



Large-Scale Resettlements of PJM Transmission Charges

Jessica Lynch
Associate General Counsel
Planning Committee
April 7, 2026

- **FERC's March 6, 2026 Order**
- **Overview of PJM Transmission Charges**
- **What "Resettlement" Means in PJM**
- **Resettlement Mechanics**
- **Challenges With Large-Scale Resettlements**
- **Examples of Prior Large-Scale Resettlements of Transmission Charges in PJM**

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

PJM is required to collect, on behalf of PJM Transmission Owners (TOs), charges to recover costs for transmission facilities in the PJM Regional Transmission Expansion Plan (RTEP).

Responsible customers (*e.g., load serving entities and merchant transmission owners*) pay the PJM TOs for RTEP facilities based on zonal cost responsibility assignments in Tariff, Schedule 12 – Appendices.

PJM TOs use two main ways to bill responsible customers for RTEP facilities:

- Incorporation into the TOs' **Network Integration Transmission Service (NITS) rate**
- Standalone **Transmission Enhancement Charges (TECs)**

PJM is an RTO that administers billing and settlements among market participants.

When FERC requires billing corrections, PJM does not refund from its own revenues.

Refunds to overbilled entities are funded through corresponding surcharges from underbilled entities.

To resettle transmission charges, at a **very** high level, PJM will need to **sequentially**:

1 | Recalculate cost responsibility assignments for every affected RTEP project.

This process itself has numerous steps and must be completed before any of the following steps can begin.

3 | Identify and reconstruct or obtain missing data.

5 | Manually input values.

7 | Manually calculate interest for each billing period.

2 | Reconstruct historical billing determinants.


4 | Recreate billing worksheets.

6 | Manually rerun bills across time.

8 | Reallocate financial responsibility across entities.

*Collect surcharges from underbilled entities
→ issue refunds to overbilled entities.*

- 1 Cannot be completed until cost responsibility assignments for RTEP projects is complete, which has its own set of challenges
(not the subject of this presentation)
- 2 Data reconstruction challenges and need to rely in some cases on input of external parties
- 3 Possibility that responsible customers are no longer active participants in PJM
PJM will need to determine whether and how to issue refunds or collect surcharges for entities that no longer exist.
- 4 Significant bill volatility for customers facing surcharges – potential bill shock to end-use customers
- 5 Potential credit and liquidity challenges for customers facing surcharges

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Important note: The resettlement required by the March 6 Order is by far the largest resettlement of transmission charges in PJM's history – in terms of number of RTEP projects affected and time period.

While PJM does not have precise dollar figures of the resettlement amounts, it is expected to be very significant .



Examples of Prior Large-Scale Resettlements of Transmission Charges in PJM (cont'd)

FERC Proceeding	Charges at Issue	Basis for Resettlement Req't	Scope of Impact	Time Period	Implementation Timeline
<p>ConEd v. PJM, March 2026 Order <i>(EL15-18, et al.)</i></p>	TECs calculated pursuant to SBDFAX method	FERC legal error: not granting ConEd complaint that <i>de minimis</i> threshold is unjust and unreasonable	<ul style="list-style-type: none"> Recalculate cost assignments for appx 1,255 projects with cost assignments based on SBDFAX Correct billings, with interest Potentially more than \$1B of costs to reallocate 	6/18/15 – Present (nearly 11 years) <i>(resettlement period)</i>	<p>90 days for recalculation and rebilling for entire refund period*</p> <p>*PJM will seek an extension to comply</p>
<p>PJM, May 2018 Order Approving Settlement to resolve a decade of litigation re cost allocation <i>(EL05-121)</i></p>	TECs for facilities operating at ≥ 500 kV	Settlement Agreement to address remand order for projects: (i) operating at ≥ 500 kV, (ii) approved prior to 2/1/13, (iii) allocated based on l/r share	<ul style="list-style-type: none"> Appx 140 projects operating at ≥ 500 kV that were approved by PJM board prior to 2/1/13 (see tariff, sch. 12-C appx A) Specific cost adjustments per project agreed to in black box settlement (see tariff, sch. 12-C appx C) 	<ul style="list-style-type: none"> 1/1/07 – 1/1/16 (9 years) <i>(historical period)</i> 1/1/16 – forward <i>(going-forward period)</i> 	<ul style="list-style-type: none"> For historical period: adjustments to billings for projects through a schedule, credited/collected from 1/1/16- 12/31/25 (9-year resettlement period for historical period) For going-forward period: specified cost allocation methodology for 1/1/16 until all costs recovered
<p>PJM, April 2020 Order re allocation of costs for projects solely to address TO's FERC Form 715 (FF 715) Criteria (FF 715 Projects) <i>(ER15-1387, et al.)</i></p>	TECs associated with FF 715 Projects	FERC legal error: acceptance of cost allocation rules assigning 100% of costs of FF 715 Projects to TO zone	<ul style="list-style-type: none"> Total of 443 Form 715 projects, but ultimately only had to recalculate cost assignments for 44 projects Correct billings, with interest Appx \$82 million in costs to be resettled 	5/25/15 – 8/15/20 (appx 5 years)	<ul style="list-style-type: none"> PJM calculated revised cost assignments and filed revised tariff sheets for 44 projects within 60 days After FERC acceptance of revised tariff sheets, PJM billed charges one calendar year per month for 6 months, with credits issued on a one-month lag

Facilitator:

Megan Heater, Megan.Heater@pjm.com

Secretary:

Nicole Bugay, Nicole.Bugay@pjm.com

SME:

Jessica Lynch, Jessica.Lynch@pjm.com

**FERC's March 6, 2026
Order re Solution-Based
Distribution Factor Methodology**



Member Hotline

(610) 666-8980

(866) 400-8980

custsvc@pjm.com

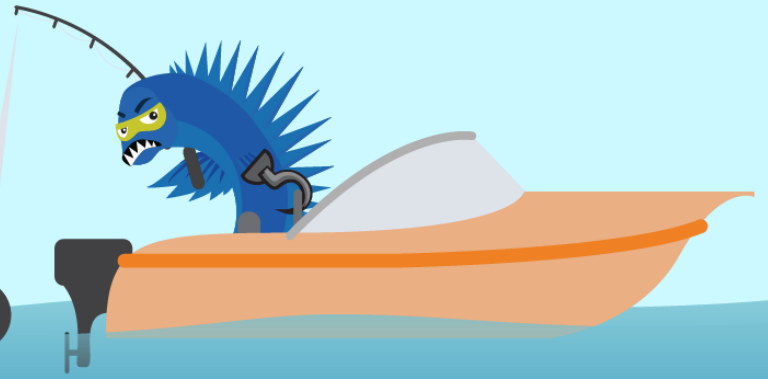
Version No.	Date	Description
1	March 31, 2026	<ul style="list-style-type: none">Initial slides posted

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