



# Schedule 9-2 Issue

## PJM OATT – Stated Rates

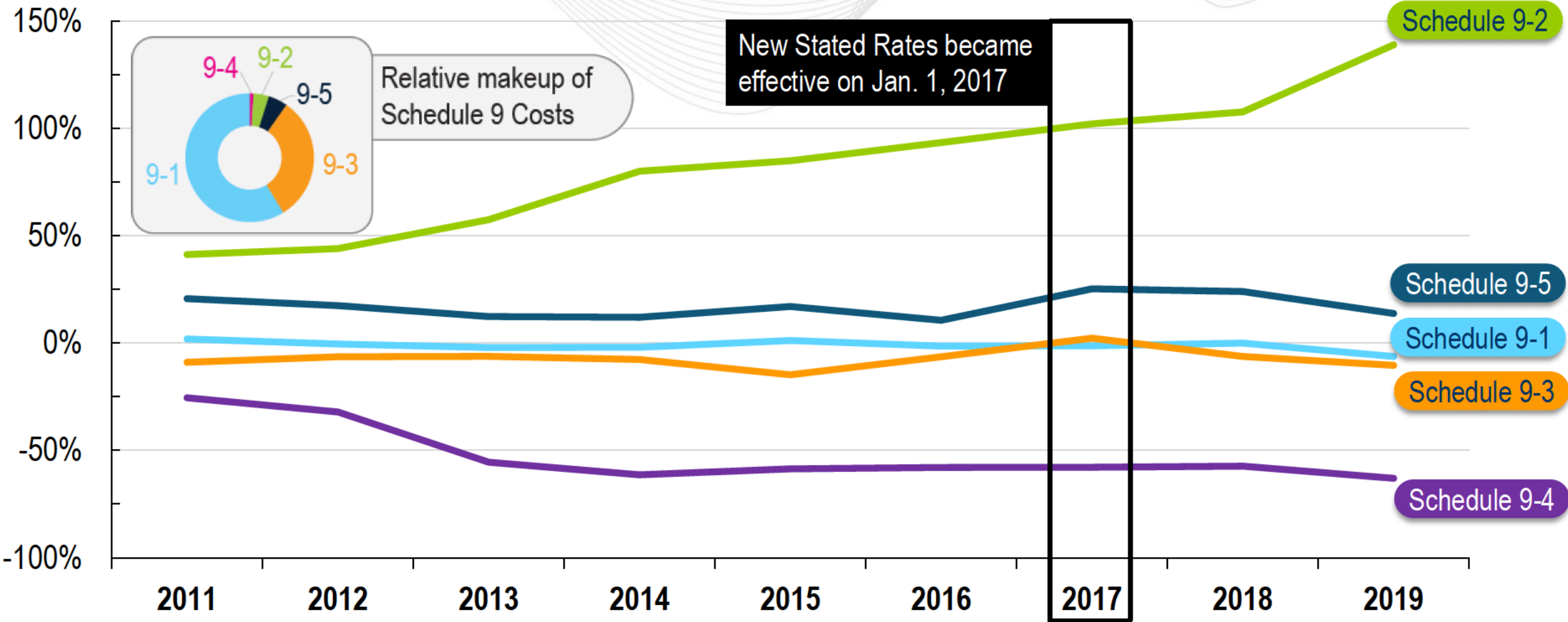
Members Committee Informational Webinar  
September 14, 2020  
Jim Snow

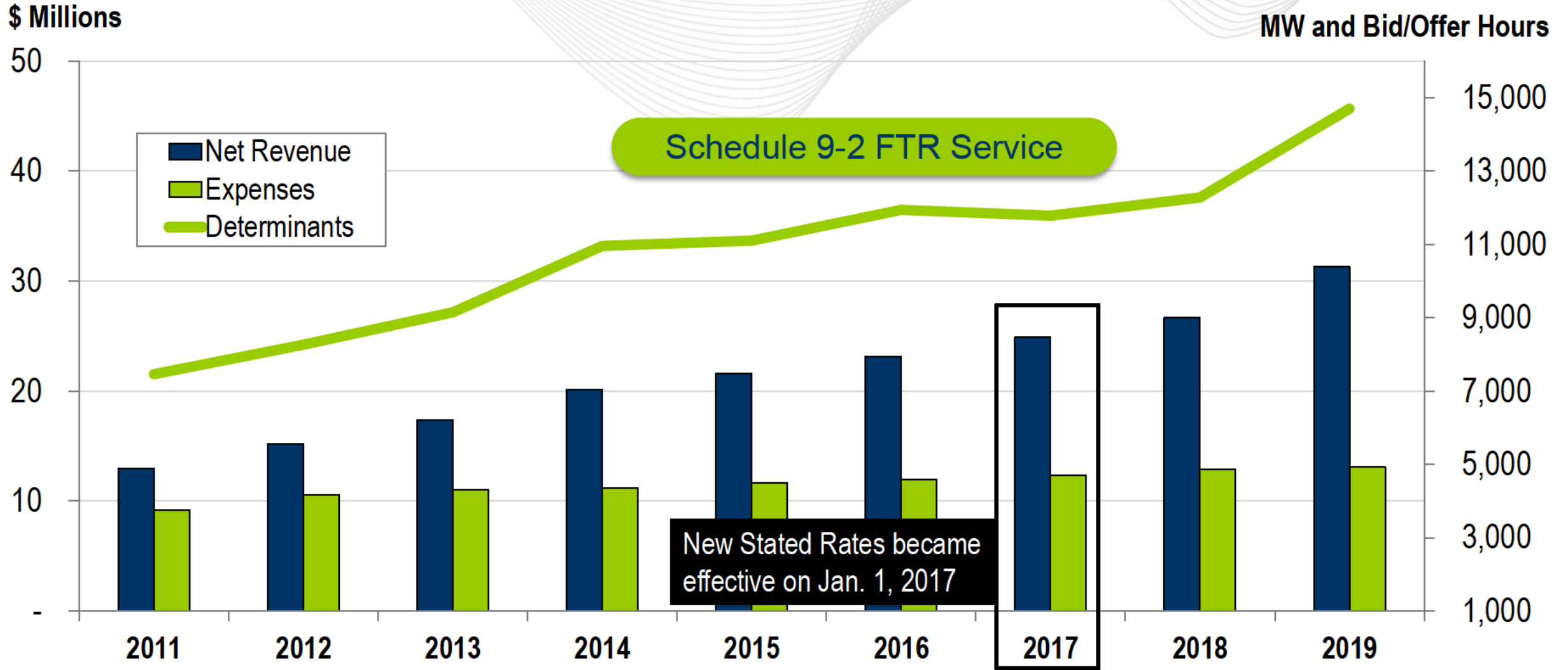
- PJM recovers its operating expenses through Schedule 9 of the Tariff.
- Each schedule is tied to a billing determinant.
- 90% of Schedule 9 revenue is tied to actual load times and a transmission factor. The remaining portion is correlated to transactional activity.
- Schedule 9-2 represents FTR billing volume and this activity has increased 97% since 2011.

**Schedule 9-2 FTR administration service revenues significantly exceed costs.** This over collection is due to an increase in the volume of FTR bidding activity.

**Schedule 9-2 determinants are significantly higher than assumptions used to build the current stated rates.** This has led to the imbalance of revenues and expenses for Schedule 9-2.

**Schedule 9-2 bidding activity is at the same level or higher than 2019.**





Current refund rates are based on fixed percentages that give more of the over collection to Schedules 9-1 and 9-3. These percentages were tied to gross revenues; however, very little over collection is occurring in these schedules over a 12-month period.

OPTION

1

Reset the refund percentages to allocate excess collections over a rolling 12-month period, based on service category net revenue.

**OPTION  
2**

Lower rate for Schedule 9-2(a) and (b) by 20 percent.

### The rates would be as follows:

- 2020 Schedule 9-2(a) – \$0.0029/MWh → \$0.0023/MWh
  - 2020 Schedule 9-2(b) – \$0.0020/Bid offers → \$0.0016/Bid offers
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- 2021 Schedule 9-2(a) – \$0.0030/MWh → \$0.0024/MWh
  - 2021 Schedule 9-2(b) – \$0.0020/Bid offers → \$0.0016/Bid offers

OPTION

1

**Pros**

- Refunds are better correlated to over collections
- Lower risk of revenue inadequacy as it only refunds excess collections
- Interim solution until new rates and/or rate structure is completed in 2021

**Cons**

May impact all Schedule 9 customers



OPTION

2

**Pros**

- Interim solution until new rates and/or rate structure is completed in 2021

**Cons**

- Risk of revenue inadequacy
- Rate reduction still results in significant over collection
- May impact all Schedule 9 customers

**OPTION  
1**

**Recommend Option No. 1** - amend the refund mechanism to allocate excess collections based on service category net revenue.

- PJM Management recommends moving forward with Option 1
- PJM Finance Committee Member Representatives endorsed moving forward with Option 1 on 9/9/2020



\* Movement to the Members Committee based on endorsement of the Finance Committee at 9/9/20 meeting.

\*\* Filing would occur if endorsed by members.

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## PJM OATT Schedule 9 Stated Rates



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