



# FERC EL05-121-009 Settlement Agreement

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Market Implementation Committee  
July 11, 2018

- Settlement Agreement Details
  - FERC approved the settlement agreement on May 31, 2018
  - PJM requested a 30 day extension for the compliance filing
  - PJM will begin billing the settlement agreement in the July 2018 bill issued in August 2018
  - For clarity, the period of January 1, 2016 through June 30, 2018 will be referred to as the “Transitional Period”



## Current Transmission Enhancement Charges (BLI 1108)

- Monthly charge allocation – January 2016 through June 2018
  - Charges were allocated on Load Ratio Share basis
- Current Recovery Charge projects are in defined in OATT Schedule 12-C Appendix A
- Settlement Example
  - Consider a single project billed at \$12,000,000 / year or \$1,000,000 / month
  - Current charges are allocated to 5 zones

<b>Project ABC</b>	<b>Zone A</b>	<b>Zone B</b>	<b>Zone C</b>	<b>Zone D</b>	<b>Zone E</b>
	20%	10%	30%	25%	15%
\$1,000,000	\$200,000	\$100,000	\$300,000	\$250,000	\$150,000



# Current Recovery Charges for Covered Transmission Enhancement Projects

- Effective July 2018, charge allocation transitions to 50% LRS and 50% DFAX

<b>Project ABC</b>		<b>Zone A</b>	<b>Zone B</b>	<b>Zone C</b>	<b>Zone D</b>	<b>Zone E</b>
\$500,000	LRS	20%	10%	30%	25%	15%
		\$100,000	\$50,000	\$150,000	\$125,000	\$75,000
\$500,000	DFAX	20%	25%	5%	30%	20%
		\$100,000	\$125,000	\$25,000	\$150,000	\$100,000
\$1,000,000	Total	\$200,000	\$175,000	\$175,000	\$275,000	\$175,000

- Per the settlement agreement PJM is charged with tracking and accumulating:
  - The aggregate of differences plus interest between January 1, 2016 and June 30, 2018
- PJM will issue monthly charges or credits equal to the total aggregate difference between the previous Transmission Enhancement Charges and the revised allocations approved by FERC for the Transitional Period
- These adjustments are to be billed evenly over the fewer of 12 or the number of months between January 1, 2016 and the June 30, 2018



# Accumulating Aggregate Differences and Interest

<b>Transitional Period Months</b>	<b>Monthly Differences by Zone</b>	<b>Monthly Interest</b>
January 2016	\$	\$
February 2016	\$	\$
March 2016	\$	\$
April 2016	\$	\$
↓	\$	\$
May 2018	\$	\$
June 2018	\$	\$
	30 Month Sum of Differences	30 Month Sum of Interest

- Transitional Period Monthly Credit or Charge =  
(30 Month Sum of Differences per Zone or MTF\* +  
30 Month Sum of Interest) / 12
- Monthly Credits or Charges are allocated on a going forward basis over 12 months and will not be allocated retroactively over the 30 month period of January 2016 through June 2018

\* MTF = Merchant Transmission Facility



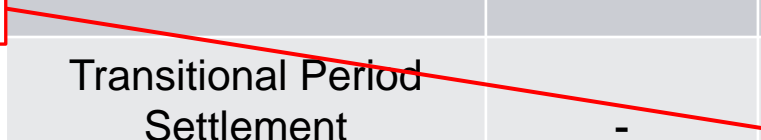


# Current Recovery Charges for Covered Transmission Enhancement Projects

- The Transitional Period Settlement will be billed on a monthly basis starting July 2018 and continuing through June 2019
- PJM will create a reporting mechanism to specify the monthly billing adjustment and interest per zone or MTF for the 12 month period

July 2018	Zone A	Zone B	Zone C	Zone D	Zone E
Original	\$200,000	\$100,000	\$300,000	\$250,000	\$150,000
FERC Settlement (BLI 1108)	\$200,000	\$175,000	\$175,000	\$275,000	\$175,000
Monthly Difference	-	\$75,000	(\$125,000)	\$25,000	\$25,000
Transitional Period Settlement (BLI 1108A)	-	\$187,500	(\$312,500)	\$62,500	\$62,500
FERC + Transitional Period Settlement (BLI 1108 and 1108A)	\$200,000	\$362,500	(\$137,500)	\$337,500	\$237,500

(\$75,000\*30)/12





- Also referred to as the “Black Box” settlement
- Effective January 1, 2016 through December 31, 2025
- Monthly charges and credits are contained in OATT Schedule 12-C Appendix C
- New Billing Line Item created – BLI 1115

- Settlement example:
  - Billing for BLI 1115 will begin in the July 2018 bill
  - Charges and credits plus interest for January 2016 through June 2018 will be billed on a monthly basis starting July 2018 through June 2019.
  - Transitional Period Monthly Credit or Charge =  
$$(30 \text{ Month Total of Charges or Credits} + \text{Interest}) / 12$$



# Transmission Enhancement Charge Adjustments

- Settlement Example

- Assume Zone A has a \$24,000 monthly charge for the TEC Adjustment
- The Transitional Period Settlement will include interest

Bill Month	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019
Monthly Charge	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000
Transitional Period Settlement	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	-
Total Monthly Charge	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$24,000

$(\$24,000 * 30) / 12$

- **BLI 1108**
  - BLITs that are effective for July 2018 will apply to the normal 1108 charge and the 1108 adjustment for the Transitional Period Settlement
- **BLI 1115**
  - A new BLIT will need to be created by the two applicable parties starting in July 2018