

Sector Challenge Process Enhancements

January 26, 2022



Background and Proposal

Problem Statement: Currently, questionable sector selections may only be challenged one time per year. Challenges to the sector selection of an existing Member must be made within 30 days of the Annual Meeting. Challenges to a new Member's sector selection must be made within 30 days of the new Member joining PJM.

Over the last three years, PJM has required changes to the sector selections of 14 members. PJM has determined that a sector modification was warranted for 88% of Sector Challenges.

To ensure the integrity of sector-weighted voting, Members explored reforms to allow for more timely inquiries, if needed, at the PJM Stakeholder Process Forum (SPF) over the last 18 months.

Proposed Solution: Reform the Sector Challenge provisions of Operating Agreement, Section 8.1.3, to permit more timely examination of potentially improper sector selections, as well as development of Member protections against spurious or multiple challenges. Such reforms will supplement PJM's new process to evaluate sector changes on an ongoing basis that was announced at the November SPF.

Proposed Operating Agreement Revisions

8.1.3 Sector Challenge.

(a) Any Member ("Challenging Member") may request that PJM review the qualification of another Member ("Challenged Member") in the Challenging Member's sector to participate in that sector if the basis for such Challenged Member's qualifications have not been subject to a Sector Challenge review in the prior 24 months, unless there is a good faith assertion of a material change in the Challenged Member's Active and Significant Business Interests with PJM. Any five Members may request that PJM review the qualification of another Member to participate in the sector in which that Member is presently assigned.

(b) A request pursuant to section 8.1.3(a) above, ("Challenge") shall be submitted in writing and shall describe the basis for the Challenge, which shall include, but not limited to, the reasons why the Challenged Member may not have any Active and Significant Business Interests in its present sector. ~~Except for new Members, a Challenge must be submitted within 30 days after the Annual Meeting of the Members. For new Members, a Challenge must be submitted within 30 days after the meeting in which they are introduced.~~

**Highlighted language reflects minor clarifications added after first read at December 2021 MC meeting **

Appendix

Scope of Stakeholder Process Forum (SPF) Work Effort

Background:

Original Driver / Issue to Address:

- In the spring of 2020, several members requested that PJM take a more active role in evaluating and overseeing the sector selection and challenge process. This was brought up for discussion due to several issues that arose during the annual recertification process in 2020 (i.e. companies selecting sectors that they were not qualified for, related parties trying to join inaccurate sectors, etc.).
- In the Fall of 2020, PJM provided an overview to the SPF on the enhancements that they've made to the process to confirm and validate selections of new members and members who change sectors in the annual process. The only remaining issue for the SPF to discuss is whether further changes could be made to the challenge process to enhance administrative efficiency for PJM and ensure accurate member selections on an ongoing basis.

Initial Sponsor: Sharon Midgley

Subgroup Members: TBD, if needed

Seeks to Accomplish: Consider changes to the timing requirements of the sector challenge process to enhance administrative efficiency for PJM and ensure accurate member selections on an ongoing basis.

List of Sector Changes that Resulted from Member Challenges/Questions

Year	Company	Old Sector	New Sector	Process
2021	Pixelle Specialty Solutions LLC	GO	EUC	Annual Challenge
2021	PBF Power Marketing, LLC	GO	EUC	Annual Challenge
2021	Cape May County Municipal Utilities Authority	GO	EUC	Annual Challenge
2020	Indiana Municipal Power Agency	GO	ED	Annual Challenge
2020	Kentucky Municipal Energy Agency	OS	ED	Annual Challenge
2020	Owensboro Municipal Utilities	OS	No longer a member	Annual Challenge
2020	Kuehne Chemical Company	OS	EUC	Annual Challenge
2020	Northern Illinois Municipal Power Agency	GO	ED	Annual Challenge
2020	Procter & Gamble Paper Products Company	GO	EUC	Annual Challenge
2020	Gerdau Ameristeel Energy	OS	EUC	Annual Challenge
2020	Energy Harbor LLC	TO	GO	Annual Recertification Process
2020	City of Cleveland, DPU, Division of Cleveland Public Power	TO	ED	Annual Recertification Process
2020	West Deptford Energy, LLC	GO	Affiliate member	During calendar year
2019	Essential Power Rock Springs, LLC	TO	GO	Annual Challenge

During this same time frame, there were only two challenges whose ultimate determination by PJM resulted in no change.