

Guideline for ATSI zonal customers for the 2011/2012 Annual ARR Allocation and FTR Auction

Overview:

ATSI zonal customers are eligible to participate in the Annual PJM ARR/FTR process for ARRs and FTRs that will be effective from 6/1/2011 through 5/31/2012. This process will be conducted in March 2011 through May 2011.

ARR Allocation

The PJM Annual ARR process consists of two stages. In Stage 1, participants may request ARRs that source from a designated list of generation resources that have historically served load in the ATSI zone. The total MWs available for each resource is determined by amount designated to serve load. The actual amount of MWs available for each resource for each customer will be based on the proportion of the total ATSI zonal load designated for the customer. Stage 1A total MW requests from all resources cannot exceed the determined proportion of the Zonal Base Load¹ and Stage 1A plus 1B total requests from all resources cannot exceed the determined Network Service Peak Load (NSPL).

Stage 2 of the PJM Annual ARR allocation is a three round allocation procedure where customers may request ARRs that source at any available generator bus, hub, zone, generator aggregate, or interface either inside or outside the zone where the actual load is being served. The sink point must be the actual location of where the load is being served. The total amount of MWs available to be requested for each round is equal to 1/3 of the remaining MWs available after stage 1. The total for the entire ARR allocation cannot exceed the NSPL of the customer.

Qualifying Transmission Customers² who have agreements for Long Term Point-to-Point Transmission Service may request ARRs associated with this service in Stage 1 of the Allocation as long as there is a confirmed OASIS reservation that spans the entire planning period (6/1/11 thru 5/31/12) and a non-zero transmission charge will be paid for this service. Qualifying and Non Qualifying Firm Transmission Customers may request ARRs in stage 2 of the Annual Allocation if they have an approved OASIS reservation that spans the entire planning period (6/1/11 thru 5/31/12) and a non-zero transmission charge will be paid for this service. PJM posts the list of qualifying Stage 1 reservations and instructions for all ARRs requests associated with point-to-point reservations in the Point to Point ARR/FTR Nomination Form.

ATSI zonal customers that request and are allocated ARRs will have the option to directly convert their ARRs into FTRs before the start of the Annual FTR Auction. These directly converted FTRs will shift as load shifts throughout the planning period. This option to directly convert the ARRs to FTRs will be available for the 2011/2012 and the 2012/2013 planning periods only. Requests to directly convert

¹ "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. (PJM Tariff, Schedule 1, Section 1.3.39)

² A Qualifying Transmission Customer shall be any customer with an agreement for Long-Term Point-to-Point Transmission Service, as defined in the PJM Tariff, used to deliver energy from a designated Network Resource located either outside or within the PJM Region to load located either outside or within the PJM Region, and that was confirmed and in effect during the historical reference year for the Zone in which the resource is located. Such an agreement shall allow the Qualifying Transmission Customer to participate in the first stage of the allocation, but only if such agreement has remained in effect continuously following the historical reference year and is to continue in effect for the period addressed by the allocation, either by its term or by renewal or rollover. (PJM Tariff, Schedule 1, Section 7.4.2 (f))

awarded 2011/2012 ARR into FTRs can be made to Tim Horger (horget@pjm.com), Zhenyu Fan (fanz@pjm.com), and Kevin Bazar (bazark@pjm.com) by April 5, 2011.

Files and data associated with the 2011/2012 ARR allocation which includes the Stage 1A historical resource list and Point to Point ARR/FTR Nomination Form can be found at the following link under the Annual ARR Allocation for 2011/2012.

<http://www.pjm.com/markets-and-operations/ptr/auction-user-info.aspx>

FTR Auction

The PJM Annual FTR Auction consists of four rounds with 25% of the available FTR capability auctioned in each round. Customers may choose to Self Schedule ARRs into FTRs in round 1 of the FTR Auction only. Self Scheduled FTRs will be automatically cleared and distributed across each round and the path for the Self Scheduled FTR must be the same as the corresponding ARR. The ARR revenues will be used to fund the Self Scheduled FTR so the participant becomes a price taker in the auction. Self Scheduled FTRs do not shift when load shifts unlike directly allocated FTRs that do shift when load shifts. Participants who request FTRs must have appropriate credit established for these requests. However, ARRs that are directly converted into FTRs will not be subject to credit requirements. Credit should be established with PJM before the bidding window opens for the appropriate auction. Credit requirements overview and calculator can be found in the FTR credit section located at the bottom of the below link:

<http://www.pjm.com/markets-and-operations/ptr/auction-user-info.aspx#FTRcredit>

Schedule:

The PJM Annual Process for clearing ARR and FTRs that will be effective from 6/1/2011 through 5/31/12 will be conducted in the March 2011 through May 2011 time period. The actual schedule can be found at the below link:

<http://www.pjm.com/markets-and-operations/ptr/~media/markets-ops/ptr/ptr-allocation/ptr-market-schedule/2011-ptr-arr-market-schedule.ashx>

Requests to directly convert awarded 2011/2012 ARRs into FTRs must be made to Tim Horger (horget@pjm.com), Zhenyu Fan (fanz@pjm.com), and Kevin Bazar (bazark@pjm.com) by 4/5/11.

Setup:

ATSI customers must be PJM members and have eSuite accounts with read/write access to eFTR to participate in the annual ARR and FTR process. The eFTR system is used for requesting all ARRs and FTRs for PJM's allocations and auctions. PJM recommends that each account be setup by 2/1/11 so that there will be enough time for PJM configuration and participant familiarity with the eFTR system. PJM cannot extend any ARR and FTR bidding periods due to the extensive schedule and cascading affect on future events.

Participants should note that in order to facilitate billing for Network Integration Transmission Service and other non-market based billing line items in the ATSI zone, the ATSI Utilities will be uploading NSPLs for each ATSI Utility's service territory into separate sub-accounts for each LSE. This means that LSEs that

serve load in multiple ATSI service territories will need to establish separate “transmission” sub-accounts for each ATSI service territory in which they serve load (see additional details in the LSE Account Set Up section of the ATSI Integration White Paper: <http://www.pjm.com/markets-and-operations/market-integration/~media/markets-ops/atsi-integration/atsi-integration-whitepaper.ashx>). Since NSPLs for each service territory will be contained in separate accounts, ARR for each service territory will also be nominated from these separate accounts. However, if participants would prefer to nominate all of their ARRs for the ATSI zone from a single sub-account rather than from the separate transmission sub-accounts, they may elect to implement ARR Account Transfers. More information on that option is available at the following location: <http://www.pjm.com/markets-and-operations/market-integration/~media/markets-ops/atsi-integration/aar-transfers-between-sub-accounts.ashx>

Participants seeking PJM Membership may initiate the membership process via the following link: <http://www.pjm.com/about-pjm/member-services/become-a-member/membership-enrollment.aspx>

Existing PJM members that wish to set up additional sub-accounts for the purposes of housing Network Service Peak Loads and nominating ARRs may do so by submitting CAM Form B:

<http://www.pjm.com/about-pjm/member-services/~media/about-pjm/member-services/membership-assistant/customer-account-manager-designation-form.ashx>

Questions:

All information pertaining to the 2011/2012 Annual ARR allocation and FTR Auction will be available on the FTR Auction User Information page located at the following link:

<http://www.pjm.com/markets-and-operations/ftr/auction-user-info.aspx>

Annual ARR and FTR Training are available at the following link:

<http://www.pjm.com/markets-and-operations/~media/markets-ops/ftr/2009-annual-ftr-auction-training.ashx>

Specific questions can be made to the following:

Tim Horger, Manager Market Simulation

horget@pjm.com

610-666-2248