Technical Conference Report
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Members Committee

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Technical Conference Issues Discussed

- Effectiveness of PJM Governance
- State Alignment and Participation (as used herein “state” includes the District of Columbia)
- Effectiveness and Pace of the PJM Stakeholder Process

PJM is in need of a package of reforms that would enable PJM to act with greater speed/efficiency while maintaining a platform that operates transparently and allows for all voices to be heard. Reforms should ultimately strengthen PJM's independence, which will strengthen our public interest commitment to the 67 million consumers that we serve.

PJM Interconnection, L.L.C. Structure

BACKGROUND:

PJM is different than other Regional Transmission Organizations, many of which are organized as non-stock nonprofit organizations.

PJM operates on a profit-neutral basis, but it was set up differently. PJM is organized as a company with members who have similar rights as shareholders.

This structure impacts many aspects of PJM and its manner of conducting business, including:

(i) the role of the Members Committee in making rules,

(ii) the control of the Nominating Committee,

(iii) the role of the Board, and

(iv) the role of the “Office of the Interconnection.”

BACKGROUND:

Under the PJM Operating Agreement (our foundational document), the Board's governing principles are:

(i) the safe and reliable operation of the PJM Region;

(ii) the creation and operation of a robust, competitive, and non-discriminatory electric power market in the PJM Region; and

(iii) the principle that no Member or group of Members should have undue influence over the operation of the PJM Region.

The Operating Agreement requirement to comply with law includes compliance with the Federal Power Act (and the obligation to file and maintain just and reasonable rates) and also compliance with the regulatory requirements of being a FERC-approved Regional Transmission Organization (see, e.g., 18 CFR Section 35.34).

Guiding Principles for Reform

- Aligning authority with accountability for PJM, Members and states
- Improved processes to increase PJM and state alignment
- Maintaining PJM’s independence in accordance with Order No. 2000 and the Commission’s regulations
- Greater speed, efficiency and transparency in the stakeholder processes while maintaining robust stakeholder input
- Strengthening the public interest commitment
- Actionable and legally durable reforms

Governance / Authority / Accountability

ISSUES:	FERC DISCUSSION:
• Does authority align with accountability – for PJM Board, PJM staff and the states? • Specifically, do filing rights align with accountability? • Is PJM sufficiently able to exercise independent decision-making? • Is PJM's public interest role sufficiently defined (including affordability)?	• Generally not in a manner that is sustainable • Under the Operating Agreement, PJM's Section 205 filing rights are MC controlled – Energy and Ancillary Services, Planning • Discussion of MC voting thresholds, nominating process, Board terms of service • PJM unquestionably has a public interest role, but should it be better defined?

State Alignment / Formalized Participation

ISSUES:	FERC DISCUSSION:
• Are the roles and responsibilities between PJM and the states properly defined? • Should the states have a greater formal role in the PJM stakeholder process? • Should the states have a greater formal role in the governance of PJM? • Should the states have seats on the Nominating Committee? • Should the states have the ability to utilize filing rights? • Who is authorized to represent the states?	• Generally better definition of roles and responsibilities needed • States should have greater ability to bring proposals before the Members Committee and the Board • Concerns about states pursuing outcomes in conflict with the best interests of the organization • Concerns about PJM being accountable but being restricted in its ability to act • Discussion of a unified or bifurcated structure

Stakeholder Process Effectiveness

ISSUES:	FERC DISCUSSION:
• Are priorities properly identified and set? • Can the PJM stakeholder process move quickly enough to meet today's challenges? • Is the PJM stakeholder process hindered by self-interest? • Is the voting threshold appropriate, and should the process be advisory? • Is the committee structure appropriately structured with proper voting? • Is state participation appropriately defined?	• More disciplined and dynamic setting of priorities and accountability needed • Pace of action is not sustainable • Concerns about members pursuing the best outcomes for the good of the organization • Concerns about PJM being accountable but being restricted in its ability to act • Questioning the basis of the voting thresholds and affiliate voting • State participation rights at the MC and before the Board need to be enhanced

FERC Next Steps

1. Chairman Swett stated that the Commission will be issuing a notice/order seeking Post-Technical Conference comments and include a “list of questions” seeking solutions on key governance model and stakeholder process issues.

2. Chairman Swett further stated that the Commission will be engaging the FERC Office of Alternative Dispute Resolution Service for meetings in September. We expect that ALJs will be assigned to this effort and that it will be conducted as a settlement negotiation.

3. Chairman Swett stated that if there is not an agreement in principle by the end of September, the Commission will utilize the “full extent of its legal authority” to implement reforms.

PJM Next Steps

1. PJM will immediately engage with Members with the goal of working toward a consensus-based proposal backed by a diverse coalition of stakeholders to commence the ADR process. Initial survey contemplated.

2. PJM will present an initial proposal at the August meeting of the Members Committee and conduct polling on the components of the package.

3. PJM requests Members engage with the Affordability and Reliability for Residential Consumers (ARRC) User Group and other stakeholders to refine ARRC's proposed revisions to Section 7.7 of the Operating Agreement to address the public interest and affordability issue.

4. PJM will study other RTO prioritization models and will develop a work plan with Members and states for 2027.