Purpose of Document

This "term sheet" represents reforms to PJM governance and the stakeholder process that PJM intends to introduce to stakeholders at the August 19 Members Committee meeting and distribute on or before August 26 pursuant to the Federal Energy Regulatory Commission's (FERC's) directive in its *Notice Regarding Dispute Resolution Procedures*.[1] PJM will engage in meaningful discussion and good-faith negotiation both prior to and within the FERC-supervised dispute resolution setting.

Problem Statement

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. Greater definition of roles and responsibilities of PJM and the states (including the District of Columbia) as well as improved alignment between PJM, stakeholders and states is needed. Reforms should ultimately strengthen PJM's independence, which will strengthen our public interest commitment to the 67 million consumers we serve.

Guiding Principles

- Align authority with accountability for PJM, Members and states
- Improve processes to increase PJM and state alignment
- Maintain PJM's independence in accordance with Order No. 2000 and the Commission's regulations
- Increase speed, efficiency and transparency in the stakeholder process while maintaining robust stakeholder input
- Strengthen the organization's commitment to the public interest
- Develop actionable and legally durable reforms

Terms

1 | 205 Filing Rights – Energy & Ancillary Services and Transmission Planning

PJM proposes to remove the restrictions on its exercise of its Federal Power Act Section 205 filing rights over the energy and ancillary services markets as well as over the regional transmission expansion planning protocol. Specifically, PJM proposes to remove Schedules No. 1 ("PJM Interchange Energy Market") and No. 2 ("Components of Cost") from the Operating Agreement such that these schedules are located only in the Open Access Transmission Tariff (Tariff). Further, PJM proposes to remove Schedules No. 6 ("Regional Transmission Expansion Planning Protocol"), No. 6-A ("Interregional Transmission Coordination Between the SERTP and PJM Regions") and No. 6-B ("Interregional Transmission Coordination Between PJM, New York Independent System Operator, Inc. and ISO New England Inc.") from the Operating Agreement such that these schedules are only found in the Tariff. PJM values the input of its stakeholders and will continue to seek it through its stakeholder process. PJM is the largest RTO in the nation and should have the ability to request changes to its core Regional Transmission Organization functions under the "just and reasonable" standard and receive an answer from the FERC within 60 days. This will place PJM on equal footing with other FERC-jurisdictional ISOs/RTOs.

[1] Dated August 10, 2026, in Docket No. AD26-7-000

2 | Revise Manual 34 To Make the Members Committee Advisory on Regional Transmission Organization Functions and To Include Additional Expedited Stakeholder Processes

With the change to the Section 205 rights set forth above, Manual 34 should be amended to indicate that the stakeholder process is now advisory and Manual 34 should be treated as all other PJM manuals over which PJM has responsibility pursuant to Operating Agreement Section 10.4(iii). This is important to allow for PJM to advance a package through the stakeholder process even if there are other stakeholder packages receiving greater support. An important element of this is to eliminate the constraint on "main motions" from lower committees and to allow PJM's package to always be considered on equal footing at every stage of the process.

PJM also proposes to amend Manual 34 to add two additional stakeholder processes that will provide for expedited consideration of issues. The first would have the following requirements: (i) triggered by the CEO; (ii) requires PJM staff to present a proposal; (iii) allows for feedback and consideration of changes to PJM's proposal; and (iv) receives a vote by the Members on PJM's proposed package (nonbinding for endorsement purposes). The second would create the ability for PJM to conduct a stakeholder process almost entirely in writing.

3 | Revise PJM Committee Structure

PJM proposes to eliminate the Markets and Reliability Committee as duplicative and refine the lower standing committees to make them more effective. PJM holds too many stakeholder meetings and has too many levels of review and approval. Further, work is duplicated in subcommittees and their corresponding standing committees, especially when proposal development and votes are required at both levels. This is similarly the case with the Markets and Reliability Committee and the Members Committee. We should strive to work more efficiently within a more limited meeting regime. PJM proposes to refine the voting structure at the lower committees to align with the Members Committee, but again such voting would be advisory only, and PJM would have an absolute right to advance its proposal on equal footing with any approved package. At the Members Committee level, PJM proposes to require a principal of a Member, either in person or virtually, to vote on Members Committee matters.

4 | Extend Board Terms

PJM would extend the term of Board service to nine years. With nine Board members, one Board seat per year would be subject to the process and not three (existing Board members would be slotted into the various "seats" as a transition mechanism). There would be no renomination following nine years of service (but there would be allowance for Board members who served a partial term). Board Members would undergo an evaluation process by the Board and the Members Committee every three years (based upon their term).

5 | Advance Board Transparency

PJM recognizes that there is a desire for increased transparency from the PJM Board of Managers in its independent decision-making. Currently, PJM publishes in its minutes the voting result of each approval by the PJM Board of Managers of changes to the PJM governing documents and commits to continue to do so. In addition, PJM commits to exploring a format whereby the Board holds an open session on major independent decisions on governing documents and Regional Transmission Organization functions that would be akin to FERC sessions where each Member of the Board has an opportunity to make a statement, communicate a position and then vote.

6 | State (including the District of Columbia) "Jump Ball" 205 Filing Rights Over Resource Adequacy

PJM proposes to utilize its Section 205 rights over the Reliability Assurance Agreement and Attachment DD of the Tariff to make a "jump ball" filing on behalf of OPSI on a matter that pertains to resource adequacy with the following conditions: (i) the matter has an approved problem statement/issue charge; (ii) the states execute a Memorandum of Understanding memorializing the shared responsibility and roles between the states and PJM over reliability and resource adequacy (to be filed at FERC); (iii) the proposal has been approved by a supermajority of OPSI; and (iv) the proposal receives a majority vote by the Members Committee. If the PJM Board determines that the OPSI proposal would compromise the safety or reliability of the bulk electric system or the PJM region, it would not be required to make the filing with FERC.

7 | State Participation in PJM Processes

PJM proposes to increase state participation in PJM in two ways. First, PJM will work with the states to enhance OPSI to include in a bicameral structure for both the state commissions and the executive branches of each state. It is important that each state speak with one voice through OPSI. PJM would support increased funding for the reconstituted OPSI, recognizing not only the addition of the executive branch, but also the need for greater engagement in the stakeholder process. Second, PJM proposes to revise the stakeholder process to allow for OPSI to make a proposal on equal footing with any Member proposal or any PJM proposal, each in the area of resource adequacy, at any stage in the stakeholder process.

8 | State Participation on the Nominating Committee for the PJM Board of Managers

PJM supports the addition of state appointees to the Nominating Committee with the understanding that precedent in this area suggests that the Members Committee should approve this change.