



PJM Interconnection's stakeholder process is designed to identify, review and make decisions about proposed revisions to PJM's governing documents, processes, market design and reliability operations. The review standards under Sections 205 and 206 of the Federal Power Act have a direct effect on how proposed revisions to PJM's governing documents are filed and reviewed by the Federal Energy Regulatory Commission.

Sections 205 and 206 of the act deal with the authority of the FERC over a public utility's rates, terms and conditions for transmitting or selling electric energy in interstate commerce. The rates, terms and conditions are required to be just and reasonable and not unduly discriminatory or preferential; otherwise, they are deemed unlawful. This is generally referred to as the "just and reasonable" standard.

Because PJM's governing documents relate to the transmission and sale of electricity in interstate commerce, changes to the governing documents – the Operating Agreement, the Open Access Transmission Tariff and the Reliability Assurance Agreement – must be accepted by the FERC.

Sections 205 and 206 establish the standards for demonstrating why a proposed revision to a governing document should be approved by the FERC.

Section 205 requires that the proposer of a revision demonstrate that the proposed rate, term or condition is just and reasonable. Section 206 requires that the proposer of a revision meet a higher burden of proof: it must demonstrate not only that the proposed change is just and reasonable, but also that the existing provisions are unjust and unreasonable.

In PJM's governance process, the Members Committee has Section 205 filing authority over the Operating Agreement, while the PJM Board has Section 205 filing authority over the Open Access Transmission Tariff (with the exception of certain provisions that are under the exclusive control of the PJM transmission owners) and the Reliability Assurance Agreement.

For example, if the Members Committee votes against a proposed revision to the Operating Agreement, the PJM Board may decide that it is necessary to proceed and file the proposed revision at the FERC. If it does want to move forward at the FERC, PJM must file under Section 206 (instead of under Section 205) and prove that the existing Operating Agreement language at issue is unjust and unreasonable, and that the proposed language is just and reasonable.

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