

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

In exchange for PJM agreeing to and implementing the changes set forth below in Section 6 subject to FERC acceptance/approval, and addition to the Membership's current 205 rights, PJM also shall have Section 205 of the Federal Power Act (FPA) rights over changes to the following schedules of the PJM Operating Agreement (these rights will be set forth in Section 10.4 of the OA):

- Schedule No. 1 ("PJM Interchange Energy Market")
- Schedule No. 2 ("Components of Cost")

The following provisions shall be moved to the OATT:

- Schedules No. 6 ("Regional Transmission Expansion Planning Protocol")
- Schedule No. 6-A ("Interregional Transmission Coordination Between the SERTP and PJM Regions"); and
- Schedule No. 6-B ("Interregional Transmission Coordination Between PJM, New York Independent System Operator, Inc. and ISO New England Inc.")

With respect to these schedules, PJM will endeavor to present its proposals in the stakeholder process by developing a problem statement/issue charge. In addition, PJM would be required to provide 30 days' notice to the membership of any proposed 205 filings with respect to energy and ancillary service market design changes, except in the case of imminent harm to system reliability or imminent severe economic harm to electric consumers, in which case PJM would provide at least 24 hours' notice.

New language would be added to section 8.6 of the Operating Agreement to include the TEAC as a permanent committee established in the Operating Agreement. The language would further guarantee a planning process open to all interested persons consistent with law and FERC regulations, including an adequate opportunity for PJM and TOs to consider and comment on criteria, needs, and proposals. It would also address confidentiality. While only PJM may propose under Section 205 revisions to (existing) OA, Schedule 6, Section 1.3 (Establishment of Committees), any such proposed revision to that Section would require the agreement of a 2/3 sector-weighted vote of the Members Committee

Any separate Member and PJM 205 filings pertaining to similar issues associated with Schedule 1 or Schedule 2 presented within a 10 business day period shall be considered to be a jump ball filings. The implication of a jump ball filing is that: both proposals would have equal footing under Section 205, the Commission will not be required to consider whether the then-existing filed rate is unlawful, and the Commission may adopt either proposal that it finds to be just and reasonable.

PJM shall not provide a preference to any individual, company, member, or state or district, or group thereof, in the exercise of its Section 205 authority. Adherence to the jump ball provisions of Section 6 is not a prohibited preference.

2 | Revise Manual 34 To Improve Stakeholder Process Efficiency and To Include Additional Expedited Stakeholder Processes

PJM commits to a thorough examination of Manual 34 with the Members every three years, and will seek Members Committee approval on any changes made to Manual 34. An element of this is to address the constraint on “main motions” from lower committees and to allow PJM’s package to be considered on equal footing at every stage of the process. PJM would have an absolute right to advance its proposal on equal footing with any approved package.

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 . The second would create the ability for PJM, in limited circumstances where the changes are likely to be non-controversial, to conduct a stakeholder process principally in writing with PJM’s commitment to perform in-person or recorded education.

PJM and the stakeholders commit to working through the following additional stakeholder process reforms:

- Recording of education sessions;
- Submittal of Q&A documents to supplement the material;

- Reduction of time between meetings when working through complex material requiring engaged meeting participation;
- Retention of CBIR concepts while streamlining administration of CBIR process; and
- To the extent feasible, PJM will conduct, publish, and present at the First Read a cost-benefit analysis of any proposal.

PJM will furnish and fund independent counsel to assist the Members Committee (including lower committees as may be necessary or appropriate) in navigating and resolving issues in the stakeholder process that have complex dynamics, multiple interests, and a high potential impact, and to provide legal advice and guidance to the Members Committee. Such independent counsel may serve to draft and support a Members Committee regulatory filing whereby the PJM Members has unilateral or “jump ball” filing rights, as applicable. The selection of such counsel would be subject to approval by the Members Committee.

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, subject to appropriate Committee approval. Work is duplicated in lower committees and their corresponding standing committees, especially when proposal development and votes are required at both levels. PJM proposes to refine the voting structure at the lower committees (that require a vote) to align with the Members Committee sector-weighted voting framework. For transparency purposes, PJM will publish voting reports of affiliate voting results.

4 | Extend Board Terms

PJM would extend the term of Board service to four years, with the opportunity for two renominations (for a total of three terms, with an additional allowance for Board members who served a partial term). Members will develop and approve a transition mechanism. PJM also proposes to reduce the “cooling off” period to one year for Board appointments to allow for additional qualified candidates to be considered in the nomination process (note that restrictions on financial interests would remain). A preference will be given to qualified candidates that reside within the PJM region. Each state has a Board member assigned for periodic conversations on state priorities and other pressing PJM matters.

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.

The Board will commit to, with respect to Regional Transmission Organization functions (with the exception of attorney-client privileged materials, critical infrastructure, and national security needs):

- publish meeting minutes and the voting result of each approval by the PJM Board of Managers of changes to the PJM governing documents (continuing its current practice);
- provide a public written explanation supporting its independent decision (a decision that did not have prior Members Committee approval or endorsement) and how the decision will achieve a just, reasonable and not unduly discriminatory or preferential outcome along with an explanation for why it rejected certain other views. This written explanation will also provide insight into the written materials utilized to make its decision, including inputs utilized from consultants, the Independent Market Monitor and the PJM Staff.

6 | “Jump Ball” 205 Filing Rights Over Resource Adequacy

PJM would include, as an alternative to its own FERC filing, any proposal supported by a 2/3 sector-weighted supermajority of the Members Committee that pertains to the Reliability Assurance Agreement and Attachment DD of the Tariff. To the extent that OPSI makes a proposal pertaining to the Reliability Assurance Agreement and Attachment DD that satisfies the following conditions: (i) the matter has an approved problem statement/issue charge; (ii) **the states execute a Memorandum of Understanding memorializing the shared responsibilities and roles between the states and PJM over reliability and resource adequacy (to be filed at FERC),** and (iii) the proposal receives a supermajority 2/3 sector-weighted vote by the Members Committee, PJM would include such proposal as an alternative to its own FERC filing. The Members must support their jump ball proposal. If the PJM Board determines that either the OPSI proposal or the Member proposal would compromise the safety or reliability of the bulk electric system of the PJM region, it would not be required to make the filing with FERC. In that case, PJM

shall append its analysis and the OPSI or Member proposal to the PJM filing, and PJM's determination to not file such proposal shall be subject to FERC review.

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 a structure such that each state speaks with one voice through OPSI. PJM would support increased funding for a 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 specify that OPSI can make a proposal on equal footing with any Member proposal or any PJM proposal.

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

PJM supports the addition of a state appointee to the Nominating Committee with the understanding that precedent in this area suggests that the Members Committee should approve this change. The Nominating Committee participants must be able to abide by the [Master Charter without violating any applicable law](#).

9 | Annual Prioritization Process and Work Plan

PJM, states and Members shall develop a Joint Steering Committee (JSC) that will serve to develop an annual work plan for the stakeholder process and to identify short and long-term priorities.

This process is meant to establish an annual work plan for PJM and stakeholders in the stakeholder process and Manual 34 will need to be amended accordingly.

- The structure and responsibilities of the JSC shall be codified in PJM Manual 34.
- The JSC will be comprised of one representative from each Member sector, plus the Members Committee Chair and Vice Chair. The states, through OPSI, would nominate two representatives. PJM will designate the Chief Strategy Officer and appropriate senior management to provide input on proposed stakeholder priorities.
- In the third quarter of each year, the JSC will meet to discuss priorities and to identify consensus matters that PJM and/or stakeholders should address in the next year and over a longer-term (3-5 year) horizon.

- The JSC shall thereafter produce an annual work plan for work to be conducted within the stakeholder process.
- The proposed work plan will be presented to the Members Committee and to the PJM Board.
- The work plan should assist the Board in its evaluation of PJM management effectiveness.
- The JSC will finalize the work plan, and will meet quarterly the following year, or as needed, to assess progress on the priorities and to recommend adjustments as contingencies arise.
- An “inject” process would be developed by the JSC that will allow for the annual work plan to be amended due to emergent matters.

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10 | Adding Public Interest Mandate to the Operating Agreement

PJM supports the addition of a public interest mandate to Section 7.7 of the Operating Agreement – “operate in the public interest consistent with the FPA”

On matters of significance that could necessitate independent action by the Board of Managers related to changes to governing documents on Markets and Planning, PJM will develop for the Board of Managers an “Impact Statement” of proposals for the Board’s review. This document will be made available to stakeholders prior to submittal to the Board of Managers. Conceptually, this document will endeavor to include the following sections:

- Key drivers of costs and anticipated benefits that consider the observable impacts of major decisions on Markets and Planning (including any stakeholder analyses);
- Assessment of the extent of how the proposal serves the public interest – both short-term and long-term; and
- Information related to how decisions can affect the mechanics of competitive retail electricity markets, such as timing of processes or established arrangements (PJM will seek stakeholder input to incorporate into impact statement).

