

FERC ADR Consumer Advocate redlined PJM term sheet #3

- The consumer advocates attempted to use the last PJM/ term sheet when developing this term sheet in an effort to incorporate as much as possible.
- The yellow highlighted areas are the areas that provide the additions (also underlined) and deletions (also using strikethrough).

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

PJM and the Members will share the ability to effectuate a 205 filing over Energy & Ancillary Services and Regional Transmission Expansion Planning going forward. PJM will hold 205 rights over Transmission Planning going forward. The following is meant to effectuate this intent.

PJM shall have the unilateral right to file, pursuant to Section 205 of the Federal Power Act (FPA), 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”)
- Schedule No. 6 (“Regional Transmission Expansion Planning Protocol”)

With respect to Schedule Nos. 1-and 2 and 6, PJM will be obligated to make a Section 205 filing of a Members Committee package pursuant to Section 10.4 (xiii) of the OA. Further, the Members Committee would be able to effectuate a Section 205 filing (in accordance with Section 18.6(a)), even where PJM is effectuating its own Section 205 filing. Accordingly, the Members Committee will retain rights to cause PJM to effectuate a Section 205 filing over Schedule Nos. 1, and 2 and 6, including in a “jump ball” scenario.

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. In the event that FERC lacks a quorum such that it is not able to act on Section 205 filings in a jump ball scenario, the PJM filing would go into effect by operation of law.

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 Section 205 filings with respect to energy and ancillary service market design changes (Schedules Nos. 1 and 2) and Regional Transmission Expansion Planning Protocol (Schedule 6), 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.

The following provisions shall be moved to the OATT:

- ~~Schedule 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.")~~ All planning for projects currently planned under Section 5.2 as Attachment M-3, M-4, or M-6

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 prescribe a planning process open to all interested persons consistent with law and FERC regulations, including an adequate opportunity for PJM and ~~stakeholders~~ 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.

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

~~With the change to the Section 205 rights set forth above, Manual 34 should be amended such that Manual 34 is treated as all other PJM manuals over which PJM has responsibility pursuant to Operating Agreement Section 10.4(iii). PJM commits to a thorough examination of Manual 34 with the Members every three years, and will seek Members Committee endorsement 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. In furtherance of the 205 rights granted to PJM above, PJM would have an absolute right to advance its proposal on equal footing with any approved package.~~

~~PJM also proposes to amend Manual 34~~ Manual 34 shall be amended to allow for PJM (in addition to Members) to have the ability to make a Motion in the stakeholder process which would include the ability to move to amend Manual 34.

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Settlement Communication
Drafted 9-16-2026 / Latest Revised 9-23-2026-
Term Sheet 23

Manual 34 would be amended 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 and for endorsement purposes only). The second would create the ability for PJM, in limited circumstances, 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 and public posting of all stakeholder meetings and education sessions (with the exception of Liaison Committee Meetings) and exploring with Members the recording and public posting of full Members Committee meetings (as well as meetings of lower committees as may be necessary or appropriate) beyond just 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; and
- Retention of CBIR concepts while streamlining administration of CBIR process;
 - Create a sixth sector that is comprised of statutory consumer advocates.
 - Development of an independent body that will provide rigorous, impartial, and transparent oversight of transmission planning, cost allocation, and project approval across the PJM region. The independent body safeguards the public interest by independently evaluating transmission needs, ensuring the integrity of planning processes, and delivering objective findings that strengthen accountability, promote efficiency, and support sound decision-making for the region.

PJM will furnish and fund independent counsel to assist the Members Committee (including as well as 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 "jump ball" filing where 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 full lower standing committee voting reports.

4 | Extend Board Terms

~~PJM~~The Operating Agreement 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.

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 Member confidential, attorney client privilege materials, critical infrastructure, ~~and national sensitive~~ security ~~needs~~information, and executive session materials):

- 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 an independent decision 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 append provide insight into the written materials utilized to make its decision, including inputs utilized from consultants, the Independent Market Monitor and the PJM Staff.
- Make at least some Board meetings open to the public.
- Provide clear notice to all Members if PJM has common interest agreements with any subset of members.

- Include requirement that at least one Board member be a former regulator and at least one Board member have experience balancing an energy budget.
- With the aid of PJM Members, developing clear, transparent, metrics for success that will be tracked.

6 | State (including the District of Columbia) and Member “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:

1. the matter has an approved problem statement/issue charge;
2. 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);
3. the proposal has been approved by a simple majority of OPSI which must comprise at least 8 states and at least 66% of the load in the PJM region;

Members will similarly be provided with a “jump ball” 205 opportunity over resource adequacy. [if a Member proposal has been approved by two-thirds sector-weighted vote.](#)

OPSI and the Members must develop and support all jump ball filings.

~~If the PJM Board determines, on the basis of quantitative analysis, that any OPSI or Member jump ball proposal would substantially 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. 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 revise the stakeholder process to allow for OPSI to make a proposal on equal footing with any Member proposal or any PJM proposal in the area of resource adequacy, at any stage in the stakeholder process. Third, the limitation on one statutory consumer advocate

voting per jurisdiction will be removed, such that all statutory consumer advocates can ~~vote~~ join as Ex Officio Members.

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

PJM supports the addition of two state appointees to the Nominating Committee ~~plus an additional independent appointee, for which the method of selection will be determined at a later date and the addition of an independent appointee who shall be the CEO of the North American Electric Reliability Corporation (NERC) or his/her designee who can be an officer of either NERC or ReliabilityFirst.~~

9 | Annual Prioritization Process and Work Plan

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.

- PJM, states and Members Committee 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.
- The structure and responsibilities of the JSC shall be codified in PJM Manual 34.
- The JSC shall be comprised of Members, states, the IMM and PJM as follows: one representative from each Member sector, the IMM, one representative from the Public Interest Environmental Organization User Group (PIEOUG), 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 for the following year.
- 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.

10 | Adding Public Interest Mandate to the Operating Agreement, Wholesale/Retail Impact Statement and Cost Analyses for Certain Proposals

- PJM supports the addition of a public interest mandate to Section 7.7 ~~(i)(D)~~ of the Operating Agreement –

7.7 Duties and Responsibilities of the PJM Board.

In accordance with this Agreement, the PJM Board shall supervise and oversee all matters pertaining to the PJM Region and the LLC, and carry out such other duties as are herein specified, including but not limited to the following duties and responsibilities:

i) As its primary responsibility, ensure that the President, the other officers of the LLC, and Office of the Interconnection operate in the public interest pursuant to its obligations as a FERC-regulated Regional Transmission Organization and perform the duties and responsibilities set forth in this Agreement, including but not limited to those set forth in Operating Agreement, section 9.2, Operating Agreement, section 9.3, Operating section 9.4, and Operating Agreement, section 10.4. in a manner consistent with (A) the safe and reliable operation of the PJM Region, (B) the creation and operation of a robust, competitive, and non-discriminatory electric power market in the PJM Region, and (C) the principle that a Member or group of Members shall not have undue influence over the operation of the PJM Region; To satisfy this primary responsibility, the Board should act in a manner fully independent from the control or undue influence of any Member, group of Members, state government, or other stakeholders, with respect to matters within the scope of PJM’s authority under the Federal Power Act and applicable Commission regulations and orders, in furtherance of:

1. the safe and reliable provision of electric power to the PJM Region;
2. the creation and operation of competitive and non-discriminatory markets for electric power and related products and services; and
3. the public interest, by using competitive and nondiscriminatory markets and efficient regional operations and planning designed and operated for the benefit of consumers to achieve the lowest reasonable wholesale cost of reliable electric service to consumers over time.

ii) Select the Officers of the LLC;

iii) Adopt budgets for the LLC;

iv) Approve The Regional Transmission Expansion Plan in accordance with the provisions of the Regional Transmission Expansion Planning Protocol set forth in Operating Agreement, Schedule 6;

v) On its own initiative or at the request of a User Group as specified herein, submit to the Members Committee such proposed amendments to this Agreement or any Schedule hereto, or a proposed new Schedule, as it may deem appropriate;

vi) Petition FERC to modify any provision of this Agreement or any Schedule or practice hereunder that the PJM Board believes to be unjust, unreasonable, or unduly discriminatory under section 206 of the Federal Power Act, subject to the right of any Member or the Members to intervene in any resulting proceedings;

vii) Review for consistency with the creation and operation of a robust, competitive and non-discriminatory electric power market in the PJM Region any change to rate design or to non-rate terms and conditions proposed by Transmission Owners for filing under section 205 of the Federal Power Act;

viii) If and to the extent it shall deem appropriate, intervene in any proceeding at FERC initiated by the Members in accordance with Operating Agreement, section 11.5(b), and participate in other state and federal regulatory proceedings relating to the interests of the LLC;

viii-a) Establish and maintain procedures for regular consultation with state public utility commissions and other state agencies with jurisdiction over resource adequacy, integrated resource planning, or energy policy within the PJM Region, which procedures shall provide for (A) timely notice to state regulators of PJM planning studies, capacity market design changes, and other matters that may affect state resource adequacy determinations, (B) meaningful opportunity for state regulators to provide input on such matters prior to Board action, and (C) written explanation by the PJM Board of how state considerations were addressed in any final Board determination;

- “operate in the public interest pursuant to its obligations as a FERC-regulated Regional Transmission Organization.”

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Settlement Communication

Drafted 9-16-2026 / Latest Revised 9-23-2026

Term Sheet 23

- On matters of significance that could necessitate independent action by the Board of Managers that are 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 impact 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 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 the impact statement).
- For any Markets or Planning ~~proposal being considered~~proposed package in a Standing Committee ~~for which the~~on a matter that has an approved Issue Charge ~~indicated a requirement for a cost impact analysis, the proposer that would significantly alter existing frameworks,~~ PJM, the IMM, or an independent consultant hired by PJM the package sponsor must provide independent analysis performed by themselves or a third-party of potential cost impacts ~~before that proposal may be voted.~~