



Administrative Rate Review

Members Committee Informational Webinar
October 26, 2020
Jim Snow



PJM Administrative Rate Structure History

Pre 1999

Single formula rate charged 100 percent based on megawatt hours of load served

1999 through May 2006

Multiple formula rates charged to unbundled service categories with billing determinants based on megawatt hours of load served and market activity

January 2017 to Present

Fixed service category rates with planned rate escalations of 2.5 percent annually from 2019 through 2024

1995

2000

2005

2010

2015

2020

June 2006 to Dec. 2016

Fixed service category rates plus formula rate rider for advanced control center (AC²) costs charged to unbundled service categories with billing determinants based on megawatt hours of load served and market activity

April 2008: PJM accelerated refunds of stated rate revenues in excess of actual costs from one-year lag to one-quarter lag

October 2011: PJM decreased service category rates 3 percent due to economies of scale

OBJECTIVES

ORIGINAL

2005 and 2016 Stated Rate Structure Filing

- 1 Reduce/maintain low rate volatility and provide multi-year service fee certainty
- 2 Deploy effective operation and capital cost management
- 3 Increase rate and cost transparency to members
- 4 Establish/ensure cost recovery for second control center investment
- 5 Maintain creditworthiness for cost-effective borrowing purposes

DRAFT

Next PJM Rate Filing

- 1 **Provide multi-year service fee certainty for 5-10 years, rate flexibility and recovery certainty**
- 2 Deploy effective operation and capital cost management
- 3 Maintain enhanced rate and cost transparency to members
- 4 **Address lower energy usage, changes to usage patterns of PJM's services; and, changes to costs for risk mitigation and market surveillance**
- 5 Maintain creditworthiness for cost-effective borrowing purposes

Factors driving the need for PJM to review the Schedule 9 Stated Rates



Energy Forecast: energy usage has flattened, significantly below rate projections



Billing Determinants: changes to activity have changed the customer revenue mix



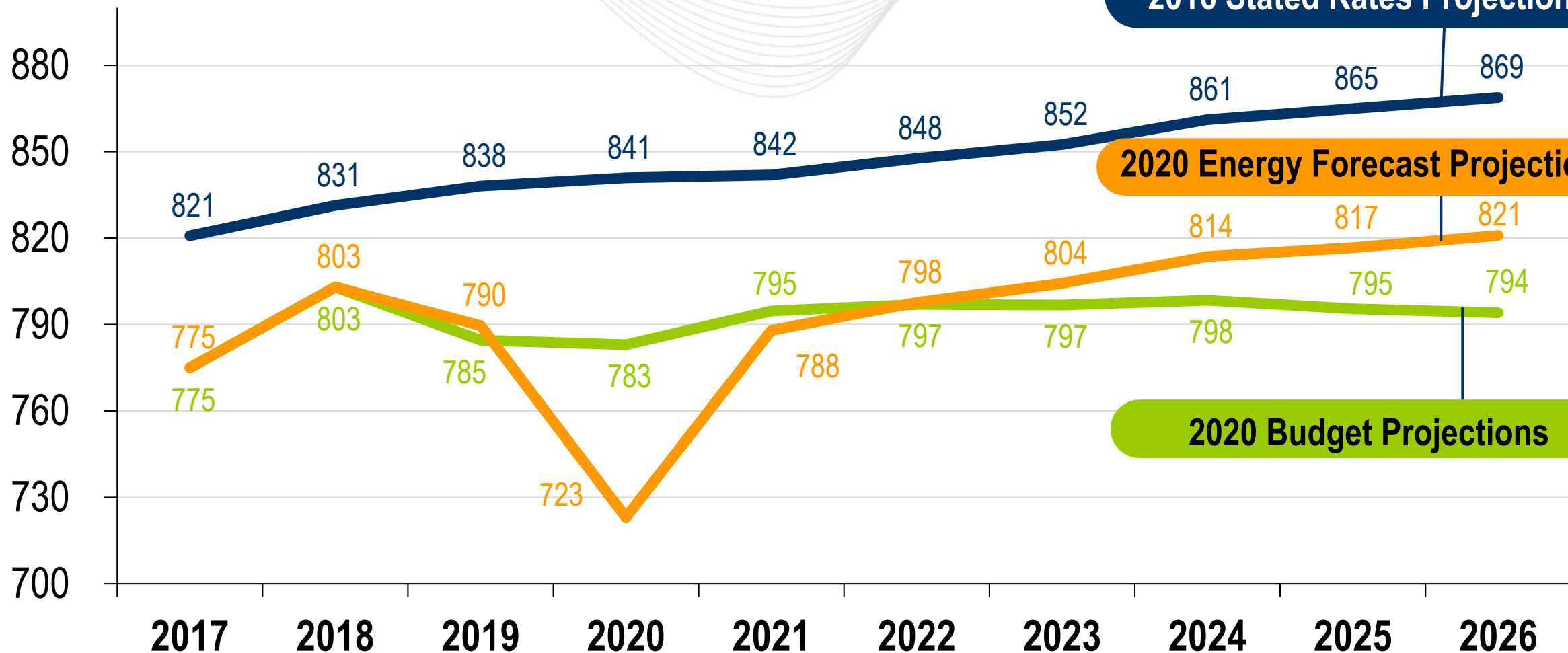
Risk Mitigation Efforts: additional costs not anticipated in 2016 stated rate filing



Industry Dynamics: PJM member organization structure changes impact collections



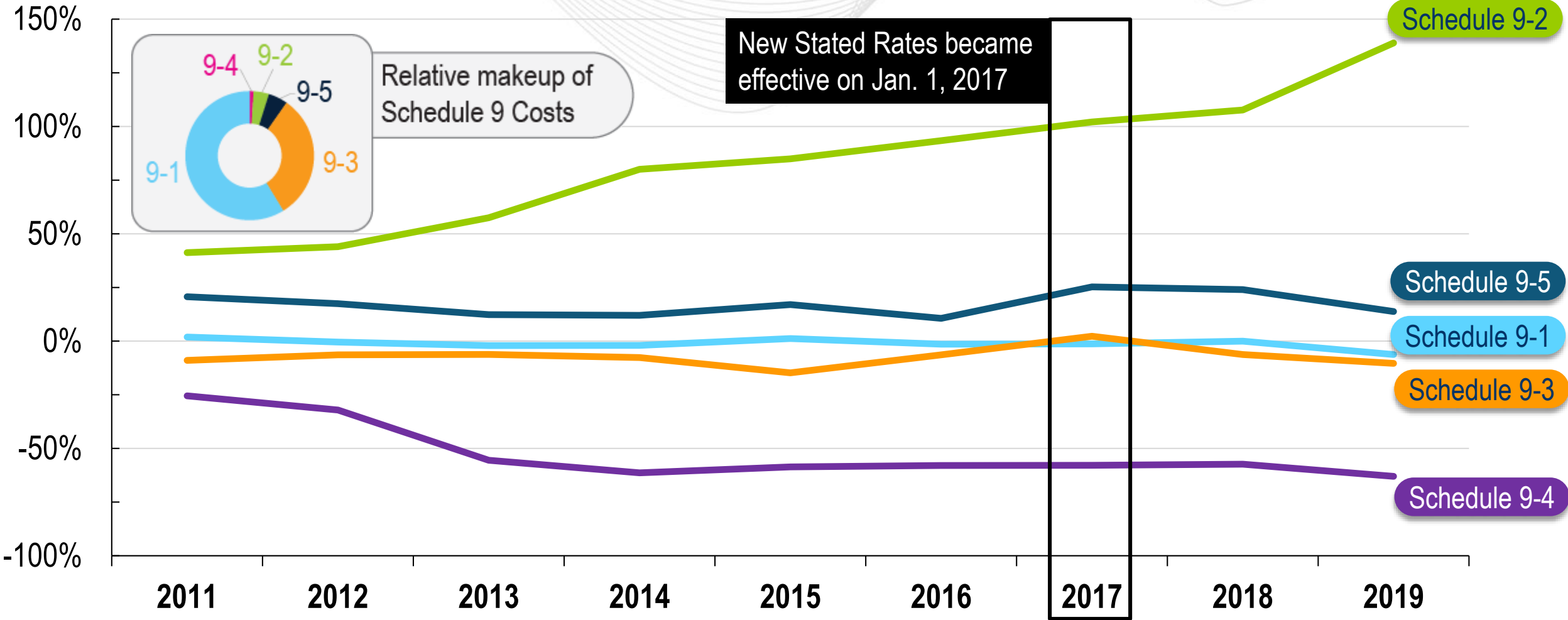
Energy (TWh)



2016 Stated Rates Projections

2020 Energy Forecast Projections

2020 Budget Projections





Anticipated additional costs to PJM's operations

Tariff Changes

- Know Your Customer practices
- Additional Auctions

Credit, Risk and Surveillance

- Credit modeling tool
- Risk management systems
- Surveillance practices – position and exposure reporting

Initial Risk Margin Calculation

eCredit Enhancements

1

Renewable
energy growth

3

Behind-the-meter
generation

2

Energy efficiency

4

Corporate structures
of PJM members

Maintain current rate structure and rate levels for 2020 pending updated energy forecast in third quarter

Inform PJM membership of status and plan for rate review

Engage FC to develop objectives for the rate review in 3Q

Rate Structure and Rate Level Governance

