

PJM Area Relevant State Entities Committee
Statement of Principles – Long-Term Regional Transmission Planning

The PJM Area Relevant State Entities Committee (“PARSEC”) is the relevant state entities committee for the PJM region as described in FERC Order No. 1920.¹ The PARSEC recognizes that Long-Term Regional Transmission Planning (“LTRTP”) is required by FERC Order No. 1920 and subsequent orders. LTRTP may inform near-term transmission planning and project selection by identifying both near-term and long-term transmission needs while also providing valuable information to inform cost allocation decisions.

The PARSEC provides the following principles to inform the development of cost allocation methods and processes to be used in coordination with PJM’s Order No. 1920 compliant transmission planning process. The principles below apply to: (1) situations where PJM selects regional, long-term transmission projects, or (2) when individual or groups of states (or other parties) voluntarily agree to fund, either in whole or in part, long-term transmission projects.

1. Entities that cause new transmission investments and entities that receive benefits from new transmission investments should be allocated costs that are roughly commensurate with the estimated benefits. Benefits used to allocate costs should be tangible and quantifiable, like those described in Order No. 1920, to the greatest extent possible.
2. Parties that realize negligible benefits or no benefits should not be assigned costs.
3. Generators and load each can be considered cost causers, beneficiaries, or both and should be allocated costs accordingly. Generators should continue to pay costs associated with interconnection upgrades.
4. The PARSEC supports PJM’s development of scenarios, in addition to those required by FERC Order No. 1920, to inform cost allocation discussions.
5. Benefit to cost ratios and associated LTRTP cost allocation methods should rely on benefit metrics that are quantifiable, replicable, non-duplicative, and forward-looking to the maximum extent possible.
6. Generally, any cost allocation methods used to allocate the costs of long-term transmission projects should be uniformly applied across the PJM region.
7. The PARSEC supports the development of a State Agreement Process, that is separate from the existing State Agreement Approach in PJM’s Tariff, which would facilitate the flexible implementation of a PARSEC-negotiated ex-post cost allocation method for projects selected as part of PJM’s LTRTP process.
8. The PARSEC supports the development of a voluntary cost allocation framework for projects not selected as part of PJM’s LTRTP process.

¹ The PARSEC approved these principles pursuant to its charter on February 4, 2025. The Indiana Utility Regulatory Commission, the North Carolina Utilities Commission, and the Virginia State Corporation Commission abstained in the vote on these principles.