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PJM Governance and Membership Structure

Governance and Voting Structure

PJM operates under a two-tiered structure made up of the PJM Board of Managers and the Members Committee (MC) and is governed by three primary documents: the PJM Open Access Transmission Tariff (OATT), the Operating Agreement (OA), and the Reliability Assurance Agreement (RAA). Any company seeking to transact in PJM's wholesale power markets is required to become a member by signing the OA, a series of bylaws describing PJM's governance structure and the rights and responsibilities of the members, independent board, and PJM staff. The OATT sets the rates and terms of service within PJM, and the RAA outlines the rights and responsibilities of load serving entities.

Changes to any one of the governing documents are ultimately considered by the Markets and Reliability Committee (MRC), the second highest stakeholder body at PJM. The Members Committee (MC), on which each member has a representative, provides advice to the board by proposing and voting on changes and new programs. The MC is made up of five sectors, listed in the table below.

Each company designates a single voting member that is assigned to one of five sectors based on their primary business interest. The Planning Committee (PC) is one of the three technical committees that the MRC oversees. The other two technical committees are the Market Implementation Committee (MIC) and the Operating Committee (OC). Stakeholders with a 10% or greater interest in multiple business interests can register affiliate members able to vote in PJM's lower-level subcommittees and taskforces that vet various discrete issues. However, affiliate members cannot vote at either the MRC or MC, thereby preventing larger companies from monopolizing the process.

FERC and the Federal Power Act

The Federal Energy Regulatory Commission (FERC) regulates interstate wholesale power sales and electric transmission under the Federal Power Act (FPA). FERC has authority over the tariffs and certain other agreements of PJM. As such, FERC determines whether proposed changes meet the requirements of the FPA. Section 205 of the FPA requires that a proposed change to a rate, term or condition is just and reasonable. FPA Section 206 imposes a higher burden of proof and requires both a showing that an existing rate, term, or condition is unjust and unreasonable and that the proposed alternative is just and reasonable. Section 206 is often used to challenge existing rates, terms, or conditions and impose an alternative.

Generally speaking, any affected entity may have legal standing to file a complaint under Section 206, but only certain entities have Section 205 filing rights. The entity that holds Section 205 filing rights has a key position within the organized market's governance structure because it impacts the extent to which stakeholder feedback is required to propose changes to market rules, and Section 205 has fewer requirements to change market rules than does Section 206.

FERC did not impose a one-size fits all form for market organizations, but rather allowed each region to evolve a system that reflected decisions of participants, within the requirements of the FPA, therefore not all RTOs/ISOs governance structures are the same.

PJM Voting Sectors and Voting Weights

Stakeholder Voting Sector	Voting Weight
Generation Owners	20%
Transmission Owners	20%
Electric Distribution Companies	20%
Other Suppliers	20%
End Use Customers	20%

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Voting within the MRC and MC is performed either by acclimation or through PJM's voting application. Stakeholders must add one representative to the MRC and MC voting rosters. Alternate voting representatives can be included at the member's discretion. Stakeholders may also assign a voting proxy for an individual meeting, or for a longer period. Lower-level committees follow a similar structure, though members may add a representative to the voting roster at their discretion.

Section 205 Rights

Only official PJM members can authorize PJM staff to pursue changes to the OA under Section 205 of the FPA. Changes to the OA are vetted by the MC and require the support of at least two-thirds of the voting members in each sector for approval. Otherwise, the proposed change must be filed under the stricter review of Section 206, which requires the applicant to prove both that the current rules are unjust and unreasonable and that its replacement is a just and reasonable alternative. The PJM Board of Directors retains Section 205 authority over the OATT and RAA. While the MC often votes on changes to the OATT and OA, the board is not required to act in accordance with the result. An additional document, the Transmission Owners Agreement, is signed by the transmission-owning members of PJM – those members that own transmission facilities or lease them with rights that are equivalent to ownership. The agreement provides for the coordinated planning and operation of transmission assets in PJM, transfers some planning and operating responsibilities to PJM and establishes regional transmission service as provided for the PJM tariff. PJM transmission owners have the exclusive right to changes to their transmission rates under Section 205.

PJM's Five Membership Categories

There are five types of membership within PJM, with varying levels of voting participation. These include:

Full members are participants in the competitive wholesale electricity market that may be eligible to vote in the MC. Full members are divided into two types: voting or affiliate members. Voting members can vote at senior standing committees, while affiliate members are in the same "family" of companies as a voting member and do not have voting rights on the senior standing committee.

Ex officio regulatory members are state and federal agencies with regulatory authority over PJM members. Ex officio regulatory members do not have MC voting rights.

Ex officio state office of consumer advocate representatives are eligible to vote in the MC as members of the End Use Customers sector.

Emergency customer load reduction program special members are organizations that have special membership status for purposes of participating in the Emergency Customer Load Reduction Program. They do not have MC voting rights.

Associate members are organizations that have special membership, do not participate in PJM's markets, and do not have voting rights in any stakeholder activities, working groups or committees.

PJM also has a series of manuals, that are the administrative, planning, operating and accounting procedures of PJM and implement the requirements of the PJM OATT, OA, and RAA. Many of the specific details are contained in the PJM manuals which can be modified without going through a FERC filing process, though any modifications must be compatible with the current OATT, OA, and RAA language. This structure of agreements, Section 205 rights, and interpretations applied to the manuals, can complicate reforms, as many issues have elements that exist in one or all of the documents and therefore can require some consensus from multiple parties, which can be challenging.

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