

PJM Interconnection is a regional transmission organization, an entity authorized by the federal government to manage the reliability of the electric transmission system and the operation of the wholesale electricity market in a defined area.

PJM is the grid operator for a 369,089-square-mile area that covers all or parts of Delaware, Indiana, Illinois, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia, with a population of about 65 million.

As an RTO, PJM coordinates generation and directs operation of its region's transmission grid, which includes over 84,000 miles of transmission lines; administers a competitive wholesale electricity market; and plans regional transmission improvements to maintain reliability and relieve congestion.

PJM does not own generation or transmission assets. Rather, power generators, utilities and power marketers coordinate their operations through PJM. Doing so makes major electric outages less likely to occur and reduces power costs.

The Federal Energy Regulatory Commission authorizes regional transmission organizations, such as PJM, to "promote efficiency in wholesale electricity markets and ensure that electricity consumers pay the lowest price possible for reliable service."

The four FERC-required characteristics of an RTO are:

- **Independence** – the RTO must be independent of any market participant.
- **Scope** and regional configuration – the RTO must serve an appropriate region.
- **Operational authority** – the RTO must have operational authority for all transmission under its control.
- **Short-term reliability** – the RTO must have exclusive authority for maintaining the short-term reliability of the grid it operates.

The eight FERC-defined functions of an RTO are:

- **Tariff administration and design** – the RTO must administer its own transmission tariff and employ transmission pricing that promotes efficient use and expansion of transmission and generation.
- **Congestion management** – the RTO must develop and operate market mechanisms to manage transmission congestion.
- **Planning and expansion** – the RTO must be responsible for planning and directing needed transmission expansions and upgrades that enable it to provide efficient, reliable and non-discriminatory transmission service, coordinating its planning with appropriate state agencies.
- **Ancillary services** – the RTO must serve as provider of last resort of ancillary services required by FERC Order No. 888 and subsequent orders.
- **Interregional coordination** – the RTO must ensure the integration of reliability practices within an interconnection and market interface practices among regions.
- **Parallel path flow** – the RTO must develop and implement procedures to address parallel path flows within its region and with other regions.
- **OASIS, Total Transmission Capability and Available Transmission Capability** – the RTO must be the single OASIS site administrator for all transmission facilities under its control and independently calculate these two capabilities.
- **Market monitoring** – the RTO must provide objective monitoring of the markets it operates to identify market design flaws, market power abuses and opportunities for efficiency improvements, and propose appropriate actions.

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