

35.10 Coordination of Transmission Planning Studies

35.10.1 Scope of Activities:

Transmission planning activities will be coordinated in accordance with the Amended and Restated Northeast ISO/RTO Planning Coordination Protocol ("Protocol"), between and among PJM Interconnection, L.L.C., the New York Independent System Operator, Inc. and ISO New England Inc., effective as of December 12, 2004 as amended on July 10, 2013.

35.10.2 Allocation of Costs of Approved Interregional Transmission Projects

The costs of Interregional Transmission Projects, as defined in the Protocol, evaluated under the Protocol and selected by PJM and NYISO (the "Regions") in their regional transmission plans for purposes of cost allocation under their respective tariffs shall, when applicable, be allocated to the PJM Region and the NYISO Region in accordance with the cost allocation principles of FERC Order No. 1000, as follows:

- (a) To be eligible for interregional cost allocation pursuant to this Section 35.10.2, an Interregional Transmission Project must be selected in both the PJM and NYISO regional transmission plans for purposes of cost allocation pursuant to agreements and tariffs on file at FERC for each Region, and must be planned for construction in both the PJM region and the NYISO Region.
- (b) The share of the costs of an Interregional Transmission Project allocated to a Region will be determined by the ratio of the present value of the estimated costs of such Region's displaced regional transmission project or projects to the total of the present values of the estimated costs of the displaced regional transmission projects in the Regions that have selected the Interregional Transmission Project in their regional transmission plans.

- (c) The present values of the estimated costs of each Region's displaced regional transmission project shall be based on a common base date that will be the beginning of the calendar month of the cost allocation analysis for the subject Interregional Transmission Project (the "Base Date").
- (d) In order to perform the analysis in Section 35.10.2(b) above, the estimated cost of the displaced regional transmission projects shall specify the year's dollars in which those estimates are provided.
- (e) The present value analysis for all displaced regional transmission projects shall use a common discount rate. PJM and NYISO, in consultation with their respective transmission owners, and NYISO in consultation with other stakeholders, shall agree on the discount rate to be used for the present value analysis.
- (f) PJM and NYISO, in consultation with the transmission owners in their respective regions, and NYISO in consultation with other stakeholders, shall review and determine that the cost estimates of the displaced regional transmission projects have been determined in a comparable manner prior to applying this cost allocation.
- (g) No cost shall be allocated to a Region that has not selected the Interregional Transmission Project in its regional transmission plan.
- (h) When a portion of an Interregional Transmission Project evaluated under the Protocol is included by a region (Region 1) in its regional transmission plan but there is no regional need or displaced regional transmission project in Region 1 and the neighboring region (Region 2) has a regional need or displaced regional

project for the Interregional Transmission Project and selects the Interregional Transmission Project in its regional transmission plan, all of the costs of the Interregional Transmission Project shall be allocated to Region 2 in accordance with the methodology in this Section 35.10.2 and none of the costs shall be allocated to Region 1.

- (i) The portion of the costs allocated to a region pursuant to this Section 35.10.2 shall be further allocated to the transmission customers within such Region pursuant to the applicable provisions of the region's tariffs and, if applicable, agreements on file with FERC.
- (j) The following example illustrates the cost allocation for such an Interregional Transmission Project:
 - A cost allocation analysis of the costs of Interregional Transmission Project Z is to be performed during a given month establishing the beginning of that month as the Base Date.
 - Region A has identified a reliability need in its region and has selected a transmission project (Project X) as the preferred solution in its regional plan. The estimated cost of Project X is: Cost (X), provided in a given year's dollars. The number of years from the Base Date to the year associated with the cost estimate of Project (X) is: N(X).
 - Region B has identified a reliability need in its region and has selected a transmission project (Project Y) as the preferred solution in its Regional Plan. The estimated cost of Project Y is: Cost (Y), provided in a given year's dollars. The number of years from the Base Date to the year associated with the cost

estimate of Project (Y) is: $N(Y)$.

- Regions A and B, through the interregional planning process have determined that an Interregional Transmission Project (Project Z) will address the reliability needs in both regions more efficiently and cost-effectively than the separate regional projects. The estimated cost of Project Z is: $\text{Cost}(Z)$. Regions A and B have each determined that Interregional Transmission Project Z is the preferred solution to their reliability needs and have adopted that Interregional Transmission Project in their respective regional plans in lieu of Projects X and Y, respectively. If Regions A and B have agreed to bear the costs of upgrades in other affected transmission planning regions, these costs will be considered part of $\text{Cost}(Z)$.
- The discount rate used for all displaced regional transmission projects is: D
- Based on the foregoing assumptions, the following formulas will be used:
 - $\text{Present Value of Cost}(X) = \text{PV Cost}(X) = \text{Cost}(X) / (1+D)^{N(X)}$
 - $\text{Present Value of Cost}(Y) = \text{PV Cost}(Y) = \text{Cost}(Y) / (1+D)^{N(Y)}$
 - $\text{Cost Allocation to Region A} = \text{Cost}(Z) \times \text{PV Cost}(X) / [\text{PV Cost}(X) + \text{PV Cost}(Y)]$
 - $\text{Cost Allocation to Region B} = \text{Cost}(Z) \times \text{PV Cost}(Y) / [\text{PV Cost}(X) + \text{PV Cost}(Y)]$
- Applying those formulas, if:

$\text{Cost}(X) = \$60 \text{ Million}$ and $N(X) = 8.25 \text{ years}$

$\text{Cost}(Y) = \$40 \text{ Million}$ and $N(Y) = 4.50 \text{ years}$

$\text{Cost}(Z) = \$80 \text{ Million}$

$D = 7.5\% \text{ per year}$

Then:

$\text{PV Cost}(X) = 60 / (1+0.075)^{8.25} = 33.039 \text{ Million}$

$$\text{PV Cost (Y)} = 40/(1+0.075)^{4.50} = 28.888 \text{ Million}$$

$$\text{Cost Allocation to Region A} = \$80 \times 33.039/(33.039 + 28.888) = \$42.681 \text{ Million}$$

$$\text{Cost Allocation to Region B} = \$80 \times 28.888/(33.039 + 28.888) = \$37.319 \text{ Million}$$

35.10.3 Other Cost Allocation Arrangements

- (a) Except as provided in this Section 35.10.3(b), the methodology in Section 35.10.2 is the exclusive means by which any costs of an Interregional Transmission Project may be allocated between or among PJM and NYISO.
- (b) Subject to the filing rights described in Section 35.10.4 and any stakeholder processes required prior to the exercise of such filing rights, transmission owners and transmission developers in PJM and the NYISO and the Parties may enter into a separate agreement to allocate the cost of an Interregional Transmission Project, and other transmission projects identified pursuant to Section 6 of the Protocol in a manner other than as set forth in Section 35.10.2, provided that any such agreement is filed with and accepted by FERC in accordance with the filing rights set forth in Section 35.10.4, and such agreement shall apply only to the share of the costs of such Interregional Transmission Project or such other transmission projects allocated to the PJM Region and the NYISO Region.

35.10.4 Filing Rights with Respect to Approved Interregional Transmission Projects

Solely with respect to Interregional Transmission Projects evaluated under the Protocol and selected by PJM and NYISO in their regional transmission plans for purposes of cost allocation under their respective tariffs as set forth in Section 35.10.2, PJM and NYISO agree as follows:

- (a) Nothing in Sections 35.10.2 through 35.10.6 of this Agreement or in the Protocol will convey, expand, limit or otherwise alter any rights of the Parties, transmission owners, transmission developers, other market participants, or other entities in PJM or NYISO to submit filings under Section 205 of the Federal Power Act regarding cost allocation or any other matter.
- (b) As applicable, the Parties have been authorized by entities that have cost allocation rights for their respective regions, but are not parties to this Agreement, to enter into and file the cost allocation provisions set forth in Sections 35.10.2 through 35.10.6 of this Agreement. Such cost allocation provisions shall not be modified without the mutual consent of the holders of Section 205 rights and the Long Island Power Authority and the New York Power Authority with respect to interregional cost allocation in the PJM Region and the NYISO Region.
- (c) With respect to PJM:
 - (i) The provisions in Sections 35.10.2 through 35.10.6 have been approved by the PJM Transmission Owners acting through the Consolidated Transmission Owners Agreement (“CTOA”) pursuant to Section 9.1 of the PJM Open Access Transmission Tariff (“PJM Tariff”) and Article 7 of the CTOA, and any amendment to the provisions of Sections 35.10.2 through 35.10.6 or any other provision of this Agreement allocating the costs of Interregional Transmission Projects, shall require approval by the PJM Transmission Owners acting through the CTOA pursuant to Section 9.1 of the PJM Tariff and Article 7 of the CTOA and shall be filed pursuant Section 205 of the Federal Power Act in accordance with the PJM Tariff and Article 7 of the CTOA.

- (ii) Nothing in Sections 35.10.2 through 35.10.6 of this Agreement shall limit or alter the rights of the PJM Transmission Owners set forth in the PJM Tariff and CTOA to submit filings under Section 205 of the Federal Power Act.

35.10.5 Merchant Transmission and Individual Transmission Owner Projects

Nothing in this Agreement shall preclude the development of Interregional Transmission Projects that are funded solely by merchant transmission developers or by individual transmission owners.

35.10.6 Consequences to Other Regions from Regional or Interregional Transmission Projects

Except as provided herein in sections 35.10.2 and 35.10.3 of this Agreement, or where cost responsibility is expressly assumed by NYISO or PJM in other documents, agreements or tariffs on file with FERC, neither the NYISO Region nor the PJM Region shall be responsible for compensating another region or each other for required upgrades or for any other consequences in another planning region associated with regional or interregional transmission facilities, including but not limited to, transmission projects identified pursuant to Section 6 of the Protocol and Interregional Transmission Projects identified pursuant to Section 7 of the Protocol.

35.10.7 Coordination of Transmission Planning Studies Regarding Reliability Transmission Projects Located Entirely Within One Region

This section addresses the process through which PJM and NYISO will coordinate the study of reliability transmission projects located entirely within one Region. The Regions agree to share information and data that arise in the performance of each Region's respective planning activities as necessary or appropriate for effective coordination between the Regions, including the timely identification and notification of proposed reliability transmission projects to meet the

Region's reliability needs, according to the process set forth herein. For purposes of this section 35.10.7, the Region proposing a reliability transmission project to meet such Region's regional reliability needs is referred to as the "proposing Region" and the Region adjacent to the "proposing Region" that may potentially be impacted by such proposal is referred to as the "potentially impacted Region."

35.10.7.1 The Regions shall share their respective baseline reliability analysis undertaken as part of their regional reliability planning process no later than the time it is initially provided to the proposing Region's stakeholders through the appropriate committee.

35.10.7.2 Based on its review of the proposing Region's proposed reliability transmission project, the potentially impacted Region shall identify the potential violations, based upon planning or reliability criteria, including applicable transmission owner criteria then in effect, that, depending on how solved, including through the use of proposed regional transmission projects, could negatively impact reliability on the potentially impacted Region's system.

35.10.7.3 The Regions shall discuss identified impacts and coordinate any special studies that need to be undertaken to analyze such impacts.

- (a) Each Region shall be responsible for performing studies of potential impacts on its system. The Regions may agree on the most efficient way to perform the special studies on a case-specific basis, including which Region will conduct which study(ies).
- (b) The Regions will provide to each other all of the technical information on their respective systems that is needed for each to perform the necessary studies.

- (c) The Regions will coordinate the timing and conduct of such studies.
- (d) Each Region will be responsible for all of its respective study costs related to the studies conducted under this coordinated study process.

35.10.7.4 Results of studies of impacts on the potentially impacted Region's system will be submitted to the proposing Region no later than at the time the proposed reliability transmission project(s) are presented to the proposing Region's stakeholders for final review and prior to submitting to the Board. The Regions shall discuss with each other potential alternative solutions, including changes to operating protocols, and the mitigation of impacts on the potentially impacted Region's system. The Regions' agreed-to mitigation shall be presented to the proposing Region's stakeholders as part of the overall solution to the identified reliability need.

35.10.7.5 Other than agreed-to mitigation or operational alternatives, each Region is responsible for the costs of addressing impacts to its own system.