



Carried Over for Consideration During 2018 SSEB Annual Meeting

Resolution sponsored by: Dr. Mary Beth Tung, Maryland Energy Administration,
Maryland Governor's Alternate*
Representative Gary Staples, Mississippi
Representative Randy Davis, Alabama

9.2017 | Concerning the Cost Allocation of Grid-Stability Transmission Projects

WHEREAS, the Federal Energy Regulatory Commission (FERC) is an independent agency that regulates the interstate transmission of electricity, natural gas and oil; and

WHEREAS, PJM Interconnection, LLC (PJM) is the regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia; and

WHEREAS, FERC Order No. 1000 established the requirement that each public utility transmission provider must participate in a regional transmission planning process that has a regional cost allocation method for new transmission facilities selected in the regional transmission plan; and

WHEREAS, PJM revised its Regional Transmission Expansion Plan (RTEP) process to comply with FERC Order No. 1000; and

WHEREAS, the cost allocation methodologies for regional transmission facilities selected in the RTEP process are set forth in Schedule 12 of the PJM Open Access Transmission Tariff; and

WHEREAS, Schedule 12 of the Open Access Transmission Tariff specifies that the costs for lower-voltage facilities will be allocated according to the solution-based distribution factor method (SBDFAX); and

WHEREAS, although the SBDFAX method works fairly and reasonably to identify project beneficiaries and assigns costs for the majority of lower-voltage transmission projects, it can result in anomalous outcomes in cases where the rationale for undertaking the project is not driven by power flows (e.g., grid-stability projects); and

WHEREAS, PJM approved the construction of a new transmission project in the Artificial Island area of Southern New Jersey (the Artificial Island Transmission Project); and

WHEREAS, the purpose of the Artificial Island Transmission Project is to address grid-stability issues at the Salem and Hope Creek nuclear generation facilities; and

WHEREAS, under the SBDFAX methodology, 90 percent of the costs of the Artificial Island Transmission Project are assigned to the Delmarva transmission zone, despite this region receiving only minor benefits; and

WHEREAS, the application of the SBDFAX methodology for allocating the costs of the Artificial Island Transmission Project was challenged in proceedings before FERC in Docket No. EL15-95-000; and



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WHEREAS, FERC decided not to modify the SBDFAX methodology, despite evidence presented that showed the methodology assigned the costs for the Artificial Island Transmission Project in a manner that was unjust, unreasonable and unduly discriminatory and preferential; and

WHEREAS, FERC granted requests for rehearing on the matter, however, has not yet scheduled a rehearing; and

WHEREAS, on June 9, 2017, PJM released two alternative cost allocation methodologies—the Stability Interface Distribution Factor and Stability Deviation Method—that more appropriately assign the costs of the Artificial Island Transmission Project, in a manner that is roughly proportional to the benefits; and

WHEREAS, although the cost allocation for the Artificial Island Transmission Project primarily affects the states of Maryland and Delaware, the precedent established by this matter will have immense and wide-ranging impacts on the cost allocations for future grid-stability transmission projects throughout the United States, including those constructed within the member states of the Southern States Energy Board; and

WHEREAS, these impacts include, but are not limited to, unfair costs imposed on residential, commercial and industrial ratepayers and delays in addressing grid-stability issues.

THEREFORE BE IT RESOLVED, that the Southern States Energy Board urges FERC to schedule a rehearing on the Artificial Island Transmission Project as soon as possible; and

BE IT FURTHER RESOLVED, that the Southern States Energy Board urges FERC to accept either alternative methodology as a fairer and more reasonable cost allocation solution to grid-stability transmission projects in situations where the costs are not borne by RTO regions that would gain the benefit of the project; and

BE IT FURTHER RESOLVED, that the Southern States Energy Board urges its member states to send letters supporting the approval of an alternative cost allocation methodology to be used for transmission projects designed to address grid-stability issues when the electricity (power) benefits do not flow to the region, which is bearing the economic costs of the transmission project; and

BE IT FURTHER RESOLVED, that suitable copies of this resolution be sent to FERC, PJM, and all other RTOs that service member states of the Southern States Energy Board.