Competitive Transmission Proposal Fee Structure Review

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Planning Committee
October 17, 2019
Current Fee Structure

- Current Structure
- “Flat Fee” based on proposing entity project cost estimate
- Drivers/need for re-structuring effort

<table>
<thead>
<tr>
<th>Proposal Cost Estimate</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$20M</td>
<td>$0</td>
</tr>
<tr>
<td>$20M-$100M</td>
<td>$5k</td>
</tr>
<tr>
<td>&gt;$100M</td>
<td>$30k</td>
</tr>
</tbody>
</table>
Proposed Fee Structure
Considerations and Feedback

- Previous meetings and incorporation of stakeholder feedback
  - Applicability
  - Security & risk
  - Deposits
  - Estimated study costs
Proposed Fee Structure

Major Steps

1. Initial Deposit by close of window
2. PJM estimates work, associated cost and communication to project sponsors
3. PJM receives additional deposit based on estimated work
4. PJM performs and coordinates study work
5. PJM reconciles final cost
6. PJM sends final invoice

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• **Proposed approach:**

  $(5,000 \text{ Initial Deposit}) + (\text{Estimated Study Costs}) + (\text{Final Completed Study Costs})$

• **Initial Deposit**
  - Deposit required = Estimated Cost of Proposal is $>5M$
    - Non-refundable, due at close of window
    - Any entity that intends to be the Designated Entity for their proposal
    - Applied toward any actual study costs
  - No Deposit required = Estimated Cost of Proposal is $\leq 5M$

• **Estimated Study Costs**
  - Initial invoice prior to incurring any third-party consultant work
    - Methodology: PJM estimated potential costs, historical estimates, complexity and nature of need and solution
    - If PJM receives updated additional costs or needs to additional scope and resulting cost, an additional estimate will be provided by PJM
    - Payment due within ten (10) days.

• **Actual Study Costs**
  - Actual study costs
    - PJM will track per proposal:
      - Examples: PJM staff labor, Independent Consultant expense

• **Final Completed Study Costs**
  - Invoice equal to Actual Study Costs in excess of Initial Deposit + Estimated Study Costs
  - To be eligible for designated entity status study costs must be paid
  - Must be paid before a DEA can be executed
  - Must be paid before any additional competitive project submissions can be made

• **Invoice Timing:**
  - Impact to RTEP Timeline
  - Invoiced cost to be paid within ten (10) calendar days
Proposed approach examples:

- **Example #1:**
  - Project sponsor submits a proposal with an estimated cost of $500k.
    - Deposit = $0
    - Actual study costs of $3k are estimated.
    - PJM invoices the project sponsor for $3k. Upon receiving the payment, PJM will initiate associated work.
    - Actual study costs of $3500 are incurred, PJM will invoice for $500

- **Example #2:**
  - Project sponsor submits a proposal with an estimated cost of $20M.
    - Deposit = $5k
    - PJM estimates study costs of $15k.
    - PJM invoices the project sponsor for $10k. Upon receiving the payment, PJM will initiate associated work.
    - Actual study costs of $13k are incurred, PJM refunds $2k

- **Example #3:**
  - Project sponsor submits a proposal with an estimated cost of $20M.
    - Deposit = $5k
    - PJM estimates study costs of $15k.
    - PJM invoices the project sponsor for $10k. Upon receiving the payment, PJM will initiate associated work.
    - Actual study costs of $17k are incurred, PJM issues an additional invoice for $2k

- **Example #4:**
  - Project sponsor submits a proposal with an estimated cost of $10M.
    - Deposit = $5k
    - PJM estimates study costs of $10k.
    - PJM invoices the project sponsor for $5k. Upon receiving the payment, PJM will initiate associated work.
    - Actual study costs of $10k are incurred.
Proposed Fee Structure
Next Steps

- Operating Agreement draft posted:
  - [https://pjm.com/-/media/committees-groups/committees/pc/20191017/20191017-item-09c-proposal-fee-draft-oa-language-redline.ashx](https://pjm.com/-/media/committees-groups/committees/pc/20191017/20191017-item-09c-proposal-fee-draft-oa-language-redline.ashx)

- First Read of Operating Agreement language to support proposed fee re-structure
  - October 17, 2019 PC
  - October 31, 2019 MRC

- Request for Endorsement of Operating Agreement language to support proposed fee re-structure
  - November 14, 2019 PC
  - December 5, 2019 MRC/MC
• 10/14/2019
  – Original version posted to PJM.com

• 10/22/2019
  – Updated Slide 5 – Proposed Fee Structure details for additional clarity