



# PJM Default Allocation Assessment

Underperformance Risk Management  
Senior Task Force

August 17, 2016

- The Operating Agreement (§ 15.2.2) establishes a Default Allocation Assessment formula to be used on direction of the PJM Board of Managers
  - Membership (10%)
    - \$10,000 annual cap
  - Activity (90%)
    - Prorata based on three months of gross billings
      - Gross = absolute value of all line items on monthly invoice
        - » After intra-month adjustments; excluding inter-month adjustments
      - Each month's absolute values are calculated separately before summing across months
  - A few members are exempt
    - Special members, consumer advocates, etc.

## Example: \$100,000 default to be allocated among 900 eligible members

Invoice Line Items	Invoice Values			Default Allocation Calculation				
	1100 Network Ch	1200 DA Spot Mkt Ch	1205 Bal Spot Mkt Ch	Net Invoice	Total Absolute Value*	90% Activity Allocation	10% Membership Allocation	Total Allocation
Member A	200	700	100	1,000	1,000	9,000	11	9,011
Member B		(1,000)		(1,000)	1,000	9,000	11	9,011
Member C		500	(500)	0	1,000	9,000	11	9,011
Member D						0	11	11
Other Members	800	6,000	200		7,000	63,000	9,956	72,956
<b>Absolute Total</b>	<b>1,000</b>	<b>8,200</b>	<b>800</b>		<b>10,000</b>	<b>90,000</b>	<b>10,000</b>	<b>100,000</b>

\* This example uses one monthly invoice. A real calculation would use three monthly invoices and the Total Absolute Value would be the sum across those three invoices.