



VIA E-MAIL TRANSMISSION

February 24, 2003

MEMBERS COMMITTEE; ENERGY MARKET COMMITTEE

Dear Committee Members:

This letter provides a modification to the rules for pricing external transactions that are scheduled for delivery to or delivery from the PJM-VAP interface and the PJM-AEP interface.¹ These rules were first introduced on Friday, July 19, 2002 and announced via the eData system and the OASIS and were clarified in letters dated August 1, August 29, 2002 and January 9, 2003. These modified rules will be in effect beginning on March 1, 2003 until further notice. The rules are attached.

As a result of PJM's continuing investigation into loop flow and circulation on the PJM system and appropriate pricing points for external transactions, it has become clear that there is a need for additional modifications to the rules governing pricing for external transactions. PJM has determined that transactions that source in PJM and sink in specified control areas should receive a price consistent with the associated power flows. The PJM sources will no longer include PJM-VAP or PJM-AEP interfaces but will be: PJM-NYIS; PJM-FE; PJM-DLCO; and PJM-AEPVPEXP. The PJM-AEPVPEXP interface will consist of the buses currently included in the PJM-AEP and PJM-VAP interface definitions dynamically weighted by the tie line export power flow patterns. Similarly, PJM has determined that transactions that sink in PJM and source in specified control areas should receive a price consistent with the associated power flows. The PJM sinks will be: PJM-NYIS; PJM-FE; PJM-DLCO; and PJM-AEPVPIMP. The PJM-AEPVPIMP interface will consist of the buses currently included in the PJM-AEP and PJM-VAP interface definitions dynamically weighted by the tie line import power flow patterns.

In order to reflect the actual flow of transactions associated with the PJM-AEP and PJM-VAP interfaces, beginning March 1, 2003, PJM will price all transactions that source in PJM and sink in one of the relevant defined control areas, at the PJM-AEPVPEXP interface price. Similarly, PJM will price all transactions that sink in PJM and source in one of the defined control areas, at the PJM-AEPVPIMP interface price. PJM will apply the same method for pricing transactions into and out of PJM, based on the actual power flow, at all the PJM interfaces. This approach will provide consistent pricing for transactions to and from PJM that are electrically comparable, regardless of the interface.

The PJM Market Monitoring Unit will continue to monitor transactions to ensure that market participants do not attempt to unfairly take advantage of differences between prices at any scheduled and delivered interface points.

¹ As noted previously, interfaces are named after adjacent control areas. This naming convention does not imply anything about the companies that operate the adjacent control areas.



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PJM takes this action in accordance with 3.3.1(d) of Schedule 1 of the Operating Agreement, which states in part: “For pool External Resources the Office of the Interconnection shall model, based on an appropriate flow analysis, the hourly amounts delivered from each such resource to the corresponding interface point between adjacent Control Areas and the area comprised of the PJM West Region and PJM Control Area.”

Please contact me if you have any questions. I can be reached at 610-666-4536 or via e-mail at bowrij@pjm.com.

Sincerely,

Joseph E. Bowring
Manager



Rules For External Transaction Pricing

1. If a transaction path, based on the NERC tag, for a transaction into PJM includes one of the identified associated control areas as the source, then the transaction will be priced at the PJM-AEPVPIMP interface price. For example, a transaction scheduled from a control area within MAPP to PJM will be priced at the PJM-AEPVPIMP interface price, regardless of the scheduled delivery point.
2. If a transaction path, based on the NERC tag, for a transaction out of PJM includes one of the identified associated control areas as the sink, then the transaction will be priced at the PJM-AEPVPEXP interface price. For example, a transaction scheduled from PJM to a control area within MAIN will be priced at the PJM-AEPVPEXP interface price, regardless of the scheduled source.
3. If a transaction path, based on the NERC tag, for a transaction into or out of PJM at the PJM-NYIS, PJM-FE or PJM-DLCO interfaces includes one of the identified associated control areas as the sink, then the transaction will be priced at the PJM-NYIS, PJM-FE or PJM-DLCO interface prices. For example, a transaction scheduled from PJM to the Ontario Hydro control area will be priced at the PJM-NYIS interface price, regardless of the scheduled source.
4. No export transactions or decrement offers will be accepted at the PJM-AEPVPIMP interface in the day ahead market. No import transactions or increment offers will be accepted at the PJM-AEPVPEXP interface in the day ahead market.



Mapping for External Transaction Pricing

Abbreviation	Control Area	NERC Region	Import Pricing Point	Export Pricing Point
AECI	Associated Electric Cooperative Inc.	SERC	AEPVPIMP	AEPVPEXP
CPLE	Carolina Power & Light Company – East	SERC	AEPVPIMP	AEPVPEXP
CPLW	Carolina Power & Light Company – West	SERC	AEPVPIMP	AEPVPEXP
DUKE	Duke Power Company	SERC	AEPVPIMP	AEPVPEXP
SCE&G	South Carolina Electric & Gas Company	SERC	AEPVPIMP	AEPVPEXP
SCPSA	South Carolina Public Service Authority	SERC	AEPVPIMP	AEPVPEXP
VAP	Virginia Power	SERC	AEPVPIMP	AEPVPEXP
SOUTHERN	Southern Company System	SERC	AEPVPIMP	AEPVPEXP
TVA	Tennessee Valley Authority	SERC	AEPVPIMP	AEPVPEXP
DOE	Department of Energy	SERC	AEPVPIMP	AEPVPEXP
SMEPA	South Mississippi Electric Power Association	SERC	AEPVPIMP	AEPVPEXP
AEC	Alabama Electric Cooperative	SERC	AEPVPIMP	AEPVPEXP
ENTR	Entergy Electric System	SERC	AEPVPIMP	AEPVPEXP
YADKIN	Yadkin, Inc.	SERC	AEPVPIMP	AEPVPEXP
HARTWELL	Hartwell - SEPA	SERC	AEPVPIMP	AEPVPEXP
SEPA-RBR	Russell - SEPA	SERC	AEPVPIMP	AEPVPEXP
SEPA-JST	Thurmond – SEPA	SERC	AEPVPIMP	AEPVPEXP
CAJN	Cajun Electric Power Cooperative Inc.	SERC	AEPVPIMP	AEPVPEXP
FE/OE	FirstEnergy Corporation	ECAR	FE	FE
FE/TE	Toledo	ECAR	FE	FE
FE/CEI	Cleveland Electric	ECAR	FE	FE
OVEC	Ohio Valley Electric Corporation	ECAR	AEPVPIMP	AEPVPEXP
HEC	Hoosier Energy Rural Electric Cooperative, Inc.	ECAR	AEPVPIMP	AEPVPEXP
CIN	CINergy	ECAR	AEPVPIMP	AEPVPEXP
SIGE	Southern Indiana Gas & Electric Company	ECAR	AEPVPIMP	AEPVPEXP
LGEE	LGE Energy	ECAR	AEPVPIMP	AEPVPEXP
BREC	Big Rivers Electric Corporation	ECAR	AEPVPIMP	AEPVPEXP
DLCO	Duquesne Light Company	ECAR	DLCO	DLCO
IPL	Indianapolis Power & Light Company	ECAR	AEPVPIMP	AEPVPEXP
NIPS	Northern Indiana Public Service Company	ECAR	AEPVPIMP	AEPVPEXP
CONS	Consumers Energy (MECS)	ECAR	AEPVPIMP	AEPVPEXP
DECO	Detroit Edison Company (MECS)	ECAR	AEPVPIMP	AEPVPEXP
EKPC	East Kentucky Power Cooperative	ECAR	AEPVPIMP	AEPVPEXP
CWL1	Columbia Water and Light	ECAR	AEPVPIMP	AEPVPEXP
AMRN	Ameren	MAIN	AEPVPIMP	AEPVPEXP
IP	Illinois Power Company	MAIN	AEPVPIMP	AEPVPEXP
CILCO	Central Illinois Light Company	MAIN	AEPVPIMP	AEPVPEXP
CWLP	City of Springfield Water Light & Power	MAIN	AEPVPIMP	AEPVPEXP
SIPC	Southern Illinois Power Cooperative	MAIN	AEPVPIMP	AEPVPEXP
EEI	Electric Energy Incorporated	MAIN	AEPVPIMP	AEPVPEXP



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COMED	Commonwealth Edison	MAIN	AEPVPIMP	AEPVPEXP
ALTE	Alliant Gas & Electric East	MAIN	AEPVPIMP	AEPVPEXP
WEC	Wisconsin Electric Power Company	MAIN	AEPVPIMP	AEPVPEXP
WPS	Wisconsin Public Service Corporation	MAIN	AEPVPIMP	AEPVPEXP
MGE	Madison Gas & Electric Company	MAIN	AEPVPIMP	AEPVPEXP
UPP	Upper Peninsula Power Company	MAIN	AEPVPIMP	AEPVPEXP
FPL	Florida Power & Light	FRCC	AEPVPIMP	AEPVPEXP
FPC	Florida Power Corporation	FRCC	AEPVPIMP	AEPVPEXP
FTP	Fort Pierce Utility Authority	FRCC	AEPVPIMP	AEPVPEXP
GVL	Gainesville Regional Utility	FRCC	AEPVPIMP	AEPVPEXP
HST	City of Homestead	FRCC	AEPVPIMP	AEPVPEXP
JEA	Jacksonville Electric Authority	FRCC	AEPVPIMP	AEPVPEXP
KEY	City of Key West	FRCC	AEPVPIMP	AEPVPEXP
KIS	Kissimmee Utility Authority	FRCC	AEPVPIMP	AEPVPEXP
LWU	City of Lake Worth Utility	FRCC	AEPVPIMP	AEPVPEXP
NSB	Utilities Commission of New Smyrna Beach	FRCC	AEPVPIMP	AEPVPEXP
OUC	Orlando Utilities Commission	FRCC	AEPVPIMP	AEPVPEXP
SEC	Seminole Electric Cooperative	FRCC	AEPVPIMP	AEPVPEXP
LAK	City of Lakeland	FRCC	AEPVPIMP	AEPVPEXP
STK	City of Starke	FRCC	AEPVPIMP	AEPVPEXP
TAL	City of Tallahassee	FRCC	AEPVPIMP	AEPVPEXP
TEC	Tampa Electric Company	FRCC	AEPVPIMP	AEPVPEXP
FMP	FMPA / City of Vero Beach	FRCC	AEPVPIMP	AEPVPEXP
NUG	Non-Utility Generators	FRCC	AEPVPIMP	AEPVPEXP
RCU	Reedy Creek Energy Services, INC.	FRCC	AEPVPIMP	AEPVPEXP
CELE	Central Louisiana Electric Company	SPP	AEPVPIMP	AEPVPEXP
Lafa	Lafayette Utilities	SPP	AEPVPIMP	AEPVPEXP
LEPA	Louisiana Energy and Power Authority	SPP	AEPVPIMP	AEPVPEXP
SWPA	Southwestern Power Administration	SPP	AEPVPIMP	AEPVPEXP
CESW	Central and South West	SPP	AEPVPIMP	AEPVPEXP
GRRD	Grand River Dan Authority	SPP	AEPVPIMP	AEPVPEXP
OKGE	Oklahoma Gas and Electric Company	SPP	AEPVPIMP	AEPVPEXP
WFEC	Western Farmers Electric Cooperative	SPP	AEPVPIMP	AEPVPEXP
SWPS	Southwestern Public Service	SPP	AEPVPIMP	AEPVPEXP
OMPA	Oklahoma Municipal Power Authority	SPP	AEPVPIMP	AEPVPEXP
MIDW	Midwest Energy	SPP	AEPVPIMP	AEPVPEXP
SUNC	Sunflower Electric Cooperative	SPP	AEPVPIMP	AEPVPEXP
WERE	KPL a Western Resources Company	SPP	AEPVPIMP	AEPVPEXP
WEPL	Westplains Energy	SPP	AEPVPIMP	AEPVPEXP
MIPU	Missouri Public Service Company	SPP	AEPVPIMP	AEPVPEXP
KACP	Kansas City Power and Light Company	SPP	AEPVPIMP	AEPVPEXP
KACY	Board of Public Utilities	SPP	AEPVPIMP	AEPVPEXP
EMDE	Empire District Electric Company	SPP	AEPVPIMP	AEPVPEXP
INDN	City of Independence	SPP	AEPVPIMP	AEPVPEXP
SPRM	City Utilities of Springfield	SPP	AEPVPIMP	AEPVPEXP
NPPD	Nebraska Public Power District	MAPP	AEPVPIMP	AEPVPEXP
OPPD	Omaha Public Power District	MAPP	AEPVPIMP	AEPVPEXP
LES	Lincoln Electric System	MAPP	AEPVPIMP	AEPVPEXP



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WAPA	Western Area Power Administration	MAPP	AEPVPIMP	AEPVPEXP
OTP	Otter Tail Power Company	MAPP	AEPVPIMP	AEPVPEXP
SPC CAN	Saskatchewan Power Cooperation	MAPP	AEPVPIMP	AEPVPEXP
SMP	Southern Municipal Power Agency	MAPP	AEPVPIMP	AEPVPEXP
MH CAN	Manitoba Hydro	MAPP	AEPVPIMP	AEPVPEXP
MP	Minnesota Power	MAPP	AEPVPIMP	AEPVPEXP
UPA	United Power Association	MAPP	AEPVPIMP	AEPVPEXP
NSP	Northern States Power Company	MAPP	AEPVPIMP	AEPVPEXP
DPC	Dairyland Power Cooperative	MAPP	AEPVPIMP	AEPVPEXP
MEC	MidAmerican Energy Company	MAPP	AEPVPIMP	AEPVPEXP
ALTW	IES Utilities, Inc (631 IESC and 625 IPW merged)	MAPP	AEPVPIMP	AEPVPEXP
MPW	Muscatine Power and Water	MAPP	AEPVPIMP	AEPVPEXP
SJLP	St. Joe Light and Power	MAPP	AEPVPIMP	AEPVPEXP
OH CAN	Ontario Hydro	NPCC	NYPP	NYPP
NB CAN	New Brunswick	NPCC	NYPP	NYPP
NS CAN	Nova Scotia	NPCC	NYPP	NYPP
NEP	New England Power Pool	NPCC	NYPP	NYPP
HQ CAN	Hydro Quebec	NPCC	NYPP	NYPP
NYPP	New York Power Pool	NPCC	NYPP	NYPP