2017 OPPORTUNITIES AND CHALLENGES...
A VIEW FROM PJM INTERCONNECTION

WIRES UNIVERSITY
Congressional Briefing
February 16, 2017

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PJM as Part of the Eastern Interconnection

As of 5/2016

- 27% of generation in Eastern Interconnection
- 28% of load in Eastern Interconnection
- 20% of transmission assets in Eastern Interconnection
PJM – Focus on Just 3 Things

Reliability
- Grid Operations
- Supply/Demand Balance
- Transmission monitoring

1

Regional Planning
- 15-Year Outlook

2

Market Operation
- Energy
- Capacity
- Ancillary Services

3
POLICY CHOICES…

The Long and Winding Road…
• Transmission: Built to support major generation projects
• Connect distant generation to load; Distribution: One way delivery of power to the home
• Grid Costs: Rate-based to the home utility’s customers
• ROI: Little focus on transmission as a stand alone business element
Policy Choice #1

Is the grid an enabler or a competitor?

Grid as an Enabler?

– Accept the grid as a natural monopoly
– Drive solutions through regulation
– Provide incentives for innovation
Policy Choice #1 (cont’d)

Grid as a Competitor?

– Grid development must compete with generation or demand side
– Grid entrepreneurs take risk: no guaranteed ROI
– Grid pricing reflects competitive outcomes: Bid solutions into the marketplace (RPM)
**Policy Choice #2**: A Strong or Weak Grid?

Characteristics of the “Strong” Grid:

- Generation distance from load
- Meet the needs for future transmission expansion
- Costs socialized to reflect interconnected nature of the grid
- Broad regional approach
Policy Choice #2 - The Alternative: The localized grid…

- Generation closer to load
- Centralized focus on development of DSR, energy efficiency and renewables
- Transmission/distribution grid as an enabler of alternative generation
- Transmission focused on meeting state/local needs
An Added Complication:

Who Decides?
Who Decides?

- States:
  - State Energy Policies: Governors/legislators
  - State PUCs
- FERC
  - FERC Order 1000
- Environmental Agencies
  - Non-attainment areas
  - RGGI et al.
LET’S TALK…

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