

September 24, 2020

PJM Board of Managers:

Dr. Ake Almgren, Chair
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Mr. John McNeely Foster
Ms. Margaret Loebel
Mr. O.H. Dean Oskvig
Mr. Charles F. Robinson
Ms. Sarah S. Rogers
Mr. Neil H. Smith
Mr. Mark Takahashi

PJM Interconnection, LLC
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Subject: Finance Committee Endorsement of Option 1 for Schedule 9-2

PJM staff brought forward an issue to the Finance Committee earlier in 2020 regarding Rate Schedule 9-2. The Finance Committee discussed that under the current Stated Rate some stakeholders are paying significantly more than the costs for Rate Schedule 9-2. PJM presented two options that would significantly reduce the over collection. The first alternative is to change the refund allocation mechanism to a pro rata method based on over collection rather than the current fixed percentages among the rate schedules. The other option is to reduce the Rate Schedule 9-2 rate to reduce the over collection. PJM recommended the first option.

The Finance Committee reviewed the issues and options surrounding Schedule 9-2 at its August meeting and then sought input from their respective sectors. The Sector-Elected Representatives appreciate the outreach by PJM staff not only to the Finance Committee, but to the broader PJM membership by discussing this issue at the September Market Implementation Committee, September Members Committee Information Webinar and Members Committee meetings.

On September 9, 2020, the Sector-Elected Representatives of the Finance Committee unanimously endorsed Option 1 as outlined by PJM staff. The additional analysis of both Options 1 and 2 was greatly appreciated and aided in reaching a decision. We found Option 1 preferential because it will more closely align the net revenues and costs as a solid, temporary solution while lowering the risk of revenue inadequacy.

The Sector-Elected Representatives look forward to the continued discussion of the Schedule 9 rates that we began earlier this year as this recommended change is an interim step in addressing this problem. The Finance Committee, aided by input from PJM staff, will take a fresh look at the Stated Rate procedure in general over the next several meetings. After consideration and consultation with their respective sector members, the Sector-Elected Representative will bring any recommended changes to the Members Committee and the Board.

The next step for the Schedule 9-2 change is to bring the recommendation to the October 29 Members Committee meeting. After the vote at that meeting, we recommend the Board approve PJM's recommended option and authorize staff to make a 205 filing to FERC on this interim solution.

Sincerely,

Sector-Elected Representatives to the Finance Committee