



**Statement of Terry Boston, President and CEO,
on behalf of the PJM Board of Managers**

Planning for Transmission in the 21st Century

February 28, 2011

One of PJM's core functions is planning for new transmission facilities that are needed to ensure the future reliability of our regional electricity system that serves 54 million people. PJM's independent analysis is an important component of the process by which FERC and the States exercise their respective authority over the construction, siting and cost recovery for major new transmission lines in our region.

Through the current Regional Transmission Expansion Plan (RTEP), PJM has identified -- over a 15-year horizon -- when the forecasted power flows in specific areas of the grid would violate national and local standards for reliable operation of the bulk electric system. This process necessarily requires estimating the future demand for electricity, as well as analyzing the committed resources that will serve the demand, in order to determine when and where future power flows will exceed the thermal and voltage limitations of existing transmission facilities.

While any estimate of future economic activity and its effect on both demand and supply is inherently uncertain, PJM generally has found, based on its experience, that the magnitude of uncertainty was limited and that FERC-approved "bright line" tests such as are currently used in the RTEP process could reasonably define the expected date of future reliability violations, thereby allowing PJM to plan for new transmission facilities.

Recent dramatic swings in economic forecasts and evolving public policies (particularly with respect to renewable energy) are adding greater uncertainty to our planning studies. Uncertainty about generation retirements, particularly in response to potential changes in environmental regulations, may also be diminishing the robustness of the current planning criteria.

Moreover, a set of new and greater uncertainties -- not just with load growth estimates but also other key indicators relevant to planning assessments -- are complicating the analysis of future reliability needs. In particular, the growth of Demand Response can contribute to lower expectations for future peak demand, thereby extending the time period when transmission upgrades are needed.

This Board supports both the enhanced competition within PJM markets that comes with greater Demand Response participation and greater opportunities for renewable energy -- but we recognize these factors add significant complexity to analyses of the system's future needs.

Although the current planning studies have become volatile due to significant changes in economic forecasts, this Board remains committed to sharing with PJM stakeholders the latest results of PJM's completed analysis. We report whatever the forecasts are and we respond impartially.



The Potomac Appalachian Transmission Highline (PATH)

Based on analysis conducted in 2007, the PJM Board approved a 765 kV line between the existing Amos substation in West Virginia and the proposed Kemptown substation in Maryland. Subsequent analysis extended the “required in-service date” by which the line was needed to resolve reliability violations to 2015.

As part of its 2011 RTEP, and in response to a request by a Virginia Hearing Examiner, PJM is conducting a series of analyses using the most current economic forecasts and Demand Response commitments, as well as potential new generation resources. Preliminary analysis reveals the expected reliability violations that necessitated PATH have moved several years into the future.

Based on these latest results, the Board has decided to hold the PATH project in abeyance in its 2011 RTEP. The Board further directs the sponsoring Transmission Owners to suspend current development efforts on the PATH project, subject to those activities necessary to maintain the project in its current state, while PJM conducts more rigorous analysis of the potential need for PATH as part of its continuing RTEP process. This action, however, does not, at this time, constitute a directive by PJM to the sponsoring Transmission Owners to cancel or abandon the PATH project.

PJM will complete this more rigorous analysis of the PATH project and other transmission requirements and then report the results to stakeholders when it is available. The Board will review this comprehensive analysis as part of its consideration of the 2011 Regional Transmission Expansion Plan.

Managing Uncertainties in Transmission Planning

Through the Regional Planning Process Task Force and other forums, PJM stakeholders are evaluating the current planning criteria and considering better ways to manage all factors utilized in the exercise of transmission planning.

The PJM Board strongly supports this effort. We consider this collaboration to be one of PJM's most important stakeholder initiatives. While we do not presuppose any specific outcome at this time, we ask PJM members to bring forth recommendations by this fall so that PJM might make appropriate filings and then enact improvements in the planning process at the beginning of 2012.

This region's electricity system faces more challenges in the next 10 years than any other period over the last 100 years. Transmission planners are on the leading edge – identifying future needs amidst growing uncertainties such as a changing fuel mix, increased storage possibilities, greater demand participation, as well as fluctuating forecasts for economic recovery.

We urge stakeholders to find innovative ways to manage these complexities well so that this region keeps -- for the long-term future -- the reliable electric service that drives our economy.