

(Note: Items highlighted in yellow are included in changes to this section of the Tariff which were approved by the Markets and Reliability Committee at the November 17, 2016 meeting)

217.3 Local and Network Upgrades:

(a) General: Each New Service Customer shall be obligated to pay for 100 percent of the costs of the minimum amount of Local Upgrades and Network Upgrades necessary to accommodate its New Service Request and that would not have been incurred under the Regional Transmission Expansion Plan but for such New Service Request, net of benefits resulting from the construction of the upgrades, such costs not to be less than zero. Such costs and benefits shall include costs and benefits such as those associated with accelerating, deferring, or eliminating the construction of Local Upgrades and Network Upgrades included in the Regional Transmission Expansion Plan either for reliability, or to relieve one or more transmission constraints and which, in the judgment of the Transmission Provider, are economically justified; the construction of Local Upgrades and Network Upgrades resulting from modifications to the Regional Transmission Expansion Plan to accommodate the New Service Request; or the construction of Supplemental Projects.

(b) Cost Responsibility for Accelerating Local and Network Upgrades included in the Regional Transmission Expansion Plan: Where the New Service Request calls for accelerating the construction of a Local Upgrade or Network Upgrade that is included in the Regional Transmission Expansion Plan and provided that the party(ies) with responsibility for such construction can accomplish such an acceleration, the New Service Customer shall pay all costs that would not have been incurred under the Regional Transmission Expansion Plan but for the acceleration of the construction of the upgrade. The Responsible Customer(s) designated pursuant to Schedule 12 of the Tariff as having cost responsibility for such Local Upgrade or Network Upgrade shall be responsible for payment of only those costs that the Responsible Customer(s) would have incurred under the Regional Transmission Expansion Plan in the absence of the New Service Request to accelerate the construction of the Local Upgrade or Network Upgrade.

217.3a The Transmission Provider shall determine the minimum amount of required Local Upgrades and Network Upgrades required to resolve each reliability criteria violation in each New Services Queue, by studying the impact of the queued projects in their entirety, and not incrementally. ~~In the event of the identification of violations requiring reinforcement of the system, In the event~~ the Transmission Provider ~~shall~~ determines the cost of the minimum amount of Local Upgrades and Network Upgrades required to resolve ~~a single each~~ reliability criteria violation ~~will not meet or exceed \$5,000,000 with~~ such costs ~~shall to~~ be allocated to those **New Service** Requests in the New Services Queue that contribute to the need for such upgrades. Such allocations shall be made in proportion to each **New Service** Request's megawatt contribution to the need for these upgrades subject to the rules for minimum cost allocation thresholds in the PJM Manuals. ~~For the purpose of applying the \$5,000,000 threshold, each reliability criteria violation shall be considered separately.~~

~~In the event the Transmission Provider determines the cost of the minimum amount of Local Upgrades and Network Upgrades required to resolve a single reliability criteria violation will meet or exceed \$5,000,000, those Local Upgrades and Network Upgrades shall be studied in their entirety~~ and according to the following process:

(i) The Transmission Provider shall identify the first **New Service** Request in the queue contributing to the need for the required Local Upgrades and Network Upgrades within the New Services Queue. The initial **New Service** Request to cause the need for Local Upgrades or Network Upgrades will always receive a cost allocation. Costs for the minimum amount of Local Upgrades and Network Upgrades shall be further allocated to subsequent **projects** in the New Services Queue, pursuant to queue order, and pursuant to the New Service Request's megawatt contribution to the need for the Local Upgrades and Network Upgrades.

(ii) In the event a subsequent **New Service** Request in the queue causes the need for additional Local Upgrades or additional Network Upgrades, only this **New Service** Request and the **New Service Requests in the queue**, which follow **such** subsequent New Service Request in the queue, shall be allocated the costs for these additional required Local Upgrades or Network Upgrades. The allocation shall be pursuant to queue order, and pursuant to the **New Service** Requests megawatt contribution to the need for the Local Upgrades and Network Upgrades.

Where a Local Upgrade or Network Upgrade included in the Regional Transmission Expansion Plan is classified as both a reliability-based and market efficiency project, a New Service Request cannot eliminate or defer such upgrade unless the request eliminates or defers both the reliability need and the market efficiency need identified in the Regional Transmission Expansion Plan.