



# Performance Assessment Interval Billing Election and Holdback Implementation

Lisa Morelli  
Director, Market Settlements Initiatives  
Risk Management Committee  
March 21, 2023

- **Billing Option Election Process**
  - Update on elections
- **Bonus Holdback Implementation**
  - Overview
  - Example

PJM requested that all members with preliminary non-performance charges (before any bonus netting) proactively submit their election for such charges to be billed over 3 months or 9 months by March 17.

- The process for submitting this election is outlined in the [February RMC materials](#)
- The 9 month option is contingent upon FERC approval of the pending filing

Data as of 3/20/2023

Election	# Accounts	% Accounts	% of Preliminary Non-Performance Charges
3 Month	161	71%	31%
9 Month	66	29%	69%

- The monthly bonus holdback is calculated at the interval level since bonus credits are a function of non-performance charges collected for each interval.
- The holdback is applied in two forms:
  - **Expected holdback**
    - Used to calculate the initial payment of bonus credits for each month (e.g. March share of bonus credits included in the March bill)
    - Based on expected risk of non-payment of non-performance charges in the upcoming bill month
    - Hedges the risk of paying out bonus credits in excess of what will actually be collected
  - **Actual holdback**
    - Only known after the billing statements for a given month have been issued and financially settled.
    - Based on actual non-payment of non-performance charges
    - Used to calculate adjustments to true up bonus credits paid out for each interval with the non-performance charges actually collected for each interval (e.g. adjustments to bonus credits for March included in the April bill)
    - Applied only to the intervals in which the accounts that underpaid had non-performance charges

The **expected holdback** is based on:

- Actual non-payment of non-performance charges in the prior billing month
  - Assumes any non-payment will continue in future months
  - This portion of the holdback applies only to the intervals in which the accounts that underpaid had non-performance charges
- An assessment of the risk of additional non-payment in the upcoming bill month
  - This is expressed as a % of total non-performance charges after accounting for the actual non-payment that carries over from the prior month
  - This percentage holdback is applied uniformly to all intervals

The expected holdback does not apply to the bonus credits due from interest charges assessed to participants electing the 9 month billing option.

- See Interval Level Holdback Example tab in the spreadsheet accompanying this presentation

Holdback Type	March (Month 1 Activity)	April (Month 2 Activity)	Subsequent Months
<b>Expected</b> (used in initial bill)			
Actual non-payment component based on:	N/A (no realized non-payment yet)	Actual non-payment in March	Actual non-payment from prior month
Expected non-payment component based on:	Risk assessment of non-payment in March	Risk assessment of additional non-payment in April	Risk assessment of additional non-payment in the bill month
<b>Actual</b> (used to calculation adjustments on subsequent bills)	Actual non-payment in March (adjusted in April)	Actual non-payment in April (adjusted in May)	Actual non-payment for the bill month (adjusted in subsequent bill)

Presenter:  
Lisa Morelli, [lisa.morelli@pjm.com](mailto:lisa.morelli@pjm.com)

## Performance Assessment Interval Billing Approach



### Member Hotline

(610) 666 – 8980

(866) 400 – 8980

[custsvc@pjm.com](mailto:custsvc@pjm.com)

**PROTECT THE  
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](mailto:it_ops_ctr_shift@pjm.com)

