



Performance Assessment Interval Billing Approach

Risk Management Committee
February 22, 2023

- Billing Timeline Filing
- Billing Option Election Process
- Billing Cash Flow Examples
- Bonus Holdback
 - Holdback Example

- The current PJM Tariff language specifies that Non-Performance Charges are to be billed in equal installments in the remaining months of the Delivery Year following the determination of the charges.
 - This means Non-Performance Charges from the December 2022 PAI event would be divided in three monthly bills (March, April, May)
 - Given the magnitude of estimated charges for this event, some market participants may have difficulty meeting payment obligations in this timeframe
- PJM reviewed a proposal to extend the billing period to 9 months and provided notice and consultation with the PJM Members and Transmission Owners in accordance with Tariff, section 9.2 and CTOA, section 7.5.1 in soliciting feedback from the RMC, MC & TOA-AC in January
 - Goal is to minimize disruption to the market and maximize the collection of charges



Amended Billing Timeline – Future Events

Based on feedback received, PJM filed the following amendment with FERC pursuant to section 205 of the FPA on February 2, 2023, in Docket ER23-1038-000:

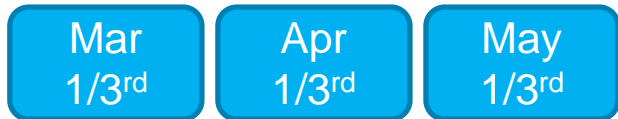
For future PAI events:

Number of billing months remaining in Delivery Year:	6 or More (events in or before September)	Less than 6 (events occurring in October or later)
Billing Timeline:	No change. Bill charges in equal installments over the remaining months in the Delivery Year.	PJM may follow the status quo or extend the billing period to up to 9 months with no interest due. <ul style="list-style-type: none">• Notice to membership is required.• Any extension to the billing period would uniformly apply to all market participants.• Charges are billed in equal installments over the selected billing period.

For the December 2022 PAI events:

A transitional rule was proposed. Members will have two options for payment schedules.

3 month billing option: Pay over the remainder of the delivery year consistent with the current tariff. No interest will be applied.



9 month billing option: Interest would be calculated for the months that go past the current delivery year based on the FERC interest rate at the time of election.



Interest calculated for last 6 months and then levelized and billed over entire 9 month period

- The proposal helps mitigate risks of member defaults and provide additional opportunities to collect Non-Performance Charges
 - This ultimately decreases the reliability risk that would otherwise arise if resources defaulted and could no longer be relied upon as capacity for the remainder of the Delivery Year
 - The goal is to increase the pool of bonus payments available for resources that over performed during the event
- In recognition of the reasonable expectation that all bonus payments would have been received by the June monthly bill based on the current tariff, members owed bonus payments will receive the interest payments collected.

PJM is requiring all members receiving non-performance charges to notify PJM whether they are electing the 3 month or 9 month billing option.

- Elections are contingent on FERC approval of the proposed tariff revisions.
- Elections must be made at the sub-account level (not resource-specific).
- A page is being added to the [Billing Line Item Transfer](#) application to facilitate this election.

- The election window will be open from February 22 – March 17, 2023.
 - Once submitted, elections can be updated through the end of this period.
 - Elections will become read only beyond March 17.
- Users must have the Billing Line Item Transfer Read/Write role for each sub-account in order to submit these elections.
 - Customer Account Managers can grant this access.

PJM expects all members to proactively submit their elections by March 17. In the event a member does not submit their billing election, PJM will follow up with the member to secure an election. In the event no response is received by March 24, the election will default to the 3 month option.

Navigate to the [Billing Line Item Transfer tool page](#) and select “Sign In”

Home > Markets & Operations > PJM Tools > Billing Line Item Transfer



Billing Line Item Transfer

The Billing Line Item Transfer tool replaces the current paper process completed with the Declaration of Authority form, allowing users to easily create billing line item transfers online. This tool may be used by PJM participants who want to transfer charges and/or credits to other organizations through their billing. Transfers are created by one party and approved by another party to complete the transfer process.

Production: [Sign In](#) | [Register](#)
Train Environment: [Sign In](#) | [Register](#)

From the Dashboard, select the “Submit PAI Election” button

The screenshot shows the 'Billing Line Item Transfer' dashboard. At the top, there is a navigation bar with the PJM logo and the page title. Below this is a 'Dashboard' header. The main area contains a filter section with date pickers (From: Feb 2023, To: Feb 2024), a 'Pending Only' checkbox, and 'Update' and 'Reset' buttons. On the right side of the filter section, there are buttons for 'Create', 'Bulk Update', and 'Submit PAI Election' (which is highlighted in yellow), along with a 'CSV' button. Below the filter section is a table with columns for 'Date Updated', 'BLIT ID', 'From', 'From Status', 'To', 'To Status', 'BLI ID', 'BLI Description', 'Charge/Credit', 'As provided for by State, Local, or Federal Law', 'Effective Date', 'Terminate Date', 'Bulk Update', and 'Actions'. The table currently shows one record with '(1 of 1)' records displayed.

PAI Billing Timing Election

← Back

For the assessment of Non-Performance Charges stemming from Winter Storm Elliott on December 23 and 24, 2022, please elect whether the charges for this sub-account are to be invoiced over the three monthly bills remaining in the Delivery Year (March 2023 through May 2023) or over nine monthly bills (March 2023 through November 2023), subject to interest. Elections may be made or modified on this screen through March 17, 2023. Failure to make an election will result in all such charges being automatically invoiced over three monthly bills.

ABC's Election: 3 Months 9 Months (Interest will be applied)

Submit

PAI Election History

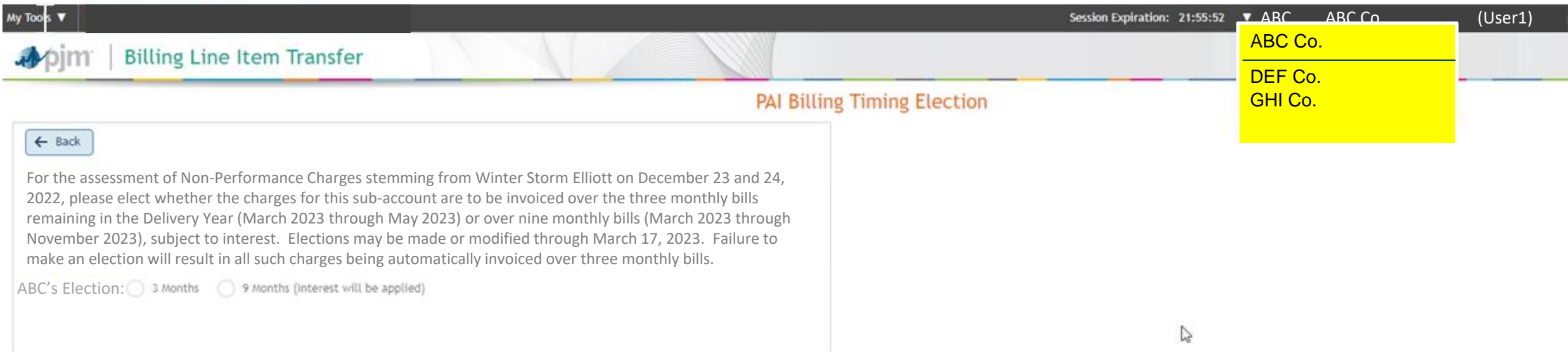
PAI Election (in Months)	User	Timestamp
9	PETER10	02/10/2023 09:04:01
3	STGUSER44	02/10/2023 08:59:07

Select the 3 Months or 9 Months option and submit.

Election history will display any changes to elections.

- Users with SUMA access can make elections for multiple sub-accounts using a single user account.

For the assessment of Non-Performance Charges stemming from Winter Storm Elliott on December 23 and 24, 2022, please elect whether the charges for this sub-account are to be invoiced over the three monthly bills remaining in the Delivery Year (March 2023 through May 2023) or over nine monthly bills (March 2023 through November 2023), subject to interest. Elections may be made or modified on this screen through March 17, 2023. Failure to make an election will result in all such charges being automatically invoiced over three monthly bills.



My Tools ▾ Session Expiration: 21:55:52 ▾ ABC Co (User1)

pjm | Billing Line Item Transfer

PAI Billing Timing Election

← Back

For the assessment of Non-Performance Charges stemming from Winter Storm Elliott on December 23 and 24, 2022, please elect whether the charges for this sub-account are to be invoiced over the three monthly bills remaining in the Delivery Year (March 2023 through May 2023) or over nine monthly bills (March 2023 through November 2023), subject to interest. Elections may be made or modified through March 17, 2023. Failure to make an election will result in all such charges being automatically invoiced over three monthly bills.

ABC's Election: 3 Months 9 Months (Interest will be applied)

ABC Co.
DEF Co.
GHI Co.

- This slide is the guide for Example 1 in the corresponding worksheet posted as Item 3B
- In this example, the Estimated PAI is \$1.8 billion
- Repayment of the PAI is split evenly between the 3 month and 9 month option.
- Interest is calculated as follows:
 - Current annual FERC interest rate of 6.31%
 - Interest is calculated beginning in June for the total outstanding
 - Total interest is added to the \$900 million and divided by nine
 - This method results in market participants having even monthly payments
 - PJM has included an interest calculator for market participants in the worksheet

This example is for illustrative purposes only

- This slide is the guide for Example 2 in the corresponding worksheet posted as Item 3B
- Example is assuming a 20% holdback in month 1 (March)
- Actual collection in this example is 90% for March; therefore a 10% holdback
- This results in two adjustments:
 - During April, an adjustment for March actual collections would be distributed
 - For April and beyond, the holdback would be reset to 10%
- PJM does not intend to apply a holdback to the interest payments
- PJM will need to monitor the following:
 - Monthly holdback rate
 - Any default by a market participant choosing the 9 month option would result in a claw back of interest

This example is for illustrative purposes only

- This slide is the guide for Example 3 in the corresponding worksheet posted as Item 3B
- Example is assuming a 20% holdback in month 1 (March)
- Actual collection in this example is 70% for March; therefore a 30% holdback
- This results in two adjustments:
 - During April, an adjustment for March actual collections would be clawed back
 - For April and beyond, the holdback would be reset to 30%
- Same treatment of interest as in Example 2

This example is for illustrative purposes only

- The proposed holdback percentage will be dependent upon internal credit assessments, outreach and collateralization which is ongoing.
- The holdback percentage for the March 2023 invoice will be reviewed at the March 21st RMC meeting.

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Performance Assessment Interval Billing Approach



Member Hotline

(610) 666 – 8980

(866) 400 – 8980

custsvc@pjm.com

Appendix

Tariff, Attachment DD, Section 10A

(j) The Office of the Interconnection shall bill charges and credits for performance during Performance Assessment Intervals within three calendar months after the calendar month that included such Performance Assessment Intervals, provided, for any Non-Performance Charge, the amount shall be divided by the number of months remaining in the Delivery Year for which no invoice has been issued, and the resulting amount shall be invoiced each such remaining month in the Delivery Year. Notwithstanding, or during the first month of the next Delivery Year if ~~three~~ there are less than six months ~~do not~~ remaining in the current Delivery Year for which no invoice has been issued, the Office of the Interconnection may, with prior notice to PJM Members, allocate in equal amounts any Non-Performance Charge in the remaining monthly bills for the current Delivery Year plus up to six monthly bills into the following Delivery Year (but in no event shall the total Non-Performance Charge be divided in more than nine monthly bills). Provided, for any Non-Performance Charges associated with Performance Assessment Intervals from December 23, 2022 and December 24, 2022, a Capacity Market Seller may elect, by providing notice to the Office of Interconnection by March 17, 2023, to divide the total amount of Non-Performance Charges by either (i) the number of remaining monthly bills in the current Delivery Year (i.e., 3 bills) or (ii) the number of remaining monthly bills in the current Delivery Year plus six additional monthly bills into the following Delivery Year (i.e., 9 bills); provided further, however, that for an election under subsection (ii) above, the monthly Non-Performance Charge shall be levelized to include interest for the six month period following the current Delivery Year, such interest amount being determined at the electric interest rate established by the Federal Energy Regulatory Commission at the time of such election. All interest collected in accordance with this provision shall be allocated to the total pool of bonus performance payments and distributed in accordance with Tariff, Attachment DD, section 10A(g).

- The Non-Performance Assessment reports in MSRS will show the non-performance charges absent any interest charges.
 - The Non-Performance Monthly Charge column on the Billing Month Summary report will show 1/9th of the total charge (absent interest).
- Interest charges can be seen on the billing statement.
 - Under Billing Line Item 1667: Non-Performance Charge
 - Applied as a same month adjustment to this line item. For example, March interest will be assessed as an adjustment to March non-performance charges in the March billing statement.
 - These adjustments will also be visible on the Billing Adjustment Summary report in MSRS.
 - The interest calculator tab of Item 3B can be used to shadow the interest calculation.

- The Non-Performance Assessment reports in MSRS will show the bonus credits absent any interest payments.
 - The Total PJM Non-Performance Monthly Charge column on the Billing Month Summary report will show the total charges (absent interest) billed in a given month (reflective of both 3 month and 9 month elections).
- Interest payments can be seen on the billing statement.
 - Under Billing Line Item 2667: Non-Performance Credit
 - Applied as a same month adjustment to this line item. For example, March interest will be paid as an adjustment to March non-performance credits in the March billing statement.
 - These adjustments will also be visible on the Billing Adjustment Summary report in MSRS.

- A column will be added to the Non-Performance Assessment Billing Month Summary report to show the amount of bonus dollars withheld for each billing month.
 - Member's Bonus Credit = (Total PJM Non-Performance Monthly Charge – Bonus Holdback Adjustment) * bonus MW ratio share
 - More detail to be shared at March Market Settlements Subcommittee meeting
- If PJM over or under collects compared to the bonus holdback, the difference (positive or negative) will appear as an adjustment to the prior month's bonus credit in the next monthly billing statement.
 - These adjustments will appear separately from the adjustments for interest payments.
 - A new version of the Billing Month Summary that shows the corrected Bonus Holdback Adjustment for that prior month will also be issued.

Month	Bill Issued	Net Payments Due	Net Disbursements Due
March 2023	Fri 4/7/2023	Fri 4/14/2023	Mon 4/17/2023
April 2023	Fri 5/5/2023	Fri 5/12/2023	Mon 5/15/2023
May 2023	Wed 6/7/2023	Fri 6/16/2023	Tue 6/20/2023
June 2023	Mon 7/10/2023	Fri 7/14/2023	Mon 7/17/2023
July 2023	Mon 8/7/2023	Fri 8/11/2023	Mon 8/14/2023
August 2023	Fri 9/8/2023	Fri 9/15/2023	Mon 9/18/2023
September 2023	Fri 10/6/2023	Fri 10/13/2023	Mon 10/16/2023
October 2023	Tues 10/7/2023	Mon 11/13/2023	Tues 11/14/2023
November 2023	Thu 12/7/2023	Fri 12/15/2023	Mon 12/18/2023

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POWER GRID
THINK BEFORE
YOU CLICK!**



Be alert to
malicious
phishing emails.

Report suspicious email activity to PJM.
(610) 666-2244 / it_ops_ctr_shift@pjm.com

