

**[PJM-MC] Communication to Members re: Upcoming RPM 2013/2014
Base Residual Auction Scheduled to Open on May 3, 2010
Notification must be sent to rpm_hotline@pjm.com**

Dear Members,

This is a communication to Market Participants that plan to offer Planned External/Internal Generation Resources, Planned Demand Resources, Energy Efficiency Resources, and Qualified Transmission Upgrades into the auction, or request Incremental Capacity Transfer Rights for the upcoming 2013/2014 Base Residual Auction (BRA). Please refer to the particular section for specific guidelines, milestones and deadlines for each of the different planned resources that can participate in the upcoming auction.

Any questions and notifications can be sent to the rpm_hotline@pjm.com

Also the RPM Auction Schedule may be accessed at <http://www.pjm.com/markets-and-operations/rpm/~media/markets-ops/rpm/rpm-auction-info/rpm-auction-schedule.ashx>

1. Planned (External/ Internal) Generation Resources: At a minimum, an **executed System Impact Study Agreement** for a Planned Internal Generation Resource (or an equivalent for Planned External Generation Resource) must be in place no later than **April 16, 2010** in order for PJM to proceed with approving the Planned Generation Resource for participation in the 2013/2014 Base Residual Auction.

PJM requests Market Participants that want to offer a Planned Generation Resource in the 2013/2014 Base Residual Auction to provide advance notification of their intent to offer by **March 1, 2010**. The purpose of the advance notification is to provide PJM with an opportunity to execute the System Impact Study Agreement for a Planned Internal Generation Resource and review a submitted equivalent System Impact Study for Planned External Generation Resources by the established deadline. An advance notification, however, will not require PJM to process an interconnection request or perform studies more quickly than provided for in the PJM Tariff. PJM's ability to execute the System Impact Study Agreement by the deadline will depend on the position of the resource in the **V3-queue (or earlier queue)** and the status of the studies. There will be no fines or administrative penalties imposed by PJM on a Market Participant if it provides PJM with advance notification of its intent to offer and the Market Participant does not actually offer the Planned Generation Resource in the auction.

A Planned Internal Generation Resource that is 10 MW or less may request an exemption from the above V3-queue requirement if the request is submitted to PJM by **February 1, 2010**, and an Interconnection request has already been submitted for the Planned Internal Generation Resource. Such requests for exemption may be granted at the Transmission Provider's discretion, and the Transmission Provider will utilize reasonable efforts to ensure the necessary agreements are in place.

2. Planned Demand Resources: Providers of **all** Planned Demand Resources (Direct Load Control projects or other Demand Response implementations) must provide a timeline by **April 12, 2010** (15 business days prior to the Base Residual Auction) that includes the key milestones that demonstrate to PJM's satisfaction that the Planned Demand Resources will be available for the start of the Delivery Year. Information on Planned Demand Resources that are part of FRR Capacity Plan must be submitted by **March 12, 2010** (15 business days prior to FRR Capacity Plan due date).

All Planned Demand Resources are subject to the RPM Credit Requirement, and must post the applicable credit by **April 26, 2010** prior to the start of the Base Residual Auction. All new Demand Resources must be modeled and have capacity assigned through a Demand Resource Modification transaction no later than **5:00 PM on Friday, April 30** to be eligible to offer into the 2013/2014 Base Residual Auction.

See Attachment A for additional information.

3. Energy Efficiency Resources: Providers of Energy Efficiency Resources must submit Initial/Updated Measurement and Verification Plan by **April 2, 2010** (30 days prior to the Base Residual Auction). See Manual 18B: Energy Efficiency Measurement and Verification for guidelines to prepare a Measurement and Verification Plan and the credit requirement.

4. Qualified Transmission Upgrades (QTU): Certification of an increase in import capability must be completed no later than **March 19, 2010** (45 days prior to the Base Residual Auction) for a QTU to participate in the 2013/2014 Base Residual Auction.

PJM requests Market Participants that want to offer a QTU in the 2013/2014 Base Residual Auction to provide advance notification of their intent to offer by **February 12, 2010**. The QTU must have, at a minimum, an **executed Facilities Study Agreement** in place before the certification, which will occur no later than March 19, 2010. The purpose of the advance notification is to provide PJM with enough time to determine the increase in import capability by the established deadline; however, the advance notification will not obligate PJM to deviate from the timeframes for processing studies in the PJM Tariff. PJM will complete the studies associated with a QTU in accordance with the PJM Tariff. There will be no fines or administrative penalties imposed by PJM on a Market Participant if it provides PJM with advance notification of its intent to offer and the Market Participant does not actually offer the QTU in the auction.

5. Incremental Capacity Transfer Rights (ICTRs): Certification of an increase in import capability associated with Merchant Transmission Facilities or a Customer-Funded Upgrade (or advancements of a transmission facility or upgrade) must be completed no later than **March 19, 2009** (45 days prior to Base Residual Auction) to request ICTRs for the 2013/2014 Delivery Year.

PJM requests that Market Participants that want to request ICTRs for the 2013/2014 Delivery Year provide advance notification of their intent by **February 12, 2010**. The

purpose of the advance notification is to provide PJM with enough time to determine the ICTRs by the established deadline of March 19, 2010; however, the advance notification will not require PJM to deviate from the PJM Tariff provisions regarding the processing of new services requests. PJM will complete the studies associated with Merchant Transmission Facilities or Customer-Funded Upgrades (or advancements of a transmission facility or upgrade) in accordance with the PJM Tariff. There will be no fines or administrative penalties imposed by PJM on a Market Participant if it provides PJM with advance notification of its intent to request ICTRs for a Merchant Transmission Facility or Customer-Funded Upgrade and the Market Participant does not actually proceed with the transmission upgrade and request for ICTRs.

By March 19, 2010, PJM will certify the ICTRs for those Merchant Transmission Facilities and Customer-Funded Upgrades (or advancements of transmission facilities and upgrades) that (i) requested ICTRs for the 2013/2014 Delivery Year, and (ii) at a minimum, have an associated **executed Facilities Study Agreement**.

An **executed Upgrade Construction Service Agreement (UCSA) or Interconnection Service Agreement (ISA)** for the transmission facilities or upgrades must be received by PJM no later than **March 29, 2010** in order for the network transmission upgrade to be eligible to receive ICTRs for 2013/2014 Delivery Year.

The Market Participants who were awarded ICTRs for the Delivery Years prior to 2013/2014 need not request them again.

DOCS: 564091v4

Attachment A

Planned Demand Resources: Request to Offer into RPM Auctions

Providers of Planned Demand Resources that include **Direct Load Control projects or other Demand Response implementations** must provide a timeline by **April 12, 2010** (15 business days prior to the Base Residual Auction) that includes the key milestones that demonstrate to PJM's satisfaction that the Planned Demand Resources will be available for the start of the Delivery Year.

Submit the following information as applicable to RPM_Hotline@pjm.com.

1. Project Description/Summary

- Company name
- Project name
- Submission date
- Company address and contact information
- Project goals
- Demand Resources Application – how it reduces demand during defined Performance Hours
- Location of DR Resource (Transmission zone)
- Anticipated Nominated Value of DR Resource (adjusted for EDC loss factor)

2. Schedule

- Timeline for equipment installation, customer aggregation, and Measurement and Verification activities.

3. Load Research to Estimate Value of Direct Load Control

- Equipment to be used for load control
- Equipment standards
- Measurement and Verification Approach
- Baseline and post-installation assumptions that affect demand reduction

See reference "Deemed Savings Estimates for Legacy Air Conditioning and Water Heating Direct Load Control Programs in PJM Region", Final Report, RLW Analytics, March 2007.

<http://www.pjm.com/~media/documents/reports/20070406-deemed-savings-report-ac-heat.ashx>

4. Description of Firm Service Level and Guaranteed Load Drop Programs

See PJM Manual 19 "Load Forecasting and Analysis" that describes these programs and how load reduction is estimated. <http://www.pjm.com/documents/~media/documents/manuals/m19.ashx>

5. Participation in RPM Auctions

Upon PJM review of the submitted DR Plan, PJM will create individual DR resources in each requested zone. After confirmation is received by the participant that the resources were created, the participant should:

- Enter DR Modification transactions in eRPM to assign the nominated MW value to each individual resource.
- Post appropriate funds to satisfy the RPM Credit Requirement (for more information see Section 4: Supply Resources in the Reliability Pricing Model in Manual 18).

After the credit has been confirmed, PJM will Provisionally Approve the DR Mods. After the transactions are provisionally approved and the Auction window has opened, the available capacity activated in your account will be eligible to be offered into the Auction.