PJM is authorized to be a regional transmission organization (RTO) by the Federal Energy Regulatory Commission (FERC). FERC specifies the minimum characteristics and functions necessary for an entity to be an RTO.

RTO Characteristics

- **Independence:** Must be independent of any market participant
- **Scope and configuration:** Must serve an appropriate region
- **Operational authority:** Must have operational authority for all transmission facilities transferred to its control
- **Short-term reliability:** Must have exclusive authority for maintaining the short-term reliability of the bulk electric system for the designated region

At a Glance

- An RTO's authority comes from the Federal Energy Regulatory Commission.
- RTOs do not own electric generating plants or transmission lines.
- RTOs are independent of their members, who own the bulk electric system assets and participate in the RTO's competitive power markets.

RTO Functions

- **Tariff administration and design:** Must administer its own transmission tariff and employ transmission pricing that promotes efficient use and expansion of transmission and generation
- **Congestion management:** Must develop and operate market mechanisms to manage transmission congestion
- **Planning and expansion:** Must be responsible for planning and directing transmission expansions and upgrades that enable efficient, reliable and non-discriminatory transmission service, coordinating the planning with appropriate state agencies
- **Ancillary services:** Must be the backup provider, if others exit the market, of FERC-mandated ancillary services, such as regulation and frequency response, reactive supply, voltage control and operating reserves
- **Interregional coordination:** Must ensure the integration of reliability practices within interconnection and market interface practices among regions
- **Parallel path flow:** Must develop and implement procedures to address parallel path flows within its region and with other regions
- **OASIS:** Must be the single-site administrator for the Open Access Same-Time Information System, covering all transmission facilities under its control; must independently calculate two capabilities – total transmission capability and available transmission capabilities
- **Market monitoring:** Must provide objective monitoring of the markets it operates to identify market design flaws, market power abuses and opportunities for efficiency improvements, and propose appropriate actions

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