

DRAFT

BOARD OF MANAGERS MEETING MINUTES

July 10, 2022

A multiple-day meeting of the PJM Interconnection, L.L.C. (PJM) Board of Managers (Board) was convened via Webex at approximately 6:45 p.m. on July 10, 2022.

The following Board members were present, constituting a quorum:

- Mark Takahashi, Chair
- Manu Asthana, President and Chief Executive Officer (ex officio)
- Terry Blackwell
- Paula Conboy
- Jeanine Johnson
- Margo Loebel
- David Mills
- Dean Oskvig
- Charles Robinson
- Sarah Rogers

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July 11, 2022

The meeting of the PJM Board was reconvened via Webex at approximately 11 a.m. on July 11, 2022.

The following Board members were present, constituting a quorum:

- Mark Takahashi, Chair
- Manu Asthana, President and Chief Executive Officer (ex officio)
- Terry Blackwell
- Paula Conboy
- Jeanine Johnson
- Margo Loebel
- David Mills
- Dean Oskvig
- Charles Robinson
- Sarah Rogers

Present for the meeting, or a portion of the meeting, were the following PJM personnel:

- Emanuel Bernabeu, Sr. Director, Applied Innovation & Analytics – Market Design & Economics
- Stu Bresler, Sr. Vice President – Market Services
- Michael Bryson, Sr. Vice President – Operations
- Rebecca Carroll, Sr. Director, Market Design – Market Design & Economics
- Lisa Drauschak, Vice President, Chief Financial Officer and Treasurer
- Craig Glazer, Vice President – Federal Government Policy
- Walter Graf, Sr. Director, Economics – Market Services
- Asim Haque, Vice President – State & Member Services
- Colleen Hicks, Associate General Counsel – Office of General Counsel
- Adam Keech, Vice President – Market Design & Economics
- Tom O'Brien, Sr. Vice President, Chief Information Officer
- Chris O'Hara, Sr. Vice President, General Counsel, Secretary & Chief Compliance Officer
- Ricardo Rodriguez, Sr. Director – Internal Audit
- Lisa Salmon, Executive Assistant to the President & PJM Board
- Kenneth Seiler, Vice President – Planning
- Nora Swimm, Sr. Vice President – Corporate Client Services

STRATEGY SESSION: GRID OF THE FUTURE/MARKETS

- Ken Seiler reviewed the materials with the Board and led the Board in a discussion on the Grid of the Future, including an examination of the changing resource mix and transmission planning considerations. The Board discussed the need for an orderly and reliable transition to the future grid.
- Rebecca Carroll and Adam Keech proposed strategic opportunities regarding incentivizing flexibility in PJM's markets. The initiatives focused on market designs that incentivize flexibility and a review of potential barriers that may be limiting demand response. The Board discussed both initiatives and expressed support for pursuing these items.

The Board adjourned at approximately 1:30 p.m.

July 13, 2022

The meeting of the PJM Board was reconvened via Webex at approximately 1 p.m. on July 13, 2022.

The following Board members were present, constituting a quorum:

- Mark Takahashi, Chair
- Manu Asthana, President and Chief Executive Officer (ex officio)
- Terry Blackwell
- Paula Conboy

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- Jeanine Johnson
 - Margo Loebel
 - David Mills
 - Dean Oskvig
 - Charles Robinson
 - Sarah Rogers

Present for the meeting, or a portion of the meeting, were the following PJM personnel:

- Stu Bresler, Senior Vice President, Market Services
- Michael Bryson, Senior Vice President, Operations
- Phil D'Antonio, Director, Energy Market Operations
- Lisa Drauschak, Vice President, Chief Financial Officer and Treasurer
- Craig Glazer, Vice President, Federal Government Policy
- Asim Haque, Vice President, State & Member Services
- Colleen Hicks, Associate General Counsel
- Adam Keech, Vice President, Market Design & Economics
- Steve McElwee, Chief Information Security Officer
- Paul McGlynn, Executive Director, System Operations
- Tom O'Brien, Senior Vice President, Chief Information Officer
- Chris O'Hara, Senior Vice President, General Counsel, Secretary & Chief Compliance Officer
- Ricardo Rodriguez, Senior Director, Internal Audit
- Lisa Salmon, Executive Assistant to the President & PJM Board
- Kenneth Seiler, Vice President, Planning
- Nora Swimm, Senior Vice President, Corporate Client Services

Present for a portion of the meeting was the following non-PJM personnel:

- Joe Bowring, President, Monitoring Analytics

ADMINISTRATION

Upon a motion duly made, seconded and unanimously adopted, the Board approved the minutes of its May 18, 2022, meeting.

JUNE OPERATIONS

- Paul McGlynn provided an update on the June 13–16 operation challenges in the PJM region and reviewed the materials. That period included higher load than forecasted, a severe weather event, transmission outages and curtailments in the AEP service area, specifically in the Columbus, Ohio area.
- Phil D'Antonio reviewed the materials regarding the performance of demand response resources during the shortage intervals. McGlynn and D'Antonio exited the meeting at 1:45 p.m.

CAPACITY AUCTION RESULTS/INSIGHTS AND ANALYSIS

- Stu Bresler reviewed the 2023/2024 Base Residual Auction results included in the Board materials and discussed the drivers for the outcomes, including the impact of market rules changes. Bresler explained that the auction results reflect a lower carbon resource mix at a lower cost to consumers. Bresler reported on the difference in the supply curve from prior auctions and that PJM continues to analyze the results, including the risk of retirement for units that did not clear.

2023 PRELIMINARY BUDGET TARGETS

- Lisa Drauschak reviewed the proposed 2023 budget targets in the materials, including key budget assumptions. A proposed budget will be developed and submitted to the Finance Committee for review in August and to the Board for approval in October.

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FERC NOTICE OF PROPOSED RULEMAKINGS (4)

- Seiler reviewed the four FERC NOPRs outlined in the Board materials and reviewed factors influencing the issuance of the NOPRs and shared that PJM has involved stakeholders in the development of PJM's response. The four matters that were discussed included: RM22-14-000 – Generator Interconnection Procedures, RM22-10-000 – Planning Performance for Extreme Weather, RM22-16-000 – One-Time Information Submission, and RM21-17-000 – Regional Transmission Planning and Cost Allocation.

CAPACITY INTERCONNECTION RIGHTS FOR EFFECTIVE LOAD CARRYING CAPABILITY RESOURCES

- Seiler discussed the issues related to capacity interconnection rights included in the materials and shared that PJM is working to clarify issues with stakeholders regarding the accreditation of intermittent resources and the transition of the existing resources to the new accreditation methodology.

DESIGNATED ENTITY AGREEMENT (DEA)

- Chris O'Hara and Seiler provided an update on the designated entity agreement issue as set forth in the materials.
- Asthana explained that the current Operating Agreement (OA) language is subject to different interpretations and has been challenged from both sides.

- O'Hara explained various paths to address this issue described in the meeting materials including filing an FPA 205 and/or FPA 206 filing.

Upon a motion made and duly seconded, the Board approved PJM to file an FPA 206 filing to assert that the existing Operating Agreement language is unclear and thus not just and unreasonable in order to address issues related to the utilization of the DEA.

COMPETITIVE MARKETS COMMITTEE (CMC) REPORT

- David Mills reported on the CMC meeting held on July 12, 2022, and the materials presented therein.
- Mills reported that the CMC had received an update on several markets-related initiatives, including the markets-related NOPR, Resource Adequacy Senior Task Force, performance assessments and circuit breakers.
- Mills further reported that the CMC reviewed proposed revisions to cost development rules, including on startup costs, the determination of variable environmental costs and changes to Manual 15 related to PJM's reserve price formation filing. The CMC had endorsed the proposed Manual 15 changes.

Upon a motion duly made and seconded, the Board unanimously approved the resolution approving updates to Manual 15 Cost Development Guidelines. (Attachment A)

RELIABILITY & SECURITY COMMITTEE (RSC) REPORT

- Dean Oskvig reported on the RSC meeting held on July 12, 2022, and the materials presented therein. Oskvig provided a summary assessment of the June Operations report, cybersecurity key performance indicators and operational dashboards provided in the Board materials.
- Oskvig further provided a high-level summary of the changes to the 2021 Regional Transmission Expansion Plan (RTEP), which the RSC had endorsed.

Upon a motion made and duly seconded, the Board approved a resolution related to the changes to the 2021 RTEP. (Attachment B)

REGULATORY COMMITTEE (RC) REPORT

- Paula Conboy reported on the RC meeting held on July 12, 2022, which included a federal and state regulatory summary and an update on recent FERC orders affecting the RTO.

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FINANCE COMMITTEE (FC) REPORT

- The Board was informed that the FC would meet on July 18, 2022, to give an update on PJM's Q1 results, Monitoring Analytics financials and draft budget preparation, and key assumptions

Bresler, Bryson, Drauschak, Glazer, Haque, Hicks, Keech, O'Brien, Rodriguez, Salmon, Seiler, and Swimm exited the meeting.

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Resolution for the Meeting of the PJM Board of Managers

July 13, 2022

Approval of Updates to PJM Manual 15

WHEREAS, Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., (“Operating Agreement”), Schedule 2, section 1.2 provides that the PJM Board of Managers (Board) is responsible for defining in detail the method of determining the cost components for cost-based offers in the PJM energy markets;

WHEREAS, PJM Manual 15: Cost Development Guidelines details the method of determining the cost components for cost-based offers;

WHEREAS, PJM Manual 34, section 11.15 requires Board approval of revisions to PJM Manual 15;

WHEREAS, PJM is proposing updates to the PJM Manual 15 to make conforming revisions based pending tariff changes related to reserve price formation that are set to be effective on October 1, 2022 by (1) removing references to Tier 1 and Tier 2, (2) removing variable operations and maintenance from synchronized reserve offers, and (3) reducing the existing \$7.50/MWh offer margin to the expected value of the penalty;

WHEREAS, the PJM Markets and Reliability Committee and Members Committee is scheduled to endorse these PJM Manual 15 revisions on September 21, 2022;

WHEREAS, the Board, through the Competitive Markets Committee, has been provided with summary presentation materials; and

NOW, THEREFORE, BE IT RESOLVED, that the Board, having reviewed the proposed revisions to PJM Manual 15, hereby approves the revisions to PJM Manual 15, contingent upon endorsement by the Members Committee and approval of PJM’s reserve price formation filing by the Federal Energy Regulatory Commission, to effectuate the aforementioned revisions.

Resolution for the Meeting of the Board of Managers

July 13, 2022

2021 Regional Transmission Expansion Plan

WHEREAS, Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., Schedule 6, section 1.6 (a) provides that the PJM Board of Managers is responsible for approving changes to the Regional Transmission Expansion Plan (RTEP) and cost allocations for transmission enhancements and expansions consistent with PJM Open Access Transmission Tariff, Schedule 12 (Tariff, Schedule 12);

WHEREAS, the Transmission Expansion Advisory Committee (TEAC) has reviewed and been provided the opportunity to comment on the elements of the changes to the 2021 RTEP; and

WHEREAS, the Board of Managers has reviewed the RTEP material developed by PJM in consultation with the TEAC, including the elements and cost allocations related to the proposed changes to the 2021 RTEP, and the recommendations of the Board of Managers Reliability and Security Committee.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Managers hereby approves the 2021 RTEP including changes resulting in an overall net increase of approximately \$82.09 million, and associated cost allocations in accordance with Tariff, Schedule 12, resulting from:

- (a) New baseline projects totaling approximately \$82.79 million comprised of: PJM reliability criteria enhancements totaling approximately \$36.21 million, and transmission owner FERC Form 715 planning criteria enhancements totaling approximately \$46.58 million;
- (b) Cost changes to an existing approved RTEP baseline projects totaling a \$7.7 million net increase; and
- (c) Cancellation of an existing approved RTEP baseline project totaling an \$8.4 million net decrease.

The Board of Managers further directs PJM to file with the Federal Energy Regulatory Commission under Federal Power Act section 205, within 30 days of the date of this approval, the cost allocations for each approved RTEP project as required pursuant to the PJM Tariff, Schedule 12, section (b)(viii).