Priorities for PJM's Compliance with FERC Order 1920

The recent Transmission Planning and Cost Allocation Order requires PJM to file compliance by June 2025 – What are the most important items for states to support?

Why it matters

Significant investment in our outdated transmission grid is needed to maintain reliability and bring new, affordable clean energy online. Presently, much transmission spending is in local, near-term projects to meet immediate reliability needs rather than in interstate transmission that would bring regional benefits. Fixing the current, poorly coordinated, just-in-time approach to transmission buildout and helping states get more value from transmission spending is what led FERC to issue Order No. 1920. To date, PJM's regional transmission planning has largely ignored state policy needs, resulting in significant underbuild of the transmission system and leading to long interconnection wait times for new resources. PJM has failed to engage in adequate long-term regional transmission planning, having scored a D+ on a recent scorecard of regional transmission planning.[1] Instead, customers have been saddled with billions of dollars in local, supplemental projects, resulting in a costly and inefficient buildout of the regional grid. **FERC's Order is a good first step, but strong implementation by PJM—encouraged and supported by states—is critical to ensure the Order leads to improved regional planning and more cost-effective transmission buildout.**

To ensure strong compliance that maximizes benefits to the region, states can:

- Champion the strengths and importance of the order as an enabler of forward-looking regional transmission planning
- Ensure strong compliance and implementation by participating in state engagement opportunities to provide input on analysis and planning inputs, needs assessments, evaluation, and cost allocation
- Exercise strong oversight of utility planning to ensure that transmission needs are addressed by regionally planned, competitively bid lines whenever possible

[1] https://www.cleanenergygrid.org/portfolio/transmission-planning-development-regional-report-card/

This document summarizes key opportunities for state action and identifies the major differences between the requirements of FERC Order 1920 and PJM's current transmission planning process.

How does PJM's Proposed LTRTP planning process line up with the FERC Order?

Currently, PJM employs a "Regional Transmission Expansion Planning" (RTEP) process to identify the immediate and future needs of the grid. The RTEP is not a true long-term planning effort, but rather an annual process that focuses primarily on immediate emergency reliability needs over a 5-year horizon while considering impacts up to 15 years. PJM initiated a stakeholder planning process in 2023 to develop the region's first true Long Term Regional Transmission Planning (LTRTP) process, but FERC order 1920 was issued before stakeholders finalized and approved the new LTRTP process.

Issue	FERC Order	PJM's Proposed "LTRTP" Rules
Long-term Regional Planning	Evaluation of 3 future scenarios that consider 7 factors driving transmission needs, with an extreme weather sensitivity. Minimum 20-year planning horizon. Requires transmission providers to take state input on scenarios and factors and conduct a "reasonable number" of additional analyses requested by states.	Evaluation of 3 scenarios (Low, Primary, and High) based on various inputs, including state policies & load forecasts. 15-year planning horizon, with planning every 3 years. Open stakeholder process.
Benefit evaluation	Mandatory consideration of 7 benefits over a 20-year horizon: (1) avoided or deferred reliability transmission facilities and aging infrastructure replacement, (2) reduced loss of load probability or reduced planning reserve margin, (3) production cost savings, (4) reduced transmission energy losses, (5) reduced congestion, (6) mitigation of extreme weather events, (7) capacity cost benefits from reduced peak energy losses.	Benefit metrics identify long-lead transmission solutions that maintain reliability or address state needs (via State Agreement Approach) at the lowest system cost. Four broad categories of benefits (calculate regional benefits for one scenario only): (1) reduced loss of load, (2) avoided generation investments, (3) expanded production cost savings, (4) avoided cost of transmission replacements

Project Selection	Must create transparent evaluation process and selection criteria and maintain a minimum benefit-cost ratio of 1.25 to 1. Project selection is up to the transmission provider and selection of any project is not required; decisions must be explained in detail.	Projects must address reliability or SAA needs. PJM conducts feasibility assessment (cost and constructability analyses) and do-no-harm analysis. To select among alternative projects, consider secondary benefits and robustness across scenarios. PJM supports states in identification of solutions for SAA needs.
Cost allocation	Must have at least one *ex-ante* cost allocation method(s) on file. Six-month "engagement period" during compliance process allows states to develop an ex-ante method(s) and/or a State Agreement Process, whereby states can develop an alternative cost allocation after project(s) selection. Transmission providers must (1) file states' preference (even if they propose a different *ex-ante* method(s)) and (2) participate during the six-month "engagement period," prior to compliance filings, when states finalize their preferred cost allocation.	Current RTEP cost allocation socializes costs across states; or State Agreement Approach (i.e., proposing state pays)
Consideration of Grid Enhancing Technologies	Must consider dynamic line ratings, advanced power flow control devices, advanced conductors, and transmission switches for new and upgraded facilities.	Not required

Interconnection-Related Network Upgrades	Must consider certain network upgrades originally identified through generator interconnection process as part of Order No. 1000 planning process	Not required
Transparency and Tie-in with Local Planning and Interregional Planning	Must increase transparency of local planning inputs; must evaluate right-sizing lines; right of first refusal (ROFR) for right-sizing projects; requires integration and coordination of existing interregional transmission plans.	Not required