affect Long-Term Transmission Needs.
- At this time EKPC does not offer specific suggestions on factor weighting, except:
 - No weight should be given to **utility and corporate commitments** that are not supported by actual generation build or PPA commitments by those utilities/corporations.
 - No weight should be given to federal, federally-recognized Tribal, state and local **policy goals** that are not supported by actual generation build or PPA commitments tied explicitly to those goals.
 - Goals are not mandates; there is even less certainty in their achievement than targets required by law/regulation with teeth.

Scenarios: Time Horizon

- In addition to the 20 year out time horizon, PJM should perform analysis on all scenarios looking out 10 years.
 - This will allow PJM and stakeholders to evaluate trends among the identified needs over time.
 - PJM's near term planning identifies need in a 5-year time-frame.
 - Adding a 10 year analysis in the scenarios will allow variation when load patterns and generation siting patterns evolve.



Selection: Reliability Focus

- Order 1920 requires PJM to evaluate 7 benefits; however, it does not ultimately dictate a selection criteria or explicitly require that any projects be selected.
- PJM's selection criteria should be driven by reliability (and resilience) requirements, and not transmission congestion relief expectations.
 - Transmission congestion selection criteria has been fraught with challenges.
 - Calculated C/B changes year to year, sometimes substantially.
 - May be harder to achieve siting approvals, creating uncertainty for all and risking abandonment costs being recovered from customers.



Selection: Reliability Focus

- The needs driven by the Most Certain Case will be the most knowable at the time and are most directly focused on assuring future reliability.
- The needs identified by the other scenarios should inform the project selection, with reliability (resilience) being the key selection criteria.
- Projects addressing needs that weren't selected for inclusion in the LTRTP may be pursued voluntarily under a mechanism like the Order 1000 State Agreement Approach.



Selection: When Should a Project be Included In Plan

- Needs satisfying the determined reliability criteria should not automatically drive a project to be included in a Plan the first cycle they appear.
 - <u>If sufficiently in advance of date when need arises</u>, we should wait until a future LTRTP cycle to select a project for inclusion in the Plan due to narrow re-evaluation opportunities.
 - <u>If not</u>, include it act on it in the current LTRTP cycle.
 - Evaluate need trends over multiple LTRTP cycles to determine whether it is appropriate to select a project to include in the Plan.
 - If see same needs identified over multiple cycles, as more information becomes available and the drivers of the needs become more certain, it may be appropriate to address them.

