



# Member/Vendor Open and Competitive Bidding Rules

Markets & Reliability  
Committee and Members  
Committee Meetings  
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- PJM proposes to amend Operating Agreement (OA) Section 3.1(b)(iii) which requires PJM to use open and competitive bidding when procuring goods or services from a Member.
- Increasing numbers of non-traditional companies whose primary businesses do not involve electricity have become Members. Examples include:
  - Software companies (e.g. Siemens, Microsoft, etc.).
  - Retail stores (e.g. Target, Walmart, etc.).

- With respect to such non-traditional Member companies, at times PJM's ability to engage in open and competitive bidding is limited when:
  - PJM must procure goods and services from such Members who license software to PJM.
  - PJM purchases over the counter retail items (e.g. office supplies).
- This lack of flexibility creates a conflict with OA section 3.1(b) in situations where application of the rule serves no purpose (i.e. there are no conflicts of interest).

- Apply the Prohibited Securities rules as defined in the OA to this situation.
- The Prohibited Securities rules were adopted in 2015 to address a similar issue under the Code of Conduct Financial Interests rules (OA Sec. 10.2.1).
  - This rule allows PJM personnel to invest in Members that have a *de minimis* relationship with PJM and the electric sector as determined by a three prong test.
  - PJM must compile and post a list of Prohibited Securities.

- The first screen uses the NAICS classification to determine if the company is an electric sector company.
- The two market activity screens use total financial settlements from transactions in the PJM markets for determining if an entity's activity in PJM is financially *de minimis* to the member (*i.e.* greater than .5% of its gross revenues) or to the PJM markets (*i.e.* greater than 3% of the total PJM market transactions).
- Entities must pass all three screens to be exempt.

- Allowing PJM to procure goods and services from a Member without open competitive and bidding when not a Prohibited Security:
  - Provides needed flexibility to PJM; and
  - Is consistent with Commission precedent and follows the Commission's RTO independence principles because the rule only apply to Members that have a *de minimis* relationship with PJM and the electric sector.