



The Transource Transmission Project was suspended on September 22, 2021. Since the suspension the Transource project has failed to meet even PJM's cost/benefit threshold for consideration as viable economic project. Further, PJM evaluations have found that the Transource Project, if completed, would cause operational issues for the PJM system.

The extraordinary step of waiving the filed tariff rules should not be permitted to accommodate a project that fails PJM's own cost/benefit test and causes operational issues. PJM can and should remove the Transource Project from RTEP under its rules. PJM's request does not meet the standards for granting a waiver. The Waiver Request should be denied.

## I. COMMENTS

### A. Background: The Requirement to Study.

PJM states (at 3-4) that “[p]ursuant to section 1.5.7(f) of Schedule 6 in the Operating Agreement, PJM must annually review the costs and benefits of Board-approved economic projects included in the RTEP that meet certain criteria to assure that a project continues to be cost beneficial.”<sup>4</sup> PJM states (at 4) that if their analysis shows changes in the costs and

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<sup>4</sup> OA Schedule 6 § 1.5.7(f) (“To assure that new Economic-based Enhancements or Expansions included in the Regional Transmission Expansion Plan continue to be cost beneficial, the Office of the Interconnection annually shall review the costs and benefits of constructing such enhancements and expansions. In the event that there are changes in these costs and benefits, the Office of the Interconnection shall review the changes in costs and benefits with the Transmission Expansion Advisory Committee and recommend to the PJM Board whether the new Economic-based Enhancements or Expansions continue to provide measurable benefits, as determined in accordance with subsection (d), and should remain in the Regional Transmission Expansion Plan. The annual review of the costs and benefits of constructing new Economic-based Enhancements or Expansions included in the Regional Transmission Expansion Plan shall include review of changes in cost estimates of the Economic-based Enhancement or Expansion, and changes in system conditions, including but not limited to, changes in load forecasts, and anticipated Merchant Transmission Facilities, generation, and demand response, consistent with the requirements of the Operating Agreement, Schedule 6, section 1.5.7(i). The Office of the Interconnection will not be required to review annually the costs and benefits of constructing Economic-based Enhancements or Expansions with capital costs less than \$20 million if, based on updated cost estimates and the original benefits, the Benefit/Cost Ratio remains at or above

benefits associated with an economic project, PJM must review such changes and have the PJM Board determine whether the economic projects should, based on the changes in the measurable benefits, remain in the RTEP.

**B. The Transource Project Should Be Removed from the RTEP Based on PJM's Cost/Benefit Analysis.**

For an RTEP project to be recommended to the PJM Board of Managers for approval as a market efficiency project, it must meet a benefit/cost ratio threshold of at least 1.25:1. The Transource Transmission Project (Project 9A) does not meet that test and has not met that test since PJM's evaluation in 2021.<sup>5</sup>

This project fails to meet even PJM's cost/benefit test despite the fact that there are significant issues with PJM's benefit/cost analysis.<sup>6</sup> Rather than ask to waive its rules to include a project that fails the cost/benefit test, PJM should follow its rules and remove this project from the RTEP.

The Transource Project (Project 9A) is an example of a PJM approved market efficiency project that initially passed PJM's 1.25 benefit/cost threshold test despite having

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1.25. The Office of the Interconnection shall no longer be required to review costs and benefits of constructing Economic-based Enhancements and Expansions once: (i) a certificate of public convenience and necessity or its equivalent is granted by the state or relevant regulatory authority in which such enhancements or expansions will be located; or (ii) if a certificate of public convenience and necessity or its equivalent is not required by the state or relevant regulatory authority in which an economic-based enhancement or expansion will be located, once construction activities commence at the project site. ”).

<sup>5</sup> Nick Dumitriu, Principal Engineer, PJM Market Simulation, Market Efficiency Update presented to the Transmission Expansion Advisory Committee (November 30, 2021) at 18 <<https://www.pjm.com/-/media/committees-groups/committees/teac/2021/20211130/20211130-item-02-market-efficiency-update.ashx>>.

<sup>6</sup> The Market Monitor has documented these issues in Section 12: Generation and Transmission Planning and Section 2: Recommendations of the State of the Market Reports for PJM, as well See *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*, 176 FERC ¶ 61,024 (2021), *Comments of the Independent Market Monitor for PJM*, (August 17, 2021).

benefits, if correctly calculated, that were less than costs. The Transource Project was proposed in PJM's 2014/2015 RTEP long term window, the first market efficiency cycle under Order No. 1000. The 2014/2015 long term window was open from November 1, 2014, through February 28, 2015. The AP South Interface was one of the 12 identified flowgates listed in the 2014/2015 RTEP Long Term Proposal Window Problem Statement. A total of 41 market efficiency projects were proposed to address congestion on the AP South Interface. Transource Energy LLC (a subsidiary of AEP), together with Dominion High Voltage (a subsidiary of Dominion Energy), submitted the Transource Project.

Project 9A was considered a subregional project based on its voltage level, meaning that zonal increases in energy costs (in zones upstream of the project) were not considered for purposes of estimating the cost/benefit ratios. Instead, only reductions in zonal energy costs (in zones downstream of the project) were considered as a benefit of the project.

The initial study had a benefit/cost ratio of 2.48. Subsequent PJM studies of the 9A project have reduced its benefit/cost ratio. PJM's 2019 study had a benefit/cost ratio of 2.10.

A portion of Project 9A in Pennsylvania was challenged in a proceeding at the Pennsylvania PUC. On May 20, 2021, the Pennsylvania PUC denied the Transource application to build in Pennsylvania based on failure to demonstrate need combined with negative economic and environmental effects.<sup>7</sup> Transource appealed the decision at the state and federal level.<sup>8</sup> On May 5, 2022, the state court denied the appeal. On December 6, 2023, the U.S. District Court for the Middle District of Pennsylvania granted the appeal, stating that the Pennsylvania PUC's decision violated the Supremacy Clause and the

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<sup>7</sup> See Applications of Transource Pennsylvania, LLC for approval of the Siting and Construction of the 230 kV Transmission Line Associated with the Independence Energy Connection-East and West Projects in portions of York and Franklin Counties, Pennsylvania et al., Pennsylvania Public Utility Commission, Opinion and Order, Docket No. A-2017-2640195 et al. (May 20, 2021).

<sup>8</sup> See Transource Pennsylvania, LLC et al. v. Pennsylvania Public Utility Commission, Docket No. 689 CD 2021 (Commonwealth of Pennsylvania Court); Transource Pennsylvania LLC v. Gladys Brown Dutrieuille, et al., Docket No. 21-2567 (USDC M.D. Pa.).

Dormant Commerce Clause.<sup>9</sup> The federal court found that the PUC’s order was not a valid use of the PUC’s siting oversight authority. The Pennsylvania PUC filed a notice of appeal with the U.S. Court of Appeals for the Third Circuit on January 10, 2024.<sup>10</sup> The matter has been briefed and oral argument was held Thursday, December 5, 2024. A decision is pending.

On September 22, 2021, the PJM Board endorsed PJM’s recommendation to suspend the Transource IEC (9A) Project, based on the rejection by the Pennsylvania PUC. Project 9A was removed from PJM’s planning models pending future updates, but remained in PJM’s RTEP.<sup>11</sup> At the time of the suspension, \$131.9 million in material, engineering, land rights and project support costs had been incurred by developers, but there was no increase in transmission capability associated with the project.<sup>12</sup>

While suspended within the RTEP, PJM is required by Schedule 6 of the Operating Agreement (OA) to “annually review the cost and benefits” of Board approved market efficiency projects that have not commenced construction or have not received state siting approval. Under Schedule 6, PJM’s 2021 study showed a benefit/cost ratio of 1.00.

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<sup>9</sup> See *Transource Pennsylvania, LLC et al. v. Steven M. Defrank, et al.*, Case No. 1:21-CV-01101 (M.D. Pa. December 6, 2023).

<sup>10</sup> See *Transource Pennsylvania, LLC v. DeFrank*, Case No. 24-1045.

<sup>11</sup> Nick Dumitriu, Principal Engineer, PJM Market Simulation, Market Efficiency Update presented to the Transmission Expansion Advisory Committee (November 30, 2021) at 18 <<https://www.pjm.com/-/media/committees-groups/committees/teac/2021/20211130/20211130-item-02-market-efficiency-update.ashx>>.

<sup>12</sup> Nick Dumitriu, Principal Engineer, PJM Market Simulation, Market Efficiency Update presented to the Transmission Expansion Advisory Committee (November 30, 2021) at 19 <<https://www.pjm.com/-/media/committees-groups/committees/teac/2021/20211130/20211130-item-02-market-efficiency-update.ashx>>.

PJM's 2024 reevaluation of 9A showed a Benefit/Cost ratio of 0.81.<sup>13</sup> In addition, PJM's 2024 reevaluation of 9A showed that Project 9A, given other projects approved after the Project 9A suspension would, if completed, cause operational issues, including an increase in "uncontrollable congestion on a number of constraints."<sup>14</sup>

Rather than grant PJM's requested extension, PJM should be ordered to remove the Transource project from PJM's RTEP. Rather than asking for a waiver to the tariff requirement, PJM should believe their own analysis and PJM should stop wasting resources to annually study a transmission project that fails PJM's own cost/benefit test and in addition would cause negative effects on the PJM system. PJM should be ordered to remove the Transource Project from RTEP by changing the status of the Transource project from suspended to canceled. The waiver should be denied because it is not supported.

**C. PJM Identified Operational Issues with the Transource Project That Provide Additional Reason to Remove It from the RTEP.**

In addition to the fact that the Project fails to pass PJM's cost/benefit threshold for consideration as an energy efficiency project since 2021, PJM's analysis shows that the 9A project, if completed, would have a detrimental effect on PJM's reliable operation of its system. PJM has stated that "system conditions with projects in the RTEP approved after Project 9A suspension have changed the topology and impacts of Project 9A" so that "Project 9A increases uncontrollable congestion on a number of constraints" and the "[t]he

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<sup>13</sup> Nick Dumitriu, Manager, Market Simulation, Market Efficiency Update presented to the Transmission Expansion Advisory Committee (June 4, 2024) at 21 <<https://www.pjm.com/-/media/committees-groups/committees/teac/2024/20240604/20240604-item-04---market-efficiency-update.ashx>>.

<sup>14</sup> See *id.* at 22-23 <<https://www.pjm.com/-/media/committees-groups/committees/teac/2024/20240604/20240604-item-04---market-efficiency-update.ashx>>.

increased number of hours with PROMOD violations may indicate reliability concerns for years starting 2030.”<sup>15</sup>

#### **D. The Request for the Waiver Does Not Meet the Applicable Standards.**

The Commission has granted limited tariff waivers to applicants where the requested waiver: “(1) is made in good faith; (2) is of limited scope; (3) addresses a concrete problem that will be remedied; and (4) does not have undesirable consequences.”<sup>16</sup> The Waiver Request fails the third and the fourth prongs. No concrete problem exists that would be solved by the waiver because PJM can resolve the matter under the existing rules in a manner that serves the public interest. PJM can remove a project from the RTEP that fails PJM’s cost/benefit test and creates operational issues. The waiver would be an obstacle to the timely and efficient resolution to the issue of how to treat this Project. No concrete problem is solved by granting the Waiver Request. Granting the Waiver Request has undesirable consequences because it would keep a project in the RTEP that does not pass PJM’s own cost/benefit standard and would cause operational problems and is therefore a waste of PJM’s and the Commission’s scarce resources. The Waiver Request does not meet the Commission standard for granting a waiver and should be denied.

## **II. CONCLUSION**

The Market Monitor respectfully requests that the Commission afford due consideration to this protest as the Commission resolves the issues raised in this proceeding.

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<sup>15</sup> Nick Dumitriu, Manager, Market Simulation, Market Efficiency Update presented to the Transmission Expansion Advisory Committee (June 4, 2024) at 23-24 <<https://www.pjm.com/-/media/committees-groups/committees/teac/2024/20240604/20240604-item-04---market-efficiency-update.ashx>>.

<sup>16</sup> See, e.g., *Duke Energy Carolinas LLC*, 172 FERC ¶ 61,074 at P 17 (2020); *Public Service Electric and Gas Company*, 172 FERC ¶ 61,068 at P 12 (2020); *Empire Dist. Elec. Co.*, 166 FERC ¶ 61,164 (2019).

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Dated: December 10, 2024

Respectfully submitted,



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## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Eagleville, Pennsylvania,  
this 10<sup>th</sup> day of December, 2024.



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