

Tariff and RAA Changes to Support Historic Capacity Transfer Rights

DRAFT – April 1, 2015

Existing definitions from Attachment DD of the Tariff:

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.

2.39 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 as may be reduced by the megawatt quantity of Historic Capacity Transfer Rights for which the FRR Entity would qualify under Schedule 8.1 (D) (5) of the Reliability Assurance Agreement, and less any necessary adjustment for Price Responsive Demand proposed in a PRD Plan or committed following an RPM Auction for the Zones comprising such Locational Deliverability Area for such Delivery Year.

New Definitions to be added to Attachment DD of the Tariff:

2.XX Historic Capacity Transfer Rights

An Historic 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 derived from an Historic Firm Transmission Reservation, 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 Deliverability Area. As to any Zone that encompasses two or more Locational Deliverability Areas, the term “Locational Deliverability Area” as used herein shall refer to such Zone, rather than to the LDAs it encompasses.

2.XX Historic Firm Transmission Reservation

An Historic Firm Transmission Reservation shall mean a Long Term Firm Point-to-Point Transmission Service reservation that (i) was requested prior to the end of the 2007/2008 Delivery Year and subsequently confirmed, prior to June 1, 2007 and (ii) has been held by the same LSE by which it was confirmed since its confirmation, and (iii) the feasibility of which was determined based on the specific Historic Generation Capacity Resources used as source points on the reservation and with its sink in the specific Zone

location of the load by which the Historic Generation Capacity Resources have been and continue to be utilized to fulfill the LSE's obligations under the Reliability Assurance Agreement.

2.XX Historic Generation Capacity Resource

An Historic Generation Capacity Resource shall mean a specific Generation Capacity Resource that is-was and continues to be owned by or under long term contract to an LSE and that was utilized as the source point on the Historic Firm Transmission Reservation for the purposes of delivering such resource to the specific LSE's load to which it is-was and continues to be dedicated, either by clearing in the Reliability Pricing Model Auctions or being included in a Fixed Resource Requirement Entity's FRR Capacity Plan, as applicable, for the purposes of fulfilling that LSE's obligations under the Reliability Assurance Agreement.

Existing section 5.15 of Attachment DD to the Tariff:

5.15 Capacity Transfer Rights

(a) To recognize the value of Import Capability and provide a partial offset to potential Locational Price Adders that may be determined for an LDA (as to any Zone that encompasses two or more LDAs, the term "LDA" as used herein shall refer to such Zone, rather than to the LDAs it encompasses), the Office of the Interconnection shall allocate Capacity Transfer Rights to each LSE serving load in such LDA pro rata based on such LSE's Daily Unforced Capacity Obligation in such LDA. The total megawatts of Capacity Transfer Rights available for allocation shall equal the megawatts of Unforced Capacity imported into such LDA determined based on the results of the Base Residual Auction and Incremental Auctions ("Capacity Imported"), less any Historic Capacity Transfer Rights attributable to Historical Firm Transmission Reservations and any megawatts of CETL increase into such LDA attributable to Qualifying Transmission Upgrades cleared in an RPM Auction and any Incremental Capacity Transfer Rights into such LDA allocated pursuant to section 5.16 (but not less than zero), and shall be subject to change in subsequent Delivery Years as a result of changes in the quantity of such Capacity Imported into such LDA. Each change in an LSE's Daily Unforced Capacity Obligation during a Delivery Year shall result in a corresponding change in the Capacity Transfer Rights allocated to such LSE.

New section to be added to Attachment DD of the Tariff:

5.15A Historic Capacity Transfer Rights

(a) To recognize the value of Import Capability provided by Historic Firm Transmission Reservations to specific load within potentially constrained LDAs and thereby provide a partial offset to potential Locational Price Adders that may be determined for an LDA (as to any Zone that encompasses two or more LDAs, the term "LDA" as used herein shall refer to such Zone, rather than to the LDAs it encompasses), the Office of the Interconnection shall allocate Historic Capacity Transfer Rights to a requesting LSE serving load in such LDA based upon the quantity of Historic Firm Transmission

Reservations held, provided both the Historic Firm Transmission Reservations and associated Historic Generation Capacity Resources meet the criteria established in this Section and as may be further documented in the PJM Manuals. The total megawatts of Historic Capacity Transfer Rights available for allocation shall be equal to the lesser of i) the megawatts of Historic Firm Transmission Reservations on the path from the specific Historic Generation Capacity Resource to the specific LSE's load in the LDA to which the feasibility of the Historic Firm Transmission Reservations were evaluated, or ii) the megawatts of Historic Generation Capacity Resource(s) utilized as the source points for the Historic Firm Transmission Reservation(s).

(b) Historic Capacity Transfer Rights shall be determined by the Office of the Interconnection and allocated to applicable LSEs in a quantity up to the lesser of the UCAP value of the Historic Generation Capacity Resources or the quantity of load served or planned to be served by those Historic Generation Capacity Resources when the Historic Transmission Service was confirmed. Historic Capacity Transfer Rights shall be maintained by the LSE as long as the LSE maintains both the Historic Firm Transmission Reservation(s) and ownership of the Historic Generation Capacity Resource(s) and to the extent that the Historic Generation Capacity Resource(s) are offered into all relevant RPM auctions for the applicable Delivery Year. To the extent that either the Historic Firm Transmission Reservation(s) or ownership in the Historic Generation Capacity Resource(s) are not maintained by such LSE, then the Historic Capacity Transfer Rights shall be terminated as of the day on which either the Historic Firm Transmission Reservation(s) or ownership in the Historic Generation Capacity Resource(s) terminates. The LSE shall notify the Office of the Interconnection as soon as practicable when it determines that either the Historic Transmission Reservation(s) or ownership in the Historic Generation Capacity Resource(s) will not be maintained by such LSE. As used herein, the term ownership shall include long term contractual rights to the capacity and energy from the generating resource.

(c) For Locational Deliverability Areas in which the RPM Auctions for the Delivery Year resulted in a positive average weighted price adder with respect to the location of the Historical Generation Capacity Resources, as modeled in the relevant RPM Auction, the LSE holding the Historic Capacity Transfer Rights in such Locational Deliverability Area shall receive a payment during the Delivery Year equal to (i) the average weighted price adder for such Locational Deliverability Area determined with respect to the location of the Historic Generation Capacity Resource(s) as a result of all RPM Auctions for such Delivery Year, multiplied by (ii) the megawatt quantity of the Historic Capacity Transfer Rights allocated to such LSE in such Locational Deliverability Area.

Existing definition in the RAA:

1.61 Percentage Internal Resources Required

Percentage Internal Resources Required shall mean, for purposes of an FRR Capacity Plan, the percentage of the LDA Reliability Requirement for an LDA that must be satisfied with Capacity Resources located in such LDA.

New definitions in the RAA: PJM note: the definitions for Historic Firm Transmission Reservation and Historic Generation Capacity Resource initially proposed for addition to the RAA have been removed since these definitions simply referred to the meaning specified in the Tariff, and the RAA already contains a blanket provision indicating that any capitalized terms not otherwise defined in the RAA have the meaning defined in the Tariff.

Addition to Schedule 8.1 (D) (5) of the RAA:

5. For each LDA for which the Office of the Interconnection has established a separate Variable Resource Requirement Curve for any Delivery Year addressed by such FRR Capacity Plan, the plan must include a minimum percentage of Capacity Resources for such Delivery Year located within such LDA. Such minimum percentage (“Percentage Internal Resources Required”) will be calculated as the LDA Reliability Requirement less the CETL for the Delivery Year, as determined by the RTEP process as set forth in the PJM Manuals. Such requirement shall be expressed as a percentage of the Unforced Capacity obligation based on the Preliminary Zonal Peak Load Forecast multiplied by the Forecast Pool Requirement. For LSEs with Historic Firm Transmission Reservation(s) and Historic Generation Capacity Resource(s) that would otherwise meet all applicable criteria for Historic Capacity Transfer Rights as defined and described in Attachment DD to the PJM Tariff, such megawatt quantity of internal resources necessary due to the Percentage Internal Resources Required shall be reduced by the quantity of Historic Capacity Transfer Rights for which the LSE would qualify.