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FERC Revisits Who in PJM Is Going to Pay for Transmission Upgrades

September 3, 2008

FERC conditionally approved a contested settlement on the allocation of transmission owner costs for projects approved through the regional transmission expansion plan (RTEP) of PJM Interconnection, LLC. The settlement directs how PJM will allocate the transmission owners' costs of RTEP upgrades that operate below 500 kV among PJM members through a "beneficiary pays" approach. That approach will allocate the cost of a transmission upgrade in proportion to how much the load in each of PJM's transmission zones is determined to benefit from the upgrade. The settlement does not, however, address cost allocations of merchant transmission facilities. The settlement includes a three-year moratorium for revisiting these cost allocation issues.

Further litigation likely will contest how the costs of merchant transmission facilities should be allocated.