PJM Interconnection is the only grid operator in the United States to charge for its services to its members based on fixed, long-term rates. This stated rate plan, which went into effect in 2006, provides price predictability and financial transparency to PJM’s members and reflects PJM’s cost accountability and economies of scale.

Under the stated rate plan, PJM recovers its administrative costs – the costs of operating the electric transmission system and the wholesale electricity markets – through fixed rates billed to members based on their activity levels.

Under the previous system, formula rates varied from month to month, depending on PJM’s expenses and members’ transaction volumes. Stated rates give PJM members a high level of rate certainty and stability, as well as the benefits of the cost efficiencies PJM achieves through refunds on their bills.

The change to stated rates reflected PJM’s economies of scale and maturity as a regional transmission organization with effective cost-containment and productivity-improvement initiatives. The system has allowed PJM to return cost savings to members and fund a financial reserve.

In October 2011, PJM reduced the composite rate to 29 cents per megawatt-hour from the 30 cents per MWh rate that took effect at the beginning of 2011. The rate is expected to remain in place for at least five years.

Under the stated rate plan, PJM’s composite rate, which was 48 cents per MWh in 2003, has remained stable from the initial stated rate of 33 cents in 2006 to the current 32 cents (29 cents under stated rates plus 3 cents from a formulaic rate for recovery of PJM’s investment in dual control and data centers). PJM manages its costs within the rates established.

The stated rate plan includes provisions that enhance information-sharing between PJM and the member-elected Finance Committee, giving members a clear picture of PJM’s administrative costs. In addition, the plan established a charge in PJM’s tariff to collect from members the cost of developing a second control center for the grid operator.

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