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Definitions – A - B

1.01—Abnormal Condition:

Any condition on the Interconnection Facilities which, determined in accordance with Good Utility Practice, is: (i) outside normal operating parameters such that facilities are operating outside their normal ratings or that reasonable operating limits have been exceeded; and (ii) could reasonably be expected to materially and adversely affect the safe and reliable operation of the Interconnection Facilities; but which, in any case, could reasonably be expected to result in an Emergency Condition. Any condition or situation that results from lack of sufficient generating capacity to meet load requirements or that results solely from economic conditions shall not, standing alone, constitute an Abnormal Condition.

Acceleration Request:

“Acceleration Request” shall mean a request pursuant to section 1.9.4A of this Schedule to accelerate or reschedule a transmission outage scheduled pursuant to sections 1.9.2 or 1.9.4.

Additional Day-ahead Scheduling Reserves Requirement:

“Additional Day-ahead Scheduling Reserves Requirement” shall mean the portion of the Day-ahead Scheduling Reserves Requirement that is required in addition to the Base Day-ahead Scheduling Reserves Requirement to ensure adequate resources are procured to meet real-time load and operational needs, as specified in the PJM Manuals

1.0A—Affected System:

An electric system other than the Transmission Provider’s Transmission System that may be affected by a proposed interconnection or on which a proposed interconnection or addition of facilities or upgrades may require modifications or upgrades to the Transmission System.

1.0B—Affected System Operator:

An entity that operates an Affected System or, if the Affected System is under the operational control of an independent system operator or a regional transmission organization, such independent entity.

~~1.0A.01~~ Affiliate:

With respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

Affiliate is defined in the PJM Operating Agreement, §1.2.[DISCREPANCY WITH ATT Q.]

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Agreements:

Agreements are the Operating Agreement of PJM Interconnection, L.L.C., the PJM Open Access Transmission Tariff, the Reliability Assurance Agreement, the Reliability Assurance Agreement – West, and/or other agreements between PJM Interconnection, L.L.C. and its Members.

1.1—Ancillary Services:

Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice.

Annual Demand Resource:

“Annual Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

Annual Energy Efficiency Resource:

“Annual Energy Efficiency Resource” shall have the meaning specified in the Reliability Assurance Agreement.

Annual Resource:

“Annual Resource” shall mean a Generation Capacity Resource, an Annual Energy Efficiency Resource or an Annual Demand Resource.

Annual Resource Price Adder:

“Annual Resource Price Adder” shall mean, for Delivery Years starting June 1, 2014 and ending May 31, 2017, an addition to the marginal value of Unforced Capacity and the Extended Summer Resource Price Adder as necessary to reflect the price of Annual Resources required to meet the applicable Minimum Annual Resource Requirement.

Annual Revenue Rate:

“Annual Revenue Rate” shall mean the rate employed to assess a compliance penalty charge on a Curtailment Service Provider under section 11.

1.2—Annual Transmission Costs:

The total annual cost of the Transmission System for purposes of Network Integration Transmission Service shall be the amount specified in Attachment H for each Zone until amended by the applicable Transmission Owner or modified by the Commission.

~~1.2.01~~ Applicable Laws and Regulations:

All duly promulgated applicable federal, State and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority having jurisdiction over the relevant parties, their respective facilities, and/or the respective services they provide.

~~1.2A~~ Applicable Regional Entity:

The Regional Entity for the region in which a Network Customer, Transmission Customer, ~~Interconnection~~New Service Customer, or Transmission Owner operates.

~~1.2B~~ Applicable Standards:

The requirements and guidelines of NERC, the Applicable Regional Entity, and the Control Area in which the Customer Facility is electrically located; the PJM Manuals; and Applicable Technical Requirements and Standards.

~~1.2C~~ Applicable Technical Requirements and Standards:

Those certain technical requirements and standards applicable to interconnections of generation and/or transmission facilities with the facilities of an Interconnected Transmission Owner or, as the case may be and to the extent applicable, of an Electric Distributor (as defined in Section 1.8 of the Operating Agreement), as published by Transmission Provider in a PJM Manual provided, however, that, with respect to any generation facilities with maximum generating capacity of 2 MW or less for which the Interconnection Customer executes a Construction Service Agreement or Interconnection Service Agreement on or after March 19, 2005, "Applicable Technical Requirements and Standards" shall refer to the "PJM Small Generator Interconnection Applicable Technical Requirements and Standards." All Applicable Technical Requirements and Standards shall be publicly available through postings on Transmission Provider's internet website.

Applicant:

Applicant is an entity desiring to become a PJM Member, or to take Transmission Service that has submitted the PJMSettlement Credit Application, PJMSettlement Credit Agreement and other required submittals as set forth in this policy.

~~1.3~~ Application:

A request by an Eligible Customer for transmission service pursuant to the provisions of the Tariff.

~~1.3A~~ Attachment Facilities:

The facilities necessary to physically connect a Customer Facility to the Transmission System or interconnected distribution facilities.

1.3AA-Attachment H

Attachment H shall refer collectively to the Attachments to the PJM Tariff with the prefix “H-“ that set forth, among other things, the Annual Transmission Rates for Network Integration Transmission Service in the PJM Zones.

Auction Revenue Rights:

“Auction Revenue Rights” or “ARRs” shall mean the right to receive the revenue from the Financial Transmission Right auction, as further described in Section 7.4 of this Schedule.

Auction Revenue Rights Credits:

“Auction Revenue Rights Credits” shall mean the allocated share of total FTR auction revenues or costs credited to each holder of Auction Revenue Rights, calculated and allocated as specified in Section 7.4.3 of this Schedule.

Authorized Government Agency:

“Authorized Government Agency” means a regulatory body or government agency, with jurisdiction over PJM, the PJM Market, or any entity doing business in the PJM Market, including, but not limited to, the Commission, State Commissions, and state and federal attorneys general.

Avoidable Cost Rate:

“Avoidable Cost Rate” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.

Balancing Ratio

“Balancing Ratio” shall have the meaning provided in section 10A.

Base Capacity Demand Resource:

“Base Capacity Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

Base Capacity Demand Resource Constraint:

“Base Capacity Demand Resource Constraint” for the PJM Region or an LDA, shall mean, for the 2018/2019 and 2019/2020 Delivery Years, the maximum Unforced Capacity amount.

determined by PJM, of Base Capacity Demand Resources and Base Capacity Energy Efficiency Resources that is consistent with the maintenance of reliability. As more fully set forth in the PJM Manuals, PJM calculates the Base Capacity Demand Resource Constraint for the PJM Region or an LDA, by first determining a reference annual loss of load expectation (“LOLE”) assuming no Base Capacity Resources, including no Base Capacity Demand Resources or Base Capacity Energy Efficiency Resources. The calculation for the PJM Region uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast and iteratively shifting the load distributions to result in the Installed Reserve Margin established for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). The calculation for each relevant LDA uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). For the relevant LDA calculation, the weekly capacity distributions are adjusted to reflect the Capacity Emergency Transfer Limit for the Delivery Year in question.

For both the PJM Region and LDA analyses, PJM then models the commitment of varying amounts of Base Capacity Demand Resources and Base Capacity Energy Efficiency Resources (displacing otherwise committed generation) as interruptible from June 1 through September 30 and unavailable the rest of the Delivery Year in question and calculates the LOLE at each DR and EE level. The Base Capacity Demand Resource Constraint is the combined amount of Base Capacity Demand Resources and Base Capacity Energy Efficiency Resources, stated as a percentage of the unrestricted annual peak load, that produces no more than a five percent increase in the LOLE, compared to the reference value. The Base Capacity Demand Resource Constraint shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [the Forecast Pool Requirement] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].

Base Capacity Demand Resource Price Decrement:

“Base Capacity Demand Resource Price Decrement” shall mean, for the 2018/2019 and 2019/2020 Delivery Years, a difference between the clearing price for Base Capacity Demand Resources and Base Capacity Energy Efficiency Resources and the clearing price for Base Capacity Resources and Capacity Performance Resources, representing the cost to procure additional Base Capacity Resources or Capacity Performance Resources out of merit order when the Base Capacity Demand Resource Constraint is binding.

Base Capacity Energy Efficiency Resource:

“Base Capacity Energy Efficiency Resource” shall have the meaning specified in the Reliability Assurance Agreement.

Base Capacity Resource:

“Base Capacity Resource” shall mean a Capacity Resource as described in section 5.5A(b).

Base Capacity Resource Constraint:

“Base Capacity Resource Reliability Constraint” for the PJM Region or an LDA, shall mean, for the 2018/2019 and 2019/2020 Delivery Years, the maximum Unforced Capacity amount, determined by PJM, of Base Capacity Resources, including Base Capacity Demand Resources and Base Capacity Energy Efficiency Resources, that is consistent with the maintenance of reliability. As more fully set forth in the PJM Manuals, PJM calculates the above Base Capacity Resource Constraint for the PJM Region or an LDA, by first determining a reference annual loss of load expectation (“LOLE”) assuming no Base Capacity Resources, including no Base Capacity Demand Resources or Base Capacity Energy Efficiency Resources. The calculation for the PJM Region uses the weekly load distribution from the Installed Reserve Margin study for the Delivery Year in question (based on the most recent load forecast and iteratively shifting the load distributions to result in the Installed Reserve Margin established for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). The calculation for each relevant LDA uses a weekly load distribution (based on the Installed Reserve Margin study and the most recent load forecast for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). For the relevant LDA calculation, the weekly capacity distributions are adjusted to reflect the Capacity Emergency Transfer Limit for the Delivery Year in question. Additionally, for the PJM Region and relevant LDA calculation, the weekly capacity distributions are adjusted to reflect winter ratings.

For both the PJM Region and LDA analyses, PJM models the commitment of an amount of Base Capacity Demand Resources and Base Capacity Energy Efficiency Resources equal to the Base Capacity Demand Resource Constraint (displacing otherwise committed generation). PJM then models the commitment of varying amounts of Base Capacity Resources (displacing otherwise committed generation) as unavailable during the peak week of winter and available the rest of the Delivery Year in question and calculates the LOLE at each Base Capacity Resource level. The Base Capacity Resource Constraint is the combined amount of Base Capacity Demand Resources, Base Capacity Energy Efficiency Resources and Base Capacity Resources, stated as a percentage of the unrestricted annual peak load, that produces no more than a ten percent increase in the LOLE, compared to the reference value. The Base Capacity Resource Constraint shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [one minus the pool-wide average EFORD] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].

“Base Capacity Resource Price Decrement” shall mean, for the 2018/2019 and 2019/2020 Delivery Years, a difference between the clearing price for Base Capacity Resources and the clearing price for Capacity Performance Resources, representing the cost to procure additional Capacity Performance Resources out of merit order when the Base Capacity Resource Constraint is binding.

Base Capacity Resource Price Decrement:

“Base Capacity Resource Price Decrement” shall mean, for the 2018/2019 and 2019/2020 Delivery Years, a difference between the clearing price for Base Capacity Resources and the clearing price for Capacity Performance Resources, representing the cost to procure additional Capacity Performance Resources out of merit order when the Base Capacity Resource Constraint is binding.

Base Day-ahead Scheduling Reserves Requirement:

“Base Day-ahead Scheduling Reserves Requirement” shall mean the thirty-minute reserve requirement for the PJM Region established consistent with the Applicable Standards, plus any additional thirty-minute reserves scheduled in response to an RTO-wide Hot or Cold Weather Alert or other reasons for conservative operations.

Base Load Generation Resource

“Base Load Generation Resource” shall mean a Generation Capacity Resource that operates at least 90 percent of the hours that it is available to operate, as determined by the Office of the Interconnection in accordance with the PJM Manuals.

Base Offer Segment:

“Base Offer Segment” shall mean a component of a Sell Offer based on an existing Generation Capacity Resource, equal to the Unforced Capacity of such resource, as determined in accordance with the PJM Manuals. If the Sell Offers of multiple Market Sellers are based on a single Existing Generation Capacity Resource, the Base Offer Segments of such Market Sellers shall be determined pro rata based on their entitlements to Unforced Capacity from such resource.

Base Residual Auction:

“Base Residual Auction” shall mean the auction conducted three years prior to the start of the Delivery Year to secure commitments from Capacity Resources as necessary to satisfy any portion of the Unforced Capacity Obligation of the PJM Region not satisfied through Self-Supply.

Batch Load Demand Resource:

“Batch Load Demand Resource” shall mean a Demand Resource that has a cyclical production process such that at most times during the process it is consuming energy, but at consistent regular intervals, ordinarily for periods of less than ten minutes, it reduces its consumption of energy for its production processes to minimal or zero megawatts.

1.3B—Behind The Meter Generation:

Behind The Meter Generation refers to a generation unit that delivers energy to load without using the Transmission System or any distribution facilities (unless the entity that owns or leases the distribution facilities has consented to such use of the distribution facilities and such consent has been demonstrated to the satisfaction of the Office of the Interconnection); provided, however, that Behind The Meter Generation does not include (i) at any time, any portion of such generating unit's capacity that is designated as a Generation Capacity Resource; or (ii) in an hour, any portion of the output of such generating unit[s] that is sold to another entity for consumption at another electrical location or into the PJM Interchange Energy Market.

~~1.3BB~~ Black Start Service:

Black Start Service is the capability of generating units to start without an outside electrical supply or the demonstrated ability of a generating unit with a high operating factor (subject to Transmission Provider concurrence) to automatically remain operating at reduced levels when disconnected from the grid.

~~1.3BB.01~~ Breach:

The failure of a party to perform or observe any material term or condition of Part IV or Part VI of the Tariff, or any agreement entered into thereunder as described in the relevant provisions of such agreement.

~~1.3BB.02~~ Breaching Party:

A party that is in Breach of Part IV or Part VI and/or an agreement entered into thereunder.

Business Day:

A Business Day is a day in which the Federal Reserve System is open for business and is not a scheduled PJM holiday.

Buy Bid

"Buy Bid" shall mean a bid to buy Capacity Resources in any Incremental Auction.

Definitions – C-D

Canadian Guaranty:

Canadian Guaranty is a Corporate Guaranty provided by an Affiliate of a Participant that is domiciled in Canada, and meets all of the provisions of this credit policy.

1.3BB.03-Cancellation Costs:

The Costs and liabilities incurred in connection with: (a) cancellation of supplier and contractor written orders and agreements entered into to design, construct and install Attachment Facilities, Direct Assignment Facilities and/or Customer-Funded Upgrades, and/or (b) completion of some or all of the required Attachment Facilities, Direct Assignment Facilities and/or Customer-Funded Upgrades, or specific unfinished portions and/or removal of any or all of such facilities which have been installed, to the extent required for the Transmission Provider and/or Transmission Owner(s) to perform their respective obligations under Part IV and/or Part VI of the Tariff.

Capacity:

Capacity is the installed capacity requirement of the Reliability Assurance Agreement or similar such requirements as may be established.

Capacity Credit:

“Capacity Credit” shall have the meaning specified in Schedule 11 of the Operating Agreement, including Capacity Credits obtained prior to the termination of such Schedule applicable to periods after the termination of such Schedule.

Capacity Emergency Transfer Limit:

“Capacity Emergency Transfer Limit” or “CETL” shall have the meaning provided in the Reliability Assurance Agreement.

Capacity Emergency Transfer Objective:

“Capacity Emergency Transfer Objective” or “CETO” shall have the meaning provided in the Reliability Assurance Agreement.

Capacity Export Transmission Customer:

“Capacity Export Transmission Customer” shall mean a customer taking point to point transmission service under Part II of this Tariff to export capacity from a generation resource located in the PJM Region that has qualified for an exception to the RPM must-offer requirement as described in section 6.6(g).

Capacity Import Limit:

“Capacity Import Limit” shall have the meaning provided in the Reliability Assurance Agreement.

~~1.3C~~—Capacity Interconnection Rights:

The rights to input generation as a Generation Capacity Resource into the Transmission System at the Point of Interconnection where the generating facilities connect to the Transmission System.

Capacity Market Buyer:

“Capacity Market Buyer” shall mean a Member that submits bids to buy Capacity Resources in any Incremental Auction.

Capacity Market Seller:

“Capacity Market Seller” shall mean a Member that owns, or has the contractual authority to control the output or load reduction capability of, a Capacity Resource, that has not transferred such authority to another entity, and that offers such resource in the Base Residual Auction or an Incremental Auction.

Capacity Performance Resource:

“Capacity Performance Resource” shall mean a Capacity Resource as described in section 5.5A(a).

Capacity Performance Transition Incremental Auction:

“Capacity Performance Transition Incremental Auction” shall have the meaning specified in section 5.14D.

~~1.3D~~—Capacity Resource:

Shall have the meaning provided in the Reliability Assurance Agreement.

Capacity Resource Clearing Price:

“Capacity Resource Clearing Price” shall mean the price calculated for a Capacity Resource that offered and cleared in a Base Residual Auction or Incremental Auction, in accordance with Section 5.

Capacity Storage Resource:

“Capacity Storage Resource” shall mean any hydroelectric power plant, flywheel, battery storage, or other such facility solely used for short term storage and injection of energy at a later time to participate in the PJM energy and/or Ancillary Services markets and which participates in the Reliability Pricing Model.

Capacity Transfer Right:

“Capacity Transfer Right” shall mean a right, allocated to LSEs serving load in a Locational Deliverability Area, to receive payments, based on the transmission import capability into such Locational Deliverability Area, that offset, in whole or in part, the charges attributable to the Locational Price Adder, if any, included in the Zonal Capacity Price calculated for a Locational Delivery Area.

~~1.3E~~—Capacity Transmission Injection Rights:

The rights to schedule energy and capacity deliveries at a Point of Interconnection (as defined in Section 1.33A) of a Merchant Transmission Facility with the Transmission System. Capacity Transmission Injection Rights may be awarded only to a Merchant D.C. Transmission Facility and/or Controllable A.C. Merchant Transmission Facilities that connects the Transmission System to another control area. Deliveries scheduled using Capacity Transmission Injection Rights have rights similar to those under Firm Point-to-Point Transmission Service or, if coupled with a generating unit external to the PJM Region that satisfies all applicable criteria specified in the PJM Manuals, similar to Capacity Interconnection Rights.

Cold Weather Alert:

“Cold Weather Alert” shall mean the notice that PJM provides to PJM Members, Transmission Owners, resource owners and operators, customers, and regulators to prepare personnel and facilities for expected extreme cold weather conditions.

Collateral Call:

Collateral Call is a notice to a Participant that additional Financial Security, or possibly early payment, is required in order to remain in, or to regain, compliance with this policy.

~~1.3F~~—Commencement Date:

The date on which Interconnection Service commences in accordance with an Interconnection Service Agreement.

~~1.4~~—Commission:

The Federal Energy Regulatory Commission or FERC.

Committed Offer:

“Committed Offer” shall mean an offer on which a resource was scheduled by the Office of the Interconnection for a particular clock hour for the Operating Day.

1.5—Completed Application:

An Application that satisfies all of the information and other requirements of the Tariff, including any required deposit.

Compliance Aggregation Area (CAA):

“Compliance Aggregation Area” or “CAA” shall mean a geographic area of Zones or sub-Zones that are electrically-contiguous and experience for the relevant Delivery Year, based on Resource Clearing Prices of, for Delivery Years through May 31, 2018, Annual Resources and for the 2018/2019 Delivery Year and subsequent Delivery Years, Capacity Performance Resources, the same locational price separation in the Base Residual Auction, the same locational price separation in the First Incremental Auction, the same locational price separation in the Second Incremental Auction, or the same locational price separation in the Third Incremental Auction.

Conditional Incremental Auction:

“Conditional Incremental Auction” shall mean an Incremental Auction conducted for a Delivery Year if and when necessary to secure commitments of additional capacity to address reliability criteria violations arising from the delay in a Backbone Transmission upgrade that was modeled in the Base Residual Auction for such Delivery Year.

CONE Area:

“CONE Area” shall mean the areas listed in section 5.10(a)(iv)(A) and any LDAs established as CONE Areas pursuant to section 5.10(a)(iv)(B).

~~1.5.01~~ Confidential Information:

Any confidential, proprietary, or trade secret information of a plan, specification, pattern, procedure, design, device, list, concept, policy, or compilation relating to the present or planned business of a New Service Customer, Transmission Owner, or other Interconnection Party or Construction Party, which is designated as confidential by the party supplying the information, whether conveyed verbally, electronically, in writing, through inspection, or otherwise, and shall include, without limitation, all information relating to the producing party’s technology, research and development, business affairs and pricing, and any information supplied by any New Service Customer, Transmission Owner, or other Interconnection Party or Construction Party to another such party prior to the execution of an Interconnection Service Agreement or a Construction Service Agreement.

Congestion Price:

“Congestion Price” shall mean the congestion component of the Locational Marginal Price, which is the effect on transmission congestion costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource, based on the effect of increased generation from or consumption by the resource on transmission line loadings, calculated as specified in Section 2 of Schedule 1 of this Agreement.

~~1.5A~~—Consolidated Transmission Owners Agreement:

The certain Consolidated Transmission Owners Agreement dated as of December 15, 2005, by and among the Transmission Owners and by and between the Transmission Owners and PJM Interconnection, L.L.C.

~~1.5B~~—Constructing Entity:

Either the Transmission Owner or the New Services Customer, depending on which entity has the construction responsibility pursuant to Part VI and the applicable Construction Service Agreement; this term shall also be used to refer to an Interconnection Customer with respect to the construction of the Customer Interconnection Facilities.

~~1.5C~~—Construction Party:

A party to a Construction Service Agreement. “Construction Parties” shall mean all of the Parties to a Construction Service Agreement.

~~1.5D~~—Construction Service Agreement:

Either an Interconnection Construction Service Agreement or an Upgrade Construction Service Agreement.

~~1.6~~—Control Area:

An electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

- (1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;
- (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and
- (4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

~~1.6A~~—Control Zone:

Shall have the meaning given in the Operating Agreement.

~~1.6B~~—Controllable A.C. Merchant Transmission Facilities:

Transmission facilities that (1) employ technology which Transmission Provider reviews and verifies will permit control of the amount and/or direction of power flow on such facilities to such extent as to effectively enable the controllable facilities to be operated as if they were direct current transmission facilities, and (2) that are interconnected with the Transmission System pursuant to Part IV and Part VI of the Tariff.

Coordinated External Transaction:

“Coordinated External Transaction” shall mean a transaction to simultaneously purchase and sell energy on either side of a CTS Enabled Interface in accordance with the procedures of Section 1.13 of this Schedule 1 of this Agreement.

Coordinated Transaction Scheduling:

“Coordinated Transaction Scheduling” or “CTS” shall mean the scheduling of Coordinated External Transactions at a CTS Enabled Interface in accordance with the procedures of Section 1.13 of Schedule 1 of this Agreement.

Corporate Guaranty:

Corporate Guaranty is a legal document used by one entity to guaranty the obligations of another entity.

Corrective Action:

“Corrective Action” means an action set forth in section IV.I of this Plan.

Cost of New Entry:

“Cost of New Entry” or “CONE” shall mean the nominal levelized cost of a Reference Resource, as determined in accordance with section 5.

~~1.6C~~—Costs:

As used in Part IV, Part VI and related attachments to the Tariff, costs and expenses, as estimated or calculated, as applicable, including, but not limited to, capital expenditures, if applicable, and overhead, return, and the costs of financing and taxes and any Incidental Expenses.

~~1.6D~~ Counterparty:

PJMSettlement as the contracting party, in its name and own right and not as an agent, to an agreement or transaction with a market participant or other customer.

Revisions to this section are being reviewed at the 3/31/16 Members Committee meeting

Credit Available for Export Transactions:

Credit Available for Export Transactions is a set-aside of credit to be used for Export Transactions that is allocated by each Market Participant from its Credit Available for Virtual Transactions, and which reduces the Market Participant's Credit Available for Virtual Transactions accordingly.

Credit Available for Virtual Transactions:

A Market Participant's Credit Available for Virtual Transactions is the Market Participant's Working Credit Limit for Virtual Transactions calculated on its credit provided in compliance with its Peak Market Activity requirement plus available credit submitted above that amount, less any unpaid billed and unbilled amounts owed to PJMSettlement, plus any unpaid unbilled amounts owed by PJMSettlement to the Market Participant, less any applicable credit required for Minimum Participation Requirements, FTR, Export Transactions, or other credit requirement determinants as defined in this policy.

Credit Breach:

Credit Breach is the status of a Participant that does not currently meet the requirements of Attachment Q or other provisions of this Agreement.

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Credit-Limited Offer:

Credit-Limited Offer shall mean a Sell Offer that is submitted by a Market Seller in an RPM Auction subject to a maximum credit requirement specified by such Market Seller.

Credit Score:

Credit Score is a composite numerical score scaled from 0-100 as calculated by PJMSettlement that incorporates various predictors of creditworthiness.

CTS Enabled Interface:

"CTS Enabled Interface" shall mean an interface between the PJM Control Area and an adjacent Control Area at which the Office of the Interconnection has authorized the use of Coordinated Transaction Scheduling ("CTS"), designated in Schedule A to the Joint Operating Agreement Among and Between New York Independent System Operator Inc. and PJM Interconnection, L.L.C. (PJM Rate Schedule FERC No. 45).

CTS Interface Bid:

“CTS Interface Bid” shall mean a unified real-time bid to simultaneously purchase and sell energy on either side of a CTS Enabled Interface in accordance with the procedures of Section 1.13 of this Schedule 1 of this Agreement.

~~1.7~~—Curtailment:

A reduction in firm or non-firm transmission service in response to a transfer capability shortage as a result of system reliability conditions.

Curtailment Service Provider:

“Curtailment Service Provider” or “CSP” shall mean a Member or a Special Member, which action on behalf of itself or one or more other Members or non-Members, participates in the PJM Interchange Energy Market, Ancillary Services markets, and/or Reliability Pricing Model by causing a reduction in demand.

~~1.7A~~—Customer Facility:

Generation facilities or Merchant Transmission Facilities interconnected with or added to the Transmission System pursuant to an Interconnection Request under Subparts A of Part IV of the Tariff.

~~1.7A.01~~ Customer-Funded Upgrade:

Any Network Upgrade, Local Upgrade, or Merchant Network Upgrade for which cost responsibility (i) is imposed on an Interconnection Customer or an Eligible Customer pursuant to Section 217 of the Tariff, or (ii) is voluntarily undertaken by a *New Service Customer* in fulfillment of an Upgrade Request. No Network Upgrade, Local Upgrade or Merchant Network Upgrade or other transmission expansion or enhancement shall be a Customer-Funded Upgrade if and to the extent that the costs thereof are included in the rate base of a public utility on which a regulated return is earned.

~~1.7A.02~~ Customer Interconnection Facilities:

All facilities and equipment owned and/or controlled, operated and maintained by Interconnection Customer on Interconnection Customer’s side of the Point of Interconnection identified in the appropriate appendices to the Interconnection Service Agreement and to the Interconnection Construction Service Agreement, including any modifications, additions, or upgrades made to such facilities and equipment, that are necessary to physically and electrically interconnect the Customer Facility with the Transmission System.

~~1.7B~~—Daily Capacity Deficiency Rate

~~Daily Capacity Deficiency Rate is as defined in Schedule 11 of the Reliability Assurance Agreement.~~

Daily Deficiency Rate:

“Daily Deficiency Rate” shall mean the rate employed to assess certain deficiency charges under sections 7, 8, 9, or 13.

Daily Unforced Capacity Obligation:

“Daily Unforced Capacity Obligation” shall mean the capacity obligation of a Load Serving Entity during the Delivery Year, determined in accordance with Schedule 8 of the Reliability Assurance Agreement, or, as to an FRR entity, in Schedule 8.1 of the Reliability Assurance Agreement or, as to an FRR Entity in Schedule 8.1 of the RAA.

Day-ahead Congestion Price:

“Day-ahead Congestion Price” shall mean the Congestion Price resulting from the Day-ahead Energy Market.

Day-ahead Energy Market:

“Day-ahead Energy Market” shall mean the schedule of commitments for the purchase or sale of energy and payment of Transmission Congestion Charges developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.

Day-ahead Loss Price:

“Day-ahead Loss Price” shall mean the Loss Price resulting from the Day-ahead Energy Market.

Day-ahead Prices:

“Day-ahead Prices” shall mean the Locational Marginal Prices resulting from the Day-ahead Energy Market.

Day-ahead Scheduling Reserves:

“Day-ahead Scheduling Reserves” shall mean thirty-minute reserves as defined by the ReliabilityFirst Corporation and SERC.

Day-ahead Scheduling Reserves Market:

“Day-ahead Scheduling Reserves Market” shall mean the schedule of commitments for the purchase or sale of Day-ahead Scheduling Reserves developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.

Day-ahead Scheduling Reserves Requirement:

“Day-ahead Scheduling Reserves Requirement” shall mean the sum of Base Day-ahead Scheduling Reserves Requirement and Additional Day-ahead Scheduling Reserves Requirement.

Day-ahead Scheduling Reserves Resources:

“Day-ahead Scheduling Reserves Resources” shall mean synchronized and non-synchronized generation resources and Demand Resources electrically located within the PJM Region that are capable of providing Day-ahead Scheduling Reserves.

Day-ahead System Energy Price:

“Day-ahead System Energy Price” shall mean the System Energy Price resulting from the Day-ahead Energy Market.

1.7C—Deactivation:

The retirement or mothballing of a generating unit governed by Part V of this Tariff.

1.7D—Deactivation Avoidable Cost Credit:

The credit paid to Generation Owners pursuant to section 114 of this Tariff.

1.7E—Deactivation Avoidable Cost Rate:

The formula rate established pursuant to section 115 of this Tariff.

1.7F—Deactivation Date:

The date a generating unit within the PJM Region is either retired or mothballed and ceases to operate.

Decrement Bid:

“Decrement Bid” shall mean a type of Virtual Transaction that is a bid to purchase energy at a specified location in the Day-ahead Energy Market. A cleared Decrement Bid results in scheduled load at the specified location in the Day-ahead Energy Market.

1.7G—Default:

As used in the Interconnection Service Agreement and Construction Service Agreement, the failure of a Breaching Party to cure its Breach in accordance with the applicable provisions of an Interconnection Service Agreement or Construction Service Agreement.

1.8 — Delivering Party:

The entity supplying capacity and energy to be transmitted at Point(s) of Receipt.

Delivery Year:

Delivery Year shall mean the Planning Period for which a Capacity Resource is committed pursuant to the auction procedures specified in Section 5, hereof, or pursuant to an FRR Capacity Plan.

Demand Bid:

“Demand Bid” shall mean a bid, submitted by a Load Serving Entity in the Day-ahead Energy Market, to purchase energy at its contracted load location, for a specified timeframe and megawatt quantity, that if cleared will result in energy being scheduled at the specified location in the Day-ahead Energy Market and in the physical transfer of energy during the relevant Operating Day.

Demand Bid Limit:

“Demand Bid Limit” shall mean the largest MW volume of Demand Bids that may be submitted by a Load Serving Entity for any hour of an Operating Day, as determined pursuant to Section 1.10.1B of Schedule 1 of the Operating Agreement.

Demand Bid Screening:

“Demand Bid Screening” shall mean the process by which Demand Bids are reviewed against the applicable Demand Bid Limit, and rejected if they would exceed that limit, as determined pursuant to Section 1.10.1B of Schedule 1 of the Operating Agreement.

Demand Resource:

“Demand Resource” shall mean a resource with the capability to provide a reduction in demand.

Demand Resource Factor or DR Factor:

“Demand Resource Factor” or (“DR Factor”) shall have the meaning specified in the Reliability Assurance Agreement.

1.9 — Designated Agent:

Any entity that performs actions or functions on behalf of the Transmission Provider, a Transmission Owner, an Eligible Customer, or the Transmission Customer required under the Tariff.

~~1.9A~~—Designated Entity:

“Designated Entity” shall have the same meaning provided in the Operating Agreement.

~~1.10~~—Direct Assignment Facilities:

Facilities or portions of facilities that are constructed for the sole use/benefit of a particular Transmission Customer requesting service under the Tariff. Direct Assignment Facilities shall be specified in the Service Agreement that governs service to the Transmission Customer and shall be subject to Commission approval.

~~1.10.01~~—Direct Load Control:

Load reduction that is controlled directly by the Curtailment Service Provider’s market operations center or its agent, in response to PJM instructions.

Dispatch Rate:

“Dispatch Rate” shall mean the control signal, expressed in dollars per megawatt-hour, calculated and transmitted continuously and dynamically to direct the output level of all generation resources dispatched by the Office of the Interconnection in accordance with the Offer Data.

Definitions – E - F

1.10A Economic-based Enhancement or Expansion:

“Economic-based Enhancement or Expansion” shall have the same meaning provided in the Operating Agreement.

Economic Load Response Participant:

“Economic Load Response Participant” shall mean a Member or Special Member that qualifies under Section 1.5A of this Schedule to participate in the PJM Interchange Energy Market and/or Ancillary Services markets through reductions in demand.

Economic Maximum:

“Economic Maximum” shall mean the highest incremental MW output level, submitted to PJM market systems by a Market Participant, that a unit can achieve while following economic dispatch.

Economic Minimum:

The lowest incremental MW output level a unit can achieve while following economic dispatch.

“Economic Minimum” shall mean the lowest incremental MW output level, submitted to PJM market systems by a Market Participant, that a unit can achieve while following economic dispatch. [FROM OATT ATT K-APPX SEC 1.3 – NEED TO RESOLVE DISCREPANCY]

Effective FTR Holder:

“Effective FTR Holder” shall mean:

(i) For an FTR Holder that is either a (a) privately held company, or (b) a municipality or electric cooperative, as defined in the Federal Power Act, such FTR Holder, together with any Affiliate, subsidiary or parent of the FTR Holder, any other entity that is under common ownership, wholly or partly, directly or indirectly, or has the ability to influence, directly or indirectly, the management or policies of the FTR Holder; or

(ii) For an FTR Holder that is a publicly traded company including a wholly owned subsidiary of a publicly traded company, such FTR Holder, together with any Affiliate, subsidiary or parent of the FTR Holder, any other PJM Member has over 10% common ownership with the FTR Holder, wholly or partly, directly or indirectly, or has the ability to influence, directly or indirectly, the management or policies of the FTR Holder; or

(iii) an FTR Holder together with any other PJM Member, including also any Affiliate, subsidiary or parent of such other PJM Member, with which it shares common ownership,

wholly or partly, directly or indirectly, in any third entity which is a PJM Member (e.g., a joint venture).

EFORd:

“EFORd” shall have the meaning specified in the PJM Reliability Assurance Agreement.

1.11—Eligible Customer:

(i) Any electric utility (including any Transmission Owner and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale is an Eligible Customer under the Tariff. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that the Transmission Provider or Transmission Owner offer the unbundled transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner.

(ii) Any retail customer taking unbundled transmission service pursuant to a state requirement that the Transmission Provider or a Transmission Owner offer the transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner, is an Eligible Customer under the Tariff. As used in Part VI, Eligible Customer shall mean only those Eligible Customers that have submitted a Completed Application.

Emergency Action:

“Emergency Action” shall mean any emergency action for locational or system-wide capacity shortages that either utilizes pre-emergency mandatory load management reductions or other emergency capacity, or initiates a more severe action including, but not limited to, a Voltage Reduction Warning, Voltage Reduction Action, Manual Load Dump Warning, or Manual Load Dump Action.

1.11.01 Emergency Condition:

A condition or situation (i) that in the judgment of any Interconnection Party is imminently likely to endanger life or property; or (ii) that in the judgment of the Interconnected Transmission Owner or Transmission Provider is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Transmission System, the Interconnection Facilities, or the transmission systems or distribution systems to which the Transmission System is directly or indirectly connected; or (iii) that in the judgment of Interconnection Customer is imminently likely (as determined in a non-discriminatory manner) to cause damage to the Customer Facility or to the Customer Interconnection Facilities. System restoration and black start shall be considered Emergency Conditions, provided that a Generation Interconnection Customer is not obligated by an Interconnection Service Agreement to possess black start capability. Any condition or situation that results from lack of sufficient generating

capacity to meet load requirements or that results solely from economic conditions shall not constitute an Emergency Condition, unless one or more of the enumerated conditions or situations identified in this definition also exists.

Emergency Load Response Program:

The Emergency Load Response Program is the program by which Curtailment Service Providers may be compensated by PJM for Demand Resources that will reduce load when dispatched by PJM during emergency conditions, and is described in Section 8 of Schedule 1 of the Operating Agreement and the parallel provisions of Section 8 of Attachment K-Appendix of the Tariff.

Energy Efficiency Resource:

“Energy Efficiency Resource” shall have the meaning specified in the PJM Reliability Assurance Agreement.

Energy Market Opportunity Cost:

“Energy Market Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of available run hours due to limitations imposed on the unit by Applicable Laws and Regulations (as defined in PJM Tariff), and (b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Energy Market Opportunity Cost therefore is the value associated with a specific generating unit’s lost opportunity to produce energy during a higher valued period of time occurring within the same compliance period, which compliance period is determined by the applicable regulatory authority and is reflected in the rules set forth in PJM Manual 15. Energy Market Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.

~~1.11A~~ Energy Resource:

A generating facility that is not a Capacity Resource.

~~1.11A.01~~ Energy Settlement Area:

The bus or distribution of busses that represents the physical location of Network Load and by which the obligations of the Network Customer to PJM are settled.

Energy Storage Resource:

“Energy Storage Resource” shall mean flywheel or battery storage facility solely used for short term storage and injection of energy at a later time to participate in the PJM energy and/or Ancillary Services markets as a Market Seller.

~~1.11B~~ Energy Transmission Injection Rights:

The rights to schedule energy deliveries at a specified point on the Transmission System. Energy Transmission Injection Rights may be awarded only to a Merchant D.C. Transmission Facility

that connects the Transmission System to another control area. Deliveries scheduled using Energy Transmission Injection Rights have rights similar to those under Non-Firm Point-to-Point Transmission Service.

~~1.11C~~ Environmental Laws:

Applicable Laws or Regulations relating to pollution or protection of the environment, natural resources or human health and safety.

Environmentally-Limited Resource:

“Environmentally-Limited Resource” shall mean a resource which has a limit on its run hours imposed by a federal, state, or other governmental agency that will significantly limit its availability, on either a temporary or long-term basis. This includes a resource that is limited by a governmental authority to operating only during declared PJM capacity emergencies.

Equivalent Load:

“Equivalent Load” shall mean the sum of a Market Participant’s net system requirements to serve its customer load in the PJM Region, if any, plus its net bilateral transactions.

~~1.11D~~ Existing Generation Capacity Resource:

Existing Generation Capacity Resource shall have the meaning specified in the Reliability Assurance Agreement.

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Export Credit Exposure:

Export Credit Exposure is determined for each Market Participant for a given Operating Day, and is the sum of credit exposures for the Market Participant’s Export Transactions for that Operating Day and for the preceding Operating Day.

Export Nodal Reference Price:

The Export Nodal Reference Price at each location is the 97th percentile real-time hourly integrated price experienced over the corresponding two-month period in the preceding calendar year, calculated separately for peak and off-peak time periods. The two-month time periods used in this calculation shall be January and February, March and April, May and June, July and August, September and October, and November and December.

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Export Transaction:

An Export Transaction is a transaction by a Market Participant that results in the transfer of energy from within the PJM Control Area to outside the PJM Control Area. Coordinated External Transactions that result in the transfer of energy from the PJM Control Area to an adjacent Control Area are one form of Export Transaction.

Export Transaction Price Factor:

The Export Transaction Price Factor for a prospective time interval shall be the greater of (i) PJM's forecast price for the time interval, if available, or (ii) the Export Nodal Reference Price, but shall not exceed the Export Transaction's dispatch ceiling price cap, if any, for that time interval. The Export Transaction Price Factor for a past time interval shall be calculated in the same manner as for a prospective time interval, except that the Export Transaction Price Factor may use a tentative or final settlement price, as available. If an Export Nodal Reference Price is not available for a particular time interval, PJM may use an Export Transaction Price Factor for that time interval based on an appropriate alternate reference price.

Export Transaction Screening:

Export Transaction Screening is the process PJM uses to review the Export Credit Exposure of Export Transactions against the Credit Available for Export Transactions, and deny or curtail all or a portion of an Export Transaction, if the credit required for such transactions is greater than the credit available for the transactions.

Export Transactions Net Activity:

Export Transactions Net Activity shall mean the aggregate net total, resulting from Export Transactions, of (i) Spot Market Energy charges, (ii) Transmission Congestion Charges, and (iii) Transmission Loss Charges, calculated as set forth in Attachment K-Appendix. Export Transactions Net Activity may be positive or negative.

Extended Primary Reserve Requirement:

"Extended Primary Reserve Requirement" shall equal the Primary Reserve Requirement in a Reserve Zone or Reserve Sub-zone, plus additional reserves scheduled under emergency conditions necessary to address operational uncertainty. The Extended Primary Reserve Requirement is calculated in accordance with the PJM Manuals.

Extended Summer Demand Resource:

"Extended Summer Demand Resource" shall have the meaning specified in the Reliability Assurance Agreement.

Extended Summer Resource Price Adder:

"Extended Summer Resource Price Adder" shall mean, for Delivery Years through May 31, 2018, an addition to the marginal value of Unforced Capacity as necessary to reflect the price of Annual Resources and Extended Summer Demand Resources required to meet the applicable Minimum Extended Summer Resource Requirement.

Extended Synchronized Reserve Requirement:

“Extended Synchronized Reserve Requirement” shall equal the Synchronized Reserve Requirement in a Reserve Zone or Reserve Sub-zone, plus additional reserves scheduled under emergency conditions necessary to address operational uncertainty. The Extended Synchronized Reserve Requirement is calculated in accordance with the PJM Manuals.

External Market Buyer:

“External Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for consumption by end-users outside the PJM Region, or for load in the PJM Region that is not served by Network Transmission Service.

External Resource:

“External Resource” shall mean a generation resource located outside the metered boundaries of the PJM Region.

1.12—Facilities Study:

An engineering study conducted by the Transmission Provider (in coordination with the affected Transmission Owner(s)) to: (1) determine the required modifications to the Transmission Provider’s Transmission System necessary to implement the conclusions of the System Impact Study; and (2) complete any additional studies or analyses documented in the System Impact Study or required by PJM Manuals, and determine the required modifications to the Transmission Provider’s Transmission System based on the conclusions of such additional studies. The Facilities Study shall include, including the cost and scheduled completion date for such modifications, that will be required to provide the requested transmission service or to accommodate an ~~Interconnection Request or Upgrade~~ New Service Request. As used in the Interconnection Service Agreement or Construction Service Agreement, Facilities Study shall mean that certain Facilities Study conducted by Transmission Provider (or at its direction) to determine the design and specification of the ~~Interconnection Facilities~~ Customer Funded Upgrades necessary to accommodate the New Service Customer’s New Service Request in accordance with Section 207 of Part VI of the Tariff.

1.12A—Federal Power Act:

The Federal Power Act, as amended, 16 U.S.C. §§ 791a, et seq.

1.12B—FERC:

The Federal Energy Regulatory Commission or ~~its~~any successor federal agency, commission or department exercising jurisdiction over this Agreement.

FERC Market Rules:

“FERC Market Rules” mean the market behavior rules and the prohibition against electric energy market manipulation codified by the Commission in its Rules and Regulations at 18 CFR §§ 1c.2 and 35.37, respectively; the Commission-approved PJM Market Rules and any related proscriptions or any successor rules that the Commission from time to time may issue, approve or otherwise establish.

Final Offer:

“Final Offer” shall mean the offer on which a resource was dispatched by the Office of the Interconnection for a particular clock hour for the Operating Day.

Final RTO Unforced Capacity Obligation:

“Final RTO Unforced Capacity Obligation” shall mean the capacity obligation for the PJM Region, determined in accordance with Schedule 8 of the Reliability Assurance Agreement.

Financial Close:

Financial Close shall mean the Capacity Market Seller has demonstrated that the Capacity Market Seller or its agent has completed the act of executing the material contracts and/or other documents necessary to (1) authorize construction of the project and (2) establish the necessary funding for the project under the control of an independent third-party entity. A sworn, notarized certification of an independent engineer certifying to such facts, and that the engineer has personal knowledge of, or has engaged in a diligent inquiry to determine, such facts, shall be sufficient to make such demonstration. For resources that do not have external financing, Financial Close shall mean the project has full funding available, and that the project has been duly authorized to proceed with full construction of the material portions of the project by the appropriate governing body of the company funding such project. A sworn, notarized certification by an officer of such company certifying to such facts, and that the officer has personal knowledge of, or has engaged in a diligent inquiry to determine, such facts, shall be sufficient to make such demonstration.

Financial Security:

Financial Security is a cash deposit or letter of credit in an amount and form determined by and acceptable to PJMSettlement, provided by a Participant to PJMSettlement as security in order to participate in the PJM Markets or take Transmission Service.

Financial Transmission Right:

“Financial Transmission Right” or “FTR” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2 of this Schedule.

Financial Transmission Right Obligation:

“Financial Transmission Right Obligation” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(b) of this Schedule.

Financial Transmission Right Option:

“Financial Transmission Right Option” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(c) of this Schedule.

1.13—Firm Point-To-Point Transmission Service:

Transmission Service under this Tariff that is reserved and/or scheduled between specified Points of Receipt and Delivery pursuant to Part II of this Tariff.

1.13A—Firm Transmission Withdrawal Rights:

The rights to schedule energy and capacity withdrawals from a Point of Interconnection (as defined in Section 1.33A) of a Merchant Transmission Facility with the Transmission System. Firm Transmission Withdrawal Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System with another control area. Withdrawals scheduled using Firm Transmission Withdrawal Rights have rights similar to those under Firm Point-to-Point Transmission Service.

First Incremental Auction:

“First Incremental Auction” shall mean an Incremental Auction conducted 20 months prior to the start of the Delivery Year to which it relates.

Forecast Pool Requirement:

“Forecast Pool Requirement” shall have the meaning specified in the Reliability Assurance Agreement.

Foreign Guaranty:

Foreign Guaranty is a Corporate Guaranty provided by an Affiliate of a Participant that is domiciled in a foreign country, and meets all of the provisions of this credit policy.

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FTR Credit Limit:

FTR Credit Limit will be equal to the amount of credit established with PJMSettlement that a Participant has specifically designated to PJMSettlement to be set aside and used for FTR activity. Any such credit so set aside shall not be considered available to satisfy any other credit requirement the Participant may have with PJMSettlement.

FTR Credit Requirement:

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FTR Credit Requirement is the amount of credit that a Participant must provide in order to support the FTR positions that it holds and/or is bidding for. The FTR Credit Requirement shall not include months for which the invoicing has already been completed, provided that PJM Settlement shall have up to two Business Days following the date of the invoice completion to make such adjustments in its credit systems.

FTR Flow Undiversified:

FTR Flow Undiversified shall have the meaning established in section V.G of this Attachment Q.

FTR Geographically Undiversified:

FTR Geographically Undiversified shall have the meaning established in section V.G of this Attachment Q.

FTR Historical Value:

FTR Historical Value – For each FTR for each month, this is the historical weighted average value over three years for the FTR path using the following weightings: 50% - most recent year; 30% - second year; 20% - third year. FTR Historical Values shall be calculated separately for on-peak, off-peak, and 24-hour FTRs for each month of the year. FTR Historical Values shall be adjusted by plus or minus ten percent (10%) for cleared counterflow or normal flow FTRs, respectively, in order to mitigate exposure due to uncertainty and fluctuations in actual FTR value.

FTR Holder.

“FTR Holder” shall mean the PJM Member that has acquired and possesses an FTR.

FTR Monthly Credit Requirement Contribution:

FTR Monthly Credit Requirement Contribution - For each FTR for each month, this is the total FTR cost for the month, prorated on a daily basis, less the FTR Historical Value for the month. For cleared FTRs, this contribution may be negative; prior to clearing, FTRs with negative contribution shall be deemed to have zero contribution.

FTR Net Activity:

FTR Net Activity shall mean the aggregate net value of the billing line items for auction revenue rights credits, FTR auction charges, FTR auction credits, and FTR congestion credits, and shall also include day-ahead and balancing/real-time congestion charges up to a maximum net value of the sum of the foregoing auction revenue rights credits, FTR auction charges, FTR auction credits and FTR congestion credits.

FTR Participant:

FTR Participant shall mean any Market Participant that is required to provide Financial Security in order to participate in PJM's FTR auctions.

FTR Portfolio Auction Value:

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FTR Portfolio Auction Value shall mean for each Participant (or Participant account), the sum, calculated on a monthly basis, across all FTRs, of the FTR price times the FTR volume in MW.

Full Notice to Proceed:

Full Notice to Proceed shall mean that all material third party contractors have been given the notice to proceed with construction by the Capacity Market Seller or its agent, with a guaranteed completion date backed by liquidated damages.

Definitions – G - H

Generating Market Buyer:

“Generating Market Buyer” shall mean an Internal Market Buyer that is a Load Serving Entity that owns or has contractual rights to the output of generation resources capable of serving the Market Buyer’s load in the PJM Region, or of selling energy or related services in the PJM Interchange Energy Market or elsewhere.

~~1.13A.02~~ — Generation Capacity Resource:

“Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

~~1.13B~~ — Generation Interconnection Customer:

An entity that submits an Interconnection Request to interconnect a new generation facility or to increase the capacity of an existing generation facility interconnected with the Transmission System in the PJM Region.

~~1.13C~~ — Generation Interconnection Facilities Study:

A Facilities Study related to a Generation Interconnection Request.

~~1.13D~~ — Generation Interconnection Feasibility Study:

A study conducted by the Transmission Provider (in coordination with the affected Transmission Owner(s)) in accordance with Section 36.2 of this Tariff.

~~1.13E~~ — Generation Interconnection Request:

A request by a Generation Interconnection Customer pursuant to Subpart A of Part IV of the Tariff to interconnect a generating unit with the Transmission System or to increase the capacity of a generating unit interconnected with the Transmission System in the PJM Region.

~~1.13F~~ — Generation Owner:

An entity that owns or otherwise controls and operates one or more operating generating units in the PJM Region.

Generation Resource Maximum Output:

“Generation Resource Maximum Output” shall mean, for Customer Facilities identified in an Interconnection Service Agreement or Wholesale Market Participation Agreement, the Generation Resource Maximum Output for a generating unit shall equal the unit’s pro rata share of the Maximum Facility Output, determined by the Economic Maximum values for the

available units at the Customer Facility. For generating units not identified in an Interconnection Service Agreement or Wholesale Market Participation Agreement, the Generation Resource Maximum Output shall equal the generating unit's Economic Maximum.

Generator Forced Outage:

“Generator Forced Outage” shall mean an immediate reduction in output or capacity or removal from service, in whole or in part, of a generating unit by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the facility, as specified in the relevant portions of the PJM Manuals. A reduction in output or removal from service of a generating unit in response to changes in market conditions shall not constitute a Generator Forced Outage.

Generator Maintenance Outage:

“Generator Maintenance Outage” shall mean the scheduled removal from service, in whole or in part, of a generating unit in order to perform necessary repairs on specific components of the facility, if removal of the facility meets the guidelines specified in the PJM Manuals.

Generator Planned Outage:

“Generator Planned Outage” shall mean the scheduled removal from service, in whole or in part, of a generating unit for inspection, maintenance or repair with the approval of the Office of the Interconnection in accordance with the PJM Manuals.

1.14 — Good Utility Practice:

Any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather ~~to be~~ is intended to include acceptable practices, methods, or acts generally accepted in the region; including those practices required by Federal Power Act Section 215(a)(4).

1.14.01 Governmental Authority:

Any federal, state, local or other governmental, regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, arbitrating body, or other governmental authority having jurisdiction over any Interconnection Party or Construction Party or regarding any matter relating to an Interconnection Service Agreement or Construction Service Agreement, as applicable.

1.14.02 Hazardous Substances:

Any chemicals, materials or substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “hazardous constituents,” “restricted hazardous materials,” “extremely hazardous substances,” “toxic substances,” “radioactive substances,” “contaminants,” “pollutants,” “toxic pollutants” or words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

Hot Weather Alert:

“Hot Weather Alert” shall mean the notice provided by PJM to PJM Members, Transmission Owners, resource owners and operators, customers, and regulators to prepare personnel and facilities for extreme hot and/or humid weather conditions which may cause capacity requirements and/or unit unavailability to be substantially higher than forecast are expected to persist for an extended period.

Definitions – I – J - K

~~1.14A~~ IDR Transfer Agreement:

An agreement to transfer, subject to the terms of Section 49B of the Tariff, Incremental Deliverability Rights to a party for the purpose of eliminating or reducing the need for Local or Network Upgrades that would otherwise have been the responsibility of the party receiving such rights.

~~1.14A.001~~ Immediate-need Reliability Project:

“Immediate-need Reliability Project” shall have the same meaning provided in the Operating Agreement.

Inadvertent Interchange.

“Inadvertent Interchange” shall mean the difference between net actual energy flow and net scheduled energy flow into or out of the individual Control Areas operated by PJM.

~~1.14A.01~~ Incidental Expenses:

Shall mean those expenses incidental to the performance of construction pursuant to an Interconnection Construction Service Agreement, including, but not limited to, the expense of temporary construction power, telecommunications charges, Interconnected Transmission Owner expenses associated with, but not limited to, document preparation, design review, installation, monitoring, and construction-related operations and maintenance for the Customer Facility and for the Interconnection Facilities.

Incremental Auction:

“Incremental Auction” shall mean any of several auctions conducted for a Delivery Year after the Base Residual Auction for such Delivery Year and before the first day of such Delivery Year, including the First Incremental Auction, Second Incremental Auction, Third Incremental Auction or Conditional Incremental Auction. Incremental Auctions (other than the Conditional Incremental Auction), shall be held for the purposes of:

(i) allowing Market Sellers that committed Capacity Resources in the Base Residual Auction for a Delivery Year, which subsequently are determined to be unavailable to deliver the committed Unforced Capacity in such Delivery Year (due to resource retirement, resource cancellation or construction delay, resource derating, EFORd increase, a decrease in the Nominated Demand Resource Value of a Planned Demand Resource, delay or cancellation of a Qualifying Transmission Upgrade, or similar occurrences) to submit Buy Bids for replacement Capacity Resources; and

(ii) allowing the Office of the Interconnection to reduce or increase the amount of committed capacity secured in prior auctions for such Delivery Year if, as a result of changed

circumstances or expectations since the prior auction(s), there is, respectively, a significant excess or significant deficit of committed capacity for such Delivery Year, for the PJM Region or for an LDA.

~~1.14B~~—Incremental Auction Revenue Rights:

The additional Auction Revenue Rights (as defined in Section 1.3.1A of Schedule 1 of the Operating Agreement), not previously feasible, created by the addition of Incremental Rights-Eligible Required Transmission Enhancements, Merchant Transmission Facilities, or of one or more Customer-Funded Upgrades.

~~1.14C~~—Incremental Available Transfer Capability Revenue Rights:

The rights to revenues that are derived from incremental Available Transfer Capability created by the addition of Merchant Transmission Facilities or of one of more Customer-Funded Upgrades.

Incremental Capacity Transfer Right:

“Incremental Capacity Transfer Right” shall mean a Capacity Transfer Right allocated to a Generation Interconnection Customer or Transmission Interconnection Customer obligated to fund a transmission facility or upgrade, to the extent such upgrade or facility increases the transmission import capability into a Locational Deliverability Area, or a Capacity Transfer Right allocated to a Responsible Customer in accordance with Schedule 12A of the Tariff.

~~1.14D~~—Incremental Deliverability Rights (IDRs):

The rights to the incremental ability, resulting from the addition of Merchant Transmission Facilities, to inject energy and capacity at a point on the Transmission System, such that the injection satisfies the deliverability requirements of a Capacity Resource. Incremental Deliverability Rights may be obtained by a generator or a Generation Interconnection Customer, pursuant to an IDR Transfer Agreement, to satisfy, in part, the deliverability requirements necessary to obtain Capacity Interconnection Rights.

~~1.14D.1~~—Incremental Multi-Driver Project:

“Incremental Multi-Driver Project” shall have the same meaning provided in the Operating Agreement.

~~1.14B.01~~—Incremental Rights-Eligible Required Transmission Enhancements:

Regional Facilities and Necessary Lower Voltage Facilities or Lower Voltage Facilities (as defined in Schedule 12 of the Tariff) and meet one of the following criteria: (1) cost responsibility is assigned to non-contiguous Zones that are not directly electrically connected; or (2) cost responsibility is assigned to Merchant Transmission Providers that are Responsible Customers.

Increment Offer:

“Increment Offer” shall mean a type of Virtual Transaction that is an offer to sell energy at a specified location in the Day-ahead Energy Market. A cleared Increment Offer results in scheduled generation at the specified location in the Day-ahead Energy Market.

~~1.14Da~~ Initial Operation:

The commencement of operation of the Customer Facility and Customer Interconnection Facilities after satisfaction of the conditions of Section 1.4 of Appendix 2 of an Interconnection Service Agreement.

~~1.14Db~~ Initial Study:

A study of a Completed Application conducted by the Transmission Provider (in coordination with the affected Transmission Owner(s)) in accordance with Section 19 or Section 32 of the Tariff.

~~1.14De~~ Interconnected Entity:

Either the Interconnection Customer or the Interconnected Transmission Owner; Interconnected Entities shall mean both of them.

~~1.14D.01~~ — Interconnected Transmission Owner:

The Transmission Owner to whose transmission facilities or distribution facilities Customer Interconnection Facilities are, or as the case may be, a Customer Facility is, being directly connected. When used in an Interconnection Construction Service Agreement, the term may refer to a Transmission Owner whose facilities must be upgraded pursuant to the Facilities Study, but whose facilities are not directly interconnected with those of the Interconnection Customer.

~~1.14D.02~~ Interconnection Construction Service Agreement:

The agreement entered into by an Interconnection Customer, Interconnected Transmission Owner and the Transmission Provider pursuant to Subpart B of Part VI of the Tariff and in the form set forth in Attachment P of the Tariff, relating to construction of Attachment Facilities, Network Upgrades, and/or Local Upgrades and coordination of the construction and interconnection of an associated Customer Facility. A separate Interconnection Construction Service Agreement will be executed with each Transmission Owner that is responsible for construction of any Attachment Facilities, Network Upgrades, or Local Upgrades associated with interconnection of a Customer Facility.

~~1.14E~~ Interconnection Customer:

A Generation Interconnection Customer and/or a Transmission Interconnection Customer.

~~1.14F~~ Interconnection Facilities:

The Transmission Owner Interconnection Facilities and the Customer Interconnection Facilities.

~~1.14G~~ Interconnection Feasibility Study:

Either a Generation Interconnection Feasibility Study or Transmission Interconnection Feasibility Study.

~~1.14G.01~~ Interconnection Party:

Transmission Provider, Interconnection Customer, or the Interconnected Transmission Owner. Interconnection Parties shall mean all of them.

~~1.14H~~ Interconnection Request:

A Generation Interconnection Request, a Transmission Interconnection Request and/or an IDR Transfer Agreement.

~~1.14H.01~~ Interconnection Service:

The physical and electrical interconnection of the Customer Facility with the Transmission System pursuant to the terms of Part IV and Part VI and the Interconnection Service Agreement entered into pursuant thereto by Interconnection Customer, the Interconnected Transmission Owner and Transmission Provider.

~~1.14I~~ Interconnection Service Agreement:

An agreement among the Transmission Provider, an Interconnection Customer and an Interconnected Transmission Owner regarding interconnection under Part IV and Part VI of the Tariff.

~~1.14J~~ Interconnection Studies:

The Interconnection Feasibility Study, the System Impact Study, and the Facilities Study described in Part IV and Part VI of the Tariff.

Interface Pricing Point:

“Interface Pricing Point” shall have the meaning specified in section 2.6A.

Intermittent Resource:

“Intermittent Resource” shall mean a Generation Capacity Resource with output that can vary as a function of its energy source, such as wind, solar, run of river hydroelectric power and other renewable resources.

Internal Market Buyer:

“Internal Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for ultimate consumption by end-users inside the PJM Region that are served by Network Transmission Service.

1.15.01 Interregional Transmission Project:

Interregional Transmission Project shall mean transmission facilities that would be located within two or more neighboring transmission planning regions and are determined by each of those regions to be a more efficient or cost effective solution to regional transmission needs.

1.15—Interruption:

A reduction in non-firm transmission service due to economic reasons pursuant to Section 14.7.

Definitions – L – M - N

Limited Demand Resource:

“Limited Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

Limited Demand Resource Reliability Target:

“Limited Demand Resource Reliability Target” for the PJM Region or an LDA, shall mean the maximum amount of Limited Demand Resources determined by PJM to be consistent with the maintenance of reliability, stated in Unforced Capacity that shall be used to calculate the Minimum Extended Summer Demand Resource Requirement for Delivery Years through May 31, 2017 and the Limited Resource Constraint for the 2017/2018 and 2018/2019 Delivery Years for the PJM Region or such LDA. As more fully set forth in the PJM Manuals, PJM calculates the Limited Demand Resource Reliability Target by first: i) testing the effects of the ten-interruption requirement by comparing possible loads on peak days under a range of weather conditions (from the daily load forecast distributions for the Delivery Year in question) against possible generation capacity on such days under a range of conditions (using the cumulative capacity distributions employed in the Installed Reserve Margin study for the PJM Region and in the Capacity Emergency Transfer Objective study for the relevant LDAs for such Delivery Year) and, by varying the assumed amounts of DR that is committed and displaces committed generation, determines the DR penetration level at which there is a ninety percent probability that DR will not be called (based on the applicable operating reserve margin for the PJM Region and for the relevant LDAs) more than ten times over those peak days; ii) testing the six-hour duration requirement by calculating the MW difference between the highest hourly unrestricted peak load and seventh highest hourly unrestricted peak load on certain high peak load days (e.g., the annual peak, loads above the weather normalized peak, or days where load management was called) in recent years, then dividing those loads by the forecast peak for those years and averaging the result; and (iii) (for the 2016/2017 and 2017/2018 Delivery Years) testing the effects of the six-hour duration requirement by comparing possible hourly loads on peak days under a range of weather conditions (from the daily load forecast distributions for the Delivery Year in question) against possible generation capacity on such days under a range of conditions (using a Monte Carlo model of hourly capacity levels that is consistent with the capacity model employed in the Installed Reserve Margin study for the PJM Region and in the Capacity Emergency Transfer Objective study for the relevant LDAs for such Delivery Year) and, by varying the assumed amounts of DR that is committed and displaces committed generation, determines the DR penetration level at which there is a ninety percent probability that DR will not be called (based on the applicable operating reserve margin for the PJM Region and for the relevant LDAs) for more than six hours over any one or more of the tested peak days. Second, PJM adopts the lowest result from these three tests as the Limited Demand Resource Reliability Target. The Limited Demand Resource Reliability Target shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [the Forecast Pool Requirement] times [the DR Factor] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].

Limited Resource Constraint:

“Limited Resource Constraint” shall mean, for the 2017/2018 Delivery Year and for FRR Capacity Plans the 2017/2018 and Delivery Years, for the PJM Region or each LDA for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for a Delivery Year, a limit on the total amount of Unforced Capacity that can be committed as Limited Demand Resources for the 2017/2018 Delivery Year in the PJM Region or in such LDA, calculated as the Limited Demand Resource Reliability Target for the PJM Region or such LDA, respectively, minus the Short Term Resource Procurement Target for the PJM Region or such LDA, respectively.

Limited Resource Price Decrement:

“Limited Resource Price Decrement” shall mean, for the 2017/2018 Delivery Year , a difference between the clearing price for Limited Demand Resources and the clearing price for Extended Summer Demand Resources and Annual Resources, representing the cost to procure additional Extended Summer Demand Resources or Annual Resources out of merit order when the Limited Resource Constraint is binding.

1.15A—List of Approved Contractors:

A list developed by each Transmission Owner and published in a PJM Manual of (a) contractors that the Transmission Owner considers to be qualified to install or construct new facilities and/or upgrades or modifications to existing facilities on the Transmission Owner’s system, provided that such contractors may include, but need not be limited to, contractors that, in addition to providing construction services, also provide design and/or other construction-related services, and (b) manufacturers or vendors of major transmission-related equipment (e.g., high-voltage transformers, transmission line, circuit breakers) whose products the Transmission Owner considers acceptable for installation and use on its system.

Load Management:

“Load Management” shall mean a Demand Resource (“DR”) as defined in the Reliability Assurance Agreement.

Load Management Event:

“Load Management Event” shall mean a) a single temporally contiguous dispatch of Demand Resources in a Compliance Aggregation Area during an Operating Day, or b) multiple dispatches of Demand Resources in a Compliance Aggregation Area during an Operating Day that are temporally contiguous.

1.16—Load Ratio Share:

Ratio of a Transmission Customer’s Network Load to the Transmission Provider’s total load.

Load Reduction Event:

“Load Reduction Event” shall mean a reduction in demand by a Member or Special Member for the purpose of participating in the PJM Interchange Energy Market.

Load Serving Entity (LSE):

“Load Serving Entity” or “LSE” shall have the meaning specified in the Reliability Assurance Agreement.

1.17—Load Shedding:

The systematic reduction of system demand by temporarily decreasing load in response to transmission system or area capacity shortages, system instability, or voltage control considerations under Part II or Part III of the Tariff.

1.17A—Local Upgrades:

Modifications or additions of facilities to abate any local thermal loading, voltage, short circuit, stability or similar engineering problem caused by the interconnection and delivery of generation to the Transmission System. Local Upgrades shall include:

(i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) Non-Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

Location:

“Location” as used in the Economic Load Response rules shall mean an end-use customer site as defined by the relevant electric distribution company account number.

Locational Deliverability Area (LDA):

“Locational Deliverability Area” or “LDA” shall mean a geographic area within the PJM Region that has limited transmission capability to import capacity to satisfy such area’s reliability requirement, as determined by the Office of the Interconnection in connection with preparation of the Regional Transmission Expansion Plan, and as specified in Schedule 10.1 of the Reliability Assurance Agreement.

Locational Deliverability Area Reliability Requirement:

“Locational Deliverability Area Reliability Requirement” shall mean the projected internal capacity in the Locational Deliverability Area plus the Capacity Emergency Transfer Objective

for the Delivery Year, as determined by the Office of the Interconnection in connection with preparation of the Regional Transmission Expansion Plan, less the minimum internal resources required for all FRR Entities in such Locational Deliverability Area.

Locational Price Adder:

“Locational Price Adder” shall mean an addition to the marginal value of Unforced Capacity within an LDA as necessary to reflect the price of Capacity Resources required to relieve applicable binding locational constraints.

Locational Reliability Charge:

“Locational Reliability Charge” shall have the meaning specified in the Reliability Assurance Agreement.

Locational UCAP:

“Locational UCAP” shall mean unforced capacity that a Member with available uncommitted capacity sells in a bilateral transaction to a Member that previously committed capacity through an RPM Auction but now requires replacement capacity to fulfill its RPM Auction commitment. The Locational UCAP Seller retains responsibility for performance of the resource providing such replacement capacity.

Locational UCAP Seller:

“Locational UCAP Seller” shall mean a Member that sells Locational UCAP.

LOC Deviation:

“LOC Deviation” shall mean, for units other than wind units, the LOC Deviation shall equal the desired megawatt amount for the resource determined according to the point on the Final Offer corresponding to the hourly integrated real-time Locational Marginal Price at the resource’s bus and adjusted for any Regulation or Tier 2 Synchronized Reserve assignments and limited to the lesser of the unit’s Economic Maximum or the unit’s Generation Resource Maximum Output, minus the actual hourly integrated output of the unit. For wind units, the LOC Deviation shall be the deviation of the generating unit’s output equal to the lesser of the PJM forecasted output for the unit or the desired megawatt amount for the resource determined according to the point on the Final Offer corresponding to the hourly integrated real-time Locational Marginal Price at the resource’s bus, and shall be limited to the lesser of the unit’s Economic Maximum or the unit’s Generation Resource Maximum Output, minus the actual hourly integrated output of the unit.

1.17B—Long-lead Project:

“Long-lead Project” shall have the same meaning provided in the Operating Agreement.

1.18 — Long-Term Firm Point-To-Point Transmission Service:

Firm Point-To-Point Transmission Service under Part II of the Tariff with a term of one year or more.

Loss Price:

“Loss Price” shall mean the loss component of the Locational Marginal Price, which is the effect on transmission loss costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource based on the effect of increased generation from or consumption by the resource on transmission losses, calculated as specified in Section 2 of Schedule 1 of this Agreement.

1.18A [RESERVED]

1.18A.01 [RESERVED]

Market Monitor:

“Market Monitor” means the head of the Market Monitoring Unit.

Market Monitoring Unit or MMU:

“Market Monitoring Unit” or “MMU” means the organization that is responsible for implementing this Plan, including the Market Monitor.

Market Monitoring Unit Advisory Committee or MMU Advisory Committee:

“Market Monitoring Unit Advisory Committee” or “MMU Advisory Committee” means the committee established under Section III.H.

Market Operations Center:

“Market Operations Center” shall mean the equipment, facilities and personnel used by or on behalf of a Market Participant to communicate and coordinate with the Office of the Interconnection in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

Market Participant:

“Market Participant” means an entity that generates, transmits, distributes, purchases, or sells electricity, ancillary services, or any other product or service provided under the PJM Tariff or Operating Agreement within, into, out of, or through the PJM Region. “Market Participant” shall not include an Authorized Government Agency that consumes energy for its own use but does not purchase or sell energy at wholesale.

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Market Participant shall have the meaning provided in the Operating Agreement.
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Market Seller Offer Cap:

“Market Seller Offer Cap” shall mean a maximum offer price applicable to certain Market Sellers under certain conditions, as determined in accordance with section 6 of Attachment DD and section II.E of Attachment M - Appendix.

Market Violation:

“Market Violation” means a tariff violation, violation of a Commission-approved order, rule or regulation, market manipulation, or inappropriate dispatch that creates substantial concerns regarding unnecessary market inefficiencies, as defined in 18 C.F.R. § 35.28(b)(8).

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Material:

For these purposes, material is defined in §I.B.3, Material Changes. For the purposes herein, the use of the term "material" is not necessarily synonymous with use of the term by governmental agencies and regulatory bodies.

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1.18A.02 Material Modification:

Any modification to an Interconnection Request that has a material adverse effect on the cost or timing of Interconnection Studies related to, or any Network Upgrades or Local Upgrades needed to accommodate, any Interconnection Request with a later Queue Position.

Maximum Emergency:

“Maximum Emergency” shall mean the designation of all or part of the output of a generating unit for which the designated output levels may require extraordinary procedures and therefore are available to the Office of the Interconnection only when the Office of the Interconnection declares a Maximum Generation Emergency and requests generation designated as Maximum Emergency to run. The Office of the Interconnection shall post on the PJM website the aggregate amount of megawatts that are classified as Maximum Emergency.

1.18A.03 Maximum Facility Output:

The maximum (not nominal) net electrical power output in megawatts, specified in the Interconnection Service Agreement, after supply of any parasitic or host facility loads, that a Generation Interconnection Customer’s Customer Facility is expected to produce, provided that the specified Maximum Facility Output shall not exceed the output of the proposed Customer Facility that Transmission Provider utilized in the System Impact Study.

Maximum Generation Emergency:

“Maximum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection to address either a generation or transmission emergency in which the Office of the Interconnection anticipates requesting one or more Generation Capacity Resources, or Non-Retail Behind The Meter Generation resources to operate at its maximum net or gross electrical power output, subject to the equipment stress limits for such Generation Capacity Resource or Non-Retail Behind The Meter resource in order to manage, alleviate, or end the Emergency.

Maximum Generation Emergency Alert:

“Maximum Generation Emergency Alert” shall mean an alert issued by the Office of the Interconnection to notify PJM Members, Transmission Owners, resource owners and operators, customers, and regulators that a Maximum Generation Emergency may be declared, for any Operating Day in either, as applicable, the Day-ahead Energy Market or the Real-time Energy Market, for all or any part of such Operating Day.

Member:

Member shall have the meaning provided in the Operating Agreement.

~~1.18B~~–Merchant A.C. Transmission Facilities:

Merchant Transmission Facilities that are alternating current (A.C.) transmission facilities, other than those that are Controllable A.C. Merchant Transmission Facilities.

~~1.18C~~–Merchant D.C. Transmission Facilities:

Direct current (D.C.) transmission facilities that are interconnected with the Transmission System pursuant to Part IV and Part VI of the Tariff.

~~1.18D~~–Merchant Network Upgrades:

Additions to, or modifications or replacements of, physical facilities of the Interconnected Transmission Owner that, on the date of the pertinent Transmission Interconnection Customer’s *Upgrade* Request, are part of the Transmission System or are included in the Regional Transmission Expansion Plan.

~~1.18E~~–Merchant Transmission Facilities:

A.C. or D.C. transmission facilities that are interconnected with or added to the Transmission System pursuant to Part IV and Part VI of the Tariff and that are so identified on Attachment T to the Tariff, provided, however, that Merchant Transmission Facilities shall not include (i) any Customer Interconnection Facilities, (ii) any physical facilities of the Transmission System that were in existence on or before March 20, 2003 ; (iii) any expansions or enhancements of the Transmission System that are not identified as Merchant Transmission Facilities in the Regional Transmission Expansion Plan and Attachment T to the Tariff, or (iv) any transmission facilities that are included in the rate base of a public utility and on which a regulated return is earned.

~~1.18F~~ Merchant Transmission Provider:

An Interconnection Customer that (1) owns, controls, or controls the rights to use the transmission capability of, Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that connect the Transmission System with another control area, (2) has elected to receive Transmission Injection Rights and Transmission Withdrawal Rights associated with such facility pursuant to Section 36 of the Tariff, and (3) makes (or will make) the transmission capability of such facilities available for use by third parties under terms and conditions approved by the Commission and stated in the Tariff, consistent with Section 38 below.

~~1.18G~~ Metering Equipment:

All metering equipment installed at the metering points designated in the appropriate appendix to an Interconnection Service Agreement.

Minimum Annual Resource Requirement:

“Minimum Annual Resource Requirement” shall mean, for Delivery Years through May 31, 2017, the minimum amount of capacity that PJM will seek to procure from Annual Resources for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for such Delivery Year. For the PJM Region, the Minimum Annual Resource Requirement shall be equal to the RTO Reliability Requirement minus [the Sub-Annual Resource Reliability Target for the RTO in Unforced Capacity]. For an LDA, the Minimum Annual Resource Requirement shall be equal to the LDA Reliability Requirement minus [the LDA CETL] minus [the Sub-Annual Resource Reliability Target for such LDA in Unforced Capacity]. The LDA CETL may be adjusted pro rata for the amount of load served under the FRR Alternative.

Minimum Extended Summer Resource Requirement:

“Minimum Extended Summer Resource Requirement” shall mean, for Delivery Years through May 31, 2017, the minimum amount of capacity that PJM will seek to procure from Extended Summer Demand Resources and Annual Resources for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for such Delivery Year. For the PJM Region, the Minimum Extended Summer Resource Requirement shall be equal to the RTO Reliability Requirement minus [the Limited Demand Resource Reliability Target for the PJM Region in Unforced Capacity]. For an LDA, the Minimum Extended Summer Resource Requirement shall be equal to the LDA Reliability Requirement minus [the LDA CETL] minus [the Limited Demand Resource Reliability Target for such LDA in Unforced Capacity]. The LDA CETL may be adjusted pro rata for the amount of load served under the FRR Alternative.

Minimum Generation Emergency:

“Minimum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection in which the Office of the Interconnection anticipates requesting one or more generating resources to operate at or below Normal Minimum Generation, in order to manage, alleviate, or end the Emergency.

Minimum Participation Requirements:

A set of minimum training, risk management, communication and capital or collateral requirements required for Participants in the PJM markets, as set forth herein and in the Form of Annual Certification set forth as Appendix I to this Attachment Q. Participants transacting in FTRs in certain circumstances will be required to demonstrate additional risk management procedures and controls as further set forth in the Annual Certification found in Appendix I to this Attachment Q

MISO:

Midcontinent Independent System Operator, Inc. or any successor thereto.

~~1.18G.01~~—Multi-Driver Project:

“Multi-Driver Project” shall have the same meaning provided in the Operating Agreement.

~~1.19~~—Native Load Customers:

The wholesale and retail power customers of a Transmission Owner on whose behalf the Transmission Owner, by statute, franchise, regulatory requirement, or contract, has undertaken an obligation to construct and operate the Transmission Owner’s system to meet the reliable electric needs of such customers.

~~1.19A~~—NERC:

The North American Electric Reliability ~~Council~~Corporation or any successor thereto.

NERC Interchange Distribution Calculator:

“NERC Interchange Distribution Calculator” shall mean the NERC mechanism that is in effect and being used to calculate the distribution of energy, over specific transmission interfaces, from energy transactions.

Net Benefits Test:

“Net Benefits Test” shall mean a calculation to determine whether the benefits of a reduction in price resulting from the dispatch of Economic Load Response exceeds the cost to other loads resulting from the billing unit effects of the load reduction, as specified in Section 3.3A.4 of this Schedule.

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Net Cost of New Entry:

“Net Cost of New Entry” shall mean the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset, as defined in Section 5.

Net Obligation:

Net Obligation is the amount owed to PJMSettlement and PJM for purchases from the PJM Markets, Transmission Service, (under both Part II and Part III of the O.A.T.T.), and other services pursuant to the Agreements, after applying a deduction for amounts owed to a Participant by PJMSettlement as it pertains to monthly market activity and services. Should other markets be formed such that Participants may incur future Obligations in those markets, then the aggregate amount of those Obligations will also be added to the Net Obligation.

Net Sell Position:

Net Sell Position is the amount of Net Obligation when Net Obligation is negative.

1.20—Network Customer:

An entity receiving transmission service pursuant to the terms of the Transmission Provider’s Network Integration Transmission Service under Part III of the Tariff.

1.21—Network Integration Transmission Service:

The transmission service provided under Part III of the Tariff.

1.22—Network Load:

The load that a Network Customer designates for Network Integration Transmission Service under Part III of the Tariff. The Network Customer’s Network Load shall include all load (including losses) served by the output of any Network Resources designated by the Network Customer. A Network Customer may elect to designate less than its total load as Network Load but may not designate only part of the load at a discrete Point of Delivery. Where an Eligible Customer has elected not to designate a particular load at discrete points of delivery as Network Load, the Eligible Customer is responsible for making separate arrangements under Part II of the Tariff for any Point-To-Point Transmission Service that may be necessary for such non-designated load.

1.23—Network Operating Agreement:

An executed agreement that contains the terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Network Integration Transmission Service under Part III of the Tariff.

~~1.24~~—Network Operating Committee:

A group made up of representatives from the Network Customer(s) and the Transmission Provider established to coordinate operating criteria and other technical considerations required for implementation of Network Integration Transmission Service under Part III of this Tariff.

~~1.25~~—Network Resource:

Any designated generating resource owned, purchased, or leased by a Network Customer under the Network Integration Transmission Service Tariff. Network Resources do not include any resource, or any portion thereof, that is committed for sale to third parties or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis, except for purposes of fulfilling obligations under a reserve sharing program.

Network Service User:

“Network Service User” shall mean an entity using Network Transmission Service.

Network Transmission Service:

“Network Transmission Service” shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Part III of the PJM Tariff, or transmission service comparable to such service that is provided to a Load Serving Entity that is also a Transmission Owner.

~~1.26~~—Network Upgrades:

Modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider's overall Transmission System for the general benefit of all users of such Transmission System. Network Upgrades shall include:

(i) **Direct Connection Network Upgrades** which are Network Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) **Non-Direct Connection Network Upgrades** which are parallel flow Network Upgrades that are not Direct Connection Network Upgrades.

Neutral Party:

Shall have the meaning provided in Section 9.3(v).

~~1.26A~~—New PJM Zone(s):

The Zone included in this Tariff, along with applicable Schedules and Attachments, for Commonwealth Edison Company, The Dayton Power and Light Company and the AEP East Operating Companies (Appalachian Power Company, Columbus Southern Power Company,

Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company and Wheeling Power Company).

~~1.26B~~–New Service Customers:

All customers that submit an Interconnection Request, a Completed Application, or an Upgrade Request that is pending in the New Services Queue.

~~1.26C~~–New Service Request:

An Interconnection Request, a Completed Application, or an Upgrade Request.

~~1.26D~~–New Services Queue:

All Interconnection Requests, Completed Applications, and Upgrade Requests that are received within each three-month period ending on January 31, April 30, July 31, and October 31 of each year shall collectively comprise a New Services Queue.

~~1.26E~~–New Services Queue Closing Date:

Each January 31, April 30, July 31, and October 31 shall be the Queue Closing Date for the New Services Queue comprised of Interconnection Requests, Completed Applications, and Upgrade Requests received during the three-month period ending on such date.

New York ISO or NYISO:

New York Independent System Operator, Inc. or any successor thereto.

Nodal Reference Price:

The Nodal Reference Price at each location is the 97th percentile price differential between hourly day-ahead and real-time prices experienced over the corresponding two-month reference period in the prior calendar year. In order to capture seasonality effects and maintain a two-month reference period, reference months will be grouped by two, starting with January (e.g., Jan-Feb, Mar-Apr, ... , Jul-Aug, ... Nov-Dec). For any given current-year month, the reference period months will be the set of two months in the prior calendar year that include the month corresponding to the current month. For example, July and August 2003 would each use July-August 2002 as their reference period.

~~1.26F~~–Nominal Rated Capability:

The nominal maximum rated capability in megawatts of a Transmission Interconnection Customer's Customer Facility or the nominal increase in transmission capability in megawatts of the Transmission System resulting from the interconnection or addition of a Transmission Interconnection Customer's Customer Facility, as determined in accordance with pertinent Applicable Standards and specified in the Interconnection Service Agreement.

Nominated Demand Resource Value:

“Nominated Demand Resource Value” shall mean the amount of load reduction that a Demand Resource commits to provide either through direct load control, firm service level or guaranteed load drop programs. For existing Demand Resources, the maximum Nominated Demand Resource Value is limited, in accordance with the PJM Manuals, to the value appropriate for the method by which the load reduction would be accomplished, at the time the Base Residual Auction or Incremental Auction is being conducted.

Nominated Energy Efficiency Value:

“Nominated Energy Efficiency Value” shall mean the amount of load reduction that an Energy Efficiency Resource commits to provide through installation of more efficient devices or equipment or implementation of more efficient processes or systems.

~~1.27~~ Non-Firm Point-To-Point Transmission Service:

Point-To-Point Transmission Service under the Tariff that is reserved and scheduled on an as-available basis and is subject to Curtailment or Interruption as set forth in Section 14.7 under Part II of this Tariff. Non-Firm Point-To-Point Transmission Service is available on a stand-alone basis for periods ranging from one hour to one month.

~~1.27.01~~ Non-Firm Sale:

An energy sale for which receipt or delivery may be interrupted for any reason or no reason, without liability on the part of either the buyer or seller.

~~1.27A~~ Non-Firm Transmission Withdrawal Rights:

The rights to schedule energy withdrawals from a specified point on the Transmission System. Non-Firm Transmission Withdrawal Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System to another control area. Withdrawals scheduled using Non-Firm Transmission Withdrawal Rights have rights similar to those under Non-Firm Point-to-Point Transmission Service.

~~1.27A.01~~ Nonincumbent Developer:

“Nonincumbent Developer” shall have the same meaning provided in the Operating Agreement.

Non-Regulatory Opportunity Cost:

“Non-Regulatory Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of starts or available run hours resulting from (i) the physical equipment limitations of the unit, for up to one year, due to original equipment manufacturer recommendations or insurance carrier restrictions, (ii) a fuel supply limitation, for up to one year, resulting from an event of Catastrophic Force Majeure; and,

(b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Non-Regulatory Opportunity Cost therefore is the value associated with a specific generating unit's lost opportunity to produce energy during a higher valued period of time occurring within the same period of time in which the unit is bound by the referenced restrictions, and is reflected in the rules set forth in PJM Manual 15. Non-Regulatory Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.

~~1.27AA~~ — Non-Retail Behind The Meter Generation:

Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, or electric distribution companies to serve load.

Non-Synchronized Reserve:

“Non-Synchronized Reserve” shall mean the reserve capability of non-emergency generation resources that can be converted fully into energy within ten minutes of a request from the Office of the Interconnection dispatcher, and is provided by equipment that is not electrically synchronized to the Transmission System.

Non-Synchronized Reserve Event:

“Non-Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources able and assigned to provide Non-Synchronized Reserve in one or more specified Reserve Zones or Reserve Sub-zones, within ten minutes to increase the energy output by the amount of assigned Non-Synchronized Reserve capability.

Non-Variable Loads:

“Non-Variable Loads” shall have the meaning specified in section 1.5A.6 of this Schedule.

~~1.27B~~ — Non-Zone Network Load:

Network Load that is located outside of the PJM Region.

Normal Maximum Generation:

“Normal Maximum Generation” shall mean the highest output level of a generating resource under normal operating conditions.

Normal Minimum Generation:

“Normal Minimum Generation” shall mean the lowest output level of a generating resource under normal operating conditions.

Definitions – O – P - Q

Obligation:

Obligation is all amounts owed to PJMSettlement for purchases from the PJM Markets, Transmission Service, (under both Part II and Part III of the O.A.T.T.), and other services or obligations pursuant to the Agreements. In addition, aggregate amounts that will be owed to PJMSettlement in the future for Capacity purchases within the PJM Capacity markets will be added to this figure. Should other markets be formed such that Participants may incur future Obligations in those markets, then the aggregate amount of those Obligations will also be added to the Net Obligation.

Offer Data:

“Offer Data” shall mean the scheduling, operations planning, dispatch, new resource, and other data and information necessary to schedule and dispatch generation resources and Demand Resource(s) for the provision of energy and other services and the maintenance of the reliability and security of the Transmission Ssystem in the PJM Region, and specified for submission to the PJM Interchange Energy Market for such purposes by the Office of the Interconnection.

1.27C—Office of the Interconnection:

Office of the Interconnection shall mean the employees and agents of PJM Interconnection, L.L.C. subject to the supervision and oversight of the PJM Board, acting pursuant to the ~~have the meaning set forth in the~~ Operating Agreement.

Office of the Interconnection Control Center:

“Office of the Interconnection Control Center” shall mean the equipment, facilities and personnel used by the Office of the Interconnection to coordinate and direct the operation of the PJM Region and to administer the PJM Interchange Energy Market, including facilities and equipment used to communicate and coordinate with the Market Participants in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

On-Site Generators:

“On-Site Generators” shall mean generation facilities (including Behind The Meter Generation) that (i) are not Capacity Resources, (ii) are not injecting into the grid, (iii) are either synchronized or non-synchronized to the Transmission System, and (iv) can be used to reduce demand for the purpose of participating in the PJM Interchange Energy Market.

1.28—Open Access Same-Time Information System (OASIS):

The information system and standards of conduct contained in Part 37 and Part 38 of the Commission’s regulations and all additional requirements implemented by subsequent Commission orders dealing with OASIS.

~~1.28A~~ Operating Agreement of the PJM Interconnection, L.L.C. or Operating Agreement:

That agreement dated as of April 1, 1997 and as amended and restated as of June 2, 1997, including all Schedules, Exhibits, Appendices, addenda or supplements hereto, and as amended from time to time thereafter, among the Mmembers of the PJM Interconnection, L.L.C.

Operating Day:

“Operating Day” shall mean the daily 24 hour period beginning at midnight for which transactions on the PJM Interchange Energy Market are scheduled.

Operating Margin:

“Operating Margin” shall mean the incremental adjustments, measured in megawatts, required in PJM Region operations in order to accommodate, on a first contingency basis, an operating contingency in the PJM Region resulting from operations in an interconnected Control Area. Such adjustments may result in constraints causing Transmission Congestion Charges, or may result in Ancillary Services charges pursuant to the PJM Tariff.

Operating Margin Customer:

“Operating Margin Customer” shall mean a Control Area purchasing Operating Margin pursuant to an agreement between such other Control Area and the LLC.

Opportunity Cost:

“Opportunity Cost” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.

OPSI Advisory Committee:

“OPSI Advisory Committee” means the committee established under Section III.G.

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~~1.28A.01~~ Option to Build:

The option of the New Service Customer to build certain Customer-Funded Upgrades, as set forth in, and subject to the terms of, the Construction Service Agreement.

~~1.28B~~ Optional Interconnection Study:

A sensitivity analysis of an Interconnection Request based on assumptions specified by the Interconnection Customer in the Optional Interconnection Study Agreement.

~~1.28C~~ Optional Interconnection Study Agreement:

The form of agreement for preparation of an Optional Interconnection Study, as set forth in Attachment N-3 of the Tariff.

~~1.29~~—Part I:

Tariff Definitions and Common Service Provisions contained in Sections 2 through 12.

~~1.30~~—Part II:

Tariff Sections 13 through 27 pertaining to Point-To-Point Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments.

~~1.31~~—Part III:

Tariff Sections 28 through 35 pertaining to Network Integration Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments.

~~1.31A~~—Part IV:

Tariff Sections 36 through 112 pertaining to generation or merchant transmission interconnection to the Transmission System in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments.

~~1.31B~~—Part V:

Tariff Sections 113 through 122 pertaining to the deactivation of generating units in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments.

~~1.31C~~—Part VI:

Tariff Sections 200 through 237 pertaining to the queuing, study, and agreements relating to New Service Requests, and the rights associated with Customer-Funded Upgrades in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments.

Participant:

A Participant is a Market Participant and/or Transmission Customer and/or Applicant requesting to be an active Market Participant and/or Transmission Customer.

~~1.32~~—Parties:

The Transmission Provider, as administrator of the Tariff, and the Transmission Customer receiving service under the Tariff. PJMSettlement shall be the Counterparty to Transmission Customers.

Peak-Hour Dispatch:

“Peak-Hour Dispatch” shall mean, for purposes of calculating the Energy and Ancillary Services Revenue Offset under section 5 of this Attachment, an assumption, as more fully set forth in the PJM Manuals, that the Reference Resource is committed in the Day-Ahead Energy Market in four distinct blocks of four hours of continuous output for each block from the peak-hour period beginning with the hour ending 0800 EPT through to the hour ending 2300 EPT for any day when the average day-ahead LMP for the area for which the Net Cost of New Entry is being determined is greater than, or equal to, the cost to generate (including the cost for a complete start and shutdown cycle) for at least two hours during each four-hour block, where such blocks shall be assumed to be committed independently; provided that, if there are not at least two economic hours in any given four-hour block, then the Reference Resource shall be assumed not to be committed for such block; and to the extent not committed in any such block in the Day-Ahead Energy Market under the above conditions based on Day-Ahead LMPs, is dispatched in the Real-Time Energy Market for such block if the Real-Time LMP is greater than or equal to the cost to generate under the same conditions as described above for the Day-Ahead Energy Market.

Peak Market Activity:

Peak Market Activity is a measure of exposure for which credit is required, involving peak exposures in rolling three-week periods over a year timeframe, with two semi-annual reset points, pursuant to provisions of section II.D of this Credit Policy.

Peak Season:

“Peak Season” shall mean the weeks containing the 24th through 36th Wednesdays of the calendar year. Each such week shall begin on a Monday and end on the following Sunday, except for the week containing the 36th Wednesday, which shall end on the following Friday.

Percentage Internal Resources Required:

“Percentage Internal Resources Required” shall have the meaning specified in the Reliability Assurance Agreement.

Performance Assessment Hour:

“Performance Assessment Hour” shall mean each whole or partial clock-hour for which an Emergency Action has been declared by the Office of the Interconnection, provided, however, that Performance Assessment Hours for a Base Capacity Resource shall not include any hours outside the calendar months of June through September.

1.32.01 PJM:

PJM Interconnection, L.L.C., including the Office of the Interconnection as referenced in the PJM Operating Agreement.

1.32A–PJM Administrative Service:

The services provided by PJM pursuant to Schedule 9 of this Tariff.

PJM Board:

“PJM Board” means the Board of Managers of PJM or its designated representative, exclusive of any members of PJM Management.

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1.32B–PJM Control Area:

The Control Area that is recognized by NERC as the PJM Control Area.

PJM Entities:

“PJM Entities” mean PJM, including the Market Monitoring Unit, the PJM Board, and PJM’s officers, employees, representatives, advisors, contractors, and consultants.

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PJM Interchange:

“PJM Interchange” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds, or is exceeded by, the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller; or (e) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (f) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

1.32C–PJM Interchange Energy Market:

The regional competitive market administered by the Transmission Provider for the purchase and sale of spot electric energy at wholesale interstate commerce and related services, as more fully set forth in Attachment K – Appendix to the Tariff and Schedule 1 to the Operating Agreement.

PJM Interchange Export:

“PJM Interchange Export” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load is exceeded by the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service

User, the amount of its Spot Market Backup sales; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller.

PJM Interchange Import:

“PJM Interchange Import” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup purchases; or (c) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (d) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

PJM Liaison:

“PJM Liaison” means the liaison established under Section III.I.

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PJM Management:

“PJM Management” means the officers, executives, supervisors and employee managers of PJM.

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1.32D PJM Manuals:

The instructions, rules, procedures and guidelines established by the ~~Transmission Provider~~Office of the Interconnection for the operation, planning, and accounting requirements of the PJM Region and the PJM Interchange Energy Market.

PJM Markets:

“PJM Markets” mean the PJM Interchange Energy and Capacity Markets, including the RPM auctions, together with all bilateral or other wholesale electric power and energy transactions, capacity transactions, ancillary services transactions (including black start service), transmission transactions and any other market operated under the PJM Tariff or Operating Agreement within the PJM Region.

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The PJM Markets are the PJM Interchange Energy Market and the PJM Capacity markets as established by the Operating Agreement. Also any other markets that exist or may be established in the future wherein Participants may incur Obligations to PJM Settlement. [DISCREPANCY WITH ATT Q]

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PJM Market Rules:

“PJM Market Rules” mean the rules, standards, procedures, and practices of the PJM Markets set forth in the PJM Tariff, the PJM Operating Agreement, the PJM Reliability Assurance

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Agreement, the PJM Consolidated Transmission Owners Agreement, the PJM Manuals, the PJM Regional Practices Document, the PJM-Midwest Independent Transmission System Operator Joint Operating Agreement or any other document setting forth market rules.

PJM Net Assets:

“PJM Net Assets” shall mean the total assets per PJM’s consolidated quarterly or year-end financial statements most recently issued as of the date of the receipt of written notice of a claim less amounts for which PJM is acting as a temporary custodian on behalf of its Members, transmission developers/Designated Entities, and generation developers, including, but not limited to, cash deposits related to credit requirement compliance, study and/or interconnection receivables, member prepayments, invoiced amounts collected from Net Buyers but have not yet been paid to Net Sellers, and excess congestion (as described in Section 5.2.6).

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PJM Open Access Transmission Tariff (“O.A.T.T.”):

The Open Access Transmission Tariff of PJM Interconnection, L.L.C., on file with the Federal Energy Regulatory Commission, and as revised from time to time.

PJM Open Access Same-time Information System:

“PJM Open Access Same-time Information System” shall mean the electronic communication system for the collection and dissemination of information about transmission services in the PJM Region, established and operated by the Office of the Interconnection in accordance with FERC standards and requirements.

PJM Operating Agreement:

“PJM Operating Agreement” means the Amended and Restated Operating Agreement of PJM on file with the Commission.

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1.32E – PJM Region:

Shall have the meaning specified in the Operating Agreement.

“PJM Region” shall have the meaning specified in the Reliability Assurance Agreement.[DISCREPANCY WITH DD.2]

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PJM Regional Practices Document:

“PJM Regional Practices Document” means the document of that title that compiles and describes the practices in the PJM Markets and that is made available in hard copy and on the Internet.

PJM Region Installed Reserve Margin:

“PJM Region Installed Reserve Margin” shall have the meaning specified in the Operating Agreement.

PJM Region Peak Load Forecast:

“PJM Region Peak Load Forecast” shall mean the peak load forecast used by the Office of the Interconnection in determining the PJM Region Reliability Requirement, and shall be determined on both a preliminary and final basis as set forth in section 5.

PJM Region Reliability Requirement:

“PJM Region Reliability Requirement” shall mean, for purposes of the Base Residual Auction, the Forecast Pool Requirement multiplied by the Preliminary PJM Region Peak Load Forecast, less the sum of all Preliminary Unforced Capacity Obligations of FRR Entities in the PJM Region; and, for purposes of the Incremental Auctions, the Forecast Pool Requirement multiplied by the updated PJM Region Peak Load Forecast, less the sum of all updated Unforced Capacity Obligations of FRR Entities in the PJM Region.

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PJM Reliability Assurance Agreement:

“PJM Reliability Assurance Agreement” means the Reliability Assurance Agreement among Load Serving Entities in the PJM Region on file with the Commission.

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1.32.F.01 PJMSettlement:

“PJM Settlement” or “PJM Settlement, Inc.” shall mean PJM Settlement, Inc. (or its successor) established by PJM as set forth in section 3.3 of the Operating Agreement.

PJM Tariff:

“PJM Tariff” or “Tariff shall mean that certain “PJM Open Access Transmission Tariff”, including any schedules, appendices or exhibits attached thereto, on file with FERC and as amended from time to time thereafter.

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PJM Transmission Owners Agreement:

“PJM Transmission Owners Agreement” means the PJM Consolidated Transmission Owners Agreement on file with the Commission.

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Plan:

“Plan” means the PJM market monitoring plan set forth in this Attachment M.

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Planned Demand Resource:

“Planned Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

Planned External Financed Generation Capacity Resource:

Planned External Financed Generation Capacity Resource shall mean a Planned External Generation Capacity Resource that, prior to August 7, 2015, has an effective agreement that is the equivalent of an Interconnection Service Agreement, has submitted to the Office of the Interconnection the appropriate certification attesting achievement of Financial Close, and has secured at least 50 percent of the MWs of firm transmission service required to qualify such resource under the deliverability requirements of the Reliability Assurance Agreement.

Planned External Generation Capacity Resource:

“Planned External Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

Planned Financed Generation Capacity Resource:

Planned Financed Generation Capacity Resource shall mean a Planned Generation Capacity Resource that, prior to August 7, 2015, has an effective Interconnection Service Agreement and has submitted to the Office of the Interconnection the appropriate certification attesting achievement of Financial Close.

Planned Generation Capacity Resource:

“Planned Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

Planning Period:

“Planning Period” shall have the meaning specified in the Reliability Assurance Agreement.

Planning Period Balance:

“Planning Period Balance” shall mean the entire period of time remaining in the Planning Period following the month that a monthly auction is conducted.

Planning Period Quarter:

“Planning Period Quarter” shall mean any of the following three month periods in the Planning Period: June, July and August; September, October and November; December, January and February; or March, April and May.

~~1.33~~—Point(s) of Delivery:

Point(s) on the Transmission Provider’s Transmission System where capacity and energy transmitted by the Transmission Provider will be made available to the Receiving Party under Part II of the Tariff. The Point(s) of Delivery shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

~~1.33A~~—Point of Interconnection:

The point or points, shown in the appropriate appendix to the Interconnection Service Agreement and the Interconnection Construction Service Agreement, where the Customer Interconnection Facilities interconnect with the Transmission Owner Interconnection Facilities or the Transmission System.

~~1.34~~—Point(s) of Receipt:

Point(s) of interconnection on the Transmission Provider’s Transmission System where capacity and energy will be made available to the Transmission Provider by the Delivering Party under Part II of the Tariff. The Point(s) of Receipt shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

~~1.35~~—Point-To-Point Transmission Service:

The reservation and transmission of capacity and energy on either a firm or non-firm basis from the Point(s) of Receipt to the Point(s) of Delivery under Part II of the Tariff.

~~1.36~~—Power Purchaser:

The entity that is purchasing the capacity and energy to be transmitted under the Tariff.

~~1.36.01~~ PRD Curve

PRD Curve shall have the meaning provided in the Reliability Assurance Agreement.

~~1.36.02~~ PRD Provider

PRD Provider shall have the meaning provided in the Reliability Assurance Agreement.

~~1.36.03~~ PRD Reservation Price

PRD Reservation Price shall have the meaning provided in the Reliability Assurance Agreement.

~~1.36.04~~ PRD Substation:

PRD Substation shall have the meaning provided in the Reliability Assurance Agreement.

~~1.36.05~~ Pre-Confirmed Application:

An Application that commits the Eligible Customer to execute a Service Agreement upon receipt of notification that the Transmission Provider can provide the requested Transmission Service.

Pre-Emergency Load Response Program:

The Pre-Emergency Load Response Program is the program by which Curtailment Service Providers may be compensated by PJM for Demand Resources that will reduce load when dispatched by PJM during pre-emergency conditions, and is described in Section 8 of Schedule 1 of the Operating Agreement and the parallel provisions of Section 8 of Attachment K-Appendix of the Tariff.

~~1.36A~~ Pre-Expansion PJM Zones:

Zones included in this Tariff, along with applicable Schedules and Attachments, for certain Transmission Owners – Atlantic City Electric Company, Baltimore Gas and Electric Company, Delmarva Power and Light Company, Jersey Central Power and Light Company, Metropolitan Edison Company, PECO Energy Company, Pennsylvania Electric Company, Pennsylvania Power & Light Group, Potomac Electric Power Company, Public Service Electric and Gas Company, Allegheny Power, and Rockland Electric Company.

~~1.36A.01~~ Price Responsive Demand

Price Responsive Demand shall have the meaning provided in the Reliability Assurance Agreement.

Primary Reserve:

“Primary Reserve” shall mean the total reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes of a request from the Office of the Interconnection dispatcher, and is comprised of both Synchronized Reserve and Non-Synchronized Reserve.

Primary Reserve Requirement:

“Primary Reserve Requirement” shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Primary Reserve, absent any increase to account for additional reserves scheduled to address operational uncertainty. The Primary Reserve Requirement is calculated in accordance with the PJM Manuals.

~~1.36A.02~~ Project Financing:

Shall mean: (a) one or more loans, leases, equity and/or debt financings, together with all modifications, renewals, supplements, substitutions and replacements thereof, the proceeds of which are used to finance or refinance the costs of the Customer Facility, any alteration, expansion or improvement to the Customer Facility, the purchase and sale of the Customer Facility or the operation of the Customer Facility; (b) a power purchase agreement pursuant to which Interconnection Customer's obligations are secured by a mortgage or other lien on the Customer Facility; or (c) loans and/or debt issues secured by the Customer Facility.

~~1.36A.03~~ Project Finance Entity:

Shall mean: (a) a holder, trustee or agent for holders, of any component of Project Financing; or (b) any purchaser of capacity and/or energy produced by the Customer Facility to which Interconnection Customer has granted a mortgage or other lien as security for some or all of Interconnection Customer's obligations under the corresponding power purchase agreement.

Projected PJM Market Revenues:

"Projected PJM Market Revenues" shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.

~~1.36A.03a~~ — Proportional Multi-Driver Project:

"Proportional Multi-Driver Project" shall have the same meaning provided in the Operating Agreement.

~~1.36A.04~~ Public Policy Objectives:

"Public Policy Objectives" shall have the same meaning provided in the Operating Agreement.

~~1.36A.05~~ Public Policy Requirements:

"Public Policy Requirements" shall have the same meaning provided in the Operating Agreement.

Qualifying Transmission Upgrade:

"Qualifying Transmission Upgrade" shall mean a proposed enhancement or addition to the Transmission System that: (a) will increase the Capacity Emergency Transfer Limit into an LDA by a megawatt quantity certified by the Office of the Interconnection; (b) the Office of the Interconnection has determined will be in service on or before the commencement of the first Delivery Year for which such upgrade is the subject of a Sell Offer in the Base Residual Auction; (c) is the subject of a Facilities Study Agreement executed before the conduct of the Base Residual Auction for such Delivery Year and (d) a New Service Customer is obligated to fund through a rate or charge specific to such facility or upgrade.

| ~~1.36B~~ **Queue Position:**

The priority assigned to an Interconnection Request, a Completed Application, or an Upgrade Request pursuant to applicable provisions of Part VI.

Definitions – R - S

Ramping Capability:

“Ramping Capability” shall mean the sustained rate of change of generator output, in megawatts per minute.

Real-time Congestion Price:

“Real-time Congestion Price” shall mean the Congestion Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Loss Price:

“Real-time Loss Price” shall mean the Loss Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Energy Market:

“Real-time Energy Market” shall mean the purchase or sale of energy and payment of Transmission Congestion Charges for quantity deviations from the Day-ahead Energy Market in the Operating Day.

Real-time Offer:

“Real-time Offer” shall mean a new offer or an update to a Market Seller’s existing cost-based or market-based offer for a clock hour, submitted after the close of the Day-ahead Energy Market.

Real-time Prices:

“Real-time Prices” shall mean the Locational Marginal Prices resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time System Energy Price:

“Real-time System Energy Price” shall mean the System Energy Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

1.36C Reasonable Efforts:

With respect to any action required to be made, attempted, or taken by an Interconnection Party or by a Construction Party under Part IV or Part VI of the Tariff, an Interconnection Service Agreement, or a Construction Service Agreement, such efforts as are timely and consistent with

Good Utility Practice and with efforts that such party would undertake for the protection of its own interests.

~~1.37~~—Receiving Party:

The entity receiving the capacity and energy transmitted by the Transmission Provider to Point(s) of Delivery.

Reference Resource:

“Reference Resource” shall mean a combustion turbine generating station, configured with two General Electric Frame 7FA turbines with inlet air cooling to 50 degrees, Selective Catalytic Reduction technology all CONE Areas, dual fuel capability, and a heat rate of 10.096 Mmbtu/MWh.

~~1.37A.01~~—Regional Entity

Shall have the same meaning specified in the Operating Agreement.

~~1.37A~~—Regional Transmission Expansion Plan:

The plan prepared by the Office of the Interconnection pursuant to Schedule 6 of the Operating Agreement for the enhancement and expansion of the Transmission System in order to meet the demands for firm transmission service in the PJM Region.

~~1.38~~—Regional Transmission Group (RTG):

A voluntary organization of transmission owners, transmission users and other entities approved by the Commission to efficiently coordinate transmission planning (and expansion), operation and use on a regional (and interregional) basis.

Regulation:

“Regulation” shall mean the capability of a specific generation resource or Demand Resource with appropriate telecommunications, control and response capability to *seperately* increase and decrease its output or adjust load in response to a regulating control signal, in accordance with the specifications in the PJM Manuals.

~~1.38.01~~—Regulation Zone:

Any of those one or more geographic areas, each consisting of a combination of one or more Control Zone(s) as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, regulation service.

~~1.38.01A~~—Relevant Electric Retail Regulatory Authority:

An entity that has jurisdiction over and establishes prices and policies for competition for providers of retail electric service to end-customers, such as the city council for a municipal utility, the governing board of a cooperative utility, the state public utility commission or any other such entity.

~~1.38A~~ Reliability Assurance Agreement:

~~“Reliability Assurance Agreement” shall mean that certain~~The Reliability Assurance Agreement Among Load Serving Entities in the PJM Region, on file with FERC as PJM Interconnection L.L.C. Rate Schedule FERC No. 44, ~~dated as of May 28, 2009,~~ and as amended from time to time thereafter.

~~1.38B [RESERVED]~~

Reliability Pricing Model Auction:

“Reliability Pricing Model Auction” or “RPM Auction” shall mean the Base Residual Auction or any Incremental Auction, or, for the 2016/2017 and 2017/2018 Delivery Years, any Capacity Performance Transition Incremental Auction.

Repowered / Repowering

“Repowered” or “Repowering” shall refer to a partial or total replacement of existing steam production equipment with new technology or a partial or total replacement of steam production process and power generation equipment, or an addition of steam production and/or power generation equipment, or a change in the primary fuel being used at the plant. A resource can be considered Repowered whether or not such aforementioned replacement, addition, or fuel change provides an increase in installed capacity, and whether or not the pre-existing plant capability is formally deactivated or retired.

~~1.38C~~ Required Transmission Enhancements:

Enhancements and expansions of the Transmission System that (1) a Regional Transmission Expansion Plan developed pursuant to Schedule 6 of the Operating Agreement or (2) any joint planning or coordination agreement between PJM and another region or transmission planning authority set forth in Schedule 12-Appendix B (“Appendix B Agreement”) designates one or more of the Transmission Owner(s) to construct and own or finance. Required Transmission Enhancements shall also include enhancements and expansions of facilities in another region or planning authority that meet the definition of transmission facilities pursuant to FERC’s Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities constructed pursuant to an Appendix B Agreement cost responsibility for which has been assigned at least in part to PJM pursuant to such Appendix B Agreement.

~~1.39~~ Reserved Capacity:

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The maximum amount of capacity and energy that the Transmission Provider agrees to transmit for the Transmission Customer over the Transmission Provider's Transmission System between the Point(s) of Receipt and the Point(s) of Delivery under Part II of the Tariff. Reserved Capacity shall be expressed in terms of whole megawatts on a sixty (60) minute interval (commencing on the clock hour) basis.

Reserve Penalty Factor:

"Reserve Penalty Factor" shall mean the cost, in \$/MWh, associated with being unable to meet a specific reserve requirement in a Reserve Zone or Reserve Sub-zone. A Reserve Penalty Factor will be defined for each reserve requirement in a Reserve Zone or Reserve Sub-zone.

~~1.38C.01~~—Reserve Sub-zone:

Any of those geographic areas wholly contained within a Reserve Zone, consisting of a combination of a portion of one or more Control Zone(s) as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, reserve service.

~~1.38D~~—Reserve Zone:

Any of those geographic areas consisting of a combination of one or more Control Zone(s), as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, reserve service.

Residual Auction Revenue Rights:

"Residual Auction Revenue Rights" shall mean incremental stage 1 Auction Revenue Rights created within a Planning Period by an increase in transmission system capability, including the return to service of existing transmission capability, that was not modeled pursuant to section 7.5 of Schedule 1 of this Agreement in compliance with section 7.4.2 (h) of Schedule 1 of this Agreement, and, if modeled, would have increased the amount of stage 1 Auction Revenue Rights allocated pursuant to section 7.4.2 of Schedule 1 of this Agreement; provided that, the foregoing notwithstanding, Residual Auction Revenue Rights shall exclude: 1) Incremental Auction Revenue Rights allocated pursuant to Part VI of the Tariff; and 2) Auction Revenue Rights allocated to entities that are assigned cost responsibility pursuant to Schedule 6 of this Agreement for transmission upgrades that create such rights.

Residual Metered Load:

"Residual Metered Load" shall mean all load remaining in an electric distribution company's fully metered franchise area(s) or service territory(ies) after all nodally priced load of entities serving load in such area(s) or territory(ies) has been carved out.

Resource Substitution Charge:

“Resource Substitution Charge” shall mean a charge assessed on Capacity Market Buyers in an Incremental Auction to recover the cost of replacement Capacity Resources.

RPM Seller Credit:

RPM Seller Credit is an additional form of Unsecured Credit defined in section IV of this document.

Scheduled Incremental Auctions:

“Scheduled Incremental Auctions” shall refer to the First, Second, or Third Incremental Auction.

~~1.39A~~–Schedule of Work:

Shall mean that schedule attached to the Interconnection Construction Service Agreement setting forth the timing of work to be performed by the Constructing Entity pursuant to the Interconnection Construction Service Agreement, based upon the Facilities Study and subject to modification, as required, in accordance with Transmission Provider’s scope change process for interconnection projects set forth in the PJM Manuals.

~~1.39B~~–Scope of Work:

Shall mean that scope of the work attached as a schedule to the Interconnection Construction Service Agreement and to be performed by the Constructing Entity(ies) pursuant to the Interconnection Construction Service Agreement, provided that such Scope of Work may be modified, as required, in accordance with Transmission Provider’s scope change process for interconnection projects set forth in the PJM Manuals.

~~1.39C~~–Secondary Systems:

Control or power circuits that operate below 600 volts, AC or DC, including, but not limited to, any hardware, control or protective devices, cables, conductors, electric raceways, secondary equipment panels, transducers, batteries, chargers, and voltage and current transformers.

Second Incremental Auction

“Second Incremental Auction” shall mean an Incremental Auction conducted ten months before the Delivery Year to which it relates.

~~1.39D~~–Security:

The security provided by the New Service Customer pursuant to Section 212.4 or Section 213.4 of the Tariff to secure the New Service Customer’s responsibility for Costs under the Interconnection Service Agreement or Upgrade Construction Service Agreement and Section 217 of the Tariff.

Segment:

“Segment” shall have the same meaning as described in section 3.2.3(e) of Schedule 1 of this Agreement.

Self-Supply:

“Self-Supply” shall mean Capacity Resources secured by a Load-Serving Entity, by ownership or contract, outside a Reliability Pricing Model Auction, and used to meet obligations under this Attachment or the Reliability Assurance Agreement through submission in a Base Residual Auction or an Incremental Auction of a Sell Offer indicating such Market Seller’s intent that such Capacity Resource be Self-Supply. Self-Supply may be either committed regardless of clearing price or submitted as a Sell Offer with a price bid. A Load Serving Entity’s Sell Offer with a price bid for an owned or contracted Capacity Resource shall not be deemed “Self-Supply,” unless it is designated as Self-Supply and used by the LSE to meet obligations under this Attachment or the Reliability Assurance Agreement.

Sell Offer:

“Sell Offer” shall mean an offer to sell Capacity Resources in a Base Residual Auction, Incremental Auction, or Reliability Backstop Auction.

1.40—Service Agreement:

The initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and the Transmission Provider for service under the Tariff.

1.41—Service Commencement Date:

The date the Transmission Provider begins to provide service pursuant to the terms of an executed Service Agreement, or the date the Transmission Provider begins to provide service in accordance with Section 15.3 or Section 29.1 under the Tariff.

1.42—Short-Term Firm Point-To-Point Transmission Service:

Firm Point-To-Point Transmission Service under Part II of the Tariff with a term of less than one year.

1.42.001—Short-term Project:

“Short-term Project” shall have the same meaning provided in the Operating Agreement.

Short-Term Resource Procurement Target:

“Short-Term Resource Procurement Target” shall mean, for Delivery Years through May 31, 2018, as to the PJM Region, for purposes of the Base Residual Auction, 2.5% of the PJM Region Reliability Requirement determined for such Base Residual Auction, for purposes of the First

Incremental Auction, 2% of the of the PJM Region Reliability Requirement as calculated at the time of the Base Residual Auction; and, for purposes of the Second Incremental Auction, 1.5% of the of the PJM Region Reliability Requirement as calculated at the time of the Base Residual Auction; and, as to any Zone, an allocation of the PJM Region Short-Term Resource Procurement Target based on the Preliminary Zonal Forecast Peak Load, reduced by the amount of load served under the FRR Alternative. For any LDA, the LDA Short-Term Resource Procurement Target shall be the sum of the Short-Term Resource Procurement Targets of all Zones in the LDA.

Short-Term Resource Procurement Target Applicable Share:

“Short-Term Resource Procurement Target Applicable Share” shall mean, for Delivery Years through May 31, 2018: (i) for the PJM Region, as to the First and Second Incremental Auctions, 0.2 times the Short-Term Resource Procurement Target used in the Base Residual Auction and, as to the Third Incremental Auction for the PJM Region, 0.6 times such target; and (ii) for an LDA, as to the First and Second Incremental Auctions, 0.2 times the Short-Term Resource Procurement Target used in the Base Residual Auction for such LDA and, as to the Third Incremental Auction, 0.6 times such target.

1.42a – Site:

All of the real property, including but not limited to any leased real property and easements, on which the Customer Facility is situated and/or on which the Customer Interconnection Facilities are to be located.

Small Commercial Customer:

“Small Commercial Customer,” as used in Schedule 6 of the RAA and Attachment DD-1 of the Tariff, shall mean a commercial retail electric end-use customer of an electric distribution company that participates in a mass market demand response program under the jurisdiction of a RERRA and satisfies the definition of a “small commercial customer” under the terms of the applicable RERRA’s program, provided that the customer has an annual peak demand no greater than 100kW.

1.42B – Small Generation Resource

An Interconnection Customer’s device of 20 MW or less for the production and/or storage for later injection of electricity identified in an Interconnection Request, but shall not include the Interconnection Customer’s Interconnection Facilities. This term shall include Energy Storage Resources, as defined in Attachment K of this Agreement, and/or other devices for storage for later injection of energy.

1.42.01 Small Inverter Facility:

An Energy Resource that is a certified small inverter-based facility no larger than 10 kW.

~~1.42.02~~ Small Inverter ISA:

An agreement among Transmission Provider, Interconnection Customer, and Interconnected Transmission Owner regarding interconnection of a Small Inverter Facility under section 112B of Part IV of the Tariff.

~~1.42A [RESERVED]~~

~~1.42B [RESERVED]~~

~~1.42C [RESERVED]~~

Special Member:

“Special Member” shall mean an entity that satisfies the requirements of Section 1.5A.02 of this Schedule or the special membership provisions established under the Emergency Load Response and Pre-Emergency Load Response Programs.

Spot Market Backup:

“Spot Market Backup” shall mean the purchase of energy from, or the delivery of energy to, the PJM Interchange Energy Market in quantities sufficient to complete the delivery or receipt obligations of a bilateral contract that has been curtailed or interrupted for any reason.

Spot Market Energy:

“Spot Market Energy” shall mean energy bought or sold by Market Participants through the PJM Interchange Energy Market at System Energy Prices determined as specified in Section 2 of this Schedule.

~~1.42D~~ State:

The term “~~S~~state” shall mean the District of Columbia and any a-Sstate or Commonwealth of the United States ~~or the District of Columbia~~.

State Commission:

“State Commission” means any state regulatory agency having jurisdiction over retail electricity sales in any State in the PJM Region.

State Estimator:

“State Estimator” shall mean the computer model of power flows specified in Section 2.3 of this Schedule.

Station Power:

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“Station Power” shall mean energy used for operating the electric equipment on the site of a generation facility located in the PJM Region or for the heating, lighting, air-conditioning and office equipment needs of buildings on the site of such a generation facility that are used in the operation, maintenance, or repair of the facility. Station Power does not include any energy (i) used to power synchronous condensers; (ii) used for pumping at a pumped storage facility; (iii) used for compressors at a compressed air energy storage facility; (iv) used for charging an Energy Storage Resource or a Capacity Storage Resource; or (v) used in association with restoration or black start service.

Sub-Annual Resource Constraint:

“Sub-Annual Resource Constraint” shall mean, for the 2017/2018 Delivery Year and for FRR Capacity Plans the 2017/2018 and 2018/2019 Delivery Years, for the PJM Region or for each LDA for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for a Delivery Year, a limit on the total amount of Unforced Capacity that can be committed as Limited Demand Resources and Extended Summer Demand Resources for the 2017/2018 Delivery Year in the PJM Region or in such LDA, calculated as the Sub-Annual Resource Reliability Target for the PJM Region or for such LDA, respectively, minus the Short-Term Resource Procurement Target for the PJM Region or for such LDA, respectively.

Sub-Annual Resource Price Decrement:

“Sub-Annual Resource Price Decrement” shall mean, for the 2017/2018 Delivery Year, a difference between the clearing price for Extended Summer Demand Resources and the clearing price for Annual Resources, representing the cost to procure additional Annual Resources out of merit order when the Sub-Annual Resource Constraint is binding.

Sub-Annual Resource Reliability Target:

“Sub-Annual Reliability Target” for the PJM Region or an LDA, shall mean the maximum amount of the combination of Extended Summer Demand Resources and Limited Demand Resources in Unforced Capacity determined by PJM to be consistent with the maintenance of reliability, stated in Unforced Capacity, that shall be used to calculate the Minimum Annual Resource Requirement for Delivery Years through May 31, 2017 and the Sub-Annual Resource Constraint for the 2017/2018 and 2018/2019 Delivery Years. As more fully set forth in the PJM Manuals, PJM calculates the Sub-Annual Resource Reliability Target, by first determining a reference annual loss of load expectation (“LOLE”) assuming no Demand Resources. The calculation for the unconstrained portion of the PJM Region uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast and iteratively shifting the load distributions to result in the Installed Reserve Margin established for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). The calculation for each relevant LDA uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast for the Delivery Year in

question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Capacity Emergency Transfer Objective study for the Delivery Year in question). For the relevant LDA calculation, the weekly capacity distributions are adjusted to reflect the Capacity Emergency Transfer Limit for the Delivery Year in question.

For both the PJM Region and LDA analyses, PJM then models the commitment of varying amounts of DR (displacing otherwise committed generation) as interruptible from May 1 through October 31 and unavailable from November 1 through April 30 and calculates the LOLE at each DR level. The Extended Summer DR Reliability Target is the DR amount, stated as a percentage of the unrestricted peak load, that produces no more than a ten percent increase in the LOLE, compared to the reference value. The Sub-Annual Resource Reliability Target shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [the Forecast Pool Requirement] times [the DR Factor] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].

Sub-meter:

“Sub-meter” shall mean a metering point for electricity consumption that does not include all electricity consumption for the end-use customer as defined by the electric distribution company account number. PJM shall only accept sub-meter load data from end-use customers for measurement and verification of Regulation service as set forth in the Economic Load Response rules and PJM Manuals.

1.42D.01 Switching and Tagging Rules:

The switching and tagging procedures of Interconnected Transmission Owners and Interconnection Customer as they may be amended from time to time.

1.42E [RESERVED]

Synchronized Reserve:

“Synchronized Reserve” shall mean the reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes from the request of the Office of the Interconnection dispatcher, and is provided by equipment that is electrically synchronized to the Transmission System.

Synchronized Reserve Event:

“Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources and/or Demand Resources able, assigned or self-scheduled to provide Synchronized Reserve in one or more specified Reserve Zones or Reserve Sub-zones, within ten minutes, to increase the energy output or reduce load by the amount of assigned or self-scheduled Synchronized Reserve capability.

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Synchronized Reserve Requirement:

“Synchronized Reserve Requirement” shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Synchronized Reserve, absent any increase to account for additional reserves scheduled to address operational uncertainty. The Synchronized Reserve Requirement is calculated in accordance with the PJM Manuals.

1.42F—System Condition:

A specified condition on the Transmission Provider’s system or on a neighboring system, such as a constrained transmission element or flowgate, that may trigger Curtailment of Long-Term Firm Point-to-Point Transmission Service using the curtailment priority pursuant to Section 13.6. Such conditions must be identified in the Transmission Customer’s Service Agreement.

System Energy Price:

“System Energy Price” shall mean the energy component of the Locational Marginal Price, which is the price at which the Market Seller has offered to supply an additional increment of energy from a resource, calculated as specified in Section 2 of Schedule 1 of this Agreement.

1.43—System Impact Study:

An assessment by the Transmission Provider of (i) the adequacy of the Transmission System to accommodate a Completed Application, an Interconnection Request or an Upgrade Request, (ii) whether any additional costs may be incurred in order to provide such transmission service or to accommodate an Interconnection Request, and (iii) with respect to an Interconnection Request, an estimated date that an Interconnection Customer’s Customer Facility can be interconnected with the Transmission System and an estimate of the Interconnection Customer’s cost responsibility for the interconnection; and (iv) with respect to an Upgrade Request, the estimated cost of the requested system upgrades or expansion, or of the cost of the system upgrades or expansion, necessary to provide the requested incremental rights.

1.43.01 System Protection Facilities:

The equipment required to protect (i) the Transmission System, other delivery systems and/or other generating systems connected to the Transmission System from faults or other electrical disturbance occurring at or on the Customer Facility, and (ii) the Customer Facility from faults or other electrical system disturbance occurring on the Transmission System or on other delivery systems and/or other generating systems to which the Transmission System is directly or indirectly connected. System Protection Facilities shall include such protective and regulating devices as are identified in the Applicable Technical Requirements and Standards or that are required by Applicable Laws and Regulations or other Applicable Standards, or as are otherwise necessary to protect personnel and equipment and to minimize deleterious effects to the Transmission System arising from the Customer Facility.

Definitions – T – U - V

Tangible Net Worth:

Tangible Net Worth is all assets (not including any intangible assets such as goodwill) less all liabilities. Any such calculation may be reduced by PJM Settlement upon review of the available financial information.

Target Allocation:

“Target Allocation” shall mean the allocation of Transmission Congestion Credits as set forth in Section 5.2.3 of this Schedule or the allocation of Auction Revenue Rights Credits as set forth in Section 7.4.3 of this Schedule.

1.43A – Tariff:

This document, the “PJM Open Access Transmission Tariff.”

Third Incremental Auction:

“Third Incremental Auction” shall mean an Incremental Auction conducted three months before the Delivery Year to which it relates.

1.44 — Third-Party Sale:

Any sale for resale in interstate commerce to a Power Purchaser that is not designated as part of Network Load under the Network Integration Transmission Service but not including a sale of energy through the PJM Interchange Energy Market established under the PJM Operating Agreement.

Total Lost Opportunity Offer:

“Total Lost Opportunity Offer” is the applicable offer used to calculate lost opportunity credits. For pool-scheduled generating units specified in section 3.2.3(f-1) of this Schedule, the Total Lost Opportunity Offer shall equal the hourly offer integrated under the applicable offer curve for the LOC Deviation, as determined by the greater of the Committed Offer or last Real-Time Offer submitted for the offer on which the resource was committed in the Day-Ahead Energy Market for each hour in an Operating Day. For all other pool-scheduled generating units, the Total Lost Opportunity Offer shall equal the hourly offer integrated under the applicable offer curve for the LOC Deviation, as determined by the offer curve associated with the greater of the Committed Offer or Final Offer for each hour in an Operating Day. For self-scheduled generating units, the Total Lost Opportunity Offer shall equal the hourly offer integrated under the applicable offer curve for the LOC Deviation, as determined by the either the cost-based offer on which the resource was dispatched or the offer curve associated with the highest available offer submitted by the Market Seller for each hour in an Operating Day.

Total Net Obligation:

Total Net Obligation is all unpaid billed Net Obligations plus any unbilled Net Obligation incurred to date, as determined by PJMSettlement on a daily basis, plus any other Obligations owed to PJMSettlement at the time.

Total Net Sell Position:

Total Net Sell Position is all unpaid billed Net Sell Positions plus any unbilled Net Sell Positions accrued to date, as determined by PJMSettlement on a daily basis.

Total Operating Reserve Offer:

“Total Operating Reserve Offer” is the applicable offer used to calculate Operating Reserve credits. The Total Operating Reserve Offer shall equal the sum of all individual hourly energy offers, inclusive of start-up costs (shut-down costs for Demand Resources) and no-load costs, for every hour in a Segment, integrated under the applicable offer curve up to the applicable megawatt output as further described in the PJM Manuals. The applicable offer curve shall be the lesser of the Committed Offer or Final Offer for each hour in an Operating Day.

Transmission Congestion Charge:

“Transmission Congestion Charge” shall mean a charge attributable to the increased cost of energy delivered at a given load bus when the transmission system serving that load bus is operating under constrained conditions, or as necessary to provide energy for third-party transmission losses in accordance with Section 9.3, which shall be calculated and allocated as specified in Section 5.1 of this Schedule.

Transmission Congestion Credit:

“Transmission Congestion Credit” shall mean the allocated share of total Transmission Congestion Charges credited to each *FTR Holder*, calculated and allocated as specified in Section 5.2 of this Schedule.

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1.45 Transmission Customer:

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Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that the Transmission Provider file with the Commission, a proposed unexecuted Service Agreement to receive transmission service under Part II of the Tariff. This term is used in the Part I Common Service Provisions and in Part VI to include customers receiving transmission service under Part II and Part III of this Tariff.

“Transmission Customer” shall mean an entity using Point-to-Point Transmission Service. [DISCREPANCY WITH OATT ATT K-APPX – NEEDS TO BE RESOLVED]

Transmission Customer is a Transmission Customer is an entity taking service under Part II or Part III of the O.A.T.T. [DISCREPANCY WITH OATT ATT Q]

~~1.45.01~~ — Transmission Facilities

Transmission Facilities shall have the meaning set forth in the Operating Agreement.

Transmission Forced Outage:

“Transmission Forced Outage” shall mean an immediate removal from service of a transmission facility by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the transmission facility, as specified in the relevant portions of the PJM Manuals. A removal from service of a transmission facility at the request of the Office of the Interconnection to improve transmission capability shall not constitute a Forced Transmission Outage.

~~1.45A~~ — Transmission Injection Rights:

Capacity Transmission Injection Rights and Energy Transmission Injection Rights.

~~1.45B~~ — Transmission Interconnection Customer:

An entity that submits an Interconnection Request to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region *or an entity that submits an Upgrade Request for Merchant Network Upgrades (including accelerating the construction of any transmission enhancement or expansion, other than Merchant Transmission Facilities, that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement).*

~~1.45C~~ — Transmission Interconnection Facilities Study:

A Facilities Study related to a Transmission Interconnection Request.

~~1.45D~~ — Transmission Interconnection Feasibility Study:

A study conducted by the Transmission Provider in accordance with Section 36.2 of the Tariff.

~~1.45E~~ — Transmission Interconnection Request:

A request by a Transmission Interconnection Customer pursuant to Part IV of the Tariff to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of existing Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region.

Transmission Loading Relief:

“Transmission Loading Relief” shall mean NERC’s procedures for preventing operating security limit violations, as implemented by PJM as the security coordinator responsible for maintaining transmission security for the PJM Region.

Transmission Loading Relief Customer:

“Transmission Loading Relief Customer” shall mean an entity that, in accordance with Section 1.10.6A, has elected to pay Transmission Congestion Charges during Transmission Loading Relief in order to continue energy schedules over contract paths outside the PJM Region that are increasing the cost of energy in the PJM Region.

Transmission Loss Charge:

“Transmission Loss Charge” shall mean the charges to each Market Participant, Network Customer, or Transmission Customer for the cost of energy lost in the transmission of electricity from a generation resource to load as specified in Section 5 of this Schedule.

~~1.45F~~—Transmission Owner:

Each entity that owns, leases or otherwise has a possessory interest in facilities used for the transmission of electric energy in interstate commerce under the Tariff. The Transmission Owners are listed in Attachment L.

~~1.45G~~—Transmission Owner Attachment Facilities:

That portion of the Transmission Owner Interconnection Facilities comprised of all Attachment Facilities on the Interconnected Transmission Owner’s side of the Point of Interconnection.

~~1.45H~~—Transmission Owner Interconnection Facilities:

All Interconnection Facilities that are not Customer Interconnection Facilities and that, after the transfer under Section 5.5 of Appendix 2 to Attachment P of the PJM Tariff to the Interconnected Transmission Owner of title to any Transmission Owner Interconnection Facilities that the Interconnection Customer constructed, are owned, controlled, operated and maintained by the Interconnected Transmission Owner on the Interconnected Transmission Owner’s side of the Point of Interconnection identified in appendices to the Interconnection Service Agreement and to the Interconnection Construction Service Agreement, including any modifications, additions or upgrades made to such facilities and equipment, that are necessary to physically and electrically interconnect the Customer Facility with the Transmission System or interconnected distribution facilities.

~~1.45I~~—Transmission Owner Upgrade:

“Transmission Owner Upgrade” shall have the same meaning provided in the Operating Agreement.

Transmission Planned Outage:

“Transmission Planned Outage” shall mean any transmission outage scheduled in advance for a pre-determined duration and which meets the notification requirements for such outages specified in this Agreement or the PJM Manuals.

~~1.46~~—Transmission Provider:

The Transmission Provider shall be the Office of the Interconnection for all purposes, provided that the Transmission Owners will have the responsibility for the following specified activities:

- (a) The Office of the Interconnection shall direct the operation and coordinate the maintenance of the Transmission System, except that the Transmission Owners will continue to direct the operation and maintenance of those transmission facilities that are not listed in the PJM Designated Facilities List contained in the PJM Manual on Transmission Operations;
- (b) Each Transmission Owner shall physically operate and maintain all of the facilities that it owns; and
- (c) When studies conducted by the Office of the Interconnection indicate that enhancements or modifications to the Transmission System are necessary, the Transmission Owners shall have the responsibility, in accordance with the applicable terms of the Tariff, Operating Agreement and/or the Consolidated Transmission Owners Agreement to construct, own, and finance the needed facilities or enhancements or modifications to facilities.

~~1.47~~—Transmission Provider’s Monthly Transmission System Peak:

The maximum firm usage of the Transmission Provider’s Transmission System in a calendar month.

~~1.48~~—Transmission Service:

Point-To-Point Transmission Service provided under Part II of the Tariff on a firm and non-firm basis.

Transmission Service is any or all of the transmission services provided by PJM pursuant to Part II or Part III of the O.A.T.T.[DISCREPANCY WITH OATT ATT Q]

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~~1.48A~~—Transmission Service Request:

A request for Firm Point-To-Point Transmission Service or a request for Network Integration Transmission Service.

~~1.49~~—Transmission System:

The facilities controlled or operated by the Transmission Provider within the PJM Region that are used to provide transmission service under Part II and Part III of the Tariff.

1.49A – Transmission Withdrawal Rights:

Firm Transmission Withdrawal Rights and Non-Firm Transmission Withdrawal Rights.

Uncleared Bid Exposure:

Uncleared Bid Exposure is a measure of exposure from Increment Offers and Decrement Bids activity relative to a Participant’s established credit as defined in this policy. It is used only as a pre-screen to determine whether a Participant’s Increment Offers and Decrement Bids should be subject to Increment Offer and Decrement Bid Screening.

Unconstrained LDA Group:

“Unconstrained LDA Group” shall mean a combined group of LDAs that form an electrically contiguous area and for which a separate Variable Resource Requirement Curve has not been established under Section 5.10 of Attachment DD. Any LDA for which a separate Variable Resource Requirement Curve has not been established under Section 5.10 of Attachment DD shall be combined with all other such LDAs that form an electrically contiguous area.

Unforced Capacity:

“Unforced Capacity” shall have the meaning specified in the Reliability Assurance Agreement.

Unsecured Credit:

Unsecured Credit is any credit granted by PJMSettlement to a Participant that is not secured by a form of Financial Security.

Unsecured Credit Allowance:

Unsecured Credit Allowance is Unsecured Credit extended by PJMSettlement in an amount determined by PJMSettlement’s evaluation of the creditworthiness of a Participant. This is also defined as the amount of credit that a Participant qualifies for based on the strength of its own financial condition without having to provide Financial Security. See also: “Working Credit Limit.”

Updated VRR Curve:

“Updated VRR Curve” shall mean the Variable Resource Requirement Curve as defined in section 5.10(a) of this Attachment for use in the Base Residual Auction of the relevant Delivery Year, updated to reflect any change in the Reliability Requirement from the Base Residual Auction to such Incremental Auction, and for Delivery Years through May 31, 2018, the Short-term Resource Procurement Target applicable to the relevant Incremental Auction.

Updated VRR Curve Decrement:

“Updated VRR Curve Decrement” shall mean the portion of the Updated VRR Curve to the left of a vertical line at the level of Unforced Capacity on the x-axis of such curve equal to the net Unforced Capacity committed to the PJM Region as a result of all prior auctions conducted for such Delivery Year and adjusted, if applicable, by a change in Unforced Capacity commitments associated with the transition provision of section 5.14C, 5.14D (as related to the 2016/2017 Delivery Year), and 5.14E of this Attachment DD.

Updated VRR Curve Increment:

“Updated VRR Curve Increment” shall mean the portion of the Updated VRR Curve to the right of a vertical line at the level of Unforced Capacity on the x-axis of such curve equal to the net Unforced Capacity committed to the PJM Region as a result of all prior auctions conducted for such Delivery Year and adjusted, if applicable, by a change in Unforced Capacity commitments associated with the transition provision of section 5.14C, 5.14D (as related to the 2016/2017 Delivery Year), and 5.14E of this Attachment DD.

1.49A.01 Upgrade Construction Service Agreement:

That agreement entered into by *an Eligible Customer, Upgrade Customer or Interconnection Customer proposing Merchant Network Upgrades*, a Transmission Owner, and the Transmission Provider, pursuant to Subpart B of Part VI of the Tariff, and in the form set forth in Attachment GG of the Tariff.

1.49A.02 Upgrade Customer:

A customer that submits an Upgrade Request *pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.*

1.49A.03 Upgrade-Related Rights:

Incremental Auction Revenue Rights, Incremental Available Transfer Capability Revenue Rights, Incremental Deliverability Rights, and Incremental Capacity Transfer Rights (as defined in Section 2.35 of Attachment DD of the Tariff).

1.49A.04 Upgrade Request:

A request submitted in the form prescribed in Attachment EE of the Tariff, for evaluation by the Transmission Provider of the feasibility and estimated costs of (a) a *Merchant Network Upgrade* or (b) the Customer-Funded Upgrades that would be needed to provide *Incremental Auction Revenue Rights* specified in a request *pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.*

Up-to Congestion Counterflow Transaction:

An Up-to Congestion Transaction will be deemed an Up-to Congestion Counterflow Transaction if the following value is negative: (a) when bidding, the lower of the bid price and the prior Up-to Congestion Historical Month's average real-time value for the transaction; or (b) for cleared Virtual Transactions, the cleared day-ahead price of the Virtual Transactions.

Up-to Congestion Historical Month:

An Up-to Congestion Historical Month is a consistently-defined historical period nominally one month long that is as close to a calendar month as PJM determines is practical.

Up-to Congestion Prevailing Flow Transaction:

An Up-to Congestion Transaction will be deemed an Up-to Congestion Prevailing Flow Transaction if it is not an Up-to Congestion Counterflow Transaction.

Up-to Congestion Reference Price:

The Up-to Congestion Reference Price for an Up-to Congestion Transaction is the specified percentile price differential between source and sink (defined as sink price minus source price) for hourly real-time prices experienced over the prior Up-to Congestion Historical Month, averaged with the same percentile value calculated for the second prior Up-to Congestion Historical Month. Up-to Congestion Reference Prices shall be calculated using the following historical percentiles:

For Up-to Congestion Prevailing Flow Transactions: 30th percentile

For Up-to Congestion Counterflow Transactions when bid: 20th percentile

For Up-to Congestion Counterflow Transactions when cleared: 5th percentile

Up-to Congestion Transaction:

"Up-to Congestion Transaction" shall have the meaning specified in Section 1.10.1A of this Schedule.

Variable Loads:

"Variable Loads" shall have the meaning specified in section 1.5A.6 of this Schedule.

Variable Resource Requirement Curve:

"Variable Resource Requirement Curve" shall mean a series of maximum prices that can be cleared in a Base Residual Auction for Unforced Capacity, corresponding to a series of varying resource requirements based on varying installed reserve margins, as determined by the Office of the Interconnection for the PJM Region and for certain Locational Deliverability Areas in accordance with the methodology provided in Section 5.

Virtual Credit Exposure:

Virtual Credit Exposure is the amount of potential credit exposure created by a market participant's bid submitted into the Day-ahead market, as defined in this policy.

Virtual Transaction:

"Virtual Transaction" shall mean a Decrement Bid, Increment Offer and/or Up-to Congestion Transaction.

Virtual Transaction Screening:

Virtual Transaction Screening is the process of reviewing the Virtual Credit Exposure of submitted Virtual Transactions against the Credit Available for Virtual Transactions. If the credit required is greater than credit available, then the Virtual Transactions will not be accepted.

Virtual Transactions Net Activity:

Virtual Transactions Net Activity shall mean the aggregate net total, resulting from Virtual Transactions, of (i) Spot Market Energy charges, (ii) Transmission Congestion Charges, and (iii) Transmission Loss Charges, calculated as set forth in Attachment K-Appendix. Virtual Transactions Net Activity may be positive or negative.

~~1.49B [RESERVED]~~

~~1.49C [RESERVED]~~

~~1.49D [RESERVED]~~

~~1.49E [RESERVED]~~

~~1.49F [RESERVED]~~

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Definitions – W – X – Y - Z

1.49G Wholesale Transaction:

As used in Part IV of the Tariff, “Wholesale Transaction” means any transaction involving the transmission or sale for resale of electricity in interstate commerce that utilizes any portion of the Transmission System.

Working Credit Limit:

Working Credit Limit amount is 75% of the Market Participant’s Unsecured Credit Allowance and/or 75% of the Financial Security provided by the Market Participant to PJMSettlement. The Working Credit Limit establishes the maximum amount of Total Net Obligation that a Market Participant may have outstanding at any time. The calculation of Working Credit Limit shall take into account applicable reductions for Minimum Participation Requirements, FTR, or other credit requirement determinants as defined in this policy.

Working Credit Limit for Virtual Transactions:

The Working Credit Limit for Virtual Transactions shall be calculated as 75% of the Market Participant’s Unsecured Credit Allowance and/or 75% of the Financial Security provided by the Market Participant to PJMSettlement when the Market Participant is at or below its Peak Market Activity credit requirements as specified in section II.D of this Credit Policy. When the Market Participant provides additional Unsecured Credit Allowance and/or Financial Security in excess of its Peak Market Activity credit requirements, such additional Unsecured Credit Allowance and/or Financial Security shall not be discounted by 25% when calculating the Working Credit Limit for Virtual Transactions. The Working Credit Limit for Virtual Transactions is a component in the calculation of Credit Available for Virtual Transactions. The calculation of Working Credit Limit for Virtual Transactions shall take into account applicable reductions for Minimum Participation Requirements, FTR, or other credit requirement determinants as defined in this policy

Zonal Base Load:

“Zonal Base Load” shall mean the lowest daily zonal peak load from the twelve month period ending October 21 of the calendar year immediately preceding the calendar year in which an annual Auction Revenue Right allocation is conducted, increased by the projected load growth rate for the relevant Zone, when non-extraordinary conditions exist for the applicable twelve month period, as determined by PJM. If the lowest daily zonal peak load from the applicable twelve month period is abnormally low due to extraordinary conditions, as determined by PJM, Zonal Base Load shall mean the next lowest daily zonal peak load that was not affected by extraordinary conditions during the applicable twelve month period, increased by the projected load growth rate for the relevant Zone. For the purposes of this definition, extraordinary conditions shall mean a significant event, or combination of events, that affect the operation of the bulk power system in an atypical manner and results in an abnormal reduction in the consumption of energy within a Zone.

Zonal Capacity Price:

“Zonal Capacity Price” shall mean the clearing price required in each Zone to meet the demand for Unforced Capacity and satisfy Locational Deliverability Requirements for the LDA or LDAs associated with such Zone. If the Zone contains multiple LDAs with different Capacity Resource Clearing Prices, the Zonal Capacity Price shall be a weighted average of the Capacity Resource Clearing Prices for such LDAs, weighted by the Unforced Capacity of Capacity Resources cleared in each such LDA.

~~1.49H~~—Zone:

An area within the PJM Region, as set forth in Attachment J.

~~1.50~~—Zone Network Load:

Network Load that is located inside of the area comprised of the PJM Region.

Attachment K-Appendix, Section 1.3

1.3 ~~Definitions.~~[Reserved for Future Use]

~~1.3.1 Acceleration Request.~~

~~“Acceleration Request” shall mean a request pursuant to section 1.9.4A of this Schedule to accelerate or reschedule a transmission outage scheduled pursuant to sections 1.9.2 or 1.9.4.~~

~~1.3.1.01 Additional Day-ahead Scheduling Reserves Requirement~~

~~“Additional Day-ahead Scheduling Reserves Requirement” shall mean the portion of the Day-ahead Scheduling Reserves Requirement that is required in addition to the Base Day-ahead Scheduling Reserves Requirement to ensure adequate resources are procured to meet real-time load and operational needs, as specified in the PJM Manuals.~~

~~1.3.1A Auction Revenue Rights.~~

~~“Auction Revenue Rights” or “ARRs” shall mean the right to receive the revenue from the Financial Transmission Right auction, as further described in Section 7.4 of this Schedule.~~

~~1.3.1B Auction Revenue Rights Credits.~~

~~“Auction Revenue Rights Credits” shall mean the allocated share of total FTR auction revenues or costs credited to each holder of Auction Revenue Rights, calculated and allocated as specified in Section 7.4.3 of this Schedule.~~

~~1.3.1B.001 Base Day-ahead Scheduling Reserves Requirement~~

~~“Base Day-ahead Scheduling Reserves Requirement” shall mean the thirty minute reserve requirement for the PJM Region established consistent with the Applicable Standards, plus any additional thirty minute reserves scheduled in response to an RTO wide Hot or Cold Weather Alert or other reasons for conservative operations.~~

~~1.3.1B.01 Batch Load Demand Resource.~~

~~“Batch Load Demand Resource” shall mean a Demand Resource that has a cyclical production process such that at most times during the process it is consuming energy, but at consistent regular intervals, ordinarily for periods of less than ten minutes, it reduces its consumption of energy for its production processes to minimal or zero megawatts.~~

~~1.3.1B.01A Cold Weather Alert.~~

~~“Cold Weather Alert” shall mean the notice that PJM provides to PJM Members, Transmission Owners, resource owners and operators, customers, and regulators to prepare personnel and facilities for expected extreme cold weather conditions.~~

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~~1.3.1B.01B Committed Offer.~~

~~“Committed Offer” shall mean an offer on which a resource was scheduled by the Office of the Interconnection for a particular clock hour for the Operating Day.~~

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~~1.3.1B.02 Congestion Price.~~

~~“Congestion Price” shall mean the congestion component of the Locational Marginal Price, which is the effect on transmission congestion costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource, based on the effect of increased generation from or consumption by the resource on transmission line loadings, calculated as specified in Section 2 of Schedule 1 of this Agreement.~~

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~~1.3.1B.02A Coordinated External Transaction.~~

~~“Coordinated External Transaction” shall mean a transaction to simultaneously purchase and sell energy on either side of a CTS Enabled Interface in accordance with the procedures of Section 1.13 of this Schedule 1 of this Agreement.~~

~~1.3.1B.02B Coordinated Transaction Scheduling.~~

~~“Coordinated Transaction Scheduling” or “CTS” shall mean the scheduling of Coordinated External Transactions at a CTS Enabled Interface in accordance with the procedures of Section 1.13 of Schedule 1 of this Agreement.~~

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~~1.3.1B.02C CTS Enabled Interface.~~

~~“CTS Enabled Interface” shall mean an interface between the PJM Control Area and an adjacent Control Area at which the Office of the Interconnection has authorized the use of Coordinated Transaction Scheduling (“CTS”). The CTS Enabled Interfaces between the PJM Control Area and the New York Independent System Operator, Inc. Control Area shall be designated in Schedule A to the Joint Operating Agreement Among and Between New York Independent System Operator Inc. and PJM Interconnection, L.L.C. (PJM Rate Schedule FERC No. 45).~~

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~~1.3.1B.02D CTS Interface Bid~~

~~“CTS Interface Bid” shall mean a unified real time bid to simultaneously purchase and sell energy on either side of a CTS Enabled Interface in accordance with the procedures of Section 1.13 of this Schedule 1 of this Agreement.~~

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~~1.3.1B.03 Curtailment Service Provider.~~

~~“Curtailment Service Provider” or “CSP” shall mean a Member or a Special Member, which action on behalf of itself or one or more other Members or non Members, participates in the PJM~~

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~~Interchange Energy Market, Ancillary Services markets, and/or Reliability Pricing Model by causing a reduction in demand.~~

~~**1.3.1B.04 Day-ahead Congestion Price.**~~

~~“Day-ahead Congestion Price” shall mean the Congestion Price resulting from the Day-ahead Energy Market.~~

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~~**1.3.1C Day-ahead Energy Market.**~~

~~“Day-ahead Energy Market” shall mean the schedule of commitments for the purchase or sale of energy and payment of Transmission Congestion Charges developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.~~

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~~**1.3.1C.01 Day-ahead Loss Price.**~~

~~“Day-ahead Loss Price” shall mean the Loss Price resulting from the Day-ahead Energy Market.~~

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~~**1.3.1D Day-ahead Prices.**~~

~~“Day-ahead Prices” shall mean the Locational Marginal Prices resulting from the Day-ahead Energy Market.~~

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~~**1.3.1D.01 Day-ahead Scheduling Reserves.**~~

~~“Day-ahead Scheduling Reserves” shall mean thirty-minute reserves as defined by the Reliability First Corporation and SERC.~~

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~~**1.3.1D.02 Day-ahead Scheduling Reserves Requirement.**~~

~~“Day-ahead Scheduling Reserves Requirement” shall mean the sum of Base Day-ahead Scheduling Reserves Requirement and Additional Day-ahead Scheduling Reserves Requirement.~~

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~~**1.3.1D.03 Day-ahead Scheduling Reserves Resources.**~~

~~“Day-ahead Scheduling Reserves Resources” shall mean synchronized and non-synchronized generation resources and Demand Resources electrically located within the PJM Region that are capable of providing Day-ahead Scheduling Reserves.~~

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~~**1.3.1D.04 Day-ahead Scheduling Reserves Market.**~~

~~“Day-ahead Scheduling Reserves Market” shall mean the schedule of commitments for the purchase or sale of Day-ahead Scheduling Reserves developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.~~

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~~**1.3.1D.05 Day-ahead System Energy Price.**~~

~~“Day-ahead System Energy Price” shall mean the System Energy Price resulting from the Day-ahead Energy Market.~~

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~~**1.3.1E Decrement Bid.**~~

~~“Decrement Bid” shall mean a type of Virtual Transaction that is a bid to purchase energy at a specified location in the Day-ahead Energy Market. A cleared Decrement Bid results in scheduled load at the specified location in the Day-ahead Energy Market.~~

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~~**1.3.1E.01 Demand Bid**~~

~~“Demand Bid” shall mean a bid, submitted by a Load Serving Entity in the Day-ahead Energy Market, to purchase energy at its contracted load location, for a specified timeframe and megawatt quantity, that if cleared will result in energy being scheduled at the specified location in the Day-ahead Energy Market and in the physical transfer of energy during the relevant Operating Day.~~

~~**1.3.1E.02 Demand Bid Limit**~~

~~“Demand Bid Limit” shall mean the largest MW volume of Demand Bids that may be submitted by a Load Serving Entity for any hour of an Operating Day, as determined pursuant to Section 1.10.1B of Schedule 1 of the Operating Agreement.~~

~~**1.3.1E.03 Demand Bid Screening**~~

~~“Demand Bid Screening” shall mean the process by which Demand Bids are reviewed against the applicable Demand Bid Limit, and rejected if they would exceed that limit, as determined pursuant to Section 1.10.1B of Schedule 1 of the Operating Agreement.~~

~~**1.3.1E.04 Demand Resource.**~~

~~“Demand Resource” shall mean a resource with the capability to provide a reduction in demand.~~

~~**1.3.1F Dispatch Rate.**~~

~~“Dispatch Rate” shall mean the control signal, expressed in dollars per megawatt-hour, calculated and transmitted continuously and dynamically to direct the output level of all generation resources dispatched by the Office of the Interconnection in accordance with the Offer Data.~~

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~~**1.3.1F.01 Emergency Load Response Program**~~

~~The Emergency Load Response Program is the program by which Curtailment Service Providers may be compensated by PJM for Demand Resources that will reduce load when dispatched by~~

~~PJM during emergency conditions, and is described in Section 8 of Schedule 1 of the Operating Agreement and the parallel provisions of Section 8 of Attachment K Appendix of the Tariff.~~

~~1.3.1G Energy Storage Resource.~~

~~“Energy Storage Resource” shall mean flywheel or battery storage facility solely used for short term storage and injection of energy at a later time to participate in the PJM energy and/or Ancillary Services markets as a Market Seller.~~

~~1.3.2 Equivalent Load.~~

~~“Equivalent Load” shall mean the sum of a Market Participant’s net system requirements to serve its customer load in the PJM Region, if any, plus its net bilateral transactions.~~

~~1.3.2A Economic Load Response Participant.~~

~~“Economic Load Response Participant” shall mean a Member or Special Member that qualifies under Section 1.5A of this Schedule to participate in the PJM Interchange Energy Market and/or Ancillary Services markets through reductions in demand.~~

~~1.3.2A.01 Economic Minimum.~~

~~“Economic Minimum” shall mean the lowest incremental MW output level, submitted to PJM market systems by a Market Participant, that a unit can achieve while following economic dispatch.~~

~~1.3.2A.02 Economic Maximum.~~

~~“Economic Maximum” shall mean the highest incremental MW output level, submitted to PJM market systems by a Market Participant, that a unit can achieve while following economic dispatch.~~

~~1.3.2B Energy Market Opportunity Cost.~~

~~“Energy Market Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of available run hours due to limitations imposed on the unit by Applicable Laws and Regulations (as defined in PJM Tariff), and (b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Energy Market Opportunity Cost therefore is the value associated with a specific generating unit’s lost opportunity to produce energy during a higher valued period of time occurring within the same compliance period, which compliance period is determined by the applicable regulatory authority and is reflected in the rules set forth in PJM Manual 15. Energy Market Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.~~

~~1.3.2B.01 Extended Primary Reserve Requirement~~

~~“Extended Primary Reserve Requirement” shall equal the Primary Reserve Requirement in a Reserve Zone or Reserve Sub-zone, plus additional reserves scheduled under emergency conditions necessary to address operational uncertainty. The Extended Primary Reserve Requirement is calculated in accordance with the PJM Manuals.~~

~~1.3.2B.02 Extended Synchronized Reserve Requirement~~

~~“Extended Synchronized Reserve Requirement” shall equal the Synchronized Reserve Requirement in a Reserve Zone or Reserve Sub-zone, plus additional reserves scheduled under emergency conditions necessary to address operational uncertainty. The Extended Synchronized Reserve Requirement is calculated in accordance with the PJM Manuals.~~

~~1.3.3 External Market Buyer:~~

~~“External Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for consumption by end users outside the PJM Region, or for load in the PJM Region that is not served by Network Transmission Service.~~

~~1.3.4 External Resource:~~

~~“External Resource” shall mean a generation resource located outside the metered boundaries of the PJM Region.~~

~~1.3.4A Final Offer:~~

~~“Final Offer” shall mean the offer on which a resource was dispatched by the Office of the Interconnection for a particular clock hour for the Operating Day.~~

~~1.3.5 Financial Transmission Right:~~

~~“Financial Transmission Right” or “FTR” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2 of this Schedule.~~

~~1.3.5A Financial Transmission Right Obligation:~~

~~“Financial Transmission Right Obligation” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(b) of this Schedule.~~

~~1.3.5B Financial Transmission Right Option:~~

~~“Financial Transmission Right Option” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(c) of this Schedule.~~

~~1.3.6 Generating Market Buyer:~~

~~“Generating Market Buyer” shall mean an Internal Market Buyer that is a Load-Serving Entity that owns or has contractual rights to the output of generation resources capable of serving the Market Buyer’s load in the PJM Region, or of selling energy or related services in the PJM Interchange Energy Market or elsewhere.~~

~~**1.3.6A Generation Resource Maximum Output:**~~

~~“Generation Resource Maximum Output” shall mean, for Customer Facilities identified in an Interconnection Service Agreement or Wholesale Market Participation Agreement, the Generation Resource Maximum Output for a generating unit shall equal the unit’s pro rata share of the Maximum Facility Output, determined by the Economic Maximum values for the available units at the Customer Facility. For generating units not identified in an Interconnection Service Agreement or Wholesale Market Participation Agreement, the Generation Resource Maximum Output shall equal the generating unit’s Economic Maximum.~~

~~**1.3.7 Generator Forced Outage.**~~

~~“Generator Forced Outage” shall mean an immediate reduction in output or capacity or removal from service, in whole or in part, of a generating unit by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the facility, as specified in the relevant portions of the PJM Manuals. A reduction in output or removal from service of a generating unit in response to changes in market conditions shall not constitute a Generator Forced Outage.~~

~~**1.3.8 Generator Maintenance Outage.**~~

~~“Generator Maintenance Outage” shall mean the scheduled removal from service, in whole or in part, of a generating unit in order to perform necessary repairs on specific components of the facility, if removal of the facility meets the guidelines specified in the PJM Manuals.~~

~~**1.3.9 Generator Planned Outage.**~~

~~“Generator Planned Outage” shall mean the scheduled removal from service, in whole or in part, of a generating unit for inspection, maintenance or repair with the approval of the Office of the Interconnection in accordance with the PJM Manuals.~~

~~**1.3.9.01 Hot Weather Alert.**~~

~~“Hot Weather Alert” shall mean the notice provided by PJM to PJM Members, Transmission Owners, resource owners and operators, customers, and regulators to prepare personnel and facilities for extreme hot and/or humid weather conditions which may cause capacity requirements and/or unit unavailability to be substantially higher than forecast are expected to persist for an extended period.~~

~~**1.3.9A Increment Offer.**~~

~~“Increment Offer” shall mean a type of Virtual Transaction that is an offer to sell energy at a specified location in the Day-ahead Energy Market. A cleared Increment Offer results in scheduled generation at the specified location in the Day-ahead Energy Market.~~

~~**1.3.9B Interface Pricing Point.**~~

~~“Interface Pricing Point” shall have the meaning specified in section 2.6A.~~

~~**1.3.10 Internal Market Buyer.**~~

~~“Internal Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for ultimate consumption by end-users inside the PJM Region that are served by Network Transmission Service.~~

~~**1.3.11 Inadvertent Interchange.**~~

~~“Inadvertent Interchange” shall mean the difference between net actual energy flow and net scheduled energy flow into or out of the individual Control Areas operated by PJM.~~

~~**1.3.11.01 Load Management.**~~

~~“Load Management” shall mean a Demand Resource (“DR”) as defined in the Reliability Assurance Agreement.~~

~~**1.3.11.02 Load Management Event**~~

~~“Load Management Event” shall mean a) a single temporally contiguous dispatch of Demand Resources in a Compliance Aggregation Area during an Operating Day, or b) multiple dispatches of Demand Resources in a Compliance Aggregation Area during an Operating Day that are temporally contiguous.~~

~~**1.3.11A Load Reduction Event.**~~

~~“Load Reduction Event” shall mean a reduction in demand by a Member or Special Member for the purpose of participating in the PJM Interchange Energy Market.~~

~~**1.3.11A.01 Location.**~~

~~“Location” as used in the Economic Load Response rules shall mean an end-use customer site as defined by the relevant electric distribution company account number.~~

~~**1.3.11A.02 LOC Deviation:**~~

~~“LOC Deviation” shall mean, for units other than wind units, the LOC Deviation shall equal the desired megawatt amount for the resource determined according to the point on the Final Offer corresponding to the hourly integrated real-time Locational Marginal Price at the resource’s~~

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~~bus and adjusted for any Regulation or Tier 2 Synchronized Reserve assignments and limited to the lesser of the unit's Economic Maximum or the unit's Generation Resource Maximum Output, minus the actual hourly integrated output of the unit. For wind units, the LOC Deviation shall be the deviation of the generating unit's output equal to the lesser of the PJM forecasted output for the unit or the desired megawatt amount for the resource determined according to the point on the Final Offer corresponding to the hourly integrated real-time Locational Marginal Price at the resource's bus, and shall be limited to the lesser of the unit's Economic Maximum or the unit's Generation Resource Maximum Output, minus the actual hourly integrated output of the unit.~~

~~1.3.11B Loss Price.~~

~~"Loss Price" shall mean the loss component of the Locational Marginal Price, which is the effect on transmission loss costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource based on the effect of increased generation from or consumption by the resource on transmission losses, calculated as specified in Section 2 of Schedule 1 of this Agreement.~~

~~1.3.12 Market Operations Center.~~

~~"Market Operations Center" shall mean the equipment, facilities and personnel used by or on behalf of a Market Participant to communicate and coordinate with the Office of the Interconnection in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.~~

~~1.3.12A Maximum Emergency.~~

~~"Maximum Emergency" shall mean the designation of all or part of the output of a generating unit for which the designated output levels may require extraordinary procedures and therefore are available to the Office of the Interconnection only when the Office of the Interconnection declares a Maximum Generation Emergency and requests generation designated as Maximum Emergency to run. The Office of the Interconnection shall post on the PJM website the aggregate amount of megawatts that are classified as Maximum Emergency.~~

~~1.3.13 Maximum Generation Emergency.~~

~~"Maximum Generation Emergency" shall mean an Emergency declared by the Office of the Interconnection to address either a generation or transmission emergency in which the Office of the Interconnection anticipates requesting one or more Generation Capacity Resources, or Non-Retail Behind The Meter Generation resources to operate at its maximum net or gross electrical power output, subject to the equipment stress limits for such Generation Capacity Resource or Non-Retail Behind The Meter resource in order to manage, alleviate, or end the Emergency.~~

~~1.3.13A Maximum Generation Emergency Alert.~~

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~~“Maximum Generation Emergency Alert” shall mean an alert issued by the Office of the Interconnection to notify PJM Members, Transmission Owners, resource owners and operators, customers, and regulators that a Maximum Generation Emergency may be declared, for any Operating Day in either, as applicable, the Day-ahead Energy Market or the Real-time Energy Market, for all or any part of such Operating Day.~~

~~**1.3.14 Minimum Generation Emergency.**~~

~~“Minimum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection in which the Office of the Interconnection anticipates requesting one or more generating resources to operate at or below Normal Minimum Generation, in order to manage, alleviate, or end the Emergency.~~

~~**1.3.14A NERC Interchange Distribution Calculator.**~~

~~“NERC Interchange Distribution Calculator” shall mean the NERC mechanism that is in effect and being used to calculate the distribution of energy, over specific transmission interfaces, from energy transactions.~~

~~**1.3.14B Net Benefits Test.**~~

~~“Net Benefits Test” shall mean a calculation to determine whether the benefits of a reduction in price resulting from the dispatch of Economic Load Response exceeds the cost to other loads resulting from the billing unit effects of the load reduction, as specified in Section 3.3A.4 of this Schedule.~~

~~**1.3.15 Network Resource.**~~

~~“Network Resource” shall have the meaning specified in the PJM Tariff.~~

~~**1.3.16 Network Service User.**~~

~~“Network Service User” shall mean an entity using Network Transmission Service.~~

~~**1.3.17 Network Transmission Service.**~~

~~“Network Transmission Service” shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Part III of the PJM Tariff, or transmission service comparable to such service that is provided to a Load Serving Entity that is also a Transmission Owner.~~

~~**1.3.17A Non-Regulatory Opportunity Cost.**~~

~~“Non-Regulatory Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of starts or available run hours resulting from (i) the physical equipment limitations of the unit, for up to one year, due to original equipment manufacturer recommendations or insurance carrier restrictions, (ii) a fuel supply limitation, for up to one year, resulting from an event of Catastrophic Force Majeure; and,~~

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~~(b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Non-Regulatory Opportunity Cost therefore is the value associated with a specific generating unit's lost opportunity to produce energy during a higher valued period of time occurring within the same period of time in which the unit is bound by the referenced restrictions, and is reflected in the rules set forth in PJM Manual 15. Non-Regulatory Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.~~

~~**1.3.17B Non-Synchronized Reserve.**~~

~~“Non-Synchronized Reserve” shall mean the reserve capability of non-emergency generation resources that can be converted fully into energy within ten minutes of a request from the Office of the Interconnection dispatcher, and is provided by equipment that is not electrically synchronized to the Transmission System.~~

~~**1.3.17C Non-Synchronized Reserve Event.**~~

~~“Non-Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources able and assigned to provide Non-Synchronized Reserve in one or more specified Reserve Zones or Reserve Sub-zones, within ten minutes to increase the energy output by the amount of assigned Non-Synchronized Reserve capability.~~

~~**1.3.17D Non-Variable Loads.**~~

~~“Non-Variable Loads” shall have the meaning specified in section 1.5A.6 of this Schedule.~~

~~**1.3.18 Normal Maximum Generation.**~~

~~“Normal Maximum Generation” shall mean the highest output level of a generating resource under normal operating conditions.~~

~~**1.3.19 Normal Minimum Generation.**~~

~~“Normal Minimum Generation” shall mean the lowest output level of a generating resource under normal operating conditions.~~

~~**1.3.20 Offer Data.**~~

~~“Offer Data” shall mean the scheduling, operations planning, dispatch, new resource, and other data and information necessary to schedule and dispatch generation resources and Demand Resource(s) for the provision of energy and other services and the maintenance of the reliability and security of the transmission system in the PJM Region, and specified for submission to the PJM Interchange Energy Market for such purposes by the Office of the Interconnection.~~

~~**1.3.21 Office of the Interconnection Control Center.**~~

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~~“Office of the Interconnection Control Center” shall mean the equipment, facilities and personnel used by the Office of the Interconnection to coordinate and direct the operation of the PJM Region and to administer the PJM Interchange Energy Market, including facilities and equipment used to communicate and coordinate with the Market Participants in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.~~

~~**1.3.21A On-Site Generators.**~~

~~“On-Site Generators” shall mean generation facilities (including Behind-The-Meter Generation) that (i) are not Capacity Resources, (ii) are not injecting into the grid, (iii) are either synchronized or non-synchronized to the Transmission System, and (iv) can be used to reduce demand for the purpose of participating in the PJM Interchange Energy Market.~~

~~**1.3.22 Operating Day.**~~

~~“Operating Day” shall mean the daily 24-hour period beginning at midnight for which transactions on the PJM Interchange Energy Market are scheduled.~~

~~**1.3.23 Operating Margin.**~~

~~“Operating Margin” shall mean the incremental adjustments, measured in megawatts, required in PJM Region operations in order to accommodate, on a first-contingency basis, an operating contingency in the PJM Region resulting from operations in an interconnected Control Area. Such adjustments may result in constraints causing Transmission Congestion Charges, or may result in Ancillary Services charges pursuant to the PJM Tariff.~~

~~**1.3.24 Operating Margin Customer.**~~

~~“Operating Margin Customer” shall mean a Control Area purchasing Operating Margin pursuant to an agreement between such other Control Area and the LLC.~~

~~**1.3.24A Pre-Emergency Load Response Program**~~

~~The Pre-Emergency Load Response Program is the program by which Curtailment Service Providers may be compensated by PJM for Demand Resources that will reduce load when dispatched by PJM during pre-emergency conditions, and is described in Section 8 of Schedule 1 of the Operating Agreement and the parallel provisions of Section 8 of Attachment K Appendix of the Tariff.~~

~~**1.3.25 PJM Interchange.**~~

~~“PJM Interchange” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds, or is exceeded by, the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup; or (c) the hourly scheduled deliveries of Spot~~

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~~Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller; or (e) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (f) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.~~

~~1.3.26 PJM Interchange Export.~~

~~“PJM Interchange Export” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load is exceeded by the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup sales; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller.~~

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~~1.3.27 PJM Interchange Import.~~

~~“PJM Interchange Import” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup purchases; or (c) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (d) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.~~

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~~1.3.28 PJM Open Access Same-time Information System.~~

~~“PJM Open Access Same-time Information System” shall mean the electronic communication system for the collection and dissemination of information about transmission services in the PJM Region, established and operated by the Office of the Interconnection in accordance with FERC standards and requirements.~~

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~~1.3.28A Planning Period Quarter.~~

~~“Planning Period Quarter” shall mean any of the following three month periods in the Planning Period: June, July and August; September, October and November; December, January and February; or March, April and May.~~

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~~1.3.28B Planning Period Balance.~~

~~“Planning Period Balance” shall mean the entire period of time remaining in the Planning Period following the month that a monthly auction is conducted.~~

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~~1.3.29 Point-to-Point Transmission Service.~~

~~“Point to Point Transmission Service” shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Part II of the PJM Tariff.~~

~~**1.3.29A PRD Curve.**~~

~~PRD Curve shall have the meaning provided in the Reliability Assurance Agreement.~~

~~**1.3.29B PRD Provider.**~~

~~PRD Provider shall have the meaning provided in the Reliability Assurance Agreement.~~

~~**1.3.29C PRD Reservation Price.**~~

~~PRD Reservation Price shall have the meaning provided in the Reliability Assurance Agreement.~~

~~**1.3.29D PRD Substation.**~~

~~PRD Substation shall have the meaning provided in the Reliability Assurance Agreement.~~

~~**1.3.29E Price Responsive Demand.**~~

~~Price Responsive Demand shall have the meaning provided in the Reliability Assurance Agreement.~~

~~**1.3.29F Primary Reserve.**~~

~~“Primary Reserve” shall mean the total reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes of a request from the Office of the Interconnection dispatcher, and is comprised of both Synchronized Reserve and Non Synchronized Reserve.~~

~~**1.3.29G Primary Reserve Requirement**~~

~~“Primary Reserve Requirement” shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Primary Reserve, absent any increase to account for additional reserves scheduled to address operational uncertainty. The Primary Reserve Requirement is calculated in accordance with the PJM Manuals.~~

~~**1.3.30 Ramping Capability.**~~

~~“Ramping Capability” shall mean the sustained rate of change of generator output, in megawatts per minute.~~

~~**1.3.30.01 Real-time Congestion Price.**~~

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~~“Real-time Congestion Price” shall mean the Congestion Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.~~

~~**1.3.30.02 Real-time Loss Price.**~~

~~“Real-time Loss Price” shall mean the Loss Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.~~

~~**1.3.30.03 Real-time Offer**~~

~~“Real-time Offer” shall mean a new offer or an update to a Market Seller’s existing cost-based or market-based offer for a clock hour, submitted after the close of the Day-ahead Energy Market.~~

~~**1.3.30A Real-time Prices.**~~

~~“Real-time Prices” shall mean the Locational Marginal Prices resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.~~

~~**1.3.30B Real-time Energy Market.**~~

~~“Real-time Energy Market” shall mean the purchase or sale of energy and payment of Transmission Congestion Charges for quantity deviations from the Day-ahead Energy Market in the Operating Day.~~

~~**1.3.30B.01 Real-time System Energy Price.**~~

~~“Real-time System Energy Price” shall mean the System Energy Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.~~

~~**1.3.31 Regulation.**~~

~~“Regulation” shall mean the capability of a specific generation resource or Demand Resource with appropriate telecommunications, control and response capability to increase or decrease its output or adjust load in response to a regulating control signal, in accordance with the specifications in the PJM Manuals.~~

~~**1.3.31.001 Reserve Penalty Factor.**~~

~~“Reserve Penalty Factor” shall mean the cost, in \$/MWh, associated with being unable to meet a specific reserve requirement in a Reserve Zone or Reserve Sub-zone. A Reserve Penalty Factor will be defined for each reserve requirement in a Reserve Zone or Reserve Sub-zone.~~

~~**1.3.31.01 Residual Auction Revenue Rights.**~~

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~~“Residual Auction Revenue Rights” shall mean incremental stage 1 Auction Revenue Rights created within a Planning Period by an increase in transmission system capability, including the return to service of existing transmission capability, that was not modeled pursuant to section 7.5 of Schedule 1 of this Agreement in compliance with section 7.4.2 (h) of Schedule 1 of this Agreement, and, if modeled, would have increased the amount of stage 1 Auction Revenue Rights allocated pursuant to section 7.4.2 of Schedule 1 of this Agreement; provided that, the foregoing notwithstanding, Residual Auction Revenue Rights shall exclude: 1) Incremental Auction Revenue Rights allocated pursuant to Part VI of the Tariff; and 2) Auction Revenue Rights allocated to entities that are assigned cost responsibility pursuant to Schedule 6 of this Agreement for transmission upgrades that create such rights.~~

~~**1.3.31.01A Residual Metered Load.**~~

~~“Residual Metered Load” shall mean all load remaining in an electric distribution company’s fully metered franchise area(s) or service territory(ies) after all nodally priced load of entities serving load in such area(s) or territory(ies) has been carved out.~~

~~**1.3.31.01B Segment**~~

~~“Segment” shall have the same meaning as described in section 3.2.3(e) of Schedule 1 of this Agreement.~~

~~**1.3.31.02 Special Member.**~~

~~“Special Member” shall mean an entity that satisfies the requirements of Section 1.5A.02 of this Schedule or the special membership provisions established under the Emergency Load Response and Pre-Emergency Load Response Programs.~~

~~**1.3.32 Spot Market Backup.**~~

~~“Spot Market Backup” shall mean the purchase of energy from, or the delivery of energy to, the PJM Interchange Energy Market in quantities sufficient to complete the delivery or receipt obligations of a bilateral contract that has been curtailed or interrupted for any reason.~~

~~**1.3.33 Spot Market Energy.**~~

~~“Spot Market Energy” shall mean energy bought or sold by Market Participants through the PJM Interchange Energy Market at System Energy Prices determined as specified in Section 2 of this Schedule.~~

~~**1.3.33A State Estimator.**~~

~~“State Estimator” shall mean the computer model of power flows specified in Section 2.3 of this Schedule.~~

~~**1.3.33B Station Power.**~~

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~~“Station Power” shall mean energy used for operating the electric equipment on the site of a generation facility located in the PJM Region or for the heating, lighting, air conditioning and office equipment needs of buildings on the site of such a generation facility that are used in the operation, maintenance, or repair of the facility. Station Power does not include any energy (i) used to power synchronous condensers; (ii) used for pumping at a pumped storage facility; (iii) used for compressors at a compressed air energy storage facility; (iv) used for charging an Energy Storage Resource; or (v) used in association with restoration or black start service.~~

~~**1.3.33B.001 Sub-meter.**~~

~~“Sub meter” shall mean a metering point for electricity consumption that does not include all electricity consumption for the end use customer as defined by the electric distribution company account number. PJM shall only accept sub meter load data from end use customers for measurement and verification of Regulation service as set forth in the Economic Load Response rules and PJM Manuals.~~

~~**1.3.33B.01 Synchronized Reserve.**~~

~~“Synchronized Reserve” shall mean the reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes from the request of the Office of the Interconnection dispatcher, and is provided by equipment that is electrically synchronized to the Transmission System.~~

~~**1.3.33B.02 Synchronized Reserve Event.**~~

~~“Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources and/or Demand Resources able, assigned or self-scheduled to provide Synchronized Reserve in one or more specified Reserve Zones or Reserve Sub-zones, within ten minutes, to increase the energy output or reduce load by the amount of assigned or self-scheduled Synchronized Reserve capability.~~

~~**1.3.33B.02A Synchronized Reserve Requirement**~~

~~“Synchronized Reserve Requirement” shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Synchronized Reserve, absent any increase to account for additional reserves scheduled to address operational uncertainty. The Synchronized Reserve Requirement is calculated in accordance with the PJM Manuals.~~

~~**1.3.33B.03 System Energy Price.**~~

~~“System Energy Price” shall mean the energy component of the Locational Marginal Price, which is the price at which the Market Seller has offered to supply an additional increment of energy from a resource, calculated as specified in Section 2 of Schedule 1 of this Agreement.~~

~~**1.3.33C Target Allocation.**~~

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~~“Target Allocation” shall mean the allocation of Transmission Congestion Credits as set forth in Section 5.2.3 of this Schedule or the allocation of Auction Revenue Rights Credits as set forth in Section 7.4.3 of this Schedule.~~

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~~1.3.33D Total Lost Opportunity Offer:~~

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~~“Total Lost Opportunity Offer” is the applicable offer used to calculate lost opportunity credits. For pool scheduled generating units specified in section 3.2.3(f 1) of this Schedule, the Total Lost Opportunity Offer shall equal the hourly offer integrated under the applicable offer curve for the LOC Deviation, as determined by the greater of the Committed Offer or last Real-Time Offer submitted for the offer on which the resource was committed in the Day Ahead Energy Market for each hour in an Operating Day. For all other pool scheduled generating units, the Total Lost Opportunity Offer shall equal the hourly offer integrated under the applicable offer curve for the LOC Deviation, as determined by the offer curve associated with the greater of the Committed Offer or Final Offer for each hour in an Operating Day. For self-scheduled generating units, the Total Lost Opportunity Offer shall equal the hourly offer integrated under the applicable offer curve for the LOC Deviation, as determined by the either the cost based offer on which the resource was dispatched or the offer curve associated with the highest available offer submitted by the Market Seller for each hour in an Operating Day.~~

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~~1.3.33E Total Operating Reserve Offer:~~

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~~“Total Operating Reserve Offer” is the applicable offer used to calculate Operating Reserve credits. The Total Operating Reserve Offer shall equal the sum of all individual hourly energy offers, inclusive of start up costs (shut down costs for Demand Resources) and no load costs, for every hour in a Segment, integrated under the applicable offer curve up to the applicable megawatt output as further described in the PJM Manuals. The applicable offer curve shall be the lesser of the Committed Offer or Final Offer for each hour in an Operating Day.~~

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~~1.3.34 Transmission Congestion Charge.~~

~~“Transmission Congestion Charge” shall mean a charge attributable to the increased cost of energy delivered at a given load bus when the transmission system serving that load bus is operating under constrained conditions, or as necessary to provide energy for third party transmission losses in accordance with Section 9.3, which shall be calculated and allocated as specified in Section 5.1 of this Schedule.~~

~~1.3.35 Transmission Congestion Credit.~~

~~“Transmission Congestion Credit” shall mean the allocated share of total Transmission Congestion Charges credited to each holder of Financial Transmission Rights, calculated and allocated as specified in Section 5.2 of this Schedule.~~

~~1.3.36 Transmission Customer.~~

~~“Transmission Customer” shall mean an entity using Point-to-Point Transmission Service.~~

~~**1.3.37 Transmission Forced Outage.**~~

~~“Transmission Forced Outage” shall mean an immediate removal from service of a transmission facility by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the transmission facility, as specified in the relevant portions of the PJM Manuals. A removal from service of a transmission facility at the request of the Office of the Interconnection to improve transmission capability shall not constitute a Forced Transmission Outage.~~

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~~**1.3.37A Transmission Loading Relief.**~~

~~“Transmission Loading Relief” shall mean NERC’s procedures for preventing operating security limit violations, as implemented by PJM as the security coordinator responsible for maintaining transmission security for the PJM Region.~~

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~~**1.3.37B Transmission Loading Relief Customer.**~~

~~“Transmission Loading Relief Customer” shall mean an entity that, in accordance with Section 1.10.6A, has elected to pay Transmission Congestion Charges during Transmission Loading Relief in order to continue energy schedules over contract paths outside the PJM Region that are increasing the cost of energy in the PJM Region.~~

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~~**1.3.37C Transmission Loss Charge.**~~

~~“Transmission Loss Charge” shall mean the charges to each Market Participant, Network Customer, or Transmission Customer for the cost of energy lost in the transmission of electricity from a generation resource to load as specified in Section 5 of this Schedule.~~

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~~**1.3.38 Transmission Planned Outage.**~~

~~“Transmission Planned Outage” shall mean any transmission outage scheduled in advance for a pre-determined duration and which meets the notification requirements for such outages specified in this Agreement or the PJM Manuals.~~

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~~**1.3.38.01 Up-to-Congestion Transaction.**~~

~~“Up-to-Congestion Transaction” shall have the meaning specified in Section 1.10.1A of this Schedule.~~

~~**1.3.38A Variable Loads.**~~

~~“Variable Loads” shall have the meaning specified in section 1.5A.6 of this Schedule.~~

~~**1.3.38B Virtual Transaction.**~~

~~“Virtual Transaction” shall mean a Decrement Bid, Increment Offer and/or Up-to-Congestion Transaction.~~

1.3.39 Zonal Base Load.

~~“Zonal Base Load” shall mean the lowest daily zonal peak load from the twelve-month period ending October 21 of the calendar year immediately preceding the calendar year in which an annual Auction Revenue Right allocation is conducted, increased by the projected load growth rate for the relevant Zone, when non-extraordinary conditions exist for the applicable twelve-month period, as determined by PJM. If the lowest daily zonal peak load from the applicable twelve-month period is abnormally low due to extraordinary conditions, as determined by PJM, Zonal Base Load shall mean the next lowest daily zonal peak load that was not affected by extraordinary conditions during the applicable twelve-month period, increased by the projected load growth rate for the relevant Zone. For the purposes of this definition, extraordinary conditions shall mean a significant event, or combination of events, that affect the operation of the bulk power system in an atypical manner and results in an abnormal reduction in the consumption of energy within a Zone.~~

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ATTACHMENT M
PJM MARKET MONITORING PLAN

II. DEFINITIONS[Reserved for Future Use]

~~Unless the context otherwise requires, for purposes of this Plan, capitalized terms shall have the meanings given below or in Section I of the PJM Tariff.~~

~~—— (a) — “**Authorized Government Agency**” means a regulatory body or government agency, with jurisdiction over PJM, the PJM Market, or any entity doing business in the PJM Market, including, but not limited to, the Commission, State Commissions, and state and federal attorneys general.~~

~~—— (b) — “**Commission**” means the Federal Energy Regulatory Commission.~~

~~—— (c) — “**Corrective Action**” means an action set forth in section IV.I of this Plan.~~

~~—— (d) — “**FERC Market Rules**” mean the market behavior rules and the prohibition against electric energy market manipulation codified by the Commission in its Rules and Regulations at 18 CFR §§ 1c.2 and 35.37, respectively; the Commission approved PJM Market Rules and any related proscriptions or any successor rules that the Commission from time to time may issue, approve or otherwise establish.~~

~~—— (e) — “**Market Monitor**” means the head of the Market Monitoring Unit.~~

~~—— (f) — “**Market Monitoring Unit**” or “**MMU**” means the organization that is responsible for implementing this Plan, including the Market Monitor.~~

~~—— (g) — “**Market Monitoring Unit Advisory Committee**” or “**MMU Advisory Committee**” means the committee established under Section III.H.~~

~~—— (h) — “**Market Participant**” means an entity that generates, transmits, distributes, purchases, or sells electricity, ancillary services, or any other product or service provided under the PJM Tariff or Operating Agreement within, into, out of, or through the PJM Region. “Market Participant” shall not include an Authorized Government Agency that consumes energy for its own use but does not purchase or sell energy at wholesale.~~

~~—— (h 1) — “**Market Violation**” means a tariff violation, violation of a Commission-approved order, rule or regulation, market manipulation, or inappropriate dispatch that creates substantial concerns regarding unnecessary market inefficiencies, as defined in 18 C.F.R. § 35.28(b)(8).~~

~~—— (i) — “**OPSI Advisory Committee**” means the committee established under Section III.G.~~

~~(j) “PJM” means PJM Interconnection, L.L.C., including the Office of the Interconnection as referenced in the PJM Operating Agreement.~~

~~(k) “PJM Board” means the Board of Managers of PJM or its designated representative, exclusive of any members of PJM Management.~~

~~(l) “PJM Entities” mean PJM, including the Market Monitoring Unit, the PJM Board, and PJM’s officers, employees, representatives, advisors, contractors, and consultants.~~

~~(m) “PJM Liaison” means the liaison established under Section III.I.~~

~~(n) “PJM Management” means the officers, executives, supervisors and employee managers of PJM.~~

~~(o) “PJM Manuals” mean those documents, including business rules, produced by PJM that describe detailed PJM operating and accounting procedures that are made publicly available in hard copy and on the Internet.~~

~~(p) “PJM Markets” mean the PJM Interchange Energy and Capacity Markets, including the RPM auctions, together with all bilateral or other wholesale electric power and energy transactions, capacity transactions, ancillary services transactions (including black start service), transmission transactions and any other market operated under the PJM Tariff or Operating Agreement within the PJM Region.~~

~~(q) “PJM Market Rules” mean the rules, standards, procedures, and practices of the PJM Markets set forth in the PJM Tariff, the PJM Operating Agreement, the PJM Reliability Assurance Agreement, the PJM Consolidated Transmission Owners Agreement, the PJM Manuals, the PJM Regional Practices Document, the PJM Midwest Independent Transmission System Operator Joint Operating Agreement or any other document setting forth market rules.~~

~~(r) “PJM Operating Agreement” means the Amended and Restated Operating Agreement of PJM on file with the Commission.~~

~~(s) “PJM Regional Practices Document” means the document of that title that compiles and describes the practices in the PJM Markets and that is made available in hard copy and on the Internet.~~

~~(t) “PJM Reliability Assurance Agreement” means the Reliability Assurance Agreement among Load Serving Entities in the PJM Region on file with the Commission.~~

~~(u) “PJM Tariff” means the Open Access Transmission Tariff of PJM on file with the Commission.~~

~~(v) “PJM Transmission Owners Agreement” means the PJM Consolidated Transmission Owners Agreement on file with the Commission.~~

~~(w) “Plan” means the PJM market monitoring plan set forth in this Attachment M.~~

~~(x) “~~
~~State” means the District of Columbia and any state or commonwealth in the PJM Region.~~

~~(y) “State Commission” means any state regulatory agency having jurisdiction over~~
~~retail electricity sales in any State in the PJM Region.~~

ATTACHMENT Q
PJM CREDIT POLICY

IX. ~~DEFINITIONS:~~[Reserved for Future Use]

~~All capitalized terms in this Attachment Q that are not otherwise defined herein shall have the same meaning as they are defined in the Agreements.~~

~~Affiliate~~

~~Affiliate is defined in the PJM Operating Agreement, §1.2.~~

~~Agreements~~

~~Agreements are the Operating Agreement of PJM Interconnection, L.L.C., the PJM Open Access Transmission Tariff, the Reliability Assurance Agreement, the Reliability Assurance Agreement – West, and/or other agreements between PJM Interconnection, L.L.C. and its Members.~~

~~Applicant~~

~~Applicant is an entity desiring to become a PJM Member, or to take Transmission Service that has submitted the PJM Settlement Credit Application, PJM Settlement Credit Agreement and other required submittals as set forth in this policy.~~

~~Breach~~

~~Breach is the status of a Participant that does not currently meet the requirements of this policy or other provisions of the Agreements.~~

~~Business Day~~

~~A Business Day is a day in which the Federal Reserve System is open for business and is not a scheduled PJM holiday.~~

~~Canadian Guaranty~~

~~Canadian Guaranty is a Corporate Guaranty provided by an Affiliate of a Participant that is domiciled in Canada, and meets all of the provisions of this credit policy.~~

~~Capacity~~

~~Capacity is the installed capacity requirement of the Reliability Assurance Agreement or similar such requirements as may be established.~~

~~Collateral Call~~

~~Collateral Call is a notice to a Participant that additional Financial Security, or possibly early payment, is required in order to remain in, or to regain, compliance with this policy.~~

~~Corporate Guaranty~~

~~Corporate Guaranty is a legal document used by one entity to guaranty the obligations of another entity.~~

Credit Available for Export Transactions

Credit Available for Export Transactions is a set-aside of credit to be used for Export Transactions that is allocated by each Market Participant from its Credit Available for Virtual Transactions, and which reduces the Market Participant's Credit Available for Virtual Transactions accordingly.

Credit Available for Virtual Transactions

A Market Participant's Credit Available for Virtual Transactions is the Market Participant's Working Credit Limit for Virtual Transactions calculated on its credit provided in compliance with its Peak Market Activity requirement plus available credit submitted above that amount, less any unpaid billed and unbilled amounts owed to PJMSettlement, plus any unpaid unbilled amounts owed by PJMSettlement to the Market Participant, less any applicable credit required for Minimum Participation Requirements, FTR, Export Transactions, or other credit requirement determinants as defined in this policy.

Credit Limited Offer

Credit Limited Offer shall mean a Sell Offer that is submitted by a Market Seller in an RPM Auction subject to a maximum credit requirement specified by such Market Seller.

Credit Score

Credit Score is a composite numerical score scaled from 0-100 as calculated by PJMSettlement that incorporates various predictors of creditworthiness.

Export Credit Exposure

Export Credit Exposure is determined for each Market Participant for a given Operating Day, and is the sum of credit exposures for the Market Participant's Export Transactions for that Operating Day and for the preceding Operating Day.

Export Nodal Reference Price

The Export Nodal Reference Price at each location is the 97th percentile real-time hourly integrated price experienced over the corresponding two-month period in the preceding calendar year, calculated separately for peak and off-peak time periods. The two-month time periods used in this calculation shall be January and February, March and April, May and June, July and August, September and October, and November and December.

Export Transaction

An Export Transaction is a transaction by a Market Participant that results in the transfer of energy from within the PJM Control Area to outside the PJM Control Area. Coordinated External Transactions that result in the transfer of energy from the PJM Control Area to an adjacent Control Area are one form of Export Transaction.

Export Transactions Net Activity

Export Transactions Net Activity shall mean the aggregate net total, resulting from Export Transactions, of (i) Spot Market Energy charges, (ii) Transmission Congestion Charges, and (iii)

~~Transmission Loss Charges, calculated as set forth in Attachment K Appendix. Export Transactions Net Activity may be positive or negative.~~

Export Transaction Price Factor

~~The Export Transaction Price Factor for a prospective time interval shall be the greater of (i) PJM's forecast price for the time interval, if available, or (ii) the Export Nodal Reference Price, but shall not exceed the Export Transaction's dispatch ceiling price cap, if any, for that time interval. The Export Transaction Price Factor for a past time interval shall be calculated in the same manner as for a prospective time interval, except that the Export Transaction Price Factor may use a tentative or final settlement price, as available. If an Export Nodal Reference Price is not available for a particular time interval, PJM may use an Export Transaction Price Factor for that time interval based on an appropriate alternate reference price.~~

Export Transaction Screening

~~Export Transaction Screening is the process PJM uses to review the Export Credit Exposure of Export Transactions against the Credit Available for Export Transactions, and deny or curtail all or a portion of an Export Transaction, if the credit required for such transactions is greater than the credit available for the transactions.~~

Financial Close

~~Financial Close shall mean the Capacity Market Seller has demonstrated that the Capacity Market Seller or its agent has completed the act of executing the material contracts and/or other documents necessary to (1) authorize construction of the project and (2) establish the necessary funding for the project under the control of an independent third party entity. A sworn, notarized certification of an independent engineer certifying to such facts, and that the engineer has personal knowledge of, or has engaged in a diligent inquiry to determine, such facts, shall be sufficient to make such demonstration. For resources that do not have external financing, Financial Close shall mean the project has full funding available, and that the project has been duly authorized to proceed with full construction of the material portions of the project by the appropriate governing body of the company funding such project. A sworn, notarized certification by an officer of such company certifying to such facts, and that the officer has personal knowledge of, or has engaged in a diligent inquiry to determine, such facts, shall be sufficient to make such demonstration.~~

Financial Security

~~Financial Security is a cash deposit or letter of credit in an amount and form determined by and acceptable to PJMSettlement, provided by a Participant to PJMSettlement as security in order to participate in the PJM Markets or take Transmission Service.~~

Foreign Guaranty

~~Foreign Guaranty is a Corporate Guaranty provided by an Affiliate of a Participant that is domiciled in a foreign country, and meets all of the provisions of this credit policy.~~

FTR Credit Limit

~~FTR Credit Limit will be equal to the amount of credit established with PJMSettlement that a Participant has specifically designated to PJMSettlement to be set aside and used for FTR~~

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~~activity. Any such credit so set aside shall not be considered available to satisfy any other credit requirement the Participant may have with PJM Settlement.~~

~~FTR Credit Requirement~~

~~FTR Credit Requirement is the amount of credit that a Participant must provide in order to support the FTR positions that it holds and/or is bidding for. The FTR Credit Requirement shall not include months for which the invoicing has already been completed, provided that PJM Settlement shall have up to two Business Days following the date of the invoice completion to make such adjustments in its credit systems.~~

~~FTR Flow Undiversified~~

~~FTR Flow Undiversified shall have the meaning established in section V.G of this Attachment Q.~~

~~FTR Geographically Undiversified~~

~~FTR Geographically Undiversified shall have the meaning established in section V.G of this Attachment Q.~~

~~FTR Historical Value~~

~~FTR Historical Value—For each FTR for each month, this is the historical weighted average value over three years for the FTR path using the following weightings: 50%—most recent year; 30%—second year; 20%—third year. FTR Historical Values shall be calculated separately for on-peak, off-peak, and 24-hour FTRs for each month of the year. FTR Historical Values shall be adjusted by plus or minus ten percent (10%) for cleared counterflow or normal flow FTRs, respectively, in order to mitigate exposure due to uncertainty and fluctuations in actual FTR value.~~

~~FTR Monthly Credit Requirement Contribution~~

~~FTR Monthly Credit Requirement Contribution—For each FTR for each month, this is the total FTR cost for the month, prorated on a daily basis, less the FTR Historical Value for the month. For cleared FTRs, this contribution may be negative; prior to clearing, FTRs with negative contribution shall be deemed to have zero contribution.~~

~~FTR Net Activity~~

~~FTR Net Activity shall mean the aggregate net value of the billing line items for auction revenue rights credits, FTR auction charges, FTR auction credits, and FTR congestion credits, and shall also include day ahead and balancing/real time congestion charges up to a maximum net value of the sum of the foregoing auction revenue rights credits, FTR auction charges, FTR auction credits and FTR congestion credits.~~

~~FTR Participant~~

~~FTR Participant shall mean any Market Participant that is required to provide Financial Security in order to participate in PJM's FTR auctions.~~

~~FTR Portfolio Auction Value~~

~~FTR Portfolio Auction Value shall mean for each Participant (or Participant account), the sum, calculated on a monthly basis, across all FTRs, of the FTR price times the FTR volume in MW.~~

Full Notice to Proceed

~~Full Notice to Proceed shall mean that all material third party contractors have been given the notice to proceed with construction by the Capacity Market Seller or its agent, with a guaranteed completion date backed by liquidated damages.~~

Market Participant

~~Market Participant shall have the meaning provided in the Operating Agreement.~~

Material

~~For these purposes, material is defined in §I.B.3, Material Changes. For the purposes herein, the use of the term "material" is not necessarily synonymous with use of the term by governmental agencies and regulatory bodies.~~

Member

~~Member shall have the meaning provided in the Operating Agreement.~~

Minimum Participation Requirements

~~A set of minimum training, risk management, communication and capital or collateral requirements required for Participants in the PJM markets, as set forth herein and in the Form of Annual Certification set forth as Appendix 1 to this Attachment Q. Participants transacting in FTRs in certain circumstances will be required to demonstrate additional risk management procedures and controls as further set forth in the Annual Certification found in Appendix 1 to this Attachment Q.~~

Net Obligation

~~Net Obligation is the amount owed to PJM Settlement and PJM for purchases from the PJM Markets, Transmission Service, (under both Part II and Part III of the O.A.T.T.), and other services pursuant to the Agreements, after applying a deduction for amounts owed to a Participant by PJM Settlement as it pertains to monthly market activity and services. Should other markets be formed such that Participants may incur future Obligations in those markets, then the aggregate amount of those Obligations will also be added to the Net Obligation.~~

Net Sell Position

~~Net Sell Position is the amount of Net Obligation when Net Obligation is negative.~~

Nodal Reference Price

~~The Nodal Reference Price at each location is the 97th percentile price differential between hourly day-ahead and real-time prices experienced over the corresponding two-month reference period in the prior calendar year. In order to capture seasonality effects and maintain a two-month reference period, reference months will be grouped by two, starting with January (e.g., Jan-Feb, Mar-Apr, ..., Jul-Aug, ..., Nov-Dec). For any given current year month, the reference period months will be the set of two months in the prior calendar year that include the month corresponding to the current month. For example, July and August 2003 would each use July-August 2002 as their reference period.~~

Obligation

~~Obligation is all amounts owed to PJM Settlement for purchases from the PJM Markets, Transmission Service, (under both Part II and Part III of the O.A.T.T.), and other services or obligations pursuant to the Agreements. In addition, aggregate amounts that will be owed to PJM Settlement in the future for Capacity purchases within the PJM Capacity markets will be added to this figure. Should other markets be formed such that Participants may incur future Obligations in those markets, then the aggregate amount of those Obligations will also be added to the Net Obligation.~~

Operating Agreement of PJM Interconnection, L.L.C., (“Operating Agreement”)

~~The Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., dated as of June 2, 1997, on file with the Federal Energy Regulatory Commission, and as revised from time to time.~~

Participant

~~A Participant is a Market Participant and/or Transmission Customer and/or Applicant requesting to be an active Market Participant and/or Transmission Customer.~~

Peak Market Activity

~~Peak Market Activity is a measure of exposure for which credit is required, involving peak exposures in rolling three week periods over a year timeframe, with two semi-annual reset points, pursuant to provisions of section H.D of this Credit Policy.~~

Planned Financed Generation Capacity Resource

~~Planned Financed Generation Capacity Resource shall mean a Planned Generation Capacity Resource that, prior to August 7, 2015, has an effective Interconnection Service Agreement and has submitted to the Office of the Interconnection the appropriate certification attesting achievement of Financial Close.~~

Planned External Financed Generation Capacity Resource

~~Planned External Financed Generation Capacity Resource shall mean a Planned External Generation Capacity Resource that, prior to August 7, 2015, has an effective agreement that is the equivalent of an Interconnection Service Agreement, has submitted to the Office of the Interconnection the appropriate certification attesting achievement of Financial Close, and has secured at least 50 percent of the MWs of firm transmission service required to qualify such resource under the deliverability requirements of the Reliability Assurance Agreement.~~

PJM Markets

~~The PJM Markets are the PJM Interchange Energy Market and the PJM Capacity markets as established by the Operating Agreement. Also any other markets that exist or may be established in the future wherein Participants may incur Obligations to PJM Settlement.~~

PJM Open Access Transmission Tariff (“O.A.T.T.”)

~~The Open Access Transmission Tariff of PJM Interconnection, L.L.C., on file with the Federal Energy Regulatory Commission, and as revised from time to time.~~

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~~Reliability Assurance Agreement (“R.A.A.”)~~

~~See the definition of the Reliability Assurance Agreement (“R.A.A.”) in the Operating Agreement.~~

~~RPM Seller Credit~~

~~RPM Seller Credit is an additional form of Unsecured Credit defined in section IV of this document.~~

~~Tangible Net Worth~~

~~Tangible Net Worth is all assets (not including any intangible assets such as goodwill) less all liabilities. Any such calculation may be reduced by PJMSettlement upon review of the available financial information.~~

~~Total Net Obligation~~

~~Total Net Obligation is all unpaid billed Net Obligations plus any unbilled Net Obligation incurred to date, as determined by PJMSettlement on a daily basis, plus any other Obligations owed to PJMSettlement at the time.~~

~~Total Net Sell Position~~

~~Total Net Sell Position is all unpaid billed Net Sell Positions plus any unbilled Net Sell Positions accrued to date, as determined by PJMSettlement on a daily basis.~~

~~Transmission Customer~~

~~Transmission Customer is a Transmission Customer is an entity taking service under Part II or Part III of the O.A.T.T.~~

~~Transmission Service~~

~~Transmission Service is any or all of the transmission services provided by PJM pursuant to Part II or Part III of the O.A.T.T.~~

~~Uncleared Bid Exposure~~

~~Uncleared Bid Exposure is a measure of exposure from Increment Offers and Decrement Bids activity relative to a Participant’s established credit as defined in this policy. It is used only as a pre-screen to determine whether a Participant’s Increment Offers and Decrement Bids should be subject to Increment Offer and Decrement Bid Screening.~~

~~Unsecured Credit~~

~~Unsecured Credit is any credit granted by PJMSettlement to a Participant that is not secured by a form of Financial Security.~~

~~Unsecured Credit Allowance~~

~~Unsecured Credit Allowance is Unsecured Credit extended by PJMSettlement in an amount determined by PJMSettlement’s evaluation of the creditworthiness of a Participant. This is also defined as the amount of credit that a Participant qualifies for based on the strength of its own financial condition without having to provide Financial Security. See also: “Working Credit Limit.”~~

Up to Congestion Counterflow Transaction

An Up to Congestion Transaction will be deemed an Up to Congestion Counterflow Transaction if the following value is negative: (a) when bidding, the lower of the bid price and the prior Up to Congestion Historical Month's average real time value for the transaction; or (b) for cleared Virtual Transactions, the cleared day-ahead price of the Virtual Transactions.

Up to Congestion Historical Month

An Up to Congestion Historical Month is a consistently defined historical period nominally one month long that is as close to a calendar month as PJM determines is practical.

Up to Congestion Prevailing Flow Transaction

An Up to Congestion Transaction will be deemed an Up to Congestion Prevailing Flow Transaction if it is not an Up to Congestion Counterflow Transaction.

Up to Congestion Reference Price

The Up to Congestion Reference Price for an Up to Congestion Transaction is the specified percentile price differential between source and sink (defined as sink price minus source price) for hourly real time prices experienced over the prior Up to Congestion Historical Month, averaged with the same percentile value calculated for the second prior Up to Congestion Historical Month. Up to Congestion Reference Prices shall be calculated using the following historical percentiles:

- For Up to Congestion Prevailing Flow Transactions: 30th percentile
- For Up to Congestion Counterflow Transactions when bid: 20th percentile
- For Up to Congestion Counterflow Transactions when cleared: 5th percentile

Virtual Credit Exposure

Virtual Credit Exposure is the amount of potential credit exposure created by a market participant's bid submitted into the Day-ahead market, as defined in this policy.

Virtual Transaction Screening

Virtual Transaction Screening is the process of reviewing the Virtual Credit Exposure of submitted Virtual Transactions against the Credit Available for Virtual Transactions. If the credit required is greater than credit available, then the Virtual Transactions will not be accepted.

Virtual Transactions Net Activity

Virtual Transactions Net Activity shall mean the aggregate net total, resulting from Virtual Transactions, of (i) Spot Market Energy charges, (ii) Transmission Congestion Charges, and (iii) Transmission Loss Charges, calculated as set forth in Attachment K Appendix. Virtual Transactions Net Activity may be positive or negative.

Working Credit Limit

Working Credit Limit amount is 75% of the Market Participant's Unsecured Credit Allowance and/or 75% of the Financial Security provided by the Market Participant to PJM Settlement. The Working Credit Limit establishes the maximum amount of Total Net Obligation that a Market Participant may have outstanding at any time. The calculation of Working Credit Limit shall

~~take into account applicable reductions for Minimum Participation Requirements, FTR, or other credit requirement determinants as defined in this policy.~~

~~Working Credit Limit for Virtual Transactions~~

~~The Working Credit Limit for Virtual Transactions shall be calculated as 75% of the Market Participant's Unsecured Credit Allowance and/or 75% of the Financial Security provided by the Market Participant to PJM Settlement when the Market Participant is at or below its Peak Market Activity credit requirements as specified in section II.D of this Credit Policy. When the Market Participant provides additional Unsecured Credit Allowance and/or Financial Security in excess of its Peak Market Activity credit requirements, such additional Unsecured Credit Allowance and/or Financial Security shall not be discounted by 25% when calculating the Working Credit Limit for Virtual Transactions. The Working Credit Limit for Virtual Transactions is a component in the calculation of Credit Available for Virtual Transactions. The calculation of Working Credit Limit for Virtual Transactions shall take into account applicable reductions for Minimum Participation Requirements, FTR, or other credit requirement determinants as defined in this policy.~~

Attachment DD-2

2. **DEFINITIONS**[Reserved for Future Use]

~~Definitions specific to this Attachment are set forth below. In addition, any capitalized terms used in this Attachment not defined herein shall have the meaning given to such terms elsewhere in this Tariff or in the Operating Agreement or RAA. References to section numbers in this Attachment DD refer to sections of this attachment, unless otherwise specified.~~

~~2.1 — Annual Demand Resource~~

~~“Annual Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.1A — Annual Energy Efficiency Resource~~

~~“Annual Energy Efficiency Resource” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.1B — Annual Resource~~

~~“Annual Resource” shall mean a Generation Capacity Resource, an Annual Energy Efficiency Resource or an Annual Demand Resource.~~

~~2.1C — Annual Resource Price Adder~~

~~“Annual Resource Price Adder” shall mean, for Delivery Years starting June 1, 2014 and ending May 31, 2017, an addition to the marginal value of Unforced Capacity and the Extended Summer Resource Price Adder as necessary to reflect the price of Annual Resources required to meet the applicable Minimum Annual Resource Requirement.~~

~~2.1D — Annual Revenue Rate~~

~~“Annual Revenue Rate” shall mean the rate employed to assess a compliance penalty charge on a Curtailment Service Provider under section 11.~~

~~2.2 — Avoidable Cost Rate~~

~~“Avoidable Cost Rate” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.~~

~~2.2.01 — Balancing Ratio~~

~~“Balancing Ratio” shall have the meaning provided in section 10A.~~

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~~2.2A—Base Capacity Demand Resource~~

~~“Base Capacity Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.2B—Base Capacity Demand Resource Constraint~~

~~“Base Capacity Demand Resource Constraint” for the PJM Region or an LDA, shall mean, for the 2018/2019 and 2019/2020 Delivery Years, the maximum Unforced Capacity amount, determined by PJM, of Base Capacity Demand Resources and Base Capacity Energy Efficiency Resources that is consistent with the maintenance of reliability. As more fully set forth in the PJM Manuals, PJM calculates the Base Capacity Demand Resource Constraint for the PJM Region or an LDA, by first determining a reference annual loss of load expectation (“LOLE”) assuming no Base Capacity Resources, including no Base Capacity Demand Resources or Base Capacity Energy Efficiency Resources. The calculation for the PJM Region uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast and iteratively shifting the load distributions to result in the Installed Reserve Margin established for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). The calculation for each relevant LDA uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). For the relevant LDA calculation, the weekly capacity distributions are adjusted to reflect the Capacity Emergency Transfer Limit for the Delivery Year in question.~~

~~For both the PJM Region and LDA analyses, PJM then models the commitment of varying amounts of Base Capacity Demand Resources and Base Capacity Energy Efficiency Resources (displacing otherwise committed generation) as interruptible from June 1 through September 30 and unavailable the rest of the Delivery Year in question and calculates the LOLE at each DR and EE level. The Base Capacity Demand Resource Constraint is the combined amount of Base Capacity Demand Resources and Base Capacity Energy Efficiency Resources, stated as a percentage of the unrestricted annual peak load, that produces no more than a five percent increase in the LOLE, compared to the reference value. The Base Capacity Demand Resource Constraint shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [the Forecast Pool Requirement] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].~~

~~2.2C—Base Capacity Demand Resource Price Decrement~~

~~“Base Capacity Demand Resource Price Decrement” shall mean, for the 2018/2019 and 2019/2020 Delivery Years, a difference between the clearing price for Base Capacity Demand Resources and Base Capacity Energy Efficiency Resources and the clearing price for Base Capacity Resources and Capacity Performance Resources, representing the cost to procure~~

~~additional Base Capacity Resources or Capacity Performance Resources out of merit order when the Base Capacity Demand Resource Constraint is binding.~~

~~2.2D—Base Capacity Energy Efficiency Resource~~

~~“Base Capacity Energy Efficiency Resource” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.2E—Base Capacity Resource~~

~~“Base Capacity Resource” shall mean a Capacity Resource as described in section 5.5A(b).~~

~~2.2F—Base Capacity Resource Constraint~~

~~“Base Capacity Resource Reliability Constraint” for the PJM Region or an LDA, shall mean, for the 2018/2019 and 2019/2020 Delivery Years, the maximum Unforced Capacity amount, determined by PJM, of Base Capacity Resources, including Base Capacity Demand Resources and Base Capacity Energy Efficiency Resources, that is consistent with the maintenance of reliability. As more fully set forth in the PJM Manuals, PJM calculates the above Base Capacity Resource Constraint for the PJM Region or an LDA, by first determining a reference annual loss of load expectation (“LOLE”) assuming no Base Capacity Resources, including no Base Capacity Demand Resources or Base Capacity Energy Efficiency Resources. The calculation for the PJM Region uses the weekly load distribution from the Installed Reserve Margin study for the Delivery Year in question (based on the most recent load forecast and iteratively shifting the load distributions to result in the Installed Reserve Margin established for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). The calculation for each relevant LDA uses a weekly load distribution (based on the Installed Reserve Margin study and the most recent load forecast for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). For the relevant LDA calculation, the weekly capacity distributions are adjusted to reflect the Capacity Emergency Transfer Limit for the Delivery Year in question. Additionally, for the PJM Region and relevant LDA calculation, the weekly capacity distributions are adjusted to reflect winter ratings.~~

~~For both the PJM Region and LDA analyses, PJM models the commitment of an amount of Base Capacity Demand Resources and Base Capacity Energy Efficiency Resources equal to the Base Capacity Demand Resource Constraint (displacing otherwise committed generation). PJM then models the commitment of varying amounts of Base Capacity Resources (displacing otherwise committed generation) as unavailable during the peak week of winter and available the rest of the Delivery Year in question and calculates the LOLE at each Base Capacity Resource level. The Base Capacity Resource Constraint is the combined amount of Base Capacity Demand Resources, Base Capacity Energy Efficiency Resources and Base Capacity Resources, stated as a percentage of the unrestricted annual peak load, that produces no more than a ten percent increase in the LOLE, compared to the reference value. The Base Capacity Resource Constraint shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA~~

and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [one minus the pool wide average EFORD] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].

~~“Base Capacity Resource Price Decrement” shall mean, for the 2018/2019 and 2019/2020 Delivery Years, a difference between the clearing price for Base Capacity Resources and the clearing price for Capacity Performance Resources, representing the cost to procure additional Capacity Performance Resources out of merit order when the Base Capacity Resource Constraint is binding.~~

~~2.2G—Base Capacity Resource Price Decrement~~

~~“Base Capacity Resource Price Decrement” shall mean, for the 2018/2019 and 2019/2020 Delivery Years, a difference between the clearing price for Base Capacity Resources and the clearing price for Capacity Performance Resources, representing the cost to procure additional Capacity Performance Resources out of merit order when the Base Capacity Resource Constraint is binding.~~

~~2.3—Base Load Generation Resource~~

~~“Base Load Generation Resource” shall mean a Generation Capacity Resource that operates at least 90 percent of the hours that it is available to operate, as determined by the Office of the Interconnection in accordance with the PJM Manuals.~~

~~2.4—Base Offer Segment~~

~~“Base Offer Segment” shall mean a component of a Sell Offer based on an existing Generation Capacity Resource, equal to the Unforced Capacity of such resource, as determined in accordance with the PJM Manuals. If the Sell Offers of multiple Market Sellers are based on a single Existing Generation Capacity Resource, the Base Offer Segments of such Market Sellers shall be determined pro rata based on their entitlements to Unforced Capacity from such resource.~~

~~2.5—Base Residual Auction~~

~~“Base Residual Auction” shall mean the auction conducted three years prior to the start of the Delivery Year to secure commitments from Capacity Resources as necessary to satisfy any portion of the Unforced Capacity Obligation of the PJM Region not satisfied through Self-Supply.~~

~~2.6—Buy Bid~~

~~“Buy Bid” shall mean a bid to buy Capacity Resources in any Incremental Auction.~~

~~2.6A—Compliance Aggregation Area (CAA)~~

~~“Compliance Aggregation Area” or “CAA” shall mean a geographic area of Zones or sub-Zones that are electrically contiguous and experience for the relevant Delivery Year, based on Resource Clearing Prices of, for Delivery Years through May 31, 2018, Annual Resources and for the 2018/2019 Delivery Year and subsequent Delivery Years, Capacity Performance Resources, the same locational price separation in the Base Residual Auction, the same locational price separation in the First Incremental Auction, the same locational price separation in the Second Incremental Auction, or the same locational price separation in the Third Incremental Auction.~~

~~2.7 — Capacity Credit~~

~~“Capacity Credit” shall have the meaning specified in Schedule 11 of the Operating Agreement, including Capacity Credits obtained prior to the termination of such Schedule applicable to periods after the termination of such Schedule.~~

~~2.8 — Capacity Emergency Transfer Limit~~

~~“Capacity Emergency Transfer Limit” or “CETL” shall have the meaning provided in the Reliability Assurance Agreement.~~

~~2.9 — Capacity Emergency Transfer Objective~~

~~“Capacity Emergency Transfer Objective” or “CETO” shall have the meaning provided in the Reliability Assurance Agreement.~~

~~2.9A — Capacity Export Transmission Customer~~

~~“Capacity Export Transmission Customer” shall mean a customer taking point to point transmission service under Part II of this Tariff to export capacity from a generation resource located in the PJM Region that has qualified for an exception to the RPM must offer requirement as described in section 6.6(g).~~

~~2.9B — Capacity Import Limit~~

~~“Capacity Import Limit” shall have the meaning provided in the Reliability Assurance Agreement.~~

~~2.10 — Capacity Market Buyer~~

~~“Capacity Market Buyer” shall mean a Member that submits bids to buy Capacity Resources in any Incremental Auction.~~

~~2.11 — Capacity Market Seller~~

~~“Capacity Market Seller” shall mean a Member that owns, or has the contractual authority to control the output or load reduction capability of, a Capacity Resource, that has not transferred~~

~~such authority to another entity, and that offers such resource in the Base Residual Auction or an Incremental Auction.~~

~~2.11A – Capacity Performance Resource~~

~~“Capacity Performance Resource” shall mean a Capacity Resource as described in section 5.5A(a).~~

~~2.11B – Capacity Performance Transition Incremental Auction~~

~~“Capacity Performance Transition Incremental Auction” shall have the meaning specified in section 5.14D.~~

~~2.12 – Capacity Resource~~

~~“Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.13 – Capacity Resource Clearing Price~~

~~“Capacity Resource Clearing Price” shall mean the price calculated for a Capacity Resource that offered and cleared in a Base Residual Auction or Incremental Auction, in accordance with Section 5.~~

~~2.13A – Capacity Storage Resource~~

~~“Capacity Storage Resource” shall mean any hydroelectric power plant, flywheel, battery storage, or other such facility solely used for short term storage and injection of energy at a later time to participate in the PJM energy and/or Ancillary Services markets and which participates in the Reliability Pricing Model.~~

~~2.14 – Capacity Transfer Right~~

~~“Capacity Transfer Right” shall mean a right, allocated to LSEs serving load in a Locational Deliverability Area, to receive payments, based on the transmission import capability into such Locational Deliverability Area, that offset, in whole or in part, the charges attributable to the Locational Price Adder, if any, included in the Zonal Capacity Price calculated for a Locational Delivery Area.~~

~~2.14A – Conditional Incremental Auction~~

~~“Conditional Incremental Auction” shall mean an Incremental Auction conducted for a Delivery Year if and when necessary to secure commitments of additional capacity to address reliability criteria violations arising from the delay in a Backbone Transmission upgrade that was modeled in the Base Residual Auction for such Delivery Year.~~

~~2.15 – CONE Area~~

~~“CONE Area” shall mean the areas listed in section 5.10(a)(iv)(A) and any LDAs established as CONE Areas pursuant to section 5.10(a)(iv)(B).~~

~~2.16 — Cost of New Entry~~

~~“Cost of New Entry” or “CONE” shall mean the nominal levelized cost of a Reference Resource, as determined in accordance with section 5.~~

~~2.16A — Credit Limited Offer~~

~~“Credit Limited Offer” shall have the meaning provided in Attachment Q to this Tariff.~~

~~2.17 — Daily Deficiency Rate~~

~~“Daily Deficiency Rate” shall mean the rate employed to assess certain deficiency charges under sections 7, 8, 9, or 13.~~

~~2.18 — Daily Unforced Capacity Obligation~~

~~“Daily Unforced Capacity Obligation” shall mean the capacity obligation of a Load Serving Entity during the Delivery Year, determined in accordance with Schedule 8, or, as to an FRR entity, in Schedule 8.1 of the Reliability Assurance Agreement.~~

~~2.19 — Delivery Year~~

~~Delivery Year shall mean the Planning Period for which a Capacity Resource is committed pursuant to the auction procedures specified in Section 5, or pursuant to an FRR Capacity Plan.~~

~~2.20 — Demand Resource~~

~~“Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.21 — Demand Resource Factor or DR Factor~~

~~“Demand Resource Factor” or (“DR Factor”) shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.22 — [Reserved for Future Use]~~

~~2.23 — EFORD~~

~~“EFORD” shall have the meaning specified in the PJM Reliability Assurance Agreement.~~

~~2.23A — Emergency Action~~

~~“Emergency Action” shall mean any emergency action for locational or system-wide capacity shortages that either utilizes pre-emergency mandatory load management reductions or other emergency capacity, or initiates a more severe action including, but not limited to, a Voltage Reduction Warning, Voltage Reduction Action, Manual Load Dump Warning, or Manual Load Dump Action.~~

~~2.24—Energy Efficiency Resource~~

~~“Energy Efficiency Resource” shall have the meaning specified in the PJM Reliability Assurance Agreement.~~

~~2.24.01—Environmentally Limited Resource~~

~~“Environmentally Limited Resource” shall mean a resource which has a limit on its run hours imposed by a federal, state, or other governmental agency that will significantly limit its availability, on either a temporary or long-term basis. This includes a resource that is limited by a governmental authority to operating only during declared PJM capacity emergencies.~~

~~2.24A—Extended Summer Demand Resource~~

~~“Extended Summer Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.24B—Extended Summer Resource Price Adder~~

~~“Extended Summer Resource Price Adder” shall mean, for Delivery Years through May 31, 2018, an addition to the marginal value of Unforced Capacity as necessary to reflect the price of Annual Resources and Extended Summer Demand Resources required to meet the applicable Minimum Extended Summer Resource Requirement.~~

~~2.24C—Sub-Annual Resource Reliability Target~~

~~“Sub-Annual Reliability Target” for the PJM Region or an LDA, shall mean the maximum amount of the combination of Extended Summer Demand Resources and Limited Demand Resources in Unforced Capacity determined by PJM to be consistent with the maintenance of reliability, stated in Unforced Capacity, that shall be used to calculate the Minimum Annual Resource Requirement for Delivery Years through May 31, 2017 and the Sub-Annual Resource Constraint for the 2017/2018 and 2018/2019 Delivery Years. As more fully set forth in the PJM Manuals, PJM calculates the Sub-Annual Resource Reliability Target, by first determining a reference annual loss of load expectation (“LOLE”) assuming no Demand Resources. The calculation for the unconstrained portion of the PJM Region uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast and iteratively shifting the load distributions to result in the Installed Reserve Margin established for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). The calculation for each relevant LDA uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast for the Delivery Year in~~

question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Capacity Emergency Transfer Objective study for the Delivery Year in question). For the relevant LDA calculation, the weekly capacity distributions are adjusted to reflect the Capacity Emergency Transfer Limit for the Delivery Year in question.

For both the PJM Region and LDA analyses, PJM then models the commitment of varying amounts of DR (displacing otherwise committed generation) as interruptible from May 1 through October 31 and unavailable from November 1 through April 30 and calculates the LOLE at each DR level. The Extended Summer DR Reliability Target is the DR amount, stated as a percentage of the unrestricted peak load, that produces no more than a ten percent increase in the LOLE, compared to the reference value. The Sub Annual Resource Reliability Target shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [the Forecast Pool Requirement] times [the DR Factor] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].

2.25 — Sub Annual Resource Constraint

“Sub Annual Resource Constraint” shall mean, for the 2017/2018 Delivery Year and for FRR Capacity Plans the 2017/2018 and 2018/2019 Delivery Years, for the PJM Region or for each LDA for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for a Delivery Year, a limit on the total amount of Unforced Capacity that can be committed as Limited Demand Resources and Extended Summer Demand Resources for the 2017/2018 Delivery Year in the PJM Region or in such LDA, calculated as the Sub Annual Resource Reliability Target for the PJM Region or for such LDA, respectively, minus the Short Term Resource Procurement Target for the PJM Region or for such LDA, respectively.

2.26 — Final RTO Unforced Capacity Obligation

“Final RTO Unforced Capacity Obligation” shall mean the capacity obligation for the PJM Region, determined in accordance with Schedule 8 of the Reliability Assurance Agreement.

2.26A [Reserved]

2.27 — First Incremental Auction

“First Incremental Auction” shall mean an Incremental Auction conducted 20 months prior to the start of the Delivery Year to which it relates.

2.28 — Forecast Pool Requirement

“Forecast Pool Requirement” shall have the meaning specified in the Reliability Assurance Agreement.

2.29 — [Reserved]

~~2.30 — [Reserved]~~

~~2.31 — Generation Capacity Resource~~

~~“Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.~~

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~~2.32 — Generator Forced Outage~~

~~“Generator Forced Outage” shall have the meaning specified in the Operating Agreement.~~

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~~2.33 — Generator Maintenance Outage~~

~~“Generator Maintenance Outage” shall have the meaning specified in the Operating Agreement.~~

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~~2.33A — Generator Planned Outage~~

~~“Generator Planned Outage” shall have the meaning specified in the Operating Agreement.~~

~~2.34 — Incremental Auction~~

~~“Incremental Auction” shall mean any of several auctions conducted for a Delivery Year after the Base Residual Auction for such Delivery Year and before the first day of such Delivery Year, including the First Incremental Auction, Second Incremental Auction, Third Incremental Auction or Conditional Incremental Auction. Incremental Auctions (other than the Conditional Incremental Auction), shall be held for the purposes of:~~

~~(i) — allowing Market Sellers that committed Capacity Resources in the Base Residual Auction for a Delivery Year, which subsequently are determined to be unavailable to deliver the committed Unforced Capacity in such Delivery Year (due to resource retirement, resource cancellation or construction delay, resource derating, EFORd increase, a decrease in the Nominated Demand Resource Value of a Planned Demand Resource, delay or cancellation of a Qualifying Transmission Upgrade, or similar occurrences) to submit Buy Bids for replacement Capacity Resources; and~~

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~~(ii) — allowing the Office of the Interconnection to reduce or increase the amount of committed capacity secured in prior auctions for such Delivery Year if, as a result of changed circumstances or expectations since the prior auction(s), there is, respectively, a significant excess or significant deficit of committed capacity for such Delivery Year, for the PJM Region or for an LDA.~~

~~2.35 — Incremental Capacity Transfer Right~~

~~“Incremental Capacity Transfer Right” shall mean a Capacity Transfer Right allocated to a Generation Interconnection Customer or Transmission Interconnection Customer obligated to fund a transmission facility or upgrade, to the extent such upgrade or facility increases the~~

~~transmission import capability into a Locational Deliverability Area, or a Capacity Transfer Right allocated to a Responsible Customer in accordance with Schedule 12A of the Tariff.~~

~~2.36 — Intermittent Resource~~

~~“Intermittent Resource” shall mean a Generation Capacity Resource with output that can vary as a function of its energy source, such as wind, solar, run of river hydroelectric power and other renewable resources.~~

~~2.36A Limited Demand Resource~~

~~“Limited Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.36B Limited Demand Resource Reliability Target~~

~~“Limited Demand Resource Reliability Target” for the PJM Region or an LDA, shall mean the maximum amount of Limited Demand Resources determined by PJM to be consistent with the maintenance of reliability, stated in Unforced Capacity that shall be used to calculate the Minimum Extended Summer Demand Resource Requirement for Delivery Years through May 31, 2017 and the Limited Resource Constraint for the 2017/2018 and 2018/2019 Delivery Years for the PJM Region or such LDA. As more fully set forth in the PJM Manuals, PJM calculates the Limited Demand Resource Reliability Target by first: i) testing the effects of the ten-interruption requirement by comparing possible loads on peak days under a range of weather conditions (from the daily load forecast distributions for the Delivery Year in question) against possible generation capacity on such days under a range of conditions (using the cumulative capacity distributions employed in the Installed Reserve Margin study for the PJM Region and in the Capacity Emergency Transfer Objective study for the relevant LDAs for such Delivery Year) and, by varying the assumed amounts of DR that is committed and displaces committed generation, determines the DR penetration level at which there is a ninety percent probability that DR will not be called (based on the applicable operating reserve margin for the PJM Region and for the relevant LDAs) more than ten times over those peak days; ii) testing the six-hour duration requirement by calculating the MW difference between the highest hourly unrestricted peak load and seventh highest hourly unrestricted peak load on certain high peak load days (e.g., the annual peak, loads above the weather normalized peak, or days where load management was called) in recent years, then dividing those loads by the forecast peak for those years and averaging the result; and (iii) (for the 2016/2017 and 2017/2018 Delivery Years) testing the effects of the six-hour duration requirement by comparing possible hourly loads on peak days under a range of weather conditions (from the daily load forecast distributions for the Delivery Year in question) against possible generation capacity on such days under a range of conditions (using a Monte Carlo model of hourly capacity levels that is consistent with the capacity model employed in the Installed Reserve Margin study for the PJM Region and in the Capacity Emergency Transfer Objective study for the relevant LDAs for such Delivery Year) and, by varying the assumed amounts of DR that is committed and displaces committed generation, determines the DR penetration level at which there is a ninety percent probability that DR will not be called (based on the applicable operating reserve margin for the PJM Region and for the~~

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relevant LDAs) for more than six hours over any one or more of the tested peak days. Second, PJM adopts the lowest result from these three tests as the Limited Demand Resource Reliability Target. The Limited Demand Resource Reliability Target shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [the Forecast Pool Requirement] times [the DR Factor] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].

2.36C Limited Resource Constraint

“Limited Resource Constraint” shall mean, for the 2017/2018 Delivery Year and for FRR Capacity Plans the 2017/2018 and Delivery Years, for the PJM Region or each LDA for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for a Delivery Year, a limit on the total amount of Unforced Capacity that can be committed as Limited Demand Resources for the 2017/2018 Delivery Year in the PJM Region or in such LDA, calculated as the Limited Demand Resource Reliability Target for the PJM Region or such LDA, respectively, minus the Short Term Resource Procurement Target for the PJM Region or such LDA, respectively.

2.36D Limited Resource Price Decrement

“Limited Resource Price Decrement” shall mean, for the 2017/2018 Delivery Year, a difference between the clearing price for Limited Demand Resources and the clearing price for Extended Summer Demand Resources and Annual Resources, representing the cost to procure additional Extended Summer Demand Resources or Annual Resources out of merit order when the Limited Resource Constraint is binding.

2.37 Load Serving Entity (LSE)

“Load Serving Entity” or “LSE” shall have the meaning specified in the Reliability Assurance Agreement.

2.38 Locational Deliverability Area (LDA)

“Locational Deliverability Area” or “LDA” shall mean a geographic area within the PJM Region that has limited transmission capability to import capacity to satisfy such area’s reliability requirement, as determined by the Office of the Interconnection in connection with preparation of the Regional Transmission Expansion Plan, and as specified in Schedule 10.1 of the Reliability Assurance Agreement.

2.39 Locational Deliverability Area Reliability Requirement

“Locational Deliverability Area Reliability Requirement” shall mean the projected internal capacity in the Locational Deliverability Area plus the Capacity Emergency Transfer Objective for the Delivery Year, as determined by the Office of the Interconnection in connection with preparation of the Regional Transmission Expansion Plan, less the minimum internal resources required for all FRR Entities in such Locational Deliverability Area.

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~~2.40—Locational Price Adder~~

~~“Locational Price Adder” shall mean an addition to the marginal value of Unforced Capacity within an LDA as necessary to reflect the price of Capacity Resources required to relieve applicable binding locational constraints.~~

~~2.41—Locational Reliability Charge~~

~~“Locational Reliability Charge” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.41A—Locational UCAP~~

~~“Locational UCAP” shall mean unforced capacity that a Member with available uncommitted capacity sells in a bilateral transaction to a Member that previously committed capacity through an RPM Auction but now requires replacement capacity to fulfill its RPM Auction commitment. The Locational UCAP Seller retains responsibility for performance of the resource providing such replacement capacity.—~~

~~2.41B—Locational UCAP Seller~~

~~“Locational UCAP Seller” shall mean a Member that sells Locational UCAP.~~

~~2.41C—Market Seller Offer Cap~~

~~“Market Seller Offer Cap” shall mean a maximum offer price applicable to certain Market Sellers under certain conditions, as determined in accordance with section 6 of Attachment DD and section H.E of Attachment M—Appendix.~~

~~2.41D—Minimum Annual Resource Requirement~~

~~“Minimum Annual Resource Requirement” shall mean, for Delivery Years through May 31, 2017, the minimum amount of capacity that PJM will seek to procure from Annual Resources for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for such Delivery Year. For the PJM Region, the Minimum Annual Resource Requirement shall be equal to the RTO Reliability Requirement minus [the Sub Annual Resource Reliability Target for the RTO in Unforced Capacity]. For an LDA, the Minimum Annual Resource Requirement shall be equal to the LDA Reliability Requirement minus [the LDA CETL] minus [the Sub Annual Resource Reliability Target for such LDA in Unforced Capacity]. The LDA CETL may be adjusted pro rata for the amount of load served under the FRR Alternative.~~

~~2.41E—Minimum Extended Summer Resource Requirement~~

~~“Minimum Extended Summer Resource Requirement” shall mean, for Delivery Years through May 31, 2017, the minimum amount of capacity that PJM will seek to procure from Extended Summer Demand Resources and Annual Resources for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for such Delivery Year. For the PJM Region, the Minimum Extended Summer Resource Requirement shall be equal to the RTO Reliability Requirement minus [the Limited Demand Resource Reliability Target for the PJM Region in Unforced Capacity]. For an LDA, the Minimum Extended Summer Resource Requirement shall be equal to the LDA Reliability Requirement minus [the LDA CETL] minus [the Limited Demand Resource Reliability Target for such LDA in Unforced Capacity]. The LDA CETL may be adjusted pro rata for the amount of load served under the FRR Alternative.~~

~~2.42 — Net Cost of New Entry~~

~~“Net Cost of New Entry” shall mean the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset, as defined in Section 5.~~

~~2.43 — Nominated Demand Resource Value~~

~~“Nominated Demand Resource Value” shall mean the amount of load reduction that a Demand Resource commits to provide either through direct load control, firm service level or guaranteed load drop programs. For existing Demand Resources, the maximum Nominated Demand Resource Value is limited, in accordance with the PJM Manuals, to the value appropriate for the method by which the load reduction would be accomplished, at the time the Base Residual Auction or Incremental Auction is being conducted.~~

~~2.43A Nominated Energy Efficiency Value~~

~~“Nominated Energy Efficiency Value” shall mean the amount of load reduction that an Energy Efficiency Resource commits to provide through installation of more efficient devices or equipment or implementation of more efficient processes or systems.~~

~~2.44 — [Reserved]~~

~~2.45 — Opportunity Cost~~

~~“Opportunity Cost” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.~~

~~2.46 — Peak Hour Dispatch~~

~~“Peak Hour Dispatch” shall mean, for purposes of calculating the Energy and Ancillary Services Revenue Offset under section 5 of this Attachment, an assumption, as more fully set forth in the PJM Manuals, that the Reference Resource is committed in the Day Ahead Energy Market in four distinct blocks of four hours of continuous output for each block from the peak hour period beginning with the hour ending 0800 EPT through to the hour ending 2300 EPT for any day~~

~~when the average day-ahead LMP for the area for which the Net Cost of New Entry is being determined is greater than, or equal to, the cost to generate (including the cost for a complete start and shutdown cycle) for at least two hours during each four-hour block, where such blocks shall be assumed to be committed independently; provided that, if there are not at least two economic hours in any given four-hour block, then the Reference Resource shall be assumed not to be committed for such block; and to the extent not committed in any such block in the Day-Ahead Energy Market under the above conditions based on Day-Ahead LMPs, is dispatched in the Real-Time Energy Market for such block if the Real-Time LMP is greater than or equal to the cost to generate under the same conditions as described above for the Day-Ahead Energy Market.~~

~~2.47 — Peak Season~~

~~“Peak Season” shall mean the weeks containing the 24th through 36th Wednesdays of the calendar year. Each such week shall begin on a Monday and end on the following Sunday, except for the week containing the 36th Wednesday, which shall end on the following Friday.~~

~~2.48 — Percentage Internal Resources Required~~

~~“Percentage Internal Resources Required” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.48A — Performance Assessment Hour~~

~~“Performance Assessment Hour” shall mean each whole or partial clock hour for which an Emergency Action has been declared by the Office of the Interconnection, provided, however, that Performance Assessment Hours for a Base Capacity Resource shall not include any hours outside the calendar months of June through September.~~

~~2.49 — Planned Demand Resource~~

~~“Planned Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.50 — Planned External Generation Capacity Resource~~

~~“Planned External Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.50A — Planned Generation Capacity Resource~~

~~“Planned Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.51 — Planning Period~~

~~“Planning Period” shall have the meaning specified in the Reliability Assurance Agreement.~~

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2.52 — PJM Region

~~“PJM Region” shall have the meaning specified in the Reliability Assurance Agreement.~~

2.53 — PJM Region Installed Reserve Margin

~~“PJM Region Installed Reserve Margin” shall have the meaning specified in the Operating Agreement.~~

2.54 — PJM Region Peak Load Forecast

~~“PJM Region Peak Load Forecast” shall mean the peak load forecast used by the Office of the Interconnection in determining the PJM Region Reliability Requirement, and shall be determined on both a preliminary and final basis as set forth in section 5.~~

2.55 — PJM Region Reliability Requirement

~~“PJM Region Reliability Requirement” shall mean, for purposes of the Base Residual Auction, the Forecast Pool Requirement multiplied by the Preliminary PJM Region Peak Load Forecast, less the sum of all Preliminary Unforced Capacity Obligations of FRR Entities in the PJM Region; and, for purposes of the Incremental Auctions, the Forecast Pool Requirement multiplied by the updated PJM Region Peak Load Forecast, less the sum of all updated Unforced Capacity Obligations of FRR Entities in the PJM Region.~~

2.56 — Projected PJM Market Revenues

~~“Projected PJM Market Revenues” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.~~

2.57 — Qualifying Transmission Upgrade

~~“Qualifying Transmission Upgrade” shall mean a proposed enhancement or addition to the Transmission System that: (a) will increase the Capacity Emergency Transfer Limit into an LDA by a megawatt quantity certified by the Office of the Interconnection; (b) the Office of the Interconnection has determined will be in service on or before the commencement of the first Delivery Year for which such upgrade is the subject of a Sell Offer in the Base Residual Auction; (c) is the subject of a Facilities Study Agreement executed before the conduct of the Base Residual Auction for such Delivery Year and (d) a New Service Customer is obligated to fund through a rate or charge specific to such facility or upgrade.~~

2.58 — Reference Resource

~~“Reference Resource” shall mean a combustion turbine generating station, configured with two General Electric Frame 7FA turbines with inlet air cooling to 50 degrees, Selective Catalytic~~

~~Reduction technology all CONE Areas, dual fuel capability, and a heat rate of 10.096 Mmbtu/MWh.~~

~~2.59 — Reliability Assurance Agreement~~

~~“Reliability Assurance Agreement” shall mean that certain “Reliability Assurance Agreement Among Load Serving Entities in the PJM Region,” on file with FERC as PJM Interconnection, L.L.C. Rate Schedule FERC No.44.~~

~~2.60 — Reliability Pricing Model Auction~~

~~“Reliability Pricing Model Auction” or “RPM Auction” shall mean the Base Residual Auction or any Incremental Auction, or, for the 2016/2017 and 2017/2018 Delivery Years, any Capacity Performance Transition Incremental Auction.~~

~~2.60A — Repowered / Repowering~~

~~“Repowering” or “Repowered” shall refer to a partial or total replacement of existing steam production equipment with new technology or a partial or total replacement of steam production process and power generation equipment, or an addition of steam production and/or power generation equipment, or a change in the primary fuel being used at the plant. A resource can be considered Repowered whether or not such aforementioned replacement, addition, or fuel change provides an increase in installed capacity, and whether or not the pre-existing plant capability is formally deactivated or retired.~~

~~2.61 — Resource Substitution Charge~~

~~“Resource Substitution Charge” shall mean a charge assessed on Capacity Market Buyers in an Incremental Auction to recover the cost of replacement Capacity Resources.~~

~~2.61A — Scheduled Incremental Auctions~~

~~“Scheduled Incremental Auctions” shall refer to the First, Second, or Third Incremental Auction.~~

~~2.62 — Second Incremental Auction~~

~~“Second Incremental Auction” shall mean an Incremental Auction conducted ten months before the Delivery Year to which it relates.~~

~~2.63 — Sell Offer~~

~~“Sell Offer” shall mean an offer to sell Capacity Resources in a Base Residual Auction, Incremental Auction, or Reliability Backstop Auction.~~

~~2.64 — [Reserved for Future Use]~~

2.65 — Self-Supply

“Self-Supply” shall mean Capacity Resources secured by a Load-Serving Entity, by ownership or contract, outside a Reliability Pricing Model Auction, and used to meet obligations under this Attachment or the Reliability Assurance Agreement through submission in a Base Residual Auction or an Incremental Auction of a Sell Offer indicating such Market Seller’s intent that such Capacity Resource be Self-Supply. Self-Supply may be either committed regardless of clearing price or submitted as a Sell Offer with a price bid. A Load-Serving Entity’s Sell Offer with a price bid for an owned or contracted Capacity Resource shall not be deemed “Self-Supply,” unless it is designated as Self-Supply and used by the LSE to meet obligations under this Attachment or the Reliability Assurance Agreement.

2.65A — Short-Term Resource Procurement Target

“Short-Term Resource Procurement Target” shall mean, for Delivery Years through May 31, 2018, as to the PJM Region, for purposes of the Base Residual Auction, 2.5% of the PJM Region Reliability Requirement determined for such Base Residual Auction, for purposes of the First Incremental Auction, 2% of the of the PJM Region Reliability Requirement as calculated at the time of the Base Residual Auction; and, for purposes of the Second Incremental Auction, 1.5% of the of the PJM Region Reliability Requirement as calculated at the time of the Base Residual Auction; and, as to any Zone, an allocation of the PJM Region Short-Term Resource Procurement Target based on the Preliminary Zonal Forecast Peak Load, reduced by the amount of load served under the FRR Alternative. For any LDA, the LDA Short-Term Resource Procurement Target shall be the sum of the Short-Term Resource Procurement Targets of all Zones in the LDA.

2.65B — Short-Term Resource Procurement Target Applicable Share

“Short-Term Resource Procurement Target Applicable Share” shall mean, for Delivery Years through May 31, 2018: (i) for the PJM Region, as to the First and Second Incremental Auctions, 0.2 times the Short-Term Resource Procurement Target used in the Base Residual Auction and, as to the Third Incremental Auction for the PJM Region, 0.6 times such target; and (ii) for an LDA, as to the First and Second Incremental Auctions, 0.2 times the Short-Term Resource Procurement Target used in the Base Residual Auction for such LDA and, as to the Third Incremental Auction, 0.6 times such target.

2.65B.01 — Small Commercial Customer

“Small Commercial Customer,” as used in Schedule 6 of the RAA and Attachment DD-1 of the Tariff, shall mean a commercial retail electric end-use customer of an electric distribution company that participates in a mass-market demand response program under the jurisdiction of a RERRA and satisfies the definition of a “small commercial customer” under the terms of the applicable RERRA’s program, provided that the customer has an annual peak demand no greater than 100kW.

2.65C — Sub-Annual Resource Price Decrement

~~“Sub Annual Resource Price Decrement” shall mean, for the 2017/2018 Delivery Year, a difference between the clearing price for Extended Summer Demand Resources and the clearing price for Annual Resources, representing the cost to procure additional Annual Resources out of merit order when the Sub Annual Resource Constraint is binding.~~

~~2.66 — Third Incremental Auction~~

~~“Third Incremental Auction” shall mean an Incremental Auction conducted three months before the Delivery Year to which it relates.~~

~~2.67 — [Reserved for Future Use]~~

~~2.68 — Unconstrained LDA Group~~

~~“Unconstrained LDA Group” shall mean a combined group of LDAs that form an electrically contiguous area and for which a separate Variable Resource Requirement Curve has not been established under Section 5.10 of Attachment DD. Any LDA for which a separate Variable Resource Requirement Curve has not been established under Section 5.10 of Attachment DD shall be combined with all other such LDAs that form an electrically contiguous area.~~

~~2.69 — Unforced Capacity~~

~~“Unforced Capacity” shall have the meaning specified in the Reliability Assurance Agreement.~~

~~2.69A — Updated VRR Curve~~

~~“Updated VRR Curve” shall mean the Variable Resource Requirement Curve as defined in section 5.10(a) of this Attachment for use in the Base Residual Auction of the relevant Delivery Year, updated to reflect any change in the Reliability Requirement from the Base Residual Auction to such Incremental Auction, and for Delivery Years through May 31, 2018, the Short-term Resource Procurement Target applicable to the relevant Incremental Auction.~~

~~2.69B — Updated VRR Curve Increment~~

~~“Updated VRR Curve Increment” shall mean the portion of the Updated VRR Curve to the right of a vertical line at the level of Unforced Capacity on the x axis of such curve equal to the net Unforced Capacity committed to the PJM Region as a result of all prior auctions conducted for such Delivery Year and adjusted, if applicable, by a change in Unforced Capacity commitments associated with the transition provision of section 5.14C, 5.14D (as related to the 2016/2017 Delivery Year), and 5.14E of this Attachment DD.~~

~~2.69C — Updated VRR Curve Decrement~~

~~“Updated VRR Curve Decrement” shall mean the portion of the Updated VRR Curve to the left of a vertical line at the level of Unforced Capacity on the x axis of such curve equal to the net~~

~~Unforced Capacity committed to the PJM Region as a result of all prior auctions conducted for such Delivery Year and adjusted, if applicable, by a change in Unforced Capacity commitments associated with the transition provision of section 5.14C, 5.14D (as related to the 2016/2017 Delivery Year), and 5.14E of this Attachment DD.~~

2.70 — Variable Resource Requirement Curve

~~“Variable Resource Requirement Curve” shall mean a series of maximum prices that can be cleared in a Base Residual Auction for Unforced Capacity, corresponding to a series of varying resource requirements based on varying installed reserve margins, as determined by the Office of the Interconnection for the PJM Region and for certain Locational Deliverability Areas in accordance with the methodology provided in Section 5.~~

2.71 — Zonal Capacity Price

~~“Zonal Capacity Price” shall mean the clearing price required in each Zone to meet the demand for Unforced Capacity and satisfy Locational Deliverability Requirements for the LDA or LDAs associated with such Zone. If the Zone contains multiple LDAs with different Capacity Resource Clearing Prices, the Zonal Capacity Price shall be a weighted average of the Capacity Resource Clearing Prices for such LDAs, weighted by the Unforced Capacity of Capacity Resources cleared in each such LDA.~~

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