



Know Your Customer Procedures Sector Selection Process

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Management Center

- June 1 Tariff Changes – PJM Market Participant Risk Evaluation Enhancements
 - Membership application enhancements including background checks
 - Evaluation of Market Participant intended activity
 - Additional credit and risk due diligence procedures
 - Extended time required for application processing

New Applicants

- Enhanced procedures for validation of Sector Selection
 - Expanding of Sector Selection questions – *pending*
 - Review and validation process utilizing data submitted
 - Consult with applicants as needed
 - Confirmation of adherence to OA Sector Definitions

Annual Review

- Enhanced procedures for annual Sector Selection process
 - Adjustment to annual review time period
 - Collection of additional data for all sector changes
 - Consult with members on changes as needed
 - Tiered review and approval process for all sector changes

Sector Changes - Ongoing

- Enhanced procedures require changes during times outside of the annual review
 - Sector changes to ensure compliance with OA definitions
 - Consult with members on changes as needed
 - Tiered review and approval process for all sector changes
 - Changes will be shared with Members per normal process

- PJM continues to enhance KYC procedures which includes review of current Member data
- As needed, PJM may consult with Members as part of these ongoing enhancements
- Sector Designation and Challenge Process detailed in OA, Section 8.1

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PJM - Know Your Customer Procedures Sector Selection Process



Member Hotline

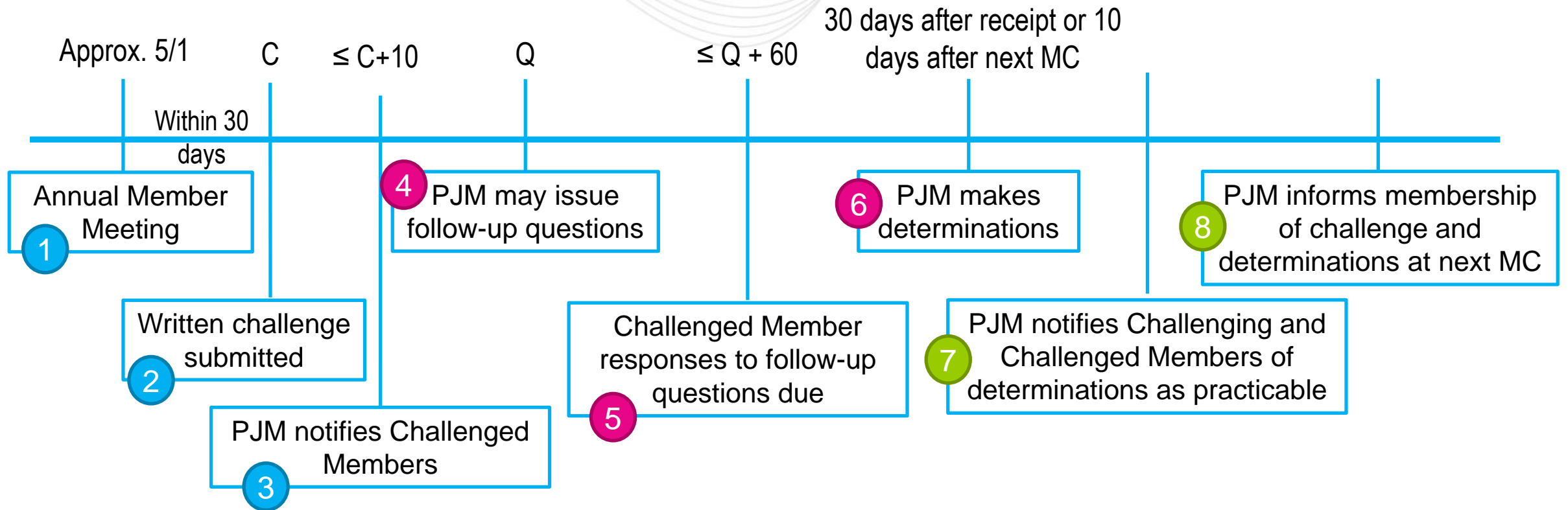
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Sector Challenge Process

Jim Gluck
Director, Member Relations



Operating Agreement, section 8.1.3

PJM's Charge Regarding a Sector Challenge - OA, section 8.1.3(e)

Considering the sector definitions and Active and Significant Business Interests, PJM, in its sole discretion, shall determine if the Challenged Member meets the requirements to participate in its present sector.

Active and Significant Business Interest (Defined in OA)

Used to assess the scope of a Member's PJM membership and based on a Member's activity in the PJM RTO and/or Interchange Energy Markets. A Member's Active and Significant Business Interest shall:

1. be determined relative to the scope of the Member's PJM membership and activity in the PJM RTO and/or Interchange Energy Markets considering, among other things, the Member's public statements and/or regulatory filings regarding its PJM activities; and
2. reflect a substantial contributor to the Member's recent market activity, revenues, costs, investment, and/or earnings *when considering the Member and its corporate affiliates' interests within the PJM footprint.*

1. Review sector definitions and Member sector preferences
2. Gather data (see below for examples)
 - Specifics dependent on sectors being evaluated
3. Evaluate and make determination

Affiliates	FERC Form 1
Market-based rate authority	Energy Generated / Revenues
PJM Invoices	Energy Used / Costs
Capacity Obligation	Generation Capacity Owned

*** Data in the context of activity in the PJM footprint, as appropriate**

Sector selection is rarely straightforward given the varied business interests of many PJM Members

Assessing Active and Significant Business Interests intends to identify the predominant business activity performed by the PJM Member and its affiliates in the PJM region

PJM is applying greater scrutiny in the sector selection process with the Know Your Customer (KYC) changes to the OA

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Please send questions or feedback to the above contact.



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