

FERC's March 6, 2026 Order re Solution-Based Distribution Factor (SBDFA) Methodology

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Planning Committee
March 10, 2026
(Posted March 12, 2026)

Order on Remand, Complaint,
Rejecting Tariff Proposal and Settlement,
Directing a Compliance Filing, and
Establishing Paper Hearing Procedures
("March 6 Order")

In the March 6 Order, FERC addressed:

- 1 A decision by the D.C. Circuit Court of Appeals remanding FERC orders on complaints challenging aspects of the SBDFAX methodology, including, among other things:**
 - The de minimis threshold exception
 - Applicability of the SBDFAX method to transmission facilities addressing short circuit reliability violations
- 2 A complaint by LIPA/Neptune regarding components of the SBDFAX methodology**
- 3 A filing by the PJM TOs to amend the SBDFAX methodology**
- 4 A settlement proposal refining the SBDFAX methodology**

The March 6 Order found that the *de minimis* exception is not just and reasonable.

As a result, FERC:

Directed

- PJM TOs to file revisions to Tariff, Schedule 12 to eliminate the *de minimis* exception within 90 days
- PJM to recalculate cost responsibility assignments and correct associated billings, with interest, back to **June 18, 2015** within 90 days

Rejected

- A TO filing proposing amendments to the SBDFAX methodology
- A proposed settlement related to the SBDFAX methodology

Established

- A paper hearing on the application of the SBDFAX methodology to transmission facilities that address short-circuit reliability violations

The SBDFAX methodology assigns costs for certain PJM baseline reliability projects by identifying which zones benefit from the transmission project, based on how power flows across the upgrade.

At a high level, PJM:

- Identifies a reliability violation;
- Selects a transmission enhancement or expansion to solve the violation;
- Runs a power flow model to determine how electricity will flow with the identified solution modeled;
- Calculates DFAX values to reflect how much each zone's load contributes to flows on the facility; and
- Assigns cost responsibility for transmission facilities based on the zone's yearly directional flow usage.

In general, each zone with a measurable DFAX contribution is assigned cost responsibility for the relevant transmission facility, subject to the *de minimis* exception:

If a zone's DFAX contribution is less than 1%, that zone would not be assigned any cost responsibility.

- Zone(s) in which the transmission facility is located are exempt from the exception, meaning they are assigned costs regardless of DFAX value (so-called "host zone exclusion rule").

The remaining zones' cost responsibility is assigned according to DFAX-based flow usage.

PJM calculates cost assignments using the SBDFAX methodology involving the following types of baseline reliability projects:

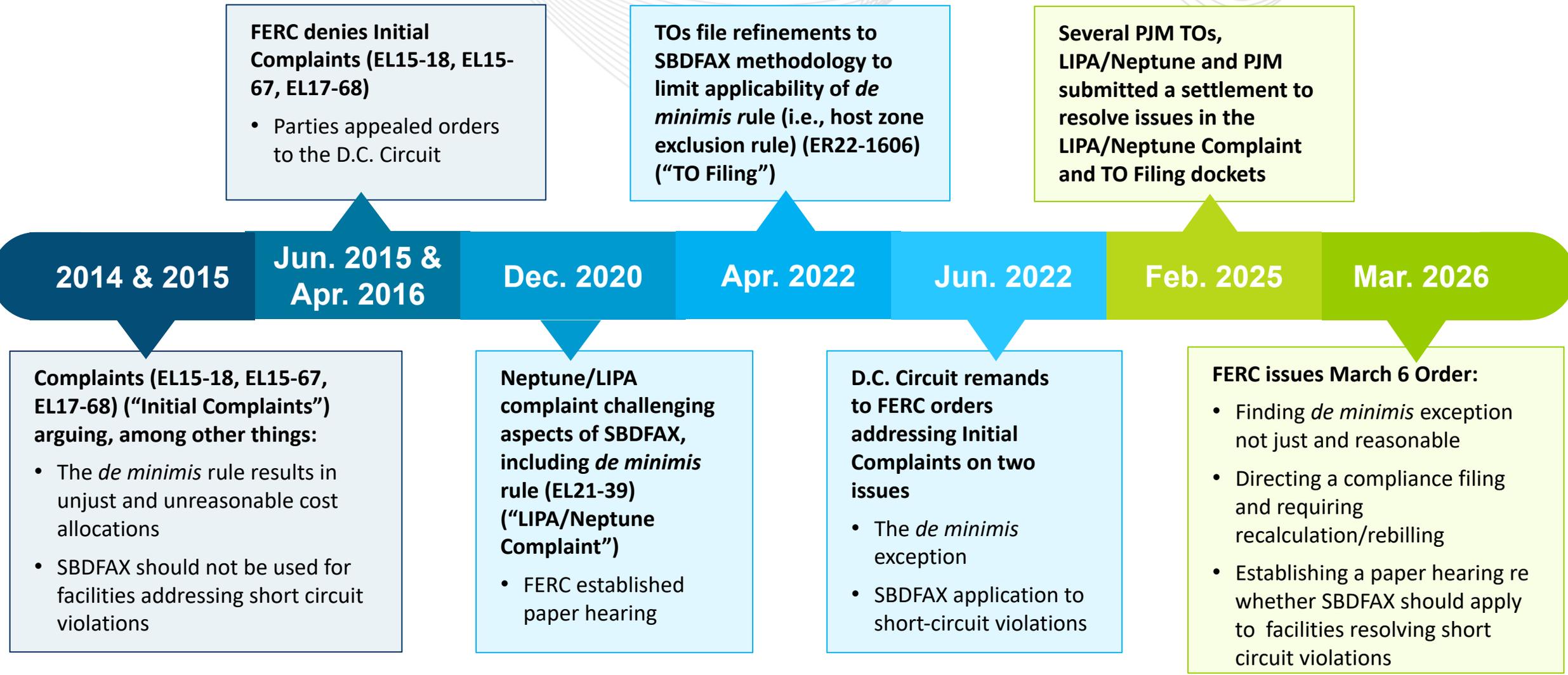
Regional \geq \$ 5M & AC facilities \geq 500 kV / Double circuit 345 kV and certain D.C. facilities that meet specified criteria

- 50% SBDFAX; 50% socialized based on load ratio shares
- Exception: transmission facilities addressing stability violations

Lower Voltage \geq \$5M & AC facilities $<$ 500 kV

- 100% SBDFAX
- Exception: transmission facilities addressing stability violations

Relevant Regulatory Proceedings Addressing SBDFAX: a Timeline



Regarding recalculation and rebilling requirement, PJM is:

- Evaluating the number of baseline reliability projects affected by March 6 Order;
- Collecting data needed to recalculate cost assignments;
- Considering seeking additional time to comply with these requirements given the significant workload associated with the recalculations and potential rate impacts associated with rebillings; and
- Committed to keeping stakeholders informed as it undertakes next steps.

Regarding the paper hearing process:

- Initial responses are due **June 4, 2026**; and
- Responsive filings are due **August 3, 2026**.

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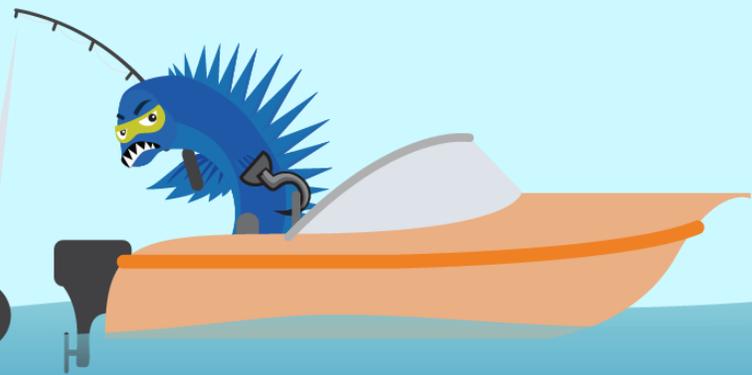
Version No.	Date	Description
1	March 12, 2026	<ul style="list-style-type: none"><li data-bbox="861 439 1263 482">• Initial slides posted

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