

PJM “Term Sheet(s)” on Stakeholder Process / Governance Reform

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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.

Align Authority with Accountability

Increase PJM and State Alignment

Strengthen Independence

Increase Speed and Efficiency

Strengthen Commitment to Public Interest

Actionable and Legally Durable Reforms

- FERC Rule 606 “Confidentiality in Dispute Resolution Proceedings”
- PJM has posted three term sheets
 - Term Sheet 1 provided space to keep working until the 30th
 - Term Sheet 2 is PJM’s position if we had the vote on Sept. 24th
 - Term Sheet 3 is PJM’s final attempt to bring all parties together

PJM is withdrawing Term Sheet 1 and will withdraw Term Sheet 2 *only if* Term Sheet 3 is approved by the Members to be voted upon with the other timely noticed term sheets

- PJM would obtain 205 filing rights over E&AS (Schedules 1 and 2) and Planning (Schedule 6, 6-A and 6-B)
- Members would have “jump ball” rights over E&AS
- Members and States would have “jump ball” rights over Resource Adequacy

Term Sheet 3 would change this by giving Members concurrent 205 rights over E&AS, not just jump ball. Also, Schedules 6, 6-A and 6-B would be moved out of the OA and into the OATT.

- Elimination of MRC and streamlining of lower committee work
- Two additional expedited stakeholder processes
- Furnish and fund independent counsel for Members Committee

Term Sheet 3 does not change this.

- Additional funding for OPSI
- Two seats on the Nominating Committee with the opportunity for an additional independent appointee
- Jump ball 205 rights over resource adequacy (Reliability Assurance Agreement and Attachment DD changes) and execution of Memorandum of Understanding

Term Sheet 3 adds that the independent appointee will be the CEO of NERC or his/her officer designee of NERC or ReliabilityFirst.

- Creation of Joint Steering Committee consisting of PJM, Members and States to set priorities for coming year
- Presentation of those priorities to Members for feedback and approval
- Sets the table for following year's work in the stakeholder process with the possibility of "injects"

Term Sheet 3 adds the IMM to the Joint Steering Committee.

- Commitment to produce a more tangible record when the Board makes independent decisions
- Extend Board terms to 4 years (3 maximum terms with an allowance for partial terms)
- Changes “cooling off” period to 1 year

Term Sheet 3 does not change this.

- Addition of public interest mandate to OA Section 7.7
- Development of Impact Statement (cost/benefits, public interest, wholesale/retail interrelation) through solicitation of feedback that will accompany Board materials for independent decisions
- Cost analysis to be conducted by proposer for Markets or Planning proposal being considered in a Standing Committee where approved Issue Charge indicates a requirement for cost analysis.

Term Sheet 3 changes this by adding the concept that the proposal must significantly alter existing frameworks but makes it mandatory to produce a cost analysis vs. the previous iteration which was dependent on the analysis finding its way into an Issue Charge.

- Expresses that Members/PJM have concurrent 205 rights over E&AS (i.e. Members can unilaterally advance a filing if it obtains 2/3rds sector-weighted vote even if PJM wants to maintain status quo)
- Moves Schedules 6, 6-A and 6-B to the OATT
- Eliminates PJM taking ownership of Manual 34; allows PJM to propose revisions.
- Provides greater specificity around the state additional independent Nominating Committee member which has been designated as the CEO of NERC or his/her designee
- Revises the cost/benefit analysis language at the end of the term sheet

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A blue speech bubble with three horizontal white lines, positioned below the green speech bubble.

Member Hotline

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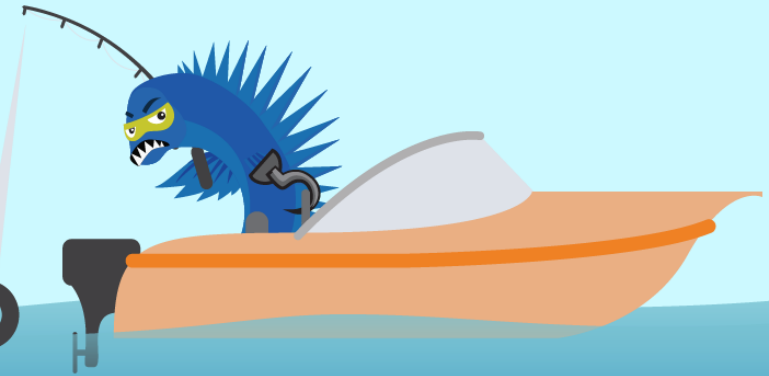
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