

PJM Stakeholder Process Training - Governance



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Fundamentals of the Stakeholder Process

- PJM and Governing Documents
- Governance Structure, Membership and Sectors
- Stakeholder Process Overview
- Voting and Rules of Procedure
- Additional Resources and References



PJM and Governing Documents



OA

Operating Agreement

Agreement among members which established PJM Interconnection, L.L.C.

- Governance – Board of Managers, Office of the Interconnection, Members Committee
- Energy Markets, RTEP, others



The Tariff

Open Access Transmission Tariff

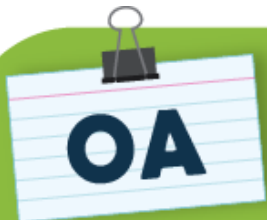
Rates & Terms of Service



RAA

Reliability Assurance Agreement

Must be a signatory to be an LSE



HIGHLIGHTS

- Sets up the corporation and operational rules
- Governance
- Contains interchange energy market rules, RTEP protocol

Of Particular Interest:

| Sections | | Schedules | |
|----------|-------------------------------|-----------|--------------------|
| 7 | Board | 1 | Energy Market |
| 8 | Members Committee | 2 | Components of Cost |
| 9 | Officers | 5 | Dispute Resolution |
| 10 | Office of the Interconnection | 6 | RTEP Protocol |
| 11 | Members | | |



- Based on pro forma FERC Tariff
- Rates, terms and conditions of service

Of Particular Interest:

| Articles | | Attachments | |
|-----------|--|-------------|--------------------------|
| II | Point-to-Point Transmission Service | DD | RPM, Market Monitor |
| III | Network Integration Transmission Service | Q | Credit Policy |
| IV | Generation Deactivation | H | Zonal Transmission Rates |
| VI | New Service Requests | K | Appendix – Energy Market |
| | | HH | PJM Settlements |
| Schedules | | | |
| 9 | Administrative Service Fees | | |

A graphic of a white notepad with a black paperclip at the top left corner, containing the text "RAA" in bold black letters.

RAA

HIGHLIGHTS

- “... ensure that adequate Capacity Resources ... will be planned and made available to provide reliable service to loads ... in a manner consistent with the development of a robust competitive marketplace”
- Creates obligations for load serving entities

Of Particular Interest:

Article

7 Determination of Capacity Obligation

Schedules

4 Forecast Pool Req.

5 Forced Outage Rates

7 DR/EE

8.1 Fixed Resource Req.



Other

GOVERNING DOCS

- Consolidated Transmission Owners Agreement
- Joint Operating Agreements (MISO, NYISO, etc.)



Other

IMPLEMENTING DOCS

- Manuals (Energy Market manuals, RTEP, Transmission, Reserves, Accounting & Billing, Admin, Misc.)
 - Most endorsed by MRC
 - PJM responsibility
 - 15, 34 have different path
- Non-manual documents (Congestion Management Protocol, Regional Practices)

A small icon of a clipboard with a paperclip, positioned above the word "CTOA".

CTOA

HIGHLIGHTS

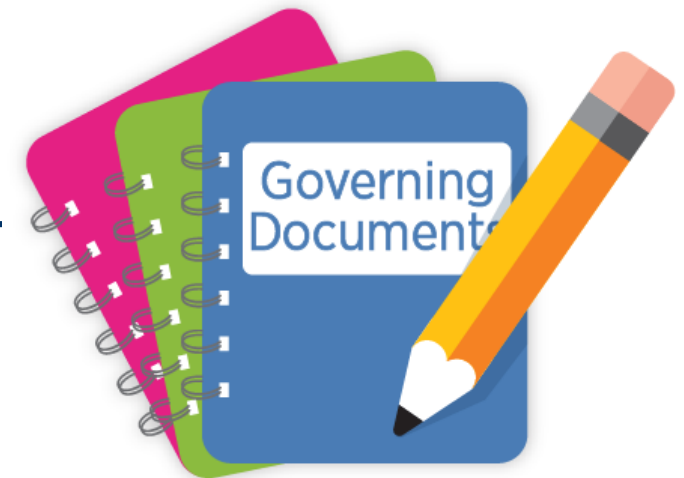
- Establishes rights and commitments of PJM vis-à-vis TOs
- Facilitates the coordination of planning and operation
- Transfers certain planning and operating responsibilities to PJM

Of Particular Interest:

| Article | |
|---------|--------------------------------|
| 7 | TO Filing Rights |
| 8 | TOA – Administrative Committee |

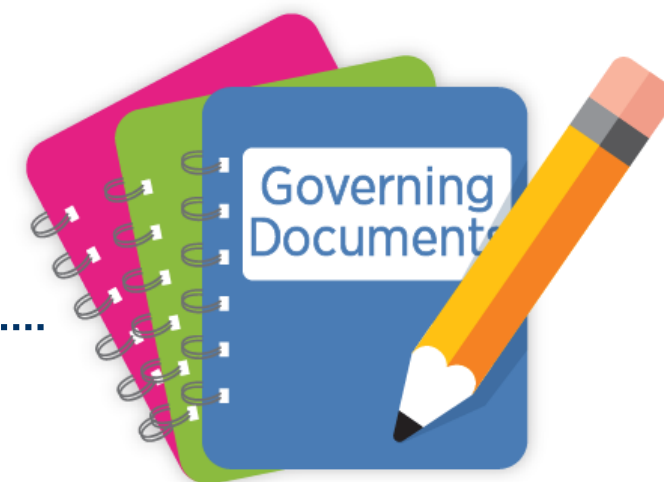
- Requires public utilities to file with the Commission all rates and charges for any transmission or sale subject to the jurisdiction of the Commission.
- Requires that tariffs, rate schedules, service agreements and contracts relevant to services offered must be filed at FERC.

Note: To approve the filings, the Commission must find that the rates are just and reasonable and not unduly discriminatory and preferential.



- Allows the Commission to modify rates upon its own motion or upon motion or complaint.
- Requires that in order to modify or replace the filed rate, the proponent of a change to the filed rate must meet a dual burden of:
 - **First:** establishing that the current rate is unjust and unreasonable
 - **Second:** establishing that the alternative rate proposal is just and reasonable

Note: It is not sufficient to simply demonstrate an alternative is superior to the current rate.



High Level: Who Can File Under 205 & 206?

Who can amend & under what FPA section

OA

- Requires 2/3 endorsement by Members Committee to amend under FPA 205
- If 2/3 endorsement not achieved:
 - the Board can authorize PJM to file under FPA 206
 - Others can seek to change the OA through filing a complaint under FPA 206

TARIFF

- PJM can file under FPA 205 without 2/3 endorsement of Members Committee
 - *Even though we could technically file under FPA 205 without any stakeholder process, our practice is to work toward endorsement*
 - *TOs have FPA 205 filing rights over certain aspects of the Tariff*
- But would seek Board support for making such a filing
- Others can seek changes to the Tariff through filing a complaint under FPA 206

RAA

- Only the Board has the ability to approve amendments to the RAA under FPA 205
- We typically seek endorsement through the stakeholder process to inform the Board
- Others can seek changes to the RAA through filing a complaint under FPA 206

CTOA

- Only parties to the CTOA can amend the CTOA under FPA 205
- Others can seek changes to the CTOA through filing a complaint under FPA 206

Governance Structure, Membership and Sectors

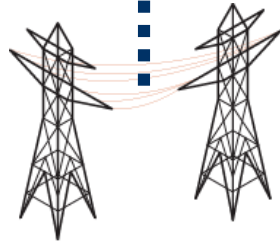
Independent Board of Managers

Market Monitor

Members Committee



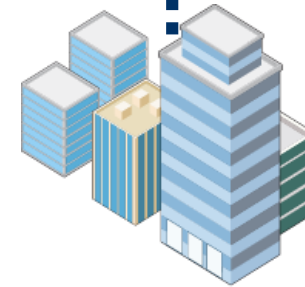
Generation Owners



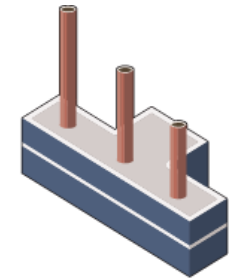
Transmission Owners



Competitive Retail Companies & Trading Companies



Utility Electric Distributor & Retail Business



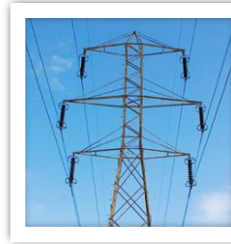
Wholesale End Use Customers (Industrial)

- Independent Board of Managers
- Stakeholder process – provide balanced stakeholder input
- Established process for discussion of market evolution
- ISO funding and startup

Typical Member Types by Sector

Transmission Owners – members owning transmission within PJM’s footprint:

- Vertically integrated utilities
- Pure transmission owners
- Merchant transmission owners



Generation Owners – members owning/controlling generation within PJM’s footprint:

- Generation affiliates of vertically integrated utilities
- Merchant generation owners
- End-use customers with generation and capacity exceeding load and obligation



End-Use Customers – End-users within PJM’s footprint:

- Large commercial & industrial customers
- Consumer advocates



Electric Distributors – transmission-dependent utilities:

- Municipal utilities
- Co-operatives

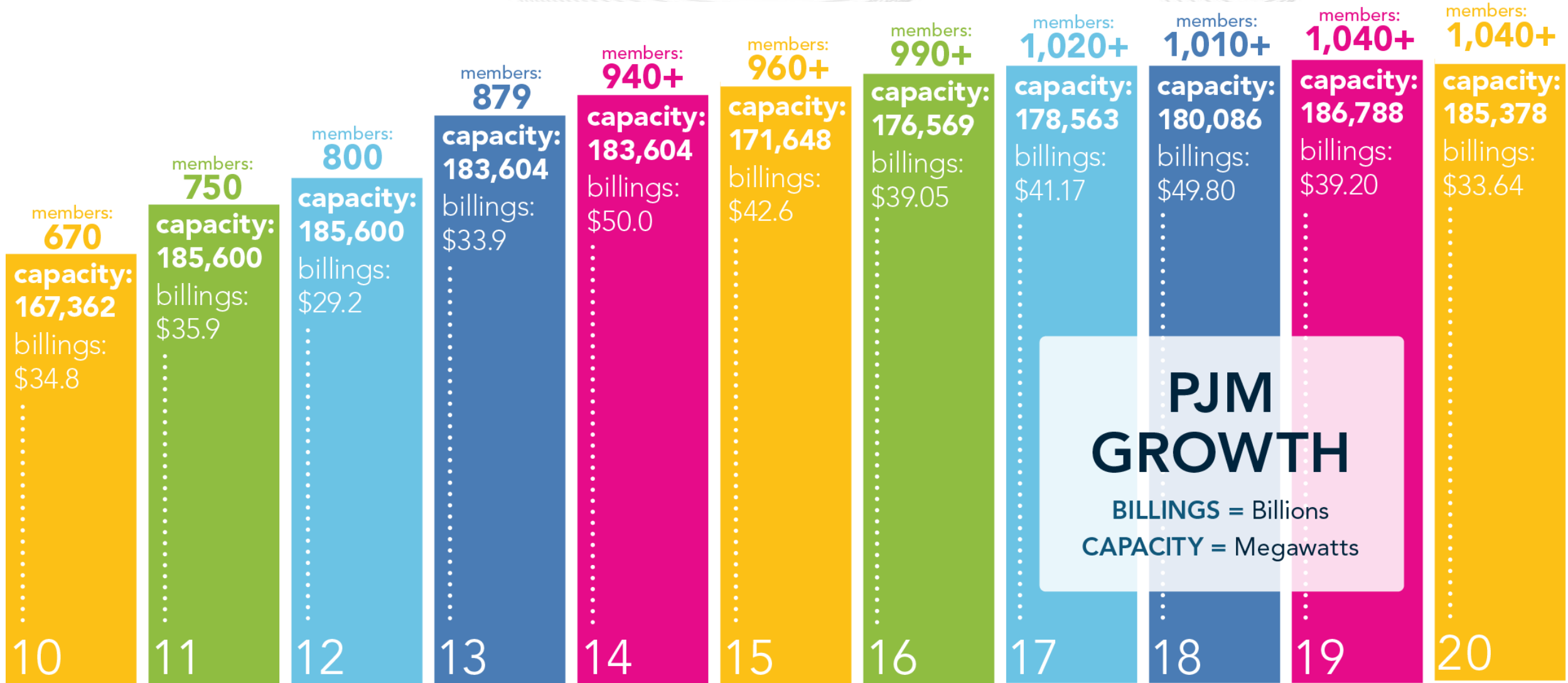


Other Suppliers – members engaged in our markets that do not qualify in another sector:

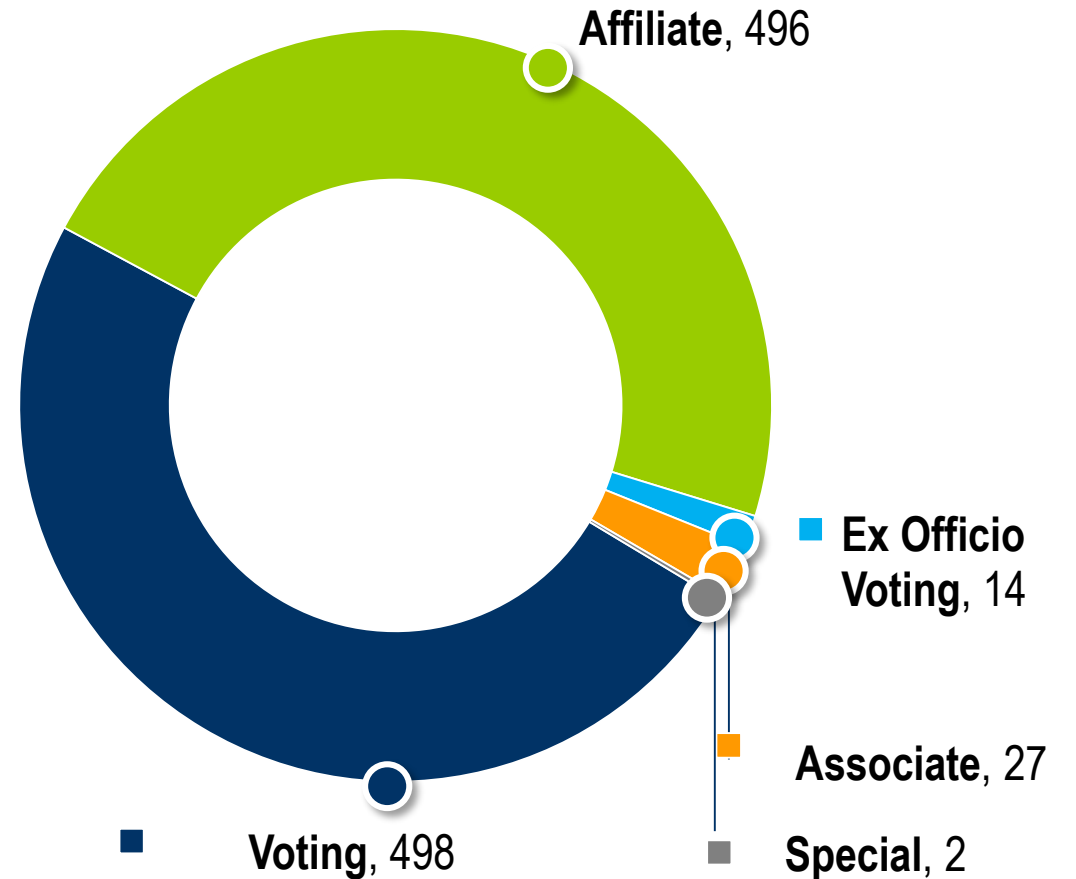
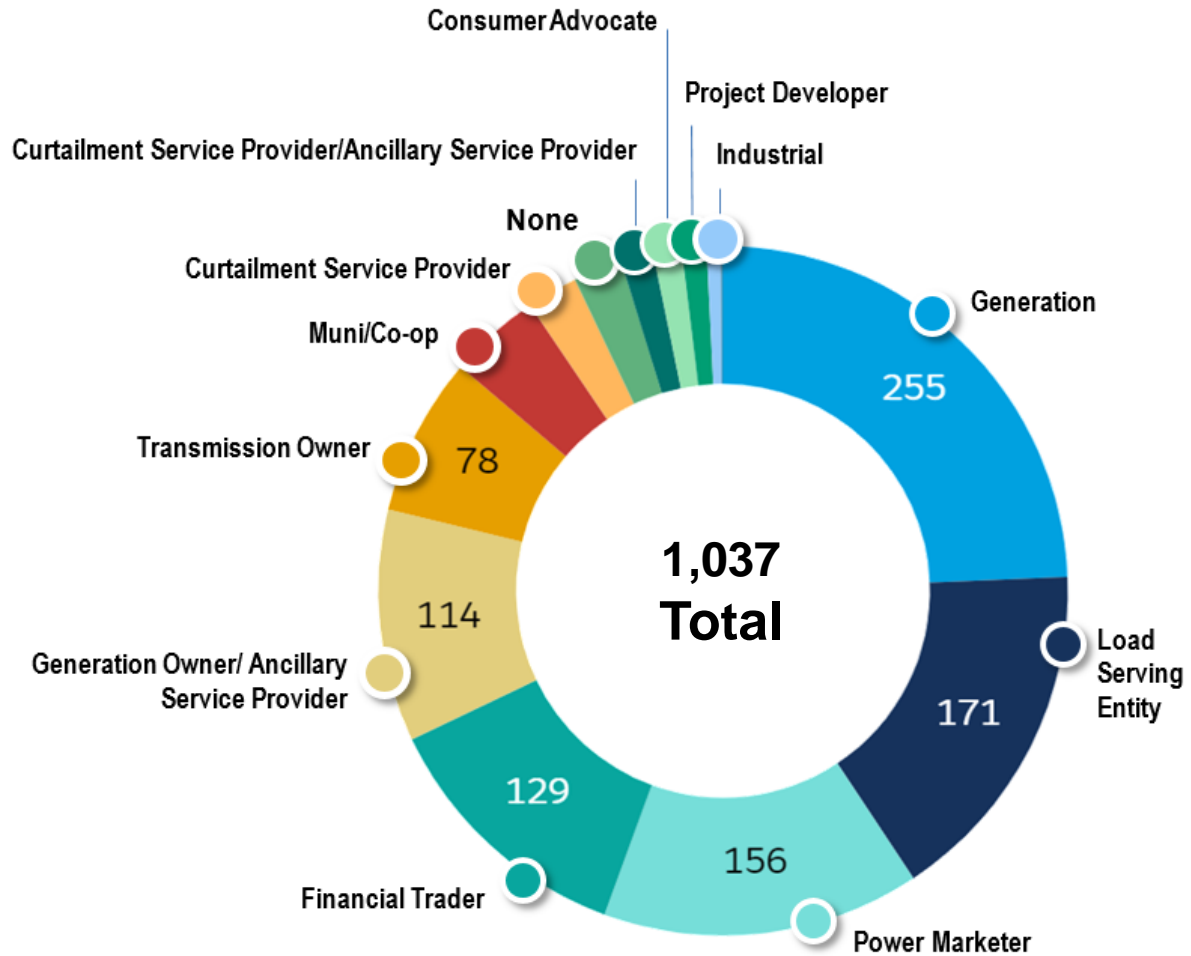
- Curtailment service providers
- Financial product participants
- Wholesale power marketers
- Generation owners outside PJM
- Transmission owners outside PJM
- Competitive load serving entities
- Generation or transmission developers (before projects are in service)



- Sector Selection Process
 - New Members Initial Selection
 - Existing Members Sector Recertification and Change Requests
- Sector Challenge Process
- Sector Usage
 - Committee Representation (Finance Committee, Liaison Committee, etc.)
 - Senior Standing Committee Voting

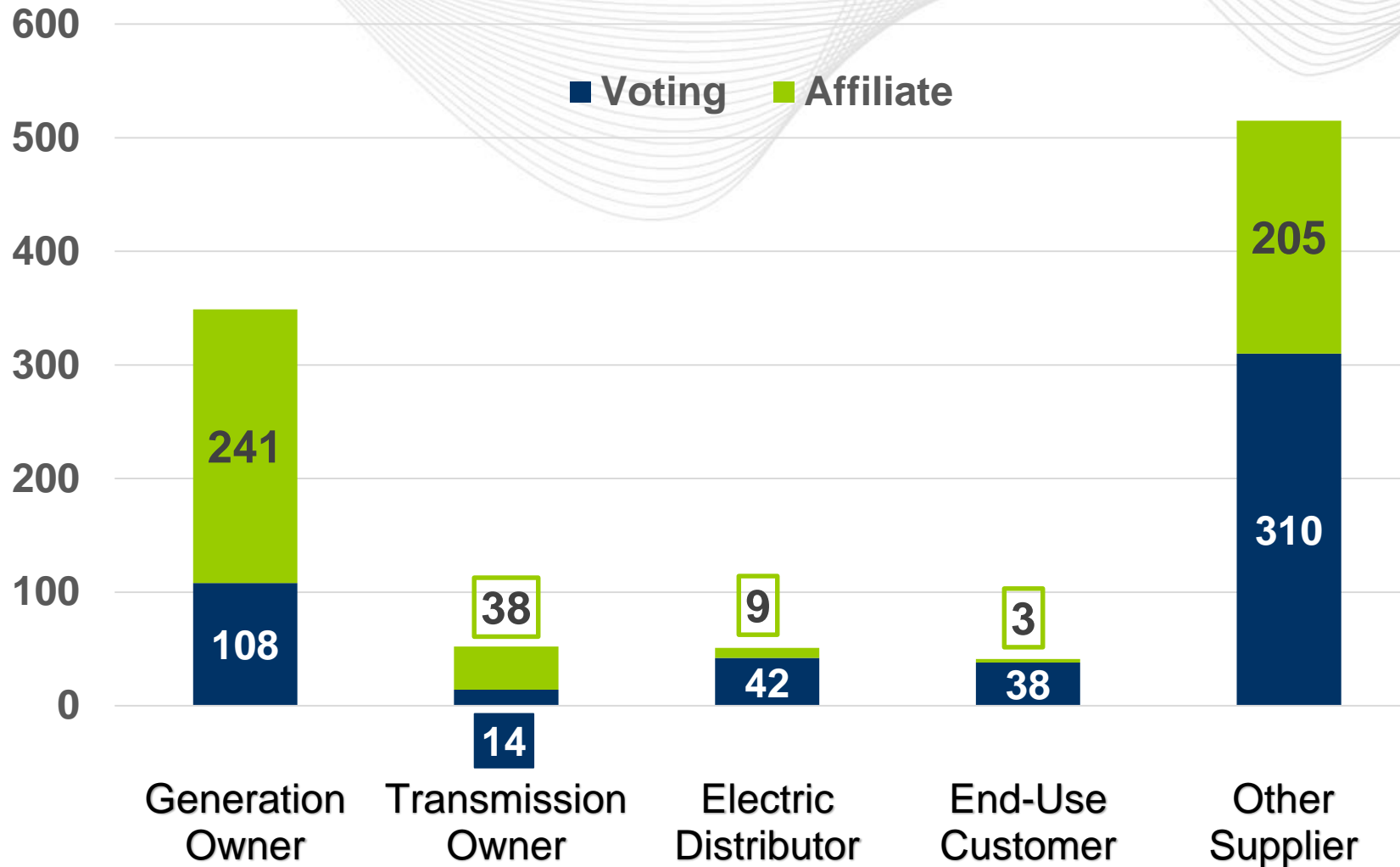


- Voting Members and Affiliate Members
 - Market Participation and Voting Rights
- Ex Officio Members
 - No Market Participation but Voting Rights
- Associate Members
 - No Market Participation or Voting Rights
 - Can participate in stakeholder activities and PJM trainings.
- Special Members (Emergency Customer Load Reduction Program)
 - No Voting Rights



Voting Status by Member Sector

(as of April 8, 2021)

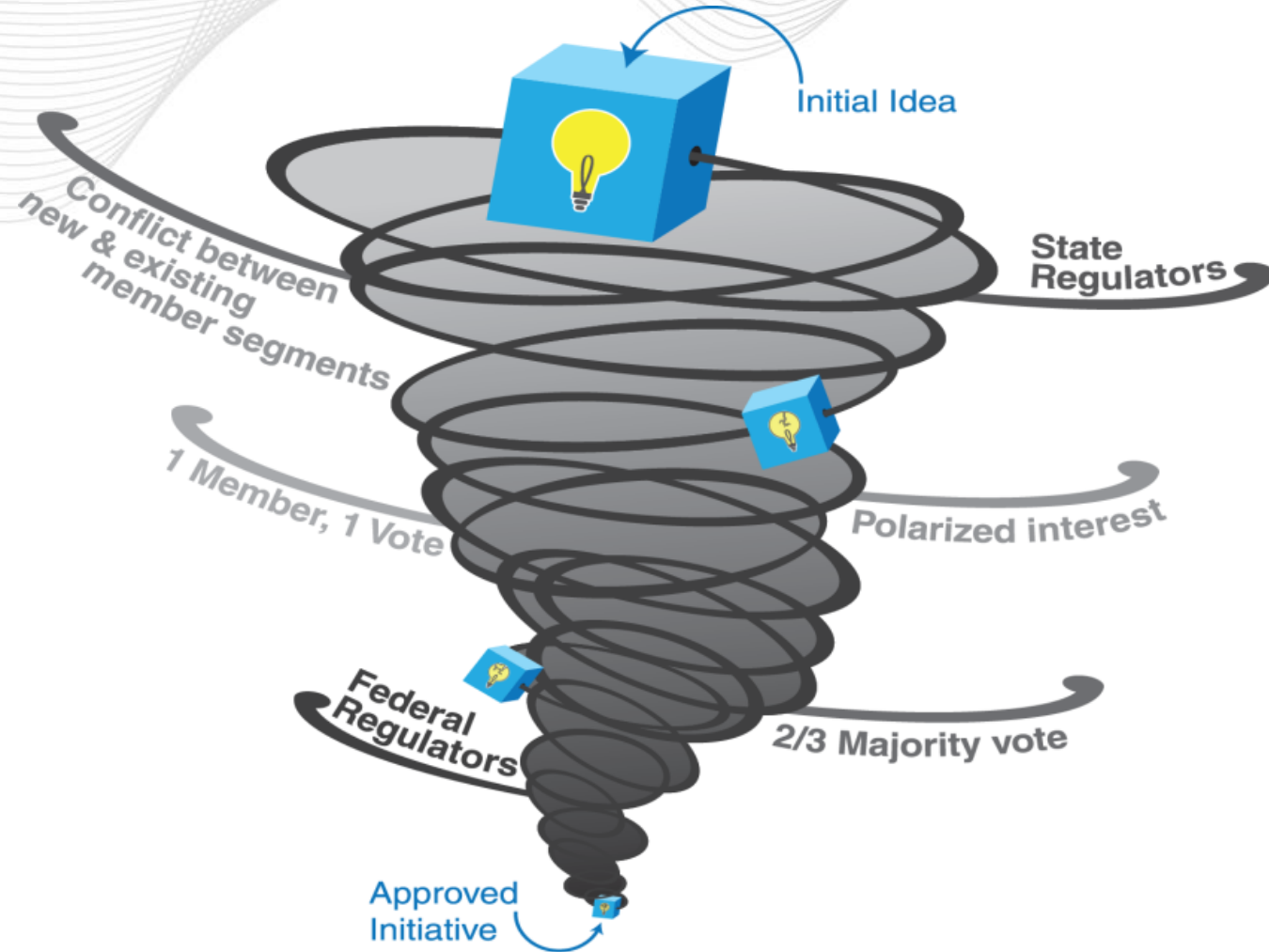


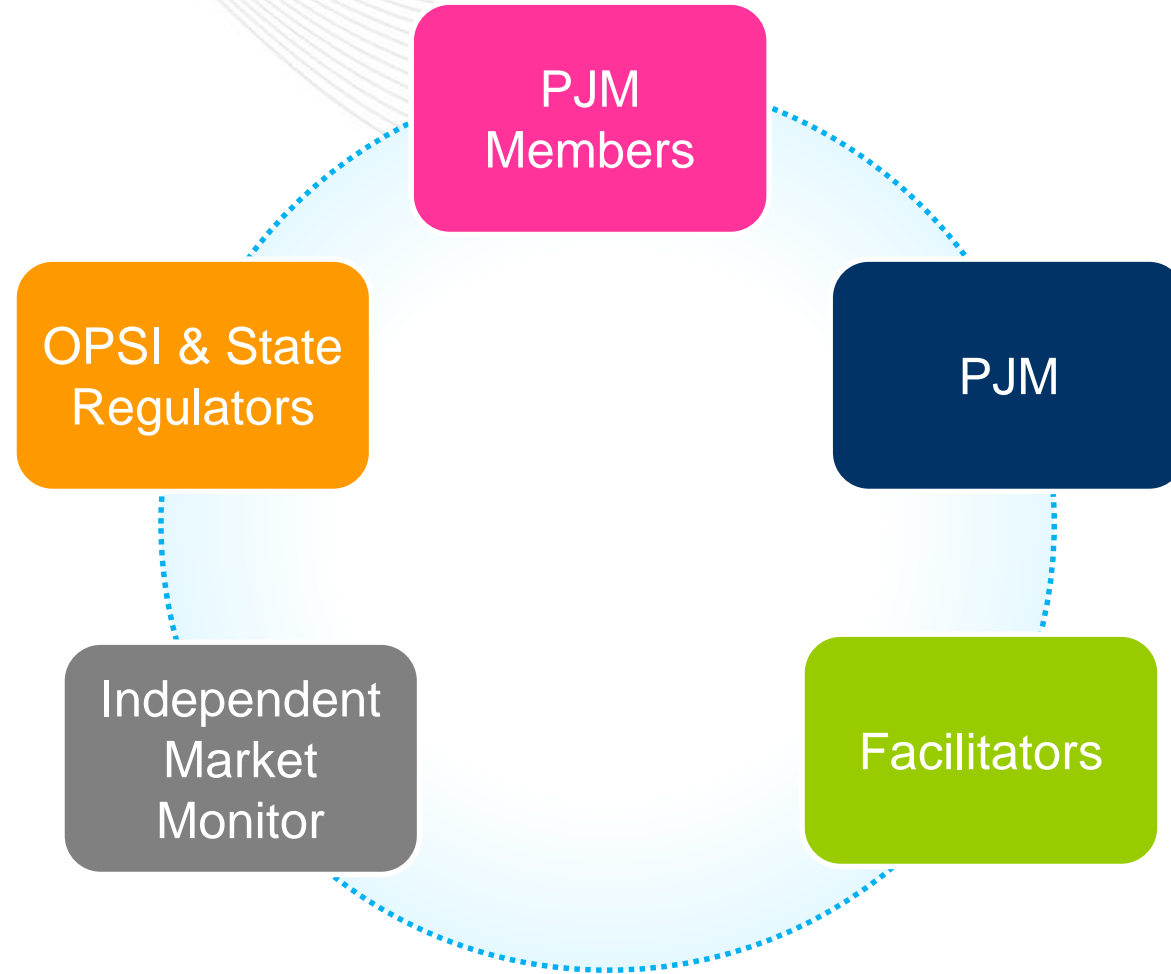
Stakeholder Process Overview

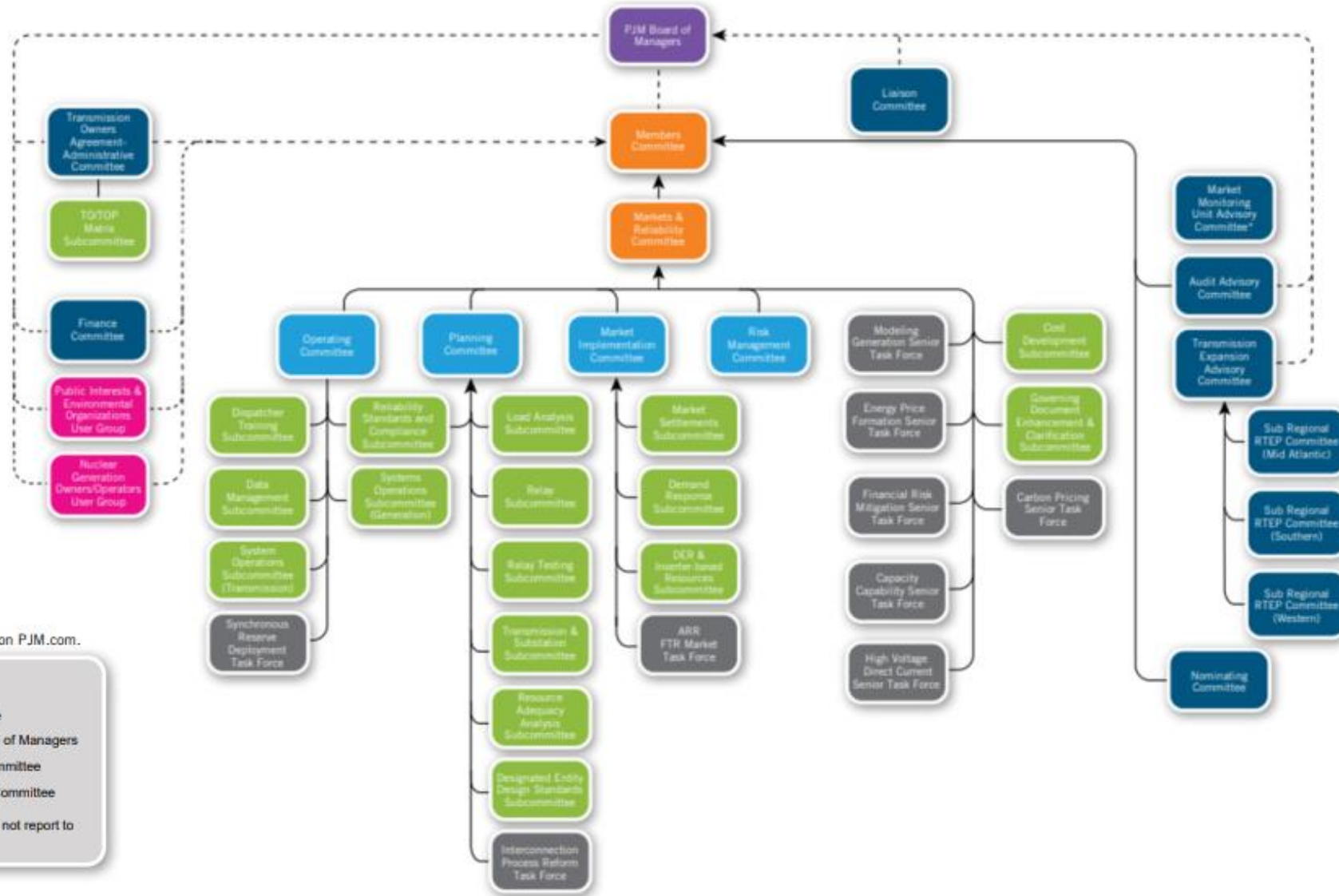
Purposes of the Stakeholder Process

- **Educate** each other on issues related to PJM markets, operations, public policies and industry matters
- **Explore** solutions and build consensus, which may help policymakers approve key laws and regulations
- **Enhance** communication among members and between members and PJM management

Vet and approve/endorse changes to PJM Markets, Operations and Planning as contained in the OA, Tariff, RAA and manuals



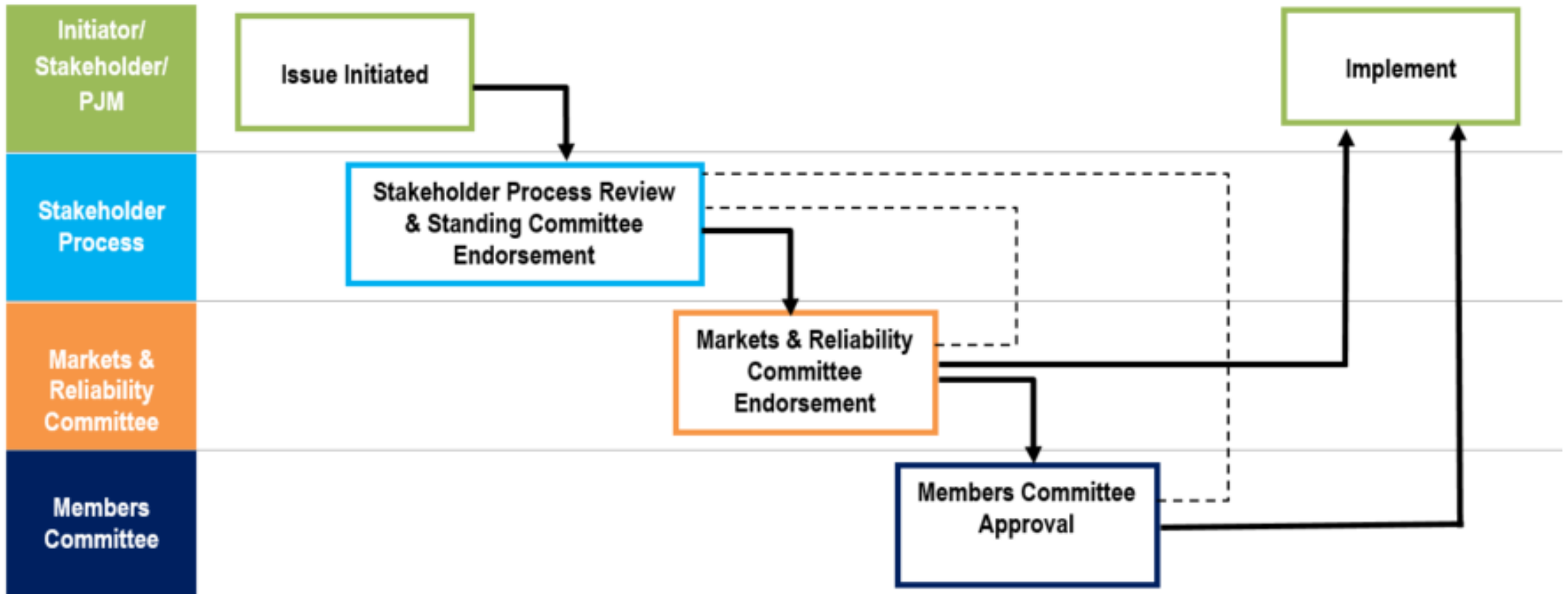


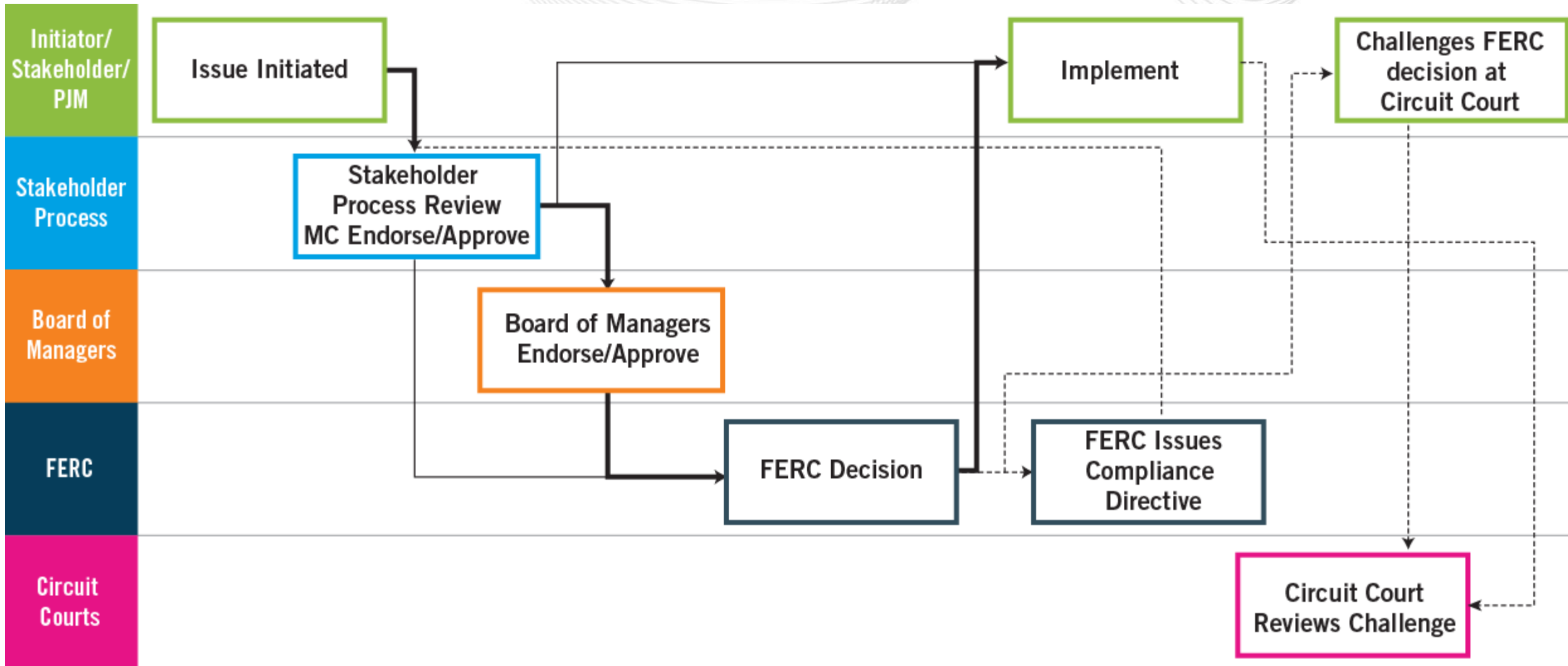


Click on a group to go to the corresponding page on PJM.com.

| | | | |
|------|----------------|---|-------------------------|
| ---- | = Advisory | ■ | = Task Force |
| — | = Direct | ■ | = PJM Board of Managers |
| ■ | = User Group | ■ | = Senior Committee |
| ■ | = Committee | ■ | = Standing Committee |
| ■ | = Subcommittee | | |

* The MMUAC is an independent group that does not report to the PJM Board or Members Committee.





Voting and Rules of Procedure

| | Stakeholder Group | Who Can Vote* | Decision-Making Methodology | Threshold for Endorsement (passing) | Sector-Weighted Voting? | What moves up to Parent Committee? |
|--------|--|--|---|-------------------------------------|-------------------------|--|
| Voting | Sr. Standing Committee (MC only) | <ul style="list-style-type: none"> • Voting members in good standing • Ex-Officio voting members | Vote on main motion first. If that does not pass, then vote as detailed in motion voting order. | Exceed 2/3** | Yes | |
| | Sr. Standing Committee (MRC only) | <ul style="list-style-type: none"> • Voting members in good standing • Ex-Officio voting members | Vote on main motion first. If that does not pass, then vote as detailed in motion voting order. | Exceed 2/3** | Yes | The first motion voted on that receives MRC endorsement is forwarded to the MC as the main motion. |
| | Sr. Task Force | <ul style="list-style-type: none"> • Voting members and affiliates | Strive for consensus. If no consensus is achieved, then vote on multiple options. | Simple majority | No | All proposals that receive a simple majority are forwarded on to the MRC, with the proposal with the highest majority presented as the main motion. Other proposals that receive a simple majority are considered alternative motions ranked in order of votes received. |
| | Lower-Level Standing Committee (MIC/PC/OC) | <ul style="list-style-type: none"> • Ex-Officio voting members | | | | |

** For a limited number of issues such as Charter approvals the threshold is 1/2.

*Associate and emergency load program members may not vote at any level

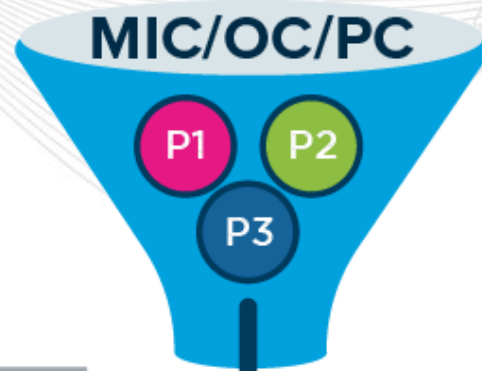
| | Stakeholder Group | Who Can Vote* | Decision-Making Methodology | Threshold for Endorsement (passing) | Sector Weighted Voting? | What moves up to Parent Committee? |
|------------|------------------------------------|---------------|---|---|-------------------------|---|
| Non-Voting | Sub-Committee | N/A | Strive for consensus. (Tier 1). If no consensus is achieved, produce multiple proposals (Tier 2). | Tier 1: All members can live with the proposal. Tier 2: At least three supporting voting members from two sectors. | No | If a consensus proposal cannot be forwarded on to parent committee, multiple proposals are narrowed down and all proposals meeting the threshold are forwarded to parent committee. |
| | Task Force (Except Sr. Task Force) | | | | | |

Sector-Weighted Vote Calculation Example

| Sector | For | Against | Abstain | % in Favor (of those voting For or Against) |
|------------------------------------|------------|----------------|----------------|---|
| Electric Distributor Sector | 8 | 2 | 4 | 0.800 |
| End-Use Customer Sector | 15 | 0 | 1 | 1.000 |
| Generation Owner Sector | 10 | 10 | 5 | 0.500 |
| Other Supplier Sector | 3 | 7 | 15 | 0.300 |
| Transmission Owner Sector | 12 | 2 | 0 | 0.857 |
| Sum | | | | 3.457 |

Threshold **.667 x 5 Sectors = 3.335**

Standing Committee Voting Example



Lower-Level Standing Committee

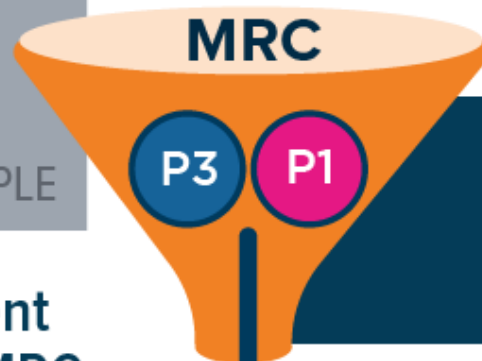
- P1 Proposal 1 = 68%
- P2 Proposal 2 = 45% EXAMPLE
- P3 Proposal 3 = 90%

Proposals receiving over 50 percent are ranked and passed on to the MRC

MRC Vote

- P3 Proposal 3: (voted first) *3.13
- P1 Proposal 1: *4.25
- P2 Proposal 2: Not voted on EXAMPLE

Proposals receiving over 50 percent are ranked and passed on to the MRC



MRC voting stops when this threshold is reached. ***Note:** To pass a vote must be greater or equal to 3.335.

MC Vote

Proposal 1 must receive a super majority to pass at the MC



- P1 Proposal 1 passes — *4.12 EXAMPLE

- PJM stakeholder meetings follow the rules of procedure outlined in Manual 34.
- Any procedure not specified in M34, is governed by Robert's Rules of Order.

| Action Desired | How To (at PJM) |
|---|---|
| Introduce a problem statement | Draft a problem statement, contact the Members Committee Secretary for determination of proper committee for consideration, present to committee Chair/ Secretary for review, present to committee/subcommittee for consideration |
| Introduce a motion | Motion to ... <ul style="list-style-type: none"> • <i>This is not required if action is coming up from a lower level committee (already considered moved & seconded)</i> |
| Modify a proposal (friendly) | Move "friendly" amendment or technical correction <ul style="list-style-type: none"> • <i>If proposal came from lower group, any member can object to amendment being "friendly"</i> • <i>If proposal came from floor, mover & seconder determine if "friendly" or not.</i> |
| Modify a proposal/ alternate (not friendly) | If the modification was determined not to be friendly, the proposer may move proposal as an alternate motion A proposal that received greater than 50 percent support at a lower committee (but was not the proposal with the highest support) will be considered as an alternate proposal and is not required to be moved or seconded |



Additional Resources and References

Stakeholder Process Calendar

New Member Quick Guide

At a Glance: The PJM Stakeholder Process

Stakeholder Process Forum

Committee Meetings

PJM Learning Center

The screenshot shows the PJM Learning Center interface. At the top, there's a navigation bar with 'Electricity Basics', 'Who is PJM?', 'PJM Structure', 'Three Priorities', and 'Energy Innovations'. The main content area features a video player titled 'WHO'S WHO IN THE PJM CONTROL ROOM' with a play button. Below the video, there are several thumbnail images for other content pieces like 'Electricity Basics' and 'Three Priorities'.

The screenshot shows the PJM website's 'Committees & Groups' page. The navigation bar includes 'about pjm', 'training', 'committees & groups', 'planning', 'markets & operations', and 'library'. The main content area has a sidebar with a 'Meeting Center' menu and a main section titled 'Committees & Groups'. It contains text about PJM interconnection committees and groups, a diagram titled 'View the PJM Stakeholder Process Groups Diagram' showing the relationship between the 'PJM Board of Managers' and the 'Members Committee', and a 'CONTACT INFORMATION' section with phone numbers and a 'Member Community' link.

- Roles
- New Issue Initiation Process
- Annual Work Planning Process
- Mutual Gains Theory
- Consensus Based Issue Resolution (CBIR)
- Cake Example
- Additional Rules of Procedure

PJM Stakeholder Affairs
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