



Performance Assessment Interval Settlement Implementation

Market Settlements Subcommittee
February 2024

- On Dec. 19, 2023, the Federal Energy Regulatory Commission (FERC) issued an [order](#) approving the [Settlement Agreement](#) filed in FERC docket ER23-2975.
- The Settlement Agreement specified:
 - a uniform 31.7% reduction in non-performance charges across all intervals of the performance assessment event and across all market participants, except for those that are in bankruptcy (Article 3.1)
 - An additional \$11.9 million reduction in non-performance charges to specific parties in the settlement (Article 4.1 and 4.2)

The following will be reflected in the PAI billing in the February 2024 invoice:

- Implementation of the PAI settlement agreement
 - 31.7% reduction in non-performance penalties (principal and interest) for participants not in bankruptcy
 - Bonus recipients will see a corresponding reduction in bonus credits
 - Allocation of \$11.9 million in lump sum credits for Talen and Lee County
 - Allocated to bonus recipients as a negative credit
- Additional interest assessed to Lee County for payment deferrals per the terms of the waiver granted in FERC Docket EL23-57

The following changes will also be included in the PAI billing in the February invoice.

- These revisions are unrelated to the PAI Settlement Agreement
- Minor revisions to the balancing ratio
 - Stems from incorporation of late submission of GADS outage data for a single unit, which impacted the actual performance MW used in the balancing ratio
 - Yielded a minimal decrease in several intervals of no more than .00001%
- Adjustment to methodology used to allocate interest credits to bonus recipients
 - Revised from Bonus Credit (\$) ratio share to Bonus MW ratio share based on the tariff language
 - Min / Max change per participant for the entire event was ~-\$3,200 / \$5,600. The average change was \pm \$265.

- There are no changes to the format of the MSRS PAI reports to support the implementation of the settlement agreement.
- How reduced charges will be reflected on the reports:
 - The non-performance penalty rate on the Non-Performance Assessment Resource Charge Details report (and corresponding report for Demand Resources) will reflect a 31.7% reduction for all participants eligible for the reduction.
 - The charges on all reports will reflect the reduction in charges for eligible participants.
- How reduced credits will be reflected on the reports:
 - The total potential bonus credits (credits assuming 100% collection of charges) will be reduced to reflect the reduced charges assessed to non-performance in each interval.

- The format of the Non-Performance Billing Month Totals report is not being updated to reflect the shift in the methodology for allocating interest credits to bonus recipients.
 - Allocation shifts from Bonus Credit Ratio Share to Bonus MW Ratio Share
- The following slide contains details on how to shadow settle this calculation.



Calculation of Bonus MW Ratio Share and Interest Credits

1. Determine Total PJM Bonus Performance MW value: Sum Total PJM Bonus Performance MW over all intervals from the Bonus Rates tab on the [Monthly Non-Performance Assessment Charges](#) posting on the Winter Storm Elliott information page on PJM.com.
2. Determine Org Specific Total PJM Bonus Performance MW: for each individual organization receiving bonus, sum Total PJM Bonus Performance MW over all intervals from the [Non-Performance Assessment Billing Month Summary](#) MSRS report for any single Billing Month.
3. Determine Org Specific Total Bonus MW Ratio Share: Divide Org Specific Total PJM Bonus Performance MW (Step 2) by the Total PJM Bonus Performance MW (Step 1).
4. Multiply the Org Specific Total Bonus MW Ratio Share (Step 3) by Total PJM Monthly Interest Charge minus Total PJM Monthly Interest Holdback from the [Non-Performance Assessment Billing Month Totals](#) MSRS report for each Billing Month.

For each Billing Month, Bonus Performance Monthly Interest Credit = Org Specific Total Bonus MW Ratio Share * (Total PJM Monthly Interest Charge – Total PJM Monthly Interest Holdback).

- The \$11.9 million in lump sum charge reductions and the additional interest charge assessed to Lee County will be allocated to bonus recipients as a negative adjustment to bonus credits.
- This allocation will appear on the billing statement as an adjustment to line item 2667: Bonus Performance Credits.
 - Credit Adjustment = $(\$11.9 \text{ million} - \$185,485.71) * \text{Org Specific Total Bonus MW Ratio Share} * -1$
 - Org-specific Total Bonus MW Ratio Share can be calculated using the steps on the previous slide
- There will not be a new MSRS report to support the calculation details of this adjustment.
 - The Billing Line Item Adjustment Summary MSRS report will contain an entry with a description for this adjustment so that it is easily identifiable.

Facilitator:
Susan Kenney,
Susan.Kenney@pjm.com

Secretary:
Sean Flamm,
sean.flamm@pjm.com



Member Hotline

(610) 666 – 8980

(866) 400 – 8980

custsvc@pjm.com