



Resettlements / Settlement C

A third settlement (Settlement C) provision in the PJM OATT would allow EDCs the ability to true-up the market for significant errors at some defined period after the 60-day Settlement is performed in a more efficient, accurate, equitable and reliable manner.

Brief Background

PJM currently performs a single settlement (Settlement B) on a two-month lag for load reconciliations between the Electric Distribution Company (EDCs) and their zonal Load Serving Entity (LSEs). Today, many situations occur that require the EDC to perform a third settlement (Resettlement / Settlement C). Such situations are handled on a case-by-case basis and require the EDC to perform additional resettlement work within their systems. PJM systems currently have the capability to perform a third settlement but the current rule is that the EDC must obtain sign offs from all impacted counter parties (without certainty on dollar impacts) before PJM can proceed with processing any Resettlements / Settlement Cs. This often results in the EDC having to make the Settlement C calculations within their systems in order to get the party signoffs. Additionally, with every re-settlement there are winners and losers which makes it difficult and time-consuming to get signoffs from all impacted parties.

These situations (Resettlements / Settlement Cs) are often not within the control of the zonal EDC, and arise frequently enough that this issue needs to be addressed in a more systematic fashion than the manner in which these events are handled today. Examples of such situations causing the need for Resettlements / Settlement Cs include, but are not limited to, retail customer cancel / rebills, reverse metering situations, incorrect initial metering setup, meter failures, incorrect communication of data between EDC customer information systems and EDC settlement systems, incorrect information supplied to the EDC by entities within the EDC's zone, etc.

The method used today to handle these situations is patchwork, at best, and lends itself to incorrect or incomplete final settlements. Even if only one LSE overpaid the market, this means that all other parties have underpaid the market by a like amount in total. The current process makes it quite difficult to pull dollars back from all parties to pay back the money overpaid by one party. Requiring counter party sign off creates tension between parties that are properly entitled to billing credits, and those parties who gain from incorrect initial or reconciled settlements that are based upon the data available at the time of the Settlement A and Settlement B. When a significant error is found, the market should provide a more reliable and equitable process to right the wrong.

This issue warrants consideration in the PJM stakeholder process for the following reasons, in addition to what is cited above:

- Establishing a protocol would eliminate the need for EDCs to duplicate PJM's many reconciliation calculations that need to be performed in "one-off" Resettlement / Settlement C situations that arise today.
- Establishing an existing systematic protocol would eliminate the current need to compile and submit results to LSEs and PJM as it would be handled similarly to today's Settlement B.
- This would reduce PJM efforts required today to manually produce billing adjustments
- The potential inconsistencies/approximations related to current EDC calculations necessitated today would be reduced.



Problem Statement / Issue Charge

- Though the timeline for final settlement of dollars for a given period would be extended, these resettlements are justified since more accurate data is available for the final settlement and all impacted parties would be treated equitably via the PJM market process.
- EDCs have no financial incentive to perform Resettlements / Settlement Cs, since these adjustments would be a “zero-sum gain” for the EDC.
- Such a systematic Resettlements / Settlement C would provide greater transparency of load reconciliation adjustments via PJM billing reports

Issue Source

Potomac Electric Power Company

Stakeholder Group Assignment

Recommendation would be for the MSS to handle this request.

Key Work Activities

1. Establish benefits of this activity and their value
2. Establish implications of this activity including delaying the settlement of dollars for a given billing period (any different from current PJM billing line item adjustments?)
3. Determine a final pro/con list
4. PJM and stakeholders to identify specifics of any potential solutions(s)
5. Determination of tariff and business manual language to implement proposed solutions
6. Vote on proposals
7. File at FERC
8. Implement for 2014/2015 or, more likely, the 2015/2016 PJM planning year (note: residual pricing already approved to be effective June 1, 2015).

Expected Deliverables

See “Key Work Activities” above.

Expected Overall Duration of Work

- 9 – 18 months

Decision-Making Method

Tier 1, consensus (near-unanimity) on a single proposal (preferred,) or Tier 2, multiple alternatives.

The table below is illustrative of a potential scenario solution, based upon the 2009 MSS proposal, which narrowly failed by MRC vote.



Problem Statement / Issue Charge

•A modified version of the timeline presented with the failed 2009 proposal:

Original Reconciliation

Billing Month

Q1 – Jan, Feb, Mar

Q2 – Apr, May, Jun

Q3 – Jul, Aug, Sep

Q4 – Oct, Nov, Dec

Re-settlement Month

? (October in initial 2009 proposal, voted down by MRC).

? (January in initial 2009 proposal, voted down by MRC).

? (April in initial 2009 proposal, voted down by MRC).

? (July in initial 2009 proposal, voted down by MRC).

The above is a suggested starting point, but the timeline needs to be considered as to a balance between capturing as many potential scenarios as possible without extending settlement certainty in an unreasonable manner. **All PJM billing line items that are currently reconciled in today's Settlement B would be reconciled in this Resettlements / Settlement Cs.**

Settlement C reconciliation data submission would be open until a certain designated date in the month in which the re-settlement will occur

•Reconciliation data would reflect the difference between the original InScheduled load MWh and the final "Settlement C" MWh.

More detailed instructions and next steps in the process available in M34, Section 6.2: Issue Identification.