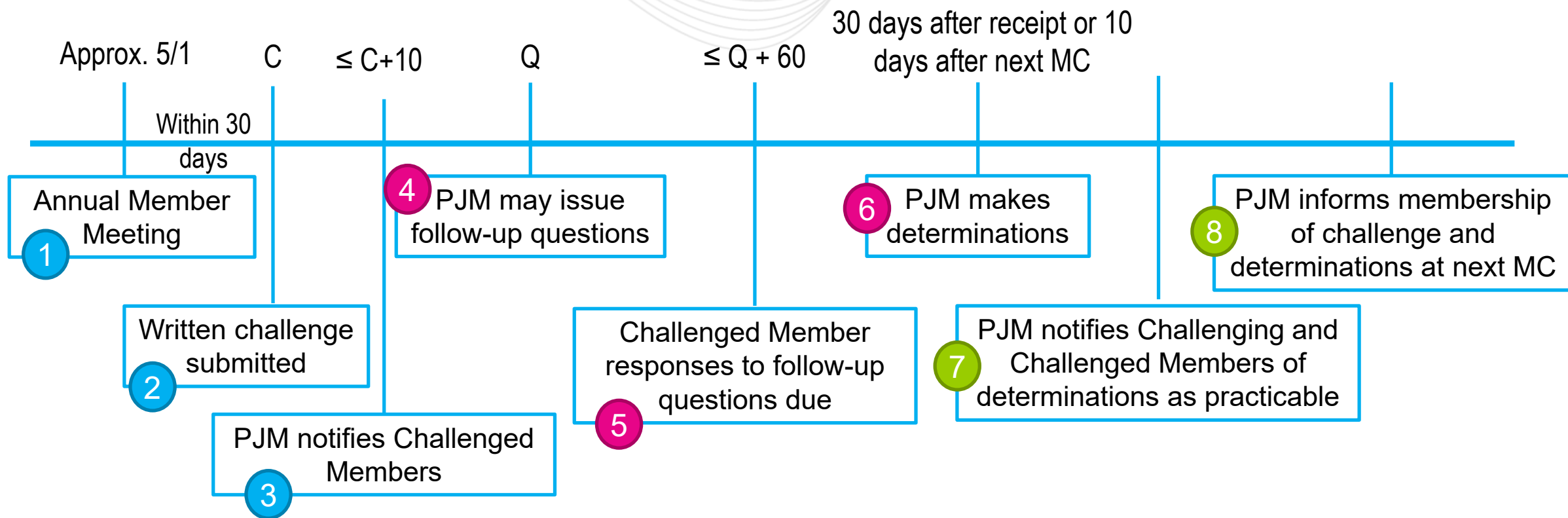


Sector Challenge Process and Example

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MC Webinar
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- Process Timeline
- Process Overview
- Generation Owner Challenge Example



Operating Agreement, section 8.1.3

PJM's Charge Regarding a Sector Challenge - OA, section 8.1.3(e)

Considering the sector definitions and Active and Significant Business Interests, PJM, in its sole discretion, shall determine if the Challenged Member meets the requirements to participate in its present sector.

Active and Significant Business Interest (Defined in OA)

Used to assess the scope of a Member's PJM membership and based on a Member's activity in the PJM RTO and/or Interchange Energy Markets. A Member's Active and Significant Business Interest shall:

1. be determined relative to the scope of the Member's PJM membership and activity in the PJM RTO and/or Interchange Energy Markets considering, among other things, the Member's public statements and/or regulatory filings regarding its PJM activities; and
2. reflect a substantial contributor to the Member's recent market activity, revenues, costs, investment, and/or earnings *when considering the Member and its corporate affiliates' interests within the PJM footprint.*

1. Review sector definitions and Member sector preferences
2. Gather data (see below for examples)
 - Specifics dependent on sectors being evaluated
3. Evaluate and make determination

Affiliates	FERC Form 1
Market-based rate authority	Energy Generated / Revenues
PJM Invoices	Energy Used / Costs
Capacity Obligation	Generation Capacity Owned

*** Data in the context of activity in the PJM footprint, as appropriate**

Challenge: GO Member that may also be a significant end-user of electricity

Review Sector Definition – Generation Owner

- Member that owns or leases, with right equivalent to ownership, or otherwise **controls and operates** one or more operating generation resources **located in the PJM Region**.
- A Member that is primarily a retail end-user of electricity that owns generation may qualify as a GO if:
 - a generation resource owned is the subject of an ISA or a WMPA; and
 - average physical unforced capacity owned by the Member and its affiliates exceeds capacity obligation; and
 - average energy produced by the Member and its affiliates exceeds average energy consumed

*GO definition abridged for example

Challenge: GO Member that may also be a significant end-user of electricity

Review Sector Definition – End-Use Customer

"End-Use Customer" shall mean a Member that is a retail end-user of electricity within the PJM Region. For purposes of Member Committee classification, a Member that is a retail end-user that owns generation may qualify as an End-Use customer if:

- avg. physical unforced capacity owned by the Member and its affiliates does not exceed its capacity obligation; or
- avg. energy produced by the Member and its affiliates does not exceed average energy consumed

*EUC definition abridged for example

Gather Data

- Affiliate disclosure confirmation and relationships
- Related ISAs/WMPAs
- Total Generation Capacity
- Total Energy Consumed (ED bills)
- Total Energy Produced
- RPM Auction Awards

Challenge: GO Member that may also be a significant end-user of electricity

Critical Data

A. ISA/WMPAs

B. Avg. physical unforced capacity owned

C. Avg. PJM capacity obligation

D. Avg. energy produced

E. Avg. energy consumed

Evaluation

ISA for queue position Z9-1234

AND

Capacity Owned	GO Reqt.	Capacity Obligation
25 MW	>	0

AND

Energy Produced	GO Reqt.	Energy Consumed
90,000 MWhrs	>	50,000 MWhrs (10,000 + 40,000)

Determination

While energy is produced and consumed, GO sector requirements met since more energy is produced than consumed

Data includes Member and affiliate activities in PJM region over prior 5 Planning Periods

Sector selection is rarely straightforward given the varied business interests of many PJM Members

Assessing Active and Significant Business Interests intends to identify the predominant business activity performed by the PJM Member and its affiliates in the PJM region

PJM is applying greater scrutiny in the sector selection process with the Know Your Customer (KYC) changes to the OA

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**Please send questions or feedback to
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