

Governing Document changes for DR subzonal dispatch and product specific dispatch for proposal submitted to 11/16/11 MRC for review

Emergency Load Response Program section of OA & OATT

Emergency Operations

PJM will initiate the request for ~~Load Management reduction event coincident with following~~ the declaration of Maximum Emergency Generation and prior to the implementation of Load Management Steps 1 and 2. (Implementation of the Emergency Load Response Program can be used for regional emergencies.) It is implemented whenever ~~economic generating capacity is not adequate to serve load and maintain reserves or control a transmission system emergency is needed that is greater than the highest economic incremental cost. PJM will send an electronic message to Curtailment Service Providers notifying them of the Load Management event; Curtailment Service Providers are required to have the capability to receive this electronic message as described in the PJM Manuals. Additionally, PJM will post the Load Management event information request for load reduction on the PJM website, on the Emergency Conditions page, and on eData, and issues a burst email to the Emergency Load Response major dome and issue a~~ separate All-Call message ~~is also issued.~~

Following PJM's request to reduce load, (i) participants in the Energy Only Option voluntarily may reduce load; and (ii) participants in the Full Program Option are required to reduce load unless they already have reduced load pursuant to the Economic Load Response Program. PJM will dispatch the resources of all Emergency Load Response Program participants (not already dispatched under the Economic Load Response Program) based on the ~~availability, location and/or quantity of load reduction needed~~ Minimum Dispatch Prices specified in the participants' Emergency Registration Forms.

The Minimum Dispatch Price of a Full Program Option participant that reduces load may set the real time Locational marginal Price ("LMP") provided that the participant's load reductions are needed to meet demand in the PJM Region. The Minimum Dispatch Price of an Energy Only Option participant that reduces load may set the real time LMP provided that such participant's load reductions are needed to meet demand in the PJM Regions and the Energy Only Option participant's resource satisfies PJM's telemetry requirements.

Operational procedures are described in detail in the PJM Manual for Emergency Operations.

Verification

PJM requires that the load reduction meter data be submitted to PJM within 60 days of the event. If the data are not received within 60 days, no payment for participation is provided. Meter data must be provided for all hours during the day of the Load Management event or the Load Management performance test, and for all hours during any other days as required by the Office of the Interconnection to calculate the load reduction.

These data files are to be communicated to PJM either via the Load Response Program web site or email. Files that are emailed must be in the PJM-approved file format. Meter data will be forwarded to the EDC and LSE upon receipt, and these parties will then have ten (10) business days to provide feedback to PJM.

OATT, section DD

11. DEMAND RESOURCE AND ILR COMPLIANCE PENALTY CHARGE

Governing Document changes for DR subzonal dispatch and product specific dispatch for proposal submitted to 11/16/11 MRC for review

(a) The Office of the Interconnection shall separately evaluate compliance of each Demand Resource committed and each nominated ILR resource certified for a Delivery Year, in accordance with procedures set forth in the PJM Manuals. The compliance is evaluated separately by event in each Zone for Demand Resources and ILR resources dispatched by the Office of Interconnection. Demand Resource and ILR Compliance Penalty Charges will not be assessed to resources that are dispatched on a subzonal basis unless such subzone is defined and publically posted the day before the Load Management event as defined the PJM Manuals. To the extent an ILR resource or Demand Resource cannot respond, another ILR resource or Demand Resource in the same geographic location defined by the PJM dispatch instruction with the same designated lead time and comparable capacity commitment may be substituted. Any Demand Resource or ILR resource used as a substitute during an event will have the same obligation to respond to future event(s) as if it did not respond to such event. Capacity Market Sellers that committed Demand Resources, Locational UCAP Sellers that sold Demand Resources, and ILR Providers that nominated ILR for a Delivery Year that cannot demonstrate the hourly performance of such resource in real-time based on the capacity commitment or ILR certification shall be assessed a Demand Resource and ILR Compliance Penalty Charge; provided, however, that such under compliance shall be determined on an aggregate basis for all dispatched Demand Resources and ILR committed by the same Capacity Market Seller, same Locational UCAP Seller, or same ILR Provider in a single Zone. To the extent a Capacity Market Seller is also an ILR Provider, compliance of all Demand Resources committed and ILR resources certified in the same Zone will be evaluated in aggregate.

(b) The Demand Resource and ILR Compliance Penalty Charge for a Capacity Market Seller/ILR Provider in a Zone for the on-peak period, which includes all hours specified in the Reliability Assurance Agreement definition of the Limited Demand Resource, shall equal the lesser of (1/the number of ~~L~~oad ~~M~~anagement events during the year for which such ILR resource or Demand Resources were dispatched, or 0.50) times the Weighted Annual Revenue Rate for such seller/provider resources dispatched, multiplied by the net under-compliance in such on-peak period, if any, for such seller/provider resulting from all dispatched resources it has committed and ILR it has certified for such Delivery Year for such Zone for each ~~L~~oad ~~M~~anagement ~~reduction~~ event called by the Office of the Interconnection. Net zonal under compliance for the event will be prorated to individual under compliant registrations based on performance of each registration in order to determine net under compliance(s). The Demand Resource and ILR Compliance Penalty Charge for a Capacity Market Seller/ILR Provider in a Zone for the off-peak period, which includes all hours specified in the Reliability Assurance Agreement definitions of Extended Summer Demand Resource or Annual Demand Resource, but does not included in the on-peak period, shall equal 1/52 times the Weighted Annual Revenue Rate for resources dispatched for such seller/provider, multiplied by the net under compliance in such off-peak period, if any, for such seller/provider resulting from all resources it has committed and ILR it has certified for such Delivery Year for such Zone for each ~~L~~oad ~~M~~anagement ~~reduction~~ event called by the Office of the Interconnection. If a ~~L~~oad ~~M~~anagement event is comprised of both an on-peak period and an off-peak period then such Demand Resource and ILR Compliance Penalty Charge will be the higher of the charges calculated under the prior two sentences. The total Compliance Penalty Charge for the Delivery Year is not to exceed the annual revenue received for such resources. The net zonal under compliance for each such ~~L~~oad ~~M~~anagement ~~reduction~~ event shall be the following megawatt quantity, converted to an Unforced Capacity basis using the applicable DR Factor and Forecast Pool Requirement: (i) the megawatts of load reduction capability committed and/or ILR certified by such seller/provider on the day of the Load Management event for all dispatched resources minus (ii) the megawatts of load reduction actually provided by all such dispatched Demand Resources and ILR during such ~~reduction~~ event. A provider's net under compliance in a Zone shall be reduced by the provider's total amount of Capacity Resource deficiency shortfalls on the day of the Load Management event, determined pursuant to section 8 of

Governing Document changes for DR subzonal dispatch and product specific dispatch for proposal submitted to 11/16/11 MRC for review

Attachment DD of this Tariff, in a Zone for the provider's committed Demand Resources that are the same product(s) dispatched. The Annual Revenue Rate for a Demand Resource shall be the Resource Clearing Price that the resource received in the auction in which it cleared, including any adjustment pursuant to Attachment DD-1, section C of this Tariff, multiplied by the number of days in the Delivery Year. The Annual Revenue Rate for an ILR resource shall be the Final Zonal ILR Price multiplied by the number of days in the Delivery Year. The Weighted Annual Revenue Rate for a Capacity Market Seller/ILR Provider shall be the average rate for all cleared Demand Resources and certified ILR, weighted by the megawatts cleared or certified at each price, multiplied by the number of days in the Delivery Year. The total charge per megawatt that may be assessed on a Capacity Market Seller/ILR Provider in a Delivery Year shall be capped at the Weighted Annual Revenue Rate the Capacity Market Seller/ILR Provider would receive in the Delivery Year.

c) Revenues from assessment of a Demand Resource and ILR Compliance Penalty Charge shall be distributed by the later of June of the following Delivery Year or the third billing month following the event that gave rise to such charge, on a pro-rata basis to Demand Resource Providers, Locational UCAP Sellers, and ILR Providers that provided load reductions in excess of the amount such resources were committed or certified to provide. Such revenue distribution, however, shall not exceed for any Capacity Market Seller/ILR Provider the quantity of excess megawatts provided by such Capacity Market Seller/ILR Provider during a single event times 0.20 times the Weighted Annual Revenue Rate for such Capacity Market Seller/ILR Provider for resources dispatched. To the extent any such revenues remain after such distribution, the remaining revenues shall be distributed to LSEs based on each LSE's average Daily Unforced Capacity Obligation for the month in which the non-compliance event occurred.

11A LOAD MANAGEMENT AND DEMAND RESOURCES TEST FAILURE CHARGE

a) Beginning with the Delivery Year that commences on June 1, 2009, Capacity Market Sellers that commit Demand Resources and ILR Providers may be charged to the extent their committed resources or certified ILR fail performance tests, as set forth herein.

b)

(i) For ILR or for Limited Demand Resources: If a registration for a Limited Demand Resource committed or an ILR certified by a Capacity Market Seller/ILR Provider is not dispatched by the Office of the Interconnection for a Load Management event prior to August 15 of the relevant Delivery Year, then such registration resource must demonstrate that it was tested as described below in (ii), in a zone for a one-hour period during any hour when a PJM Load Management event may be called between June 1 and September 30, inclusive. If a registration for a Limited Demand Resource committed or an ILR certified by a Capacity Market Seller/ILR Provider is dispatched by the Office of the Interconnection for a PJM Load Management event in a zone between August 16 and September 30, no test will be required. If a registration for a Limited Demand Resource committed or an ILR certified by a Capacity Market Seller/ILR Provider is dispatched by the Office of the Interconnection for a PJM Load Management event in a zone between June 1 and September 30, inclusive, then Load Management and Demand Resources Test Failure Charges will not be assessed.

For Annual Demand Resources: if an Annual Demand Resource registration is not dispatched by the Office of the Interconnection for a Load Management event in a Delivery Year, then the Annual

Governing Document changes for DR subzonal dispatch and product specific dispatch for proposal submitted to 11/16/11 MRC for review

Demand Resource registration committed by a Capacity Market Seller must demonstrate that the Annual Demand Resource registration committed in a zone was tested as described below in (iii), for a one-hour period during any hour when a PJM ~~Load~~ ~~Management~~ event may be called during June through October or the following May of the relevant Delivery Year. If an Annual Demand Resource registration is dispatched by the Office of the Interconnection for a ~~Load~~ ~~Management~~ event during the Delivery Year, then no test will be required.

For Extended Summer Demand Resources: if an Extended Summer Demand Resource registration is not dispatched by the Office of the Interconnection for a ~~Load~~ ~~Management~~ event during June through October or the following May, then the Extended Summer Demand Resource registration committed by a Capacity Market Seller must demonstrate that the Extended Summer Demand Resource registration was tested as described below in (iii), for a one-hour period during any hour when a PJM ~~Load~~ ~~Management~~ event may be called during June through October or the following May of the relevant Delivery Year.

(ii) All ~~registrations/resources~~ in a zone required to test must be tested simultaneously for each product except that, when less than 25 percent (by megawatts) of a provider's total resources in a zone fail a test, the provider may conduct a re-test limited to all ~~registrations/resources~~ that failed the prior test, provided that such re-test must be at the same time of day and under approximately the same weather conditions as the prior test, and provided further that all affiliated ~~registrations/resources~~ must test simultaneously, where affiliated means ~~registrations/resources~~ that have any ability to shift load and are owned or controlled by the same entity. If less than 25 percent of resources fail the test and the provider chooses to conduct a retest, the provider may elect to maintain the performance compliance result for ~~registration(s)/resource(s)~~ achieved during the test if provider: (1) notifies the Office of the Interconnection 48 hours prior to the retest under this election; and (2) the provider retests affiliated ~~registrations/resources~~ under this election as set forth in the PJM Manual.

c) a Capacity Market Seller/ILR Provider that committed Demand Resources and/or certified ILR shall be assessed a Load Management and Demand Resources Test Failure Charge equal to the net capability testing shortfall for such- products tested in a Zone during such test in the aggregate of all of such Seller's/Provider's Demand Resources/ILR tested in such Zone times the Load Management and Demand Resources Test Failure Charge Rate. The net capability testing shortfall in such Zone shall be the following megawatt quantity, converted to an Unforced Capacity basis using the applicable DR Factor and Forecast Pool Requirement: (i) the summer daily average of the megawatts of load reduction capability committed and/or ILR certified by such seller/provider in such Zone for such product(s) tested minus (ii) the megawatts of load reduction actually provided by all such Demand Resources and ILR in such Zone during such test. The net capability testing shortfall in such Zone for such product(s) tested shall be reduced by the provider's summer daily average of the Capacity Resource deficiency shortfalls, determined pursuant to section 8 of Attachment DD of this Tariff, in such Zone for all of the provider's committed Demand Resources that are of the same product(s) tested.

d) the Load Management and Demand Resources Test Failure Charge Rate shall equal such Seller/Provider's Weighted Annual Revenue Rate in such Zone for the product(s) tested plus the greater of (0.20 times the Weighted Annual Revenue Rate in such Zone for the product(s) tested or \$20/MW-day) times the number of days in the Delivery Year. Such charge shall be assessed daily and charged monthly (or otherwise in accordance with customary PJM billing practices in effect at the time); provided, however, that a lump sum payment may be required to reflect amounts due, as a result of a test failure, from the start of the Delivery Year to the day that charges are reflected in regular billing.

Governing Document changes for DR subzonal dispatch and product specific dispatch for proposal submitted to 11/16/11 MRC for review

e) revenues collected from assessment of Load Management and Demand Resources Test Failure Charges shall be distributed to Load Serving Entities that were charged a Locational Reliability Charge for the Delivery Year for which the Load Management and Demand Resources Test Failure Charge was assessed, pro-rata based on such Load Serving Entities' Daily Unforced Capacity Obligations

Manual 13

Manual 13 red line changes will be presented at December MRC for review and include the following business rules include:

- 1) PJM may dispatch Load Management based on a collection of zipcodes, referred to as a subzone, where any one location on the registration located within such zipcode will mean that all locations on such registration should respond to the dispatch signal unless otherwise notified by PJM. Direct Load Control registrations that do not have the operational capability to respond to a subzone dispatch signal do not need to respond to a subzonal dispatch signal.
- 2) PJM will communicate list of registrations that are required to respond to Emergency Load Management events through an electronic message to the CSP. This electronic notification will become the primary notification mechanism and the ALL CALL will be a secondary notification mechanism. CSP shall be capable of receiving such message and providing a confirmation of receipt based on PJM standards and protocols.
- 3) If PJM needs to dispatch Demand Resources (DR) during the Limited DR availability period then PJM will dispatch all DR products simultaneously unless DR (for all products) has already been dispatched frequently during the relevant DYs, in which case PJM may dispatch Summer Extended and Annual DR only. This will allow PJM to reserve Limited DR availability for later in the summer period if necessary. Frequently dispatch DR is considered DR that has been dispatched for such lead time and zone: 2 times prior to July 1 of such DY, or 4 times prior to August 1 of such DY or 7 times prior to September 1 of such DY.

Manual 18

Manual 18 changes will be presented at December MRC for review and include the following business rules:

- 1) Provide additional detail in Manual regarding calculation of event and test penalties for subzonal and product specific dispatch.
- 2) PJM will not apply event penalty for subzonal dispatch unless subzone has been posted on pjm.com prior to emergency event day. If PJM does not consider event penalty then registration must perform mandatory test unless otherwise approved by PJM.
- 3) If DR is required to test and CST tests products on different days then the weighted average rate used for the test penalty will be based on such products.