



Administrative Rate Proposal

Jim Snow
Members Committee
September 29, 2021

PJM's Schedule 9 Administrative Rates

Utilize Formula Rate cost recovery mechanism

Factor in 2021 cost of service study assignment results

Consolidate Schedules 9-3 and 9-4

Recover PJM Settlement, Inc. costs via a per invoice issued basis

- **Utilize current determinants for rate schedules**
- **Maintain PJM Finance Committee Protocol**
- **Keep annual membership costs at current levels**
- **Schedules 9 and 10 pass through rates remain unchanged**

PJM's Schedule 9 Tariff Changes

Remove rate values, reserve allowance and refund mechanism

Detail rate allocations and calculation methodology

Consolidation of Market Services and Regulation and Frequency Response Schedules

Change PJM Settlement billing to a per invoice charge

Outline rate posting frequency



	SCH 9-1	SCH 9-2	SCH 9-3	SCH 9-4	SCH 9-PSI	SCH 9-5
Initial Divisional Direct Assignment	33.6%	2.4%	11.8%	4.1%	4.0%	44.1%
Updated Divisional Direct Assignment	33.5%	2.4%	11.8%	4.2%	4.0%	44.1%
Initial Divisional Indirect Assignment	63.2%	4.5%	22.8%	7.4%	2.1%	NA
Updated Divisional Indirect Assignment	63.3%	4.5%	22.3%	7.8%	2.1%	NA

**Draft Schedule 9 Tariff language has been updated to reflect changes*

- Members Committee – Endorsement request, September
- Rate Filing – 9/30/2021
- Target Effective Date – 1/1/2022

SME/Presenter:
Jim Snow, james.snow@pjm.com



PJM Administrative Rate Review

Member Hotline

(610) 666 – 8980

(866) 400 – 8980

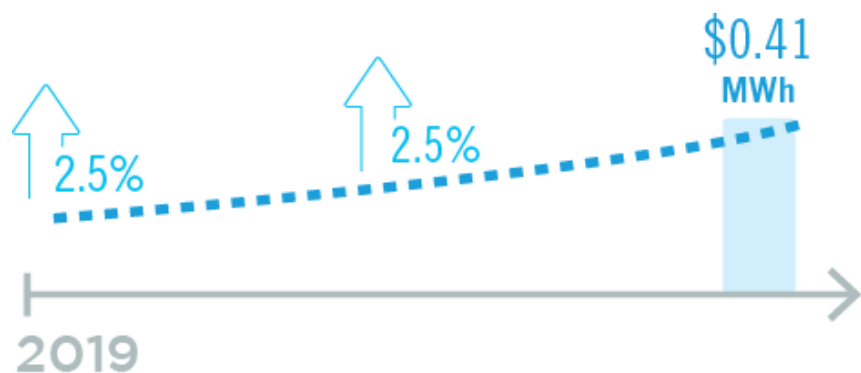
custsvc@pjm.com

Appendix

Materials from the Administrative Rate Review
Members Committee
July 28, 2021

In 2016

PJM filed a revised stated-rate schedule that increased the Schedule 9 rates and provided an escalation of 2.5 percent each year, beginning in 2019, until the composite rate is \$0.41/MWh.



A few factors are highlighting the need to review PJM's rates:



**Energy
Forecast
Change**



**Cost of Service
Review**

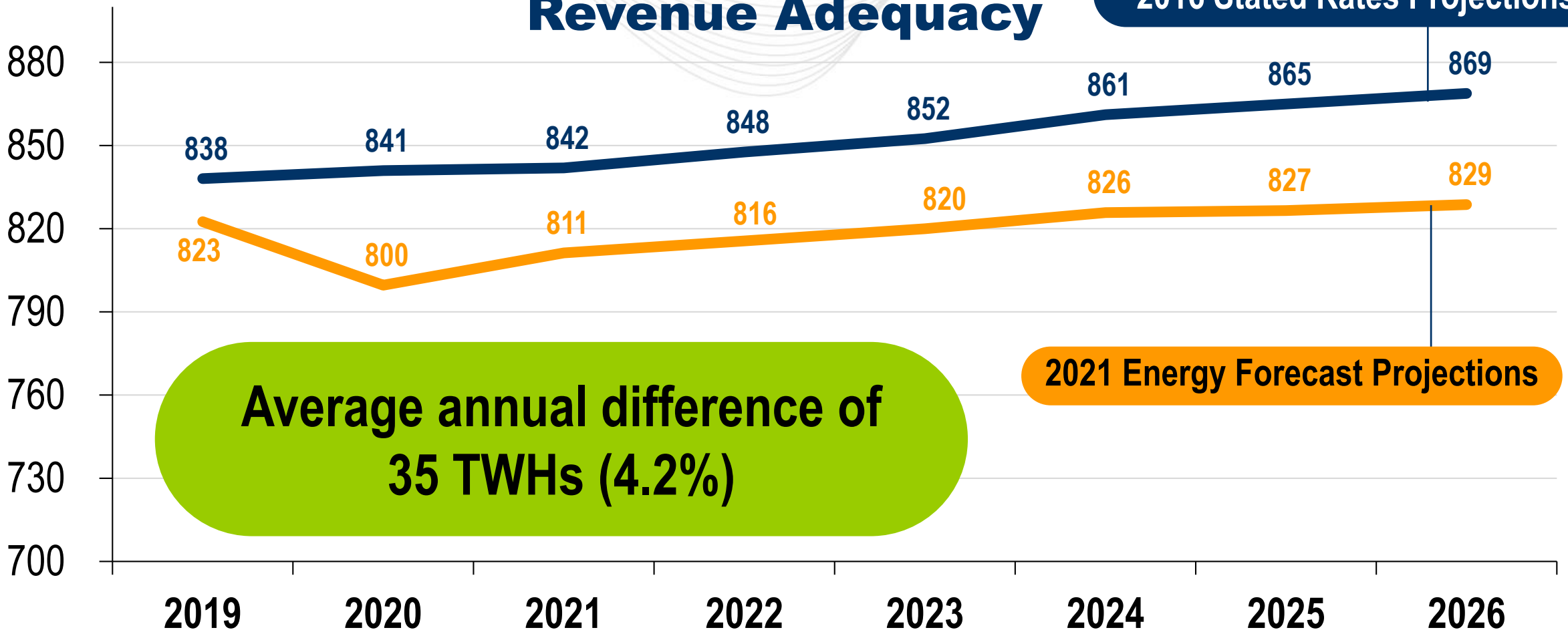


**Billing
Determinant
Shifts**

Energy (TWh)

Revenue Adequacy

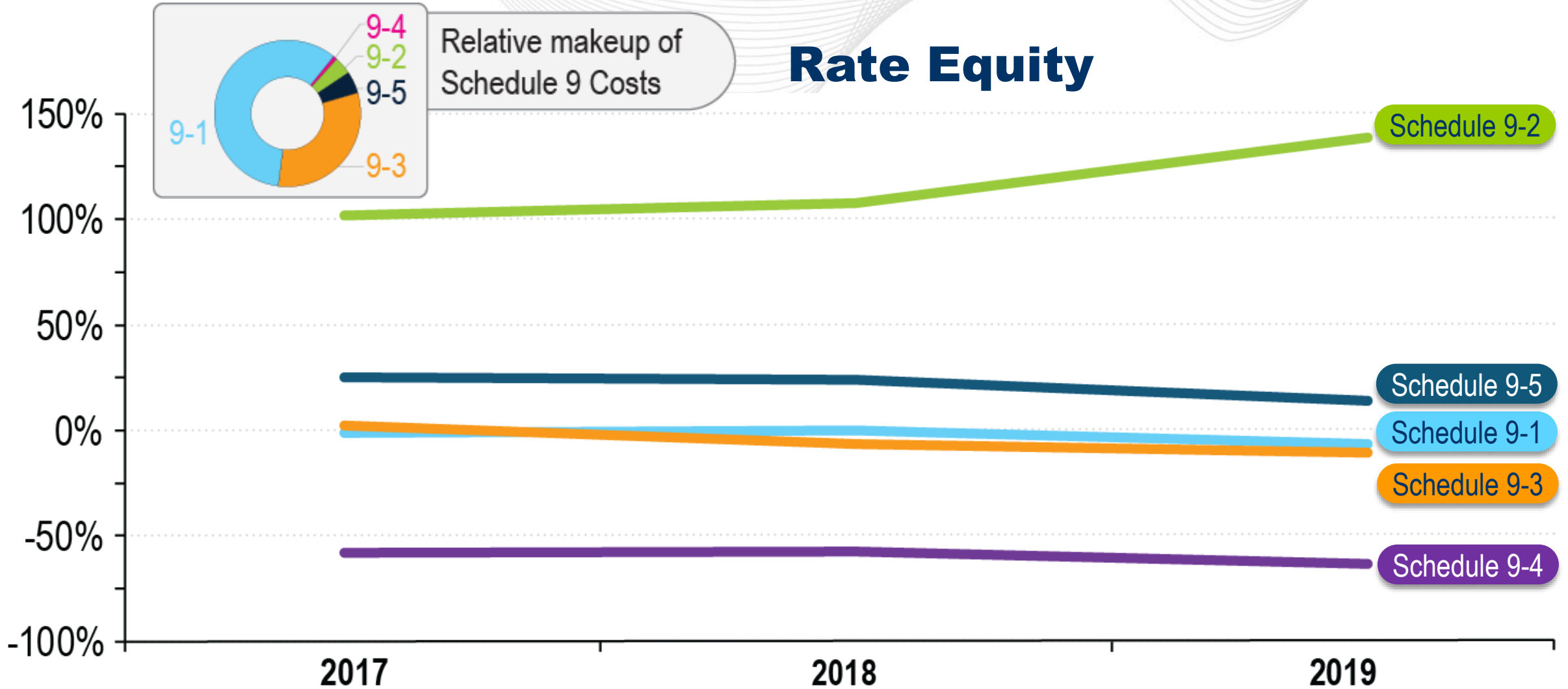
2016 Stated Rates Projections



Average annual difference of 35 TWhs (4.2%)

2021 Energy Forecast Projections

Rate Equity





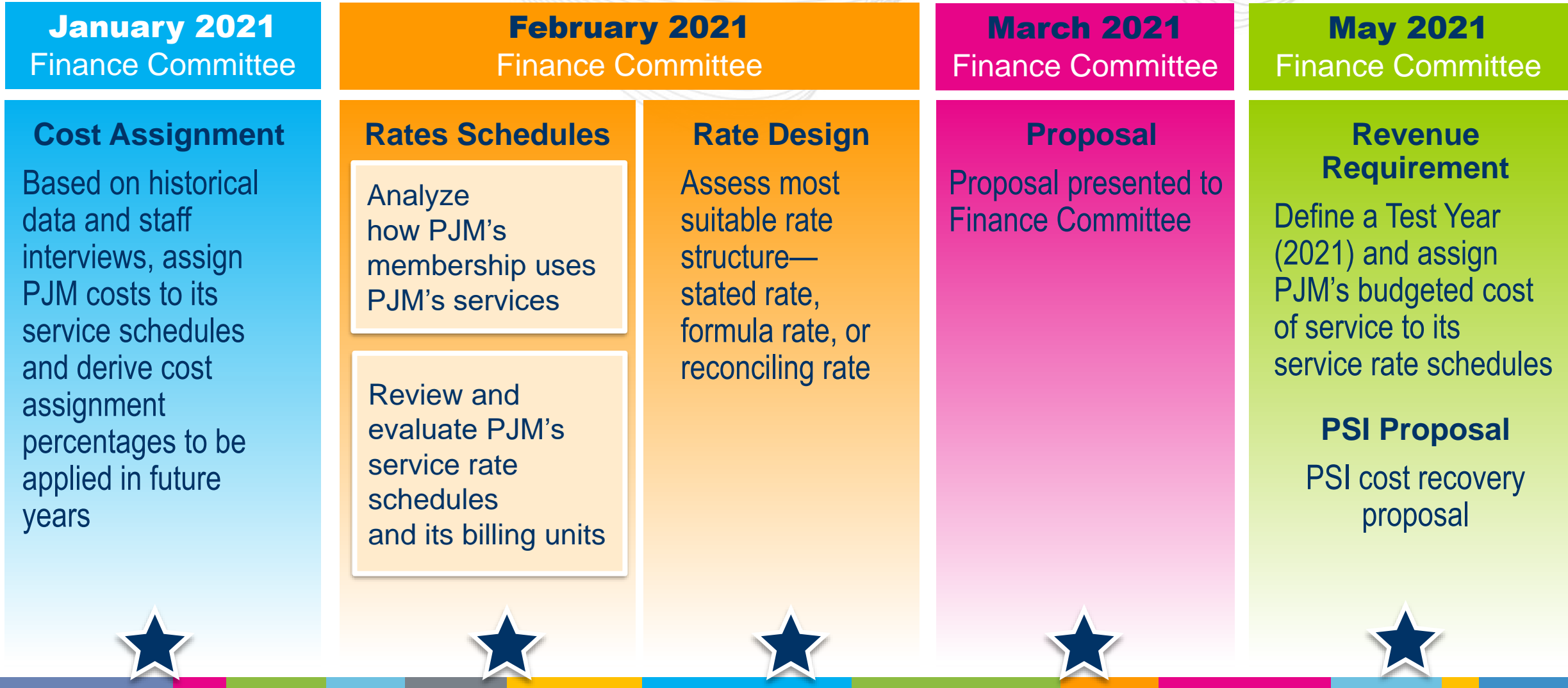
PJM/Stakeholder Jointly Developed Objectives

2016 Stated Rate Filing Objectives

1	Maintain low rate volatility and provide multi-year service fee certainty for 5–10 years
2	Establish cost recovery for post-AC ² Rider ongoing costs of second control center
3	Maintain enhanced rate and cost transparency to members
4	Deploy effective operation and capital cost management
5	Maintain creditworthiness for cost-effective borrowing purposes

2021 PJM Rate Filing Objectives

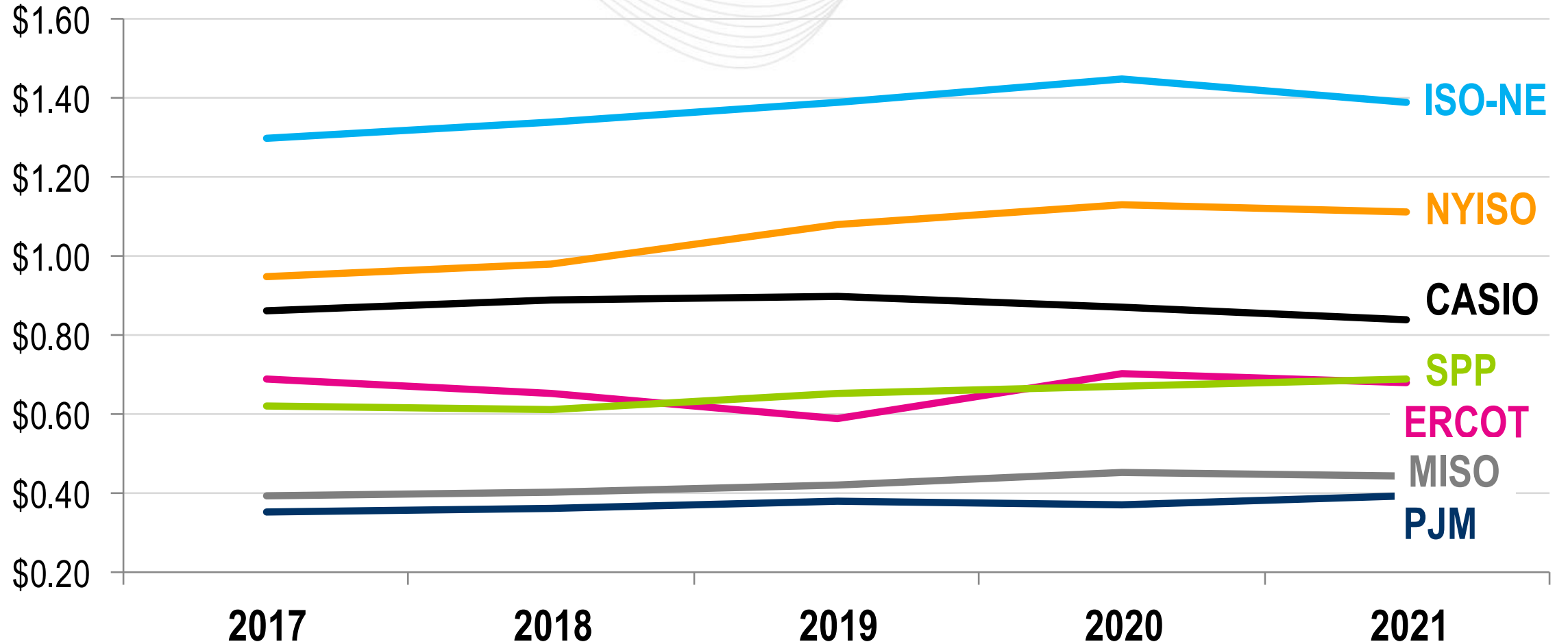
1	Ensure revenue adequacy and rate equity
2	Examine cost allocation to PJM member classes
3	Maintain enhanced rate and cost transparency to members
4	Deploy effective operation and capital cost management
5	Maintain creditworthiness for cost-effective borrowing purposes





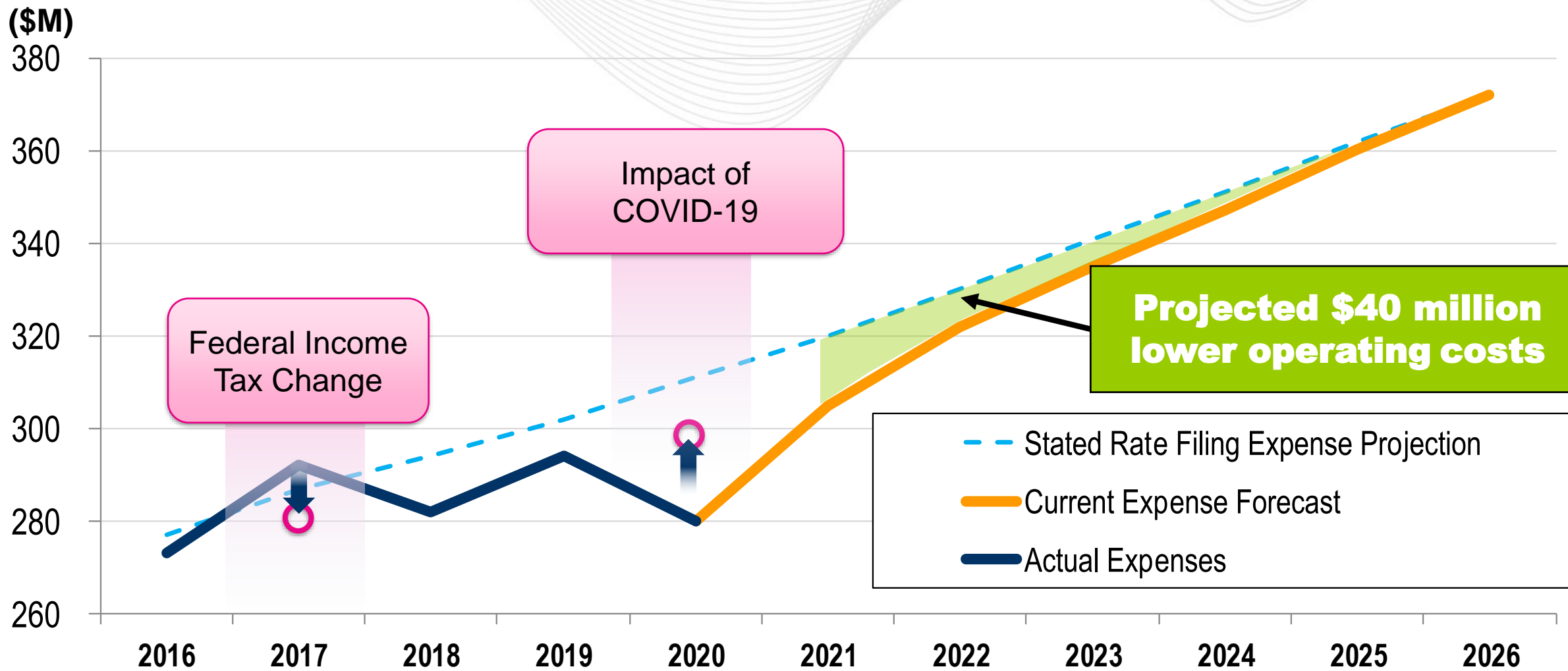
ISO/RTO Composite Expense Rate Trends

\$/MWh of Load Served



Operating Expense Comparison

2016 Stated Rate Filing Projections vs. Current Forecast



Finance Committee composition

2 elected representatives from each PJM member sector

- 3 year terms
- Sector terms staggered
- Represent interests of respective sectors

2 PJM Board Members (non voting)

1 PJM representative (non voting) – Chairperson of Committee

Serves in an advisory capacity to the PJM Board

- **Annual Budget Process**

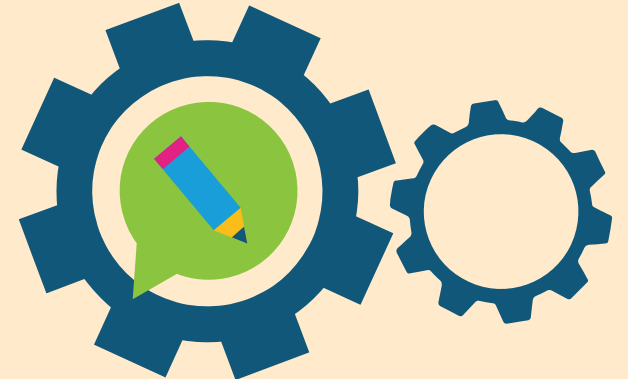
- Revenue, Operating Expenses, Capital Projects, Deferred Regulatory Liability, etc.
- Preliminary Budget (August)
- Proposed Budget (September)

- **Long-range projections**

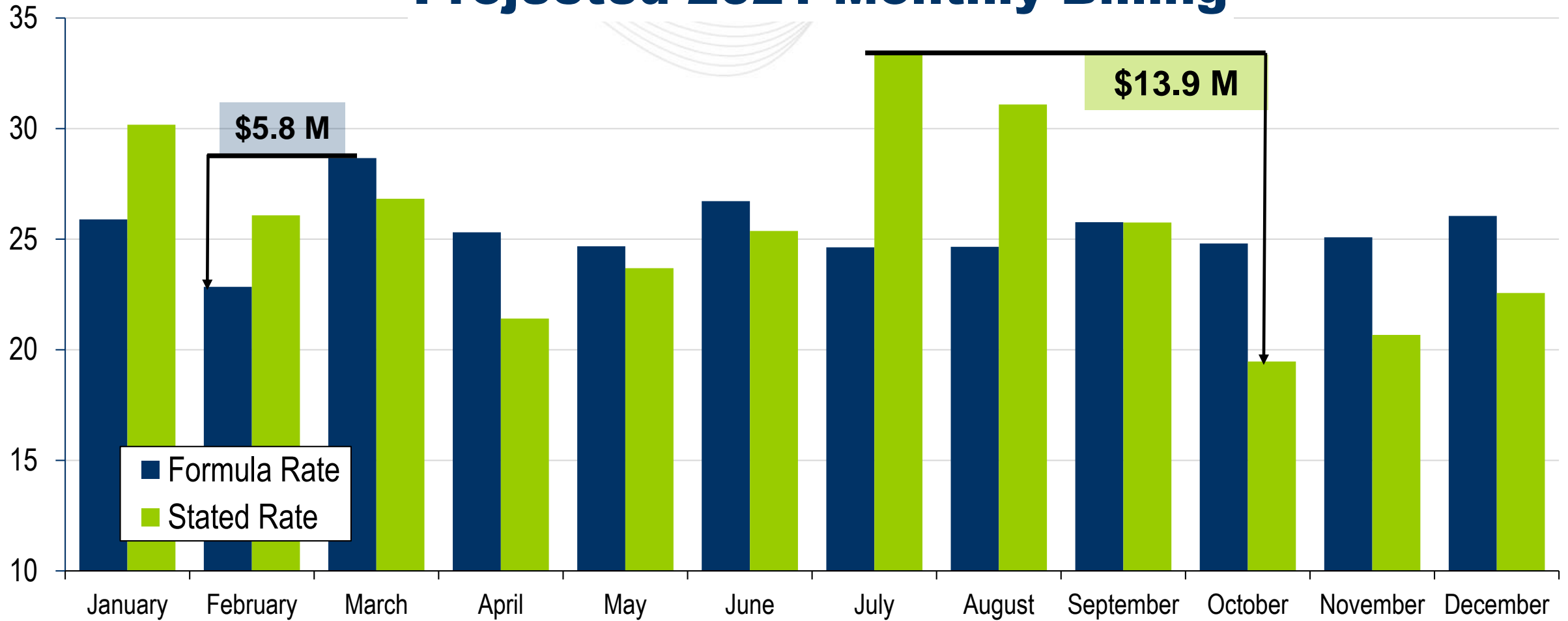
- Revenue, Operating Expenses, Capital expenditures, etc.

- **PJM Finance Committee Member
Representative Budget Recommendation (September)**

- **PJM Board of Managers (September/October)**



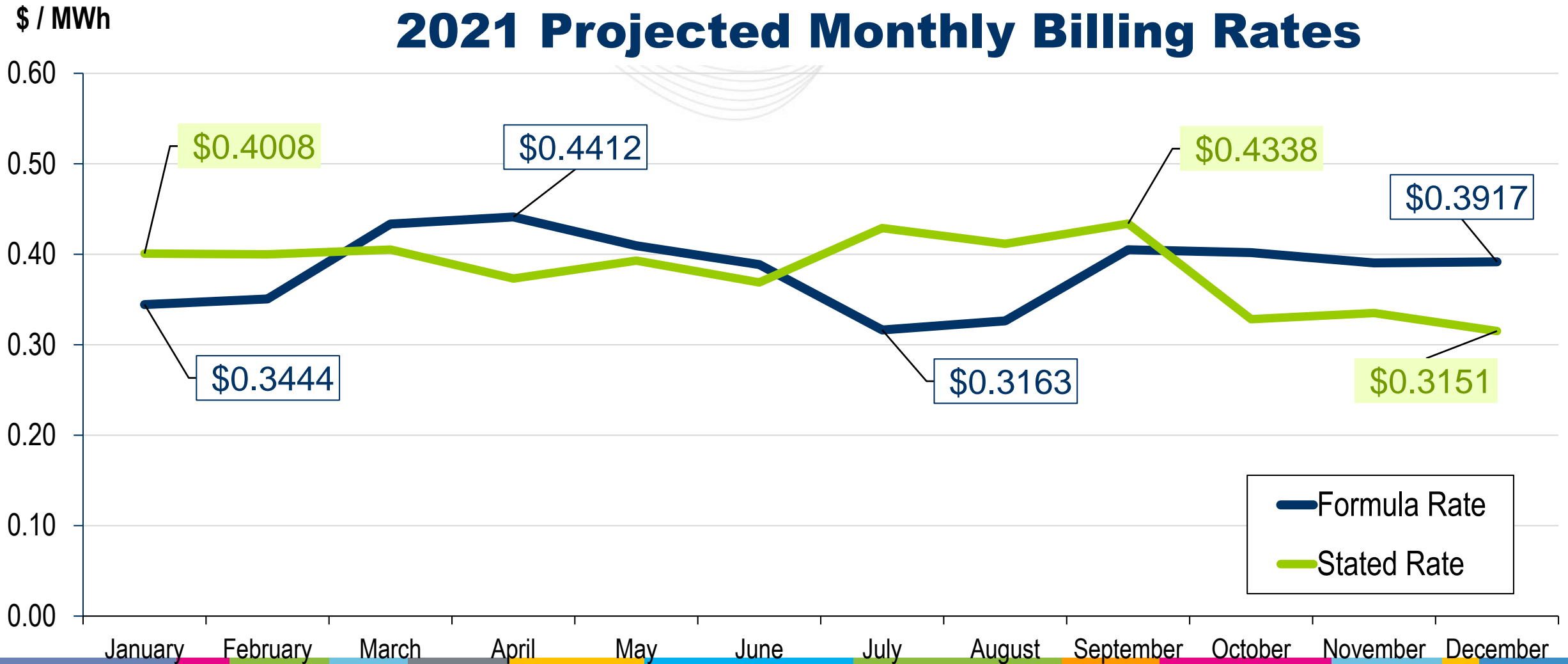
Projected 2021 Monthly Billing










Formula vs Stated Rate Monthly Billing

2021 Projected Monthly Billing Rates



RATE

Objectives for PJM Rate Filing

Objectives for PJM Rate Filing	Formula	Stated
	1 Ensure Revenue Adequacy and Rate Equity	
2 Examine cost allocation to PJM member classes		
3 Maintain enhanced rate and cost transparency to members		
4 Deploy effective operation and capital cost management		
5 Maintain creditworthiness for cost-effective borrowing purposes		

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Rate Structure and Rate Level Governance

2020

2021

2020 Q3	2020 Q4	2020 Q1		2021 Q2			2021 Q3
Discuss drivers necessitating review	Development of options			Finance Committee recommendation	Members Committee endorsement	Board of Managers approval	FERC filing & approval request
<ul style="list-style-type: none"> • Stated-rate history • Rate analysis review • Rate structure and level governance review plan 	<ul style="list-style-type: none"> • Members' rate objectives • 2017–2030 cost drivers 	<ul style="list-style-type: none"> • Cost of Service Study • Rate Schedules Review • Cost projections 	<ul style="list-style-type: none"> • Identify Perspective Rate Options • Develop Recommendation 	<ul style="list-style-type: none"> • Finalize Recommendation • First read on prospective rate options • Recommendation letter • Endorsement vote request 			<ul style="list-style-type: none"> • Target effective date
PJM Staff	PJM Staff & Finance Committee			Finance Committee & Member Representatives			PJM Staff



- Members Committee – first read
- Members Committee – Endorsement request, September
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