

Duke FRR Plan Load Settlements Approach Summary

Introduction	2
RAA - Schedule 8.1 Sections D.8 & D.9	4
RAA Interpretation Applied to FRR Plans with Retail Load.....	5
Billing Line Items Used to Settle the Duke Zone for the Transitional Period.....	7
FRR LSE Reliability Charge	7
FRR LSE Reliability Credit.....	8
PJM Scheduling, System Control and Dispatch Service – Capacity Resource/Obligation Mgmt. Charge	9
(Schedule 9-5).....	9
PJM Scheduling, System Control and Dispatch Service – Capacity Resource/Obligation Mgmt. Refund Charge	9
(Schedule 9-5 Refund)	9
FRR LSE Schedule 9-5 Charge	10
FRR LSE Schedule 9-5 Credit.....	11
PJM Scheduling, System Control and Dispatch Service – Advanced Second Control Center Charge.....	12
(Schedule 9-6) <i>Capacity Market (Schedule 9-5) Portion Only</i>	12
FRR LSE Schedule 9-6 Charge	12
FRR LSE Schedule 9-6 Credit.....	13
FRR Capacity Resource Deficiency Charge	14
Compliance Charges	15
Peak-Hour Period Availability Credit	16
FRR LSE Peak-Hour Period Availability Credit.....	16
FRR LSE Peak-Hour Period Availability Charge	17
Demand Resource & ILR Event Compliance Penalty Credit	18
Matrix: List of Billing Line Items used to settle load served under Duke Energy Ohio FRR Plan.....	19

Introduction

Duke Energy Ohio and Kentucky will integrate into PJM on January 1, 2012. Since the Base Residual Auctions (BRAs) for the 2011/2012 DY, 2012/2013 DY and 2013/2014 DY had already been held prior to the announcement of the Duke integration, capacity resources were not procured in those BRAs to cover the capacity obligation of the DEOK zone (Duke Energy Ohio/Kentucky zone) for the period of 1/1/2012 – 5/31/2014. Therefore, Duke Energy Ohio will submit out-of-time FRR Plans to meet the capacity obligation of the entire DEOK zone for this transitional 29 month period. For the transitional period, Duke Energy Ohio has the obligation to include in their FRR Plan enough capacity resources to meet the capacity obligation of the entire DEOK zone, including the capacity obligation belonging to other Load Serving Entities (LSEs) serving load in the zone.

LSEs serving load in the DEOK zone have the following options for meeting their individual capacity obligations:

1. Have Duke Energy Ohio procure capacity on their behalf, then compensate Duke Energy Ohio for that capacity. LSEs exercising this option are referred to as “Non-Opt Out LSEs”.
2. Commit capacity resources to meet all or a portion of the LSE’s capacity obligation. In this case, Duke Energy Ohio will not procure the amount of capacity the LSE elected to remove from the capacity procurement process (“Opt Out MW”). The Opt Out MW will be removed from the capacity requirement Duke Energy Ohio’ FRR Plan must cover. LSEs exercising this option are referred to as “Opt Out LSEs”.
 - a. This option is available only to LSEs serving retail load. Based on the interpretation of Section D.9 of Section 8.1 of the RAA, retail LSEs that elect this option become directly responsible to PJM for meeting their capacity obligation and for any charges assessed due to insufficient capacity or resource compliance issues. See the discussion in the ‘RAA Interpretation Applied to FRR Plans with Retail Load’ section of this document for additional details.
3. Elect the FRR Alternative and submit their own FRR Plan to PJM to cover their capacity obligation. This option is only available to load serving entities serving wholesale load with fully metered boundaries. If an LSE serving wholesale load elects this option, the LSE becomes solely responsible for meeting their capacity obligation and that LSE’s capacity obligation would be removed from the capacity requirement Duke Energy Ohio’ FRR Plan must cover. Wholesale LSEs exercising this option are referred to as “Independent FRR Entities”.

The remainder of this document discusses how each of the above types of LSEs will be billed for their capacity obligations and any capacity they commit to meet those obligations. The next section contains sections D.8 and D.9 of Schedule 8.1 in the RAA. These sections govern how responsibility for the obligations of Non-Opt Out LSEs and Opt Out LSEs has been determined. The subsequent section then discusses how the interpretation of sections D.8 and D.9 will be applied to the settlement and credit requirements for Non Opt Out LSEs and Opt Out LSEs. The final sections outline the billing line items that will be used to settled all capacity market activity in the DEOK zone during the transitional period.

RAA - Schedule 8.1 Sections D.8 & D.9

D.8. In a state regulatory jurisdiction that has implemented retail choice, the FRR Entity must include in its FRR Capacity Plan all load, including expected load growth, in the FRR Service Area, notwithstanding the loss of any such load to or among alternative retail LSEs. In the case of load reflected in the FRR Capacity Plan that switches to an alternative retail LSE, where the state regulatory jurisdiction requires switching customers or the LSE to compensate the FRR Entity for its FRR capacity obligations, such state compensation mechanism will prevail. In the absence of a state compensation mechanism, the applicable alternative retail LSE shall compensate the FRR Entity at the capacity price in the unconstrained portions of the PJM Region, as determined in accordance with Attachment DD to the PJM Tariff, provided that the FRR Entity may, at any time, make a filing with FERC under Sections 205 of the Federal Power Act proposing to change the basis for compensation to a method based on the FRR Entity's cost or such other basis shown to be just and reasonable, and a retail LSE may at any time exercise its rights under Section 206 of the FPA.

D.9. Notwithstanding the foregoing, in lieu of providing the compensation described above, such alternative retail LSE may, for any Delivery Year subsequent to those addressed in the FRR Entity's then-current FRR Capacity Plan, provide to the FRR Entity Capacity Resources sufficient to meet the capacity obligation described in paragraph D.2 for the switched load. Such Capacity Resources shall meet all requirements applicable to Capacity Resources pursuant to this Agreement and the PJM Operating Agreement, all requirements applicable to resources committed to an FRR Capacity Plan under this Agreement, and shall be committed to service to the switched load under the FRR Capacity Plan of such FRR Entity. The alternative retail LSE shall provide the FRR Entity all information needed to fulfill these requirements and permit the resource to be included in the FRR Capacity Plan. The alternative retail LSE, rather than the FRR Entity, shall be responsible for any performance charges or compliance penalties related to the performance of the resources committed by such LSE to the switched load. For any Delivery Year, or portion thereof, the foregoing obligations apply to the alternative retail LSE serving the load during such time period. PJM shall manage the transfer accounting associated with such compensation and shall administer the collection and payment of amounts pursuant to the compensation mechanism. Such load shall remain under the FRR Capacity Plan until the effective date of any termination of the FRR Alternative and, for such period, shall not be subject to Locational Reliability Charges under Section 7.2 of this Agreement.

RAA Interpretation Applied to FRR Plans with Retail Load

FRR Entities in retail choice states are obligated to include in their FRR Capacity Plan all load in their FRR Service Area even if that load is ultimately served by an alternative retail LSE. In such case, RAA, Schedule 8.1, Section D.8 provides that the alternative retail LSE must compensate the FRR Entity either pursuant to the state compensation mechanism if one exists or at the capacity price in the unconstrained portion of the PJM Region if there is no state compensation mechanism.

Alternative retail LSEs also have an option under RAA, Schedule 8.1, Section D.9 to provide capacity resources to the FRR Entity to meet the capacity obligation for the load in question (“opt out”) rather than compensating the FRR Entity for such capacity under RAA, Schedule 8.1, Section D.8. If they decide to provide the capacity rather than compensate the FRR Entity, the alternative retail LSE becomes responsible for the payment of performance charges and compliance penalties if the provided capacity resources fail to perform.

Therefore, under RAA, Schedule 8.1, Section D.8, the FRR Entity retains the capacity obligation and obligation to pay penalties and charges; and pursuant to the terms of RAA, Schedule 8.1, Section D.9, the alternative retail LSE, in lieu of providing compensation to the FRR Entity for an amount of capacity obligation, is responsible for the capacity obligation amount and obligation to pay penalties and charges related to such capacity obligation amount.

At the FRR Entity’s request, PJM will act as a billing agent between the FRR Entity and the LSEs covered by the FRR Plan with respect to charges and credits incurred based on each LSE’s capacity obligation and any resources provided by LSEs to meet those obligations. However, this is only an administrative billing arrangement which does not change the responsibilities between the FRR Entity and the LSEs as set forth in the RAA.

In that regard, pursuant to the administrative billing arrangement, PJM will be issuing bills to the LSEs on behalf of Duke Energy Ohio to recover from the LSEs any money that is owed to Duke Energy Ohio by the LSEs for capacity Duke Energy Ohio procured on their behalf. To be clear, the money collected from the LSEs for the amounts billed for Duke Energy Ohio is not money owed to PJM by those LSEs and therefore is not being billed on behalf of PJM. Instead, PJM is merely serving as the conduit between Duke Energy Ohio and the LSE, acting as Duke Energy Ohio’s agent. That being the case, if an alternative retail LSE that owes money to Duke Energy Ohio under RAA, Schedule 8.1, Section D.8 doesn’t pay the money to PJM as Duke Energy Ohio’s agent, the default is as between that LSE and Duke Energy Ohio. Thus, it is not a default on an obligation owed to PJM.

On the other hand, where the alternative retail LSE has assumed the obligation to provide the capacity to PJM (under RAA, Schedule 8.1, Section D.9) rather than paying Duke Energy Ohio for the capacity procured, that alternative retail LSE has agreed to obligate itself to PJM and if

it doesn't perform and fails to pay the associated performance charges or compliance penalties, then that alternative retail LSE is in default of an obligation owed to PJM, at which point Section 15.1 of the PJM Operating Agreement will be invoked.

If an alternative retail LSE only opted out for a portion of their obligation, then they will be directly responsible to PJM for the amount of the obligation opted out of the plan and will be responsible to Duke Energy Ohio for the cost of any capacity obligation in excess of what was opted out of the plan.

When determining deficiencies and resource compliance penalties, PJM will evaluate each alternative retail opt out LSE's ("Opt Out LSE") opt out MW and the capacity resources that Opt Out LSE committed to meet its opt out MW separately from those of any other Opt Out LSE or the Duke Energy Ohio FRR plan. The Opt Out LSE will be responsible directly to PJM for any deficiency charges or compliance penalties incurred based on the resources they committed to meet the opt out MW. Because the Opt Out LSE is directly responsible to PJM for its opt out MW and the resources committed to meet that obligation, the Opt Out LSE will be subject to standard PJM credit requirements.

In summary:

- Opt Out LSEs are directly responsible to PJM for all charges and credits related to their opt out obligations and the resources they commit to meet their stated opt out obligation
- Opt Out LSEs are directly responsible to Duke Energy Ohio for any obligation in excess of their stated opt out MW
- An Opt Out LSE's obligation and resources are evaluated for deficiencies and compliance penalties separately from those of any FRR Entities, including Duke Energy Ohio (they are treated as separate portfolios)
- Opt Out LSEs must post credit with PJM, rather than Duke Energy Ohio
- LSEs on whose behalf Duke Energy Ohio procures capacity (Non-Opt Out LSEs) are responsible directly to Duke Energy Ohio. Duke Energy Ohio remains responsible to PJM for the obligation associated with these LSEs.

Billing Line Items Used to Settle the Duke Zone for the Transitional Period

This section summarizes the billing line items that will be used to bill Duke Energy Ohio, Non-Opt Out LSEs, Opt Out LSEs and Independent FRR Entities for capacity market activity in the DEOK zone during the transitional period (partial 2011/2012 DY, 2012/2013, and 2013/2014 DY). New billing line items have been created to separate charges and credits that are being billed on behalf of PJM versus being billed on behalf of Duke Energy Ohio (and any other FRR Entities in other zones, such as the ATSI Utilities, that procure capacity on behalf of retail load to cover the obligation of that load in their FRR plans). It should be noted that the newly created line items that represent charges and credits being billed on behalf of Duke Energy Ohio are being calculated in the same manner as proscribed by the RAA and PJM tariff for the corresponding PJM billing line items. For each new line item below, the corresponding PJM billing line item has been identified where applicable. The settlement procedures listed in the RAA or PJM tariff for such corresponding billing line item supersede the summarization of the calculations of the new line items listed herein. Duke Energy Ohio will directly settle with suppliers with whom they bilaterally contract for capacity. PJM will not act as the billing agent in this regard and therefore supplier settlements are not discussed in this document. The DEOK zone load will be included in the 2014/2015 BRA; therefore both load and supply in the DEOK zone will be billed via traditional PJM billing arrangements outlined in the RAA and PJM tariff for all capacity market activity for the 2014/2015 DY forward.

FRR LSE Reliability Charge

Billed on behalf of: FRR Entity (Duke Energy Ohio)

New billing line item: Yes

Corresponding PJM billing line item: N/A

Description: This is equivalent to the Locational Reliability Charge that is paid by RPM LSEs. It is charged to all LSEs serving load under an FRR plan owned by a different entity. It serves to compensate the FRR Entity for capacity procured on the behalf of the LSEs serving load within that FRR Entity’s FRR service area.

<u>Paid By:</u>	<u>Duke Energy Ohio</u>	<u>Independent FRR Entity</u>	<u>Opt Out LSE</u>	<u>Non-Opt Out LSE</u>
			X	X

Calculation:

Opt Out LSEs: (Daily UCAP Obligation – Opt Out MW) * Final Zonal Capacity Price in the unconstrained region in PJM

- For Opt Out LSEs, if Daily UCAP Obligation < Opt Out MW, this results in a negative charge (credit) for the additional capacity they provided which is ultimately meeting other LSEs' obligations

Non-Opt Out LSEs: Daily UCAP Obligation * Final Zonal Capacity Price in the unconstrained region in PJM

Additional Notes:

Opt Out LSEs will not be charged for their Opt Out MW, nor will they be credited for the capacity MW they commit to meet their Opt Out MW. Since these two amounts should be equal and would be settled at the same rate, if a charge were calculated for their obligation and a credit were calculated for the capacity MW committed to meet that obligation, the charge and credit would always net to zero. This is also consistent with the fact that PJM does not charge FRR Entities for their Daily UCAP Obligation or credit them for the capacity MW they committed in the FRR Plan.

FRR LSE Reliability Credit

Billed on behalf of: FRR Entity (Duke Energy Ohio)

New billing line item: Yes Corresponding PJM billing line item: N/A

Description: This is the distribution of the FRR LSE Reliability Charges to the FRR Entity, to reimburse the FRR Entity for capacity it procured on the behalf of other LSEs serving load in its FRR service area.

<u>Credited</u>	<u>Duke Energy Ohio</u>	<u>Independent FRR Entity</u>	<u>Opt Out LSE</u>	<u>Non-Opt Out LSE</u>
<u>To:</u>	X			

Calculation:

Duke Energy Ohio: Sum (FRR LSE Reliability Charge) for all LSEs in the DEOK zone

**PJM Scheduling, System Control and Dispatch Service – Capacity Resource/Obligation Mgmt. Charge
(Schedule 9-5)**

Billed on behalf of: PJM

New billing line item: No

Description: This is the standard Schedule 9-5 Charge that is charged to all participants in PJM’s capacity market, regardless of whether they participate via RPM or the FRR Alternative.

<u>Paid By:</u>	<u>Duke Energy Ohio</u>	<u>Independent FRR Entity</u>	<u>Opt Out LSE</u>	<u>Non-Opt Out LSE</u>
	X	X	X	

Calculation:

Duke Energy Ohio: (Total Daily UCAP Obligation covered by the Duke Energy Ohio FRR Plan + total capacity MW committed in the FRR Plan) * Schedule 9-5 Rate

Independent FRR Entity: (Total Daily UCAP Obligation covered by the FRR Entity’s FRR Plan + total capacity MW committed in the FRR Plan) * Schedule 9-5 Rate

Opt Out LSE: (Opt Out MW + total capacity MW committed to meet the Opt Out MW) * Schedule 9-5 Rate

**PJM Scheduling, System Control and Dispatch Service – Capacity Resource/Obligation Mgmt. Refund Charge
(Schedule 9-5 Refund)**

Billed on behalf of: PJM

New billing line item: No

Description: This is the standard Schedule 9-5 Refund Charge that is charged to all participants in PJM’s capacity market, regardless of whether they participant via RPM or the FRR Alternative. The Schedule 9-5 Refund Rate is a negative value, making this a negative charge (credit).

Paid By:	Duke Energy Ohio	Independent FRR Entity	Opt Out LSE	Non-Opt Out LSE
	X	X	X	

Calculation:

Duke Energy Ohio: (Total Daily UCAP Obligation covered by the Duke Energy Ohio FRR Plan + total capacity MW committed in the FRR Plan) * Schedule 9-5 Refund Rate

Independent FRR Entity: (Total Daily UCAP Obligation covered by the FRR Entity’s FRR Plan + total capacity MW committed in the FRR Plan) * Schedule 9-5 Refund Rate

Opt Out LSE: (Opt Out MW + total capacity MW committed to meet Opt Out MW) * Schedule 9-5 Refund Rate

FRR LSE Schedule 9-5 Charge

Billed on behalf of: FRR Entity (Duke Energy Ohio)

New billing line item: Yes **Corresponding RPM billing line items:** Schedule 9-5 Charge and Schedule 9-5 Refund Charge

Description: Per the PJM Tariff, the FRR Entity is billed PJM Schedule 9-5 Charges and PJM Schedule 9-5 Refund Charges for the entire Daily UCAP Obligation in its FRR service area and the total capacity MW committed in its FRR plan. This is the allocation of those PJM Schedule 9-5 Charges and PJM Schedule 9-5 Refund Charges to LSEs serving load in an FRR Entity’s FRR service area. It is charged based on an LSE’s Daily Unforced Capacity Obligation.

Paid By:	Duke Energy Ohio	Independent FRR Entity	Opt Out LSE	Non-Opt Out LSE
			X	X

Calculation:

Opt Out LSEs: (Daily UCAP Obligation – Opt Out MW) * (Schedule 9-5 rate + Schedule 9-5 refund rate)

- Retail LSEs are charged for their Opt Out MW and any capacity MW committed to the FRR plan via the regular Schedule 9-5 and Schedule 9-5 Refund Charges. This charge covers any Daily UCAP Obligation above or below the Opt Out MW.

Non-Opt Out LSEs: Daily UCAP Obligation * (Schedule 9-5 rate + Schedule 9-5 refund rate)

FRR LSE Schedule 9-5 Credit

Billed on behalf of: FRR Entity (Duke Energy Ohio)

New billing line item: Yes

Corresponding RPM billing line item: N/A

Description: This is the distribution of the FRR LSE Schedule 9-5 Charges to the FRR Entity, to reimburse the FRR Entity for PJM Schedule 9-5 and Schedule 9-5 Refund Charges it paid related to the load of other LSEs covered by the FRR Entity's FRR Plan.

<u>Credited</u>	<u>Duke Energy Ohio</u>	<u>Independent FRR Entity</u>	<u>Opt Out LSE</u>	<u>Non-Opt Out LSE</u>
<u>to:</u>	X			

Calculation:

Duke Energy Ohio: Sum (FRR LSE Schedule 9-5 Charge) for all LSEs in the DEOK zone

**PJM Scheduling, System Control and Dispatch Service – Advanced Second Control Center Charge
(Schedule 9-6) Capacity Market (Schedule 9-5) Portion Only**

Billed on behalf of: PJM

New billing line item: No

Description: Schedule 9-6 Charges are the monthly accrued actual costs related to the construction of PJM’s advanced second control center, which are collected across all users of Schedules 9-1 through 9-5 based on usage shares with the costs allocated to the applicable schedules in accordance with the PJM tariff. This section addresses the calculation of only the portion of the charge that is allocated to all participants in PJM’s capacity market based on Schedule 9-5 usage (or capacity market activity). FRR Entities and other LSEs may still be charged Schedule 9-6 charges for their Schedule 9-1 through 9-4 usage; however, those calculations are not addressed in this document.

<u>Paid By:</u>	<u>Duke Energy Ohio</u>	<u>Independent FRR Entity</u>	<u>Opt Out LSE</u>	<u>Non-Opt Out LSE</u>
	X	X	X	

Calculation:

Duke Energy Ohio, Independent FRR Entity and Opt Out LSE: Company’s Schedule 9-5 Usage * (Total PJM AC2 Charge allocated to Schedule 9-5 Usage /Total PJM Schedule 9-5 Usage)

Additional Notes:

Schedule 9-5 Usage is the amount of MW for which the company was charged Schedule 9-5 Charges.

FRR LSE Schedule 9-6 Charge

Billed on behalf of: FRR Entity (Duke Energy Ohio)

New billing line item: Yes

Corresponding RPM billing line item: Schedule 9-6 Charge

Description: Per the PJM Tariff, the FRR Entity is billed PJM Schedule 9-6 Charges that are allocated to Schedule 9-5 usage for the entire Daily UCAP Obligation in its FRR service area and the total capacity MW committed to its FRR plan. This is the transfer of those PJM Schedule 9-6 Charges to LSEs serving load in an FRR Entity’s FRR service area. It is charged based on an LSE’s Daily Unforced Capacity Obligation.

Paid By:	Duke Energy Ohio	Independent FRR Entity	Opt Out LSE	Non-Opt Out LSE
			X	X

Calculation:

Opt Out LSEs and Non-Opt Out LSEs: LSE’s FRR LSE Schedule 9-5 Usage * (Total PJM AC2 Charge allocated to Schedule 9-5 Usage /Total PJM Schedule 9-5 Usage)

Additional Notes:

FRR LSE Schedule 9-5 Usage is the amount of MW for which the LSE was charged FRR LSE Schedule 9-5 Charges.

FRR LSE Schedule 9-6 Credit

Billed on behalf of: FRR Entity (Duke Energy Ohio)

New billing line item: Yes **Corresponding RPM billing line item:** N/A

Description: This is the distribution of the FRR LSE Schedule 9-6 Charges to the FRR Entity, to reimburse the FRR Entity for PJM Schedule 9-6 Charges it paid related to the load of other LSEs covered by the FRR Entity’s FRR Plan.

Credited	Duke Energy Ohio	Independent FRR Entity	Opt Out LSE	Non-Opt Out LSE
To:	X			

Calculation:

Duke Energy Ohio: Sum (FRR LSE Schedule 9-6 Charge) for all LSEs in the DEOK zone

FRR Capacity Resource Deficiency Charge

Billed on behalf of: PJM

New billing line item: No

Description: This is the standard FRR Capacity Resource Deficiency Charge that is assessed to FRR Entities if their FRR Capacity Plan does not have enough resources committed to meet the Final Daily Unforced Capacity Obligation for the FRR service area.

<u>Paid By:</u>	<u>Duke Energy Ohio</u>	<u>Independent FRR Entity</u>	<u>Opt Out LSE</u>	<u>Non-Opt Out LSE</u>
	X	X	X	

Calculation:

Duke Energy Ohio, Independent FRR Entity, Opt Out LSE: Deficiency MW * 1.2 *Weighted Average Resource Clearing Price in the unconstrained area of the RTO for the applicable Delivery Year

Duke Energy Ohio: Deficiency MW = Max(Daily Unforced Capacity Obligation covered by the Duke Energy Ohio FRR Plan - Capacity MW committed in the FRR Plan, 0)

Independent FRR Entity: Deficiency MW = Max(Daily Unforced Capacity Obligation covered by the FRR Entity's FRR Plan - Capacity MW committed in the FRR Plan, 0)

Opt Out LSE: Deficiency MW = Max(Opt Out MW - Capacity MW committed to meet the Opt Out MW, 0)

Compliance Charges

Billed on behalf of: PJM

New billing line item: No

Description: This is the standard set of compliance charges that are billed to FRR Entities for any performance issues with the capacity resources committed to the FRR Entity's FRR Plan. This includes the following billing line items:

- Qualifying Transmission Upgrade Compliance Penalty Charge (resource-specific)
- Peak-Hour Period Availability Charge (portfolio-based)
- Generation Resource Rating Test Failure Charge (resource-specific)
- Peak Season Maintenance Compliance Penalty Charge (resource-specific)
- Demand Resource and ILR Compliance Penalty Charge (portfolio-based)
- Load Management Test Failure Charge (portfolio-based)

<u>Paid By:</u>	<u>Duke Energy Ohio</u>	<u>Independent FRR Entity</u>	<u>Opt Out LSE</u>	<u>Non-Opt Out LSE</u>
	X	X	X	

Calculation:

Please see PJM Manual 18: PJM Capacity Market for details on the calculating the individual compliance penalty charges listed above.

Additional Notes:

When calculating portfolio-based charges, the capacity resources provided by the FRR Entity and the capacity resources provided by Opt Out LSEs or Independent FRR Entities will be evaluated as separate portfolios.

Opt Out LSEs will be treated like FRR Entities when calculating these charges related to the performance of capacity resources they committed to meet their Opt Out MW.

Peak-Hour Period Availability Credit

Billed on behalf of: PJM

New billing line item: No

Description: This represents the allocation of Peak-Hour Period Availability Charges to FRR Entities.

- Allocated to FRR Entities if they have net negative peak period capacity shortfalls in their FRR Plan
- In the event excess peak-hour period availability credits are allocated to LSEs, this credit is further allocated to FRR Entities based on the total Daily UCAP Obligation for the FRR Service Area

<u>Credited</u>	<u>Duke Energy Ohio</u>	<u>Independent FRR Entity</u>	<u>Opt Out LSE</u>	<u>Non-Opt Out LSE</u>
<u>To:</u>	X	X	X	

Calculation:

Please see PJM Manual 18: PJM Capacity Market for details on the calculating Peak-Hour Period Availability Credits

Opt Out LSEs will be treated like FRR Entities when calculating these credits related to the performance of capacity resources they committed to meet their Opt Out MW. In the event excess peak-hour period availability credits are allocated to LSEs, this credit will be awarded to Opt-Out LSEs based on their Opt Out MW. Any credit/charge due to the Opt Out LSE for their Daily UCAP Obligation that is above/ below their Opt Out MW will be settled via the FRR LSE Peak-Hour Period Availability Credit.

FRR LSE Peak-Hour Period Availability Credit

Billed on behalf of: FRR Entity (Duke Energy Ohio)

New billing line item: Yes

Corresponding RPM billing line item: Peak-Hour Period Availability Credit

Description: This is the allocation of PJM Peak-Hour Period Availability Credits to alternative retail LSEs.

- In the event excess peak-hour period availability credits are allocated to LSEs, this credit is further allocated to all LSEs serving load under an FRR plan owned by a different entity, where the FRR Entity has received excess Peak Hour Period Availability Credits which are distributed based on Daily UCAP Obligation.

<u>Credited</u>	<u>Duke Energy Ohio</u>	<u>Independent FRR Entity</u>	<u>Opt Out LSE</u>	<u>Non-Opt Out LSE</u>
<u>To:</u>			X	X

Opt Out LSEs: Portion of Duke Energy Ohio’s Peak-Hour Period Availability Credit received during excess allocation * ((LSE’s Daily UCAP Obligation – Opt Out MW)/ Total Daily UCAP Obligation covered by the Duke Energy Ohio FRR Plan))

Non-Opt Out LSEs: Portion of Duke Energy Ohio’s Peak-Hour Period Availability Credit received during excess allocation * (LSE’s Daily UCAP Obligation / Total Daily UCAP Obligation covered by the Duke Energy Ohio FRR Plan)

FRR LSE Peak-Hour Period Availability Charge

Billed on behalf of: FRR Entity (Duke Energy Ohio)

New billing line item: Yes

Corresponding RPM billing line item: N/A

Description: This is a charge to the FRR Entity (Duke Energy Ohio) to support the distribution of the FRR LSE Peak-Hour Period Availability Credits to the Opt-Out and Non-Opt Out LSEs, to reflect the fact that the PJM Peak-Hour Availability Credits originally received by the FRR Entity (Duke Energy Ohio) were based on another LSE’s Daily UCAP obligation.

<u>Paid By:</u>	<u>Duke Energy Ohio</u>	<u>Independent FRR Entity</u>	<u>Opt Out LSE</u>	<u>Non-Opt Out LSE</u>
	X			

Calculation:

Duke Energy Ohio: Sum (FRR LSE Peak-Hour Period Availability Credit) for all LSEs in the DEOK zone

Demand Resource & ILR Event Compliance Penalty Credit
--

Billed on behalf of: PJM

New billing line item: No

Description: This represents the allocation of Demand Resource & ILR Compliance Penalty Charges to FRR Entities. FRR Entities receive an allocation of the revenue from these charges if the portfolio of demand resources committed to their FRR Plan provided load reductions in excess of the obligated amount.

<u>Credited</u>	<u>Duke Energy Ohio</u>	<u>Independent FRR Entity</u>	<u>Opt Out LSE</u>	<u>Non-Opt Out LSE</u>
<u>To:</u>	X	X	X	

Calculation:

Please see PJM Manual 18: PJM Capacity Market for details on the calculating Demand Resource & ILR Compliance Penalty Credits. Opt Out LSEs will be treated like FRR Entities when calculating these credits related to the performance of capacity resources they committed to meet their Opt Out MW.

Matrix: List of Billing Line Items Used to Settle Load Served Under Duke Energy Ohio FRR Plan

The below table lists the capacity market-related billing line items each type of LSE may receive on their PJM billing statement.

Legend:

	PJM Billing (counts toward PJM credit requirements), Represents Original PJM Billing Line Items
	Billed by PJM on behalf of Duke Energy Ohio, Represents Adjustment Billing Line Items to facilitate billing between Duke Energy Ohio and the LSEs serving load under the Duke Energy Ohio FRR Plan

LSE Type:	Duke Energy Ohio	Independent FRR Entity	Opt Out LSE	Non-Opt Out LSE
FRR LSE Reliability Charge			X	X
FRR LSE Reliability Credit	X			
Schedule 9-5 Charge	X	X	X	
Schedule 9-5 Refund Charge	X	X	X	
FRR LSE Schedule 9-5 Charge			X	X
FRR LSE Schedule 9-5 Credit	X			
Schedule 9-6 Charge	X	X	X	
FRR LSE Schedule 9-6 Charge			X	X
FRR LSE Schedule 9-6 Credit	X			
FRR Capacity Resource Deficiency Charge	X	X	X	
Qualifying Transmission Upgrade Compliance Penalty Charge	X	X	X	
Peak-Hour Period Availability Charge	X	X	X	
Generation Resource Rating Test Failure Charge	X	X	X	
Peak Season Maintenance Compliance Penalty Charge	X	X	X	
Demand Resource & ILR Event Compliance Penalty Charge	X	X	X	
Load Management Test Failure Charge	X	X	X	
Peak-Hour Period Availability Credit	X	X	X	
FRR LSE Peak-Hour Period Availability Credit			X	X

FRR LSE Peak-Hour Period Availability Charge	X		
Demand Resource & ILR Event Compliance Penalty Credit	X	X	X