

**1.44 Load Serving Entity or LSE** shall mean any entity (or the duly designated agent of such an entity), including a load aggregator or power marketer, (i) serving end-users within the PJM Region, and (ii) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the PJM Region. Load Serving Entity shall include any end-use customer that qualifies under state rules or a utility retail tariff to manage directly its own supply of electric power and energy and use of transmission and ancillary services.

**1.45 Locational Reliability Charge** shall mean the charge determined pursuant to Schedule 8.

**1.46 Markets and Reliability Committee** shall mean the committee established pursuant to the Operating Agreement as a Standing Committee of the Members Committee.

**1.47 Member** shall mean an entity that satisfies the requirements of Sections 1.24 and 11.6 of the PJM Operating Agreement. In accordance with Article 4 of this Agreement, each Party to this Agreement also is a Member.

**1.48 Members Committee** shall mean the committee specified in Section 8 of the PJM Operating Agreement composed of the representatives of all the Members.

**1.49 NERC** shall mean the North American Electric Reliability Council or any successor thereto.

**1.50 Network Resources** shall have the meaning set forth in the PJM Tariff.

**1.51 Network Transmission Service** shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Part III of the PJM Tariff or transmission service comparable to such service that is provided to a Load Serving Entity that is also a Transmission Owner (as that term is defined in the PJM Tariff).

**1.52 Nominated Demand Resource Value** shall have the meaning specified in Attachment DD to the PJM Tariff.

**1.53 Nominated ILR Value** shall have the meaning specified in Attachment DD to the PJM Tariff.

**1.53A Nominated PRD Value** shall mean, as to any Load Serving Entity, an adjustment to the peak-load forecast used to determine the quantity of capacity sought through an RPM Auction, reflecting the aggregate effect of Price-Responsive Demand on the peak load to be served by such Load Serving Entity.

**1.54 Non-Retail Behind the Meter Generation** shall mean Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, and electric distribution companies to serve load.

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PJM Interconnection, L.L.C.  
Rate Schedule FERC No. 44

First Revised Sheet No. 7  
Superseding Original Sheet No. 7

**1.55 Obligation Peak Load** shall have the meaning specified in Schedule 8 of this Agreement.

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**1.71 Planning Period** shall mean the 12 months beginning June 1 and extending through May 31 of the following year, or such other period approved by the Members Committee.

**1.71A Price-Responsive Demand** shall mean end-use customers that have the metering capability to record electricity consumption at an interval of one hour or less, supervisory control capable of curtailing such load prior to an Emergency, and a retail rate structure that changes retail rates on a daily or hourly basis in response to Locational Marginal Prices or other conditions in the PJM Interchange Energy Market.

**1.71B Price Responsive Demand Plan or PRD Plan** shall mean a submittal by a Load-Serving Entity claiming a peak demand limitation due to Price Responsive Demand to support the determination of the Nominated PRD Value.

**1.72 Public Power Entity** shall mean any agency, authority, or instrumentality of a state or of a political subdivision of a state, or any corporation wholly owned by any one or more of the foregoing, that is engaged in the generation, transmission, and/or distribution of electric energy.

**1.73 Qualifying Transmission Upgrades** shall have the meaning specified in Attachment DD to the PJM Tariff.

**1.74 Markets and Reliability Committee** shall mean the committee established pursuant to the Operating Agreement as a Standing Committee of the Members Committee.

**1.75 Reliability Principles and Standards** shall mean the principles and standards established by NERC or an Applicable Regional Reliability Council to define, among other things, an acceptable probability of loss of load due to inadequate generation or transmission capability, as amended from time to time.

**1.76 Required Approvals** shall mean all of the approvals required for this Agreement to be modified or to be terminated, in whole or in part, including the acceptance for filing by FERC and every other regulatory authority with jurisdiction over all or any part of this Agreement.

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(g) maintain or arrange for Black Start Capability for a portion of its Capacity Resources at least equal to that established from time-to-time by the Office of the Interconnection.

**9.2 Generator Planned Outage Scheduling.** Each Party shall develop, or cause to be developed, its schedules of planned outages of its Capacity Resources. Such schedules of planned outages shall be submitted to the Office of the Interconnection for coordination with the schedules of planned outages of other Parties and anticipated transmission planned outages.

**9.3 Data Submissions.** Each Party shall submit to the Office of the Interconnection the data and other information necessary for the performance of this Agreement, including its plans for the addition, modification and removal of Capacity Resources, its load forecasts, and such other data set forth in Schedule 11.

**9.4 Charges for Failures to Comply.** (a) An emergency procedure charge, as set forth in Attachment DD to the PJM Tariff, shall be imposed on any Party that fails to comply with the directions of the Office of the Interconnection pursuant to Section 9.1(f)

(b) A data submission charge, as set forth in Schedule 12, shall be imposed on any Party that fails to submit the data, plans or other information required by this Agreement in a timely or accurate manner as provided in Schedule 11.

**9.5 Metering.** Each Party shall comply with the metering standards for the PJM Region, as set forth in the PJM Manuals, as well as any further metering requirements applicable to Price-Responsive Demand, where such is relied upon for an adjustment to peak load pursuant to Schedule 6.1.

## ARTICLE 10 -- SHARED COSTS

**10.1 Recording and Audit of Costs.** (a) Any costs related to the performance of this Agreement, including the costs of the Office of the Interconnection and such other costs that the Members Committee determines are to be shared by the Parties, shall be documented and recorded in a manner acceptable to the Parties.

(b) The Members Committee may require an audit of such costs; provided, however, the cost records shall be available for audit by any Member or State Consumer Advocate, at the sole expense of such Member or State Consumer Advocate, for 36 months following the end of the Planning Period in which the costs were incurred.

**10.2 Cost Responsibility.** The costs determined under Section 10.1(a) shall be allocated to and recovered from the Parties to this Agreement and other entities pursuant to Schedule 9-5 of the PJM Tariff.

## ARTICLE 11 -- BILLING AND PAYMENT

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**11.1 Periodic Billing.** Each Party shall receive a statement periodically setting forth (i) any amounts due from or to that Party as a result of any charges imposed pursuant to this Agreement and (ii) that Party's share of any costs allocated to that Party pursuant to Article 10.

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## SCHEDULE 6

### PROCEDURES FOR DEMAND RESOURCES, ILR, AND ENERGY EFFICIENCY

- A. Parties can partially or wholly offset the amounts payable for the Locational Reliability Charge with Demand Resources or ILR that are operated under the direction of the Office of the Interconnection. FRR Entities may reduce their capacity obligations with Demand Resources that are operated under the direction of the Office of the Interconnection and detailed in such entity's FRR Capacity Plan. Demand Resources qualifying under the criteria set forth below may be offered for sale or designated as Self-Supply in the Base Residual Auction, included in an FRR Capacity Plan, or offered for sale in any Incremental Auction, for any Delivery Year for which such resource qualifies. In addition, for Delivery Years through May 31, 2012, resources qualifying under the criteria set forth below may be certified as ILR on behalf of a Party that has not elected the FRR Alternative for a Delivery Year no later than three months prior to the first day of such Delivery Year; provided, however, that for the 2011-2012 Delivery Year only, the ILR certification deadline shall be no later than two months prior to the first day of such Delivery Year. Qualified Demand Resources and ILR generally fall in one of three categories, i.e., Guaranteed Load Drop, Firm Service Level, or Direct Load Control, as further specified in section H and the PJM Manuals. Qualified Demand Resources and ILR may be provided by a Demand Resource Provider or ILR Provider (hereinafter, "Provider"), notwithstanding that such Provider is not a Party to this Agreement. Such Providers must satisfy the requirements in section I and the PJM Manuals.
1. A Party must formally notify, in accordance with the requirements of the PJM Manuals and paragraph G of this schedule as applicable, the Office of the Interconnection of the Demand Resource or ILR that it is placing under the direction of the Office of the Interconnection.
  2. A Party must agree to reserve, for interruption at the direction of the Office of the Interconnection, at least 10 interruptions per Planning Period.
  3. The Demand Resource or ILR must be available during the summer period of June through September in the corresponding Delivery Year to be certified, offered for sale or Self-Supplied in an auction, or included as a Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.
  4. A period of no more than 2 hours prior notification must apply to interruptible customers.
  5. The initiation of load interruption, upon the request of the Office of the Interconnection, must be within the authority of the dispatchers of the Party. No additional approvals should be required.
  6. The initiation of load reduction upon the request of the Office of the Interconnection is considered an emergency action and must be implementable prior to a voltage reduction.

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- C. Demand Resources offered and cleared in a Base Residual or Incremental Auction shall receive the corresponding Capacity Resource Clearing Price as determined in such auction, in accordance with Attachment DD of the PJM Tariff. For Delivery Years beginning with the Delivery Year that commences on June 1, 2013, any Demand Resource located in a Zone with multiple LDAs shall receive the Capacity Resource Clearing Price applicable to the location of such resource within such Zone, as identified in such resource's offer. Further, the Demand Resource provider shall register its resource in the same location within the Zone as specified in its cleared sell offer, and shall be subject to deficiency charges under Attachment DD of this Tariff to the extent it fails to provide the resource in such location consistent with its cleared offer. For either of the Delivery Year commencing on June 1, 2010 or that commencing on June 1, 2012, if the location of a Demand Resource data is not available specified by a Seller in the Sell Offer on an individual LDA basis in a Zone with multiple LDAs, then Demand Resources cleared by such Seller will be paid a DR Weighted Zonal Resource Clearing Price, determined as follows: (i) for a Zone that includes non-overlapping LDAs, calculated as the weighted average of the Resource Clearing Prices for such LDAs, weighted by the cleared Demand Resources registered by such Seller~~Unforced Capacity of Resources Cleared (including capacity receiving Resource Make Whole Payments)~~ in each such LDA; or (ii) for a Zone that contains a smaller LDA within a larger LDA, calculated treating the smaller LDA and the remaining portion of the larger LDA as if they were separate LDAs, and weight-averaging in the same manner as (i) above.
- D. Certified ILR resources shall receive the Final Zonal ILR Price.
- E. The Party, Electric Distributor, Demand Resource Provider, or ILR Provider that establishes a contractual relationship (by contract or tariff rate) with a customer for load reductions is entitled to receive the compensation specified in sections C and D for a committed Demand Resource or certified ILR, notwithstanding that such provider is not the customer's energy supplier.
- F. Any Party hereto shall demonstrate that its Demand Resources or ILR performed during periods when load management procedures were invoked by the Office of the Interconnection. The Office of the Interconnection shall adopt and maintain rules and

must be developed from the guidelines in the PJM Manuals, and note which method was employed.

Compliance is averaged over the full hours of a Demand Resource and ILR event, for each customer or DLC program. Demand Resource or ILR customers may not reduce their load below zero (i.e., export energy into the system). No compliance credit will be given for an incremental load drop below zero. Compliance will be totaled over all FSL and GLD customers and DLC programs to determine a net compliance position for the event for each Provider by Zone, for all Demand Resources committed and ILR Certified by such Provider in the zone. Deficiencies shall be as further determined in accordance with section 11 of Schedule DD to the PJM Tariff.

M. Energy Efficiency Resources

1. An Energy Efficiency Resource is a project, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during peak periods as described herein) reduction in electric energy consumption that is not reflected in the peak load forecast prepared for the Delivery Year for which the Energy Efficiency Resource is proposed, and that is fully implemented at all times during such Delivery Year, without any requirement of notice, dispatch, or operator intervention.

2. An Energy Efficiency Resource may be offered as a Capacity Resource in the Base Residual or Incremental Auctions for any Delivery Year beginning on or after June 1, 2012. No later than 30 days prior to the auction in which the resource is to be offered, the Capacity Market Seller shall submit to the Office of the Interconnection a notice of intent to offer the resource into such auction and a measurement and verification plan. The notice of intent shall include all pertinent project design data, including but not limited to the peak-load contribution of affected customers, a full description of the equipment, device, system or process intended to achieve the load reduction, the load reduction pattern, the project location, the project development timeline, and any other relevant data. Such notice also shall state the seller's proposed Nominated Energy Efficiency Value, which shall be the expected average load reduction between the hour ending 15:00 EPT and the hour ending 18:00 EPT during all days from June 1 through August 31, inclusive, of such Delivery Year that is not a weekend or federal holiday. The measurement and verification plan shall describe the methods and procedures, consistent with the PJM Manuals, for determining the amount of the load reduction and confirming that such reduction is achieved. The Office of the Interconnection shall determine, upon review of such notice, the Nominated Energy Efficiency Value that may be offered in the Reliability Pricing Model Auction.

3. An Energy Efficiency Resource may be offered with a price offer or as Self-Supply. If an Energy Efficiency Resource clears the auction, it shall receive the applicable Capacity Resource Clearing Price, subject to section 5 below. A Capacity Market Seller offering an Energy Efficiency Resource must comply with all applicable credit requirements as set forth in Attachment Q to the PJM Tariff. The Unforced Capacity value of an Energy Efficiency Resource offered into an RPM Auction shall be the Nominated Energy Efficiency value times the DR Factor and the Forecast Pool Requirement.

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4. An Energy Efficiency Resource that clears an auction for a Delivery Year may be offered in auctions for up to three additional consecutive Delivery Years, but shall not be assured of clearing in any such auction; provided, however, an Energy Efficiency Resource may not be offered for any Delivery Year in which any part of the peak season is beyond the expected life of the equipment, device, system, or process providing the expected load reduction; and provided further that a Capacity Market Seller that offers and clears an Energy Efficiency Resource in a BRA may elect a New Entry Price Adjustment on the same terms as set forth in section 5.14(c) of this Attachment DD, ~~except that the Commitment Period may not exceed three consecutive Delivery Years following the Delivery Year associated with the first BRA in which such resource was offered and cleared.~~

5. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than 30 days prior to each Auction an updated project status and measurement and verification plan subject to the criteria set forth in the PJM Manuals.

6. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than the start of such Delivery Year, an updated project status and detailed measurement and verification data meeting the standards for precision and accuracy set forth in the PJM Manuals. The final value of the Energy Efficiency Resource during such Delivery Year shall be as determined by the Office of the Interconnection based on the submitted data.

7. The Office of the Interconnection may audit, at the Capacity Market Seller's expense, any Energy Efficiency Resource committed to the PJM Region. The audit may be conducted any time including the Performance Hours of the Delivery Year.

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**SCHEDULE 6.1**

**PRICE-RESPONSIVE DEMAND**

A. As more fully set forth in this Schedule 6.1 and the PJM Manuals, any Load-Serving Entity, including any FRR Entity, may commit that some or all of the loads for which it shall be responsible during a Delivery Year shall not exceed a specified demand level during Emergencies, as a consequence of the implementation of Price-Responsive Demand. Based on information provided by the Load-Serving Entity in a PRD Plan, the Office of the Interconnection shall determine the Nominated PRD Value for the specified loads of such Load Serving Entity, by Zone. The Office of the Interconnection shall take such values into account in determining the Preliminary, Updated, and Final RTO and Zonal Peak Load Forecasts for the RTO and for each Zone. Any Load-Serving Entity that fails fully to honor any such a commitment as to the loads it is serving during any Emergency during the relevant Delivery Year shall be assessed a compliance charge.

B. Any peak demand adjustment or limitation provided hereunder must be supported by end-use customers with advanced metering capable of monitoring and quantifying reductions of load in response to price and that are subject to supervisory control capable of curtailing such load prior to an Emergency. Loads identified in a PRD Plan for a Delivery Year as Price-Responsive Demand may not, for such Delivery Year, (i) be registered as Interruptible Load for Reliability or (ii) be used as the basis of any Demand Resource or Energy Efficiency Resource Sell Offer in any RPM Auction.

C. Any Load-Serving Entity seeking a peak demand adjustment hereunder for a Delivery Year must submit to the Office of the Interconnection a PRD Plan identifying and supporting the Nominated PRD Value for each Zone for which such adjustment is sought. Such plan must comply with the requirements and criteria in the PJM Manuals and must be submitted no later than one month prior to posting of the Preliminary Zonal Peak Load Forecast for such Delivery Year, and shall be reflected, following acceptance by the Office of the Interconnection, in such forecast. The PRD Plan shall explain and justify the methods used to determine the Nominated PRD Value. All assumptions and relevant variables affecting the Nominated PRD Value must be clearly stated. The PRD Plan must include sufficient data to allow a third party to audit the procedures and verify the Nominated PRD Value. Any non-compliance with a Nominated PRD Value for a prior Delivery Year shall be identified and taken into account. The Office of the Interconnection shall advise the Load-Serving Entity within two weeks following submission of the PRD Plan of its acceptance of, or any adjustment to, the Nominated PRD Value based on its review of the PRD Plan.

D. If the identified loads exceeds during any Emergency the level specified in an accepted PRD Plan for such Delivery Year, the Load Serving Entity that is responsible for such loads during such Emergency shall be assessed a compliance charge hereunder. The charge shall be based on the net performance of the Load-Serving Entity's loads that were identified as Price-Responsive Demand for such Delivery Year in any accepted PRD Plan in each Zone during an

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Emergency. The compliance charge hereunder shall equal the megawatts of net exceedance multiplied by two times the Final Zonal Capacity Price for such Zone for such Delivery Year (in \$/MW-day), times the number of days in such Delivery Year. Any greater net exceedance during a subsequent Emergency for such Zone during the same Delivery Year shall result in a further charge hereunder, limited to the additional increment of exceedance. The revenue collected from assessment of such charges shall be distributed on a pro-rata basis to LSEs that were charged a Locational Reliability Charge for the Delivery Year for which the charge was assessed. The charges shall be allocated on a pro-rata basis to LSEs based on their Daily Unforced Capacity Obligation.

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### SCHEDULE 8

#### DETERMINATION OF UNFORCED CAPACITY OBLIGATIONS

- A. For each billing month during a Delivery Year, the Daily Unforced Capacity Obligation of a Party that has not elected the FRR Alternative for such Delivery Year shall be determined on a daily basis for each Zone as follows:

$$\text{Daily Unforced Capacity Obligation} = \text{OPL} \times \text{Final Zonal RPM Scaling Factor} \times \text{FPR}$$

Where:

OPL = Obligation Peak Load, defined as the daily summation of the weather-adjusted coincident summer peak, last preceding the Delivery Year, of the end-users in such Zone (net of operating Behind The Meter Generation, but not to be less than zero) for which such Party was responsible on that billing day, adjusted for any accepted Nominated PRD Value of the loads for which such LSE is responsible, as determined in accordance with the procedures set forth in the PJM Manuals.

Final Zonal RPM Scaling Factor = the factor determined as set forth in sections B and C of this Schedule

FPR = the Forecast Pool Requirement

Netting of Behind the Meter Generation for a Party with regard to Non-Retail Behind the Meter Generation shall be subject to the following limitation:

For the 2006/2007 Planning Period, 100 percent of the operating Non-Retail Behind the Meter Generation shall be netted, provided that the total amount of Non-Retail Behind the Meter Generation in the PJM Region does not exceed 1500 megawatts ("Non-Retail Threshold"). For each Planning Period/Delivery Year thereafter, the Non-Retail threshold shall be proportionately increased based on load growth in the PJM Region but shall not be greater than 3000 megawatts. Load growth shall be determined by the Office of the Interconnection based on the most recent forecasted weather-adjusted coincident summer peak for the PJM Region divided by the weather-adjusted coincident peak for the previous summer for the same area. After the load growth factor is applied, the Non-Retail Threshold will be rounded up or down to the nearest whole megawatt and the rounded number shall be the Non-Retail Threshold for the current Planning Period and the base amount for calculating the Non-Retail Threshold for the succeeding planning period. If the Non-Retail Threshold is exceeded, the amount of operating Non-Retail Behind the Meter Generation that a Party may net shall be adjusted according to the following formula:

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For purposes of such determination, PJM shall determine the Preliminary RTO Peak Load Forecast, and the Preliminary Zonal Peak Load Forecasts for each Zone, in accordance with the PJM Manuals for each Delivery Year no later than one month prior to the Base Residual Auction for such Delivery Year. PJM shall determine the Updated RTO and Zonal Peak Load Forecasts in accordance with the PJM Manuals for each Delivery Year no later than one month prior to each of the First, Second, and Third Incremental Auctions for such Delivery Year. In determining such Peak Load Forecasts, PJM shall take into account any applicable approved Nominated PRD Values. PJM shall determine the most recent Weather Normalized Summer Peak for each Zone no later than seven months prior to the start of the Delivery Year, and shall calculate the RTO Weather Normalized Summer Peak as the sum of the Weather Normalized Summer Peaks for all Zones.

- C. The Final RTO Unforced Capacity Obligation for a Delivery Year shall be equal to the sum of the unforced capacity obligations satisfied through the Base Residual Auction and the First, Second, Third, and any Conditional Incremental Auctions for such Delivery Year. The unforced capacity obligation satisfied in an Incremental Auction may be negative if capacity is decommitted in such auction. The Final Zonal Unforced Capacity Obligation for a Zone shall be equal to such Zone's pro rata share of the Final RTO Unforced Capacity Obligation for the Delivery Year based on the Final Zonal Peak Load Forecast made one month prior to the Third Incremental Auction, taking into account any applicable approved Nominated PRD Values. The Final Zonal RPM Scaling Factor shall be equal to the Final Zonal Unforced Capacity Obligation divided by (FPR times the Zonal Weather Normalized Summer Peak for the summer concluding prior to the commencement of such Delivery Year).
- D. 1. No later than five months prior to the start of each Delivery Year, the Electric Distributor for a Zone shall allocate the most recent Weather Normalized Summer Peak for such Zone to determine the Obligation Peak Load for each end-use customer within such Zone.
2. During the Delivery Year, no later than 36 hours prior to the start of each operating day, the Electric Distributor shall provide to PJM for each Party to this Agreement serving load in such Electric Distributor's Zone the Obligation Peak Load for all end-use customers served by such Party in such Zone. The daily Unforced Capacity Obligation of a Party for such Operating Day shall not be subject to change thereafter.
3. For purposes of such allocations, the daily sum of the Obligation Peak Loads of all Parties serving load in a Zone must equal the Zonal Obligation Peak Load for such Zone.

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Year, as determined in accordance with procedures set forth in the PJM Manuals. If the FRR Entity is not responsible for all load within a Zone, the Preliminary Forecast Peak Load for such entity shall be the FRR Entity's Obligation Peak Load last determined prior to the Base Residual Auction for such Delivery Year, times the Base Zonal FRR Scaling Factor. The FRR Capacity Plan of each FRR Entity that does not commit that it will not sell surplus Capacity Resources as set forth above shall designate Capacity Resources at least equal to the Threshold Quantity. To the extent the FRR Entity's allocated share of the Final Zonal Peak Load Forecast exceeds the FRR Entity's allocated share of the Preliminary Zonal Peak Load Forecast, such FRR Entity's FRR Capacity Plan shall be updated to designate additional Capacity Resources in an amount no less than the Forecast Pool Requirement times such increase; provided, however, any excess megawatts of Capacity Resources included in such FRR Entity's previously designated Threshold Quantity, if any, may be used to satisfy the capacity obligation for such increased load. Peak load values referenced in this section shall take into account any applicable Nominated PRD Values approved pursuant to Schedule 6.1. Any FRR Entity seeking an adjustment to peak load for Price-Responsive Demand must submit a separate PRD Plan in compliance with Schedule 6.1, and shall be subject to compliance charges as set forth in that Schedule under the circumstances specified therein; provided, however, the Capacity Resource Clearing Price for the LDA encompassing the FRR Entity's Zone shall be substituted in place of the Final Zonal Capacity Price for purposes of calculating such compliance charge.

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3. As to any FRR Entity, the Base Zonal FRR Scaling Factor for each Zone in which it serves load for a Delivery Year shall equal ZPLDY/ZWNSP, where:

ZPLDY = Preliminary Zonal Peak Load Forecast for such Zone for such Delivery Year; and

ZWNSP = Zonal Weather-Normalized Summer Peak Load for such Zone for the summer concluding four years prior to the commencement of such Delivery Year.

4. Capacity Resources identified and committed in an FRR Capacity Plan shall meet all requirements under this Agreement and the PJM Operating Agreement applicable to Capacity Resources, including, as applicable, requirements and milestones for Planned Generation Capacity Resources and Planned Demand Resources. A Capacity Resource submitted in an FRR Capacity Plan must be on a unit-specific basis, and may not include "slice of system" or similar agreements that are not unit specific. An FRR Capacity Plan may include bilateral transactions that commit capacity for less than a full Delivery Year only if the resources included in such plan in the aggregate satisfy all obligations for all Delivery Years. All demand response, load management, energy efficiency, or similar programs on which such FRR Entity intends to rely for a Delivery Year must be included in the FRR Capacity Plan submitted three years in advance of such Delivery Year and must satisfy all requirements applicable to Demand Resources or Energy Efficiency Resources, as applicable, including, without limitation, those set forth in Schedule 6 to this Agreement and the PJM Manuals; provided, however, that previously uncommitted Unforced Capacity from such programs may be used to satisfy any increased capacity obligation for such FRR Entity resulting from a Final Zonal Peak Load Forecast applicable to such FRR Entity.

5. For each LDA for which the Office of the Interconnection has established a separate Variable Resource Requirement Curve for any Delivery Year addressed by such FRR

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Capacity Plan, the plan must include a minimum percentage of Capacity Resources for such Delivery Year located within such LDA. Such minimum percentage ("Percentage Internal Resources Required") will be calculated as the LDA Reliability Requirement less the CETL for the Delivery Year, as determined by the RTEP process as set forth in the PJM Manuals. Such requirement shall be expressed as a percentage of the Unforced Capacity Obligation based on the Preliminary Zonal Peak Load Forecast multiplied by the Forecast Pool Requirement.

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avoid the foregoing limitation must identify Capacity Resources in its FRR Capacity Plan(s) based on the Threshold Quantity.

**F. FRR Daily Unforced Capacity Obligations and Deficiency Charges**

1. For each billing month during a Delivery Year, the Daily Unforced Capacity Obligation of an FRR Entity shall be determined on a daily basis for each Zone as follows:

$$\text{Daily Unforced Capacity Obligation} = \text{OPL} * \text{Final Zonal FRR Scaling Factor} * \text{FPR}$$

where:

OPL =Obligation Peak Load, defined as the daily summation of the weather-adjusted coincident summer peak, last preceding the Delivery Year, of the end-users in such Zone (net of operating Behind The Meter Generation, but not to be less than zero) for which such Party was responsible on that billing day, adjusted for any accepted Nominated PRD Value of the loads for which such LSE is responsible, as determined in accordance with the procedures set forth in the PJM Manuals.

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Final Zonal FRR Scaling Factor = FZPLDY/FZWNSP;

FZPLDY = Final Zonal Peak Load Forecast for such Delivery Year; and

FZWNSP = Zonal Weather-Normalized Peak Load for the summer concluding prior to the commencement of such Delivery Year.

2. An FRR Entity shall be assessed an FRR Capacity Deficiency Charge in each Zone addressed in such entity's FRR Capacity Plan for each day during a Delivery Year that it fails to satisfy its Daily Unforced Capacity Obligation in each Zone. Such FRR Capacity Deficiency Charge shall be in an amount equal to the deficiency below such FRR Entity's Daily Unforced Capacity Obligation for such Zone times (1.20 times the Capacity Resource Clearing Price resulting from all RPM Auctions for such Delivery Year for the LDA encompassing such Zone, weight-averaged for the Delivery Year based on the prices established and quantities cleared in such auctions).

3. If an FRR Entity acquires load that is not included in the Preliminary Zonal Peak Load Forecast such acquired load shall be treated in the same manner as provided in Sections H.1 and H.2 of this Schedule.

4. The shortages in meeting the minimum requirement within the constrained zones and the shortage in meeting the total obligation are first calculated. The shortage in the unconstrained area is calculated as the total shortage less shortages in constrained zones and excesses in constrained zones (the shortage is zero if this is a negative number). The Capacity Deficiency Charge is charged to the shortage in each zone and in the unconstrained area separately. This procedure is used to allow the use of capacity excesses from constrained zones

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to reduce shortage in the unconstrained area and to disallow the use of capacity excess from unconstrained area to reduce shortage in constrained zones.

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B. For purposes of evaluating the need for any changes to the foregoing list, Locational Deliverability Areas shall be those areas, identified by the load deliverability analyses conducted pursuant to the Regional Transmission Expansion Planning Protocol and the PJM Manuals that have a limited ability to import capacity due to physical limitations of the transmission system, voltage limitations or stability limitations. Such limits on import capability shall not reflect the effect of Qualifying Transmission Upgrades offered in the Base Residual Auction. The Locational Deliverability Areas identified in Paragraph A above (as it may be amended from time to time) for a Delivery Year shall be modeled in the Base Residual Auction and any Incremental Auction conducted for such Delivery Year. If the Office of the Interconnection includes a new Locational Deliverability Area in the Regional Transmission Expansion Planning Protocol, it shall make a filing with FERC to amend this Schedule to add a new Locational Deliverability Area (including a new aggregate LDA), if such new Locational Deliverability Area is projected to have a capacity emergency transfer limit less than 1.915 times the capacity emergency transfer objective of such area, or if warranted by other reliability concerns consistent with the Reliability Principles and Standards. In addition, any Party may propose, and the Office of the Interconnection shall evaluate, consistent with the same CETO/CETO comparison or other reliability concerns, possible new Locational Deliverability Areas (including aggregate LDAs) for inclusion under the Regional Transmission Expansion Planning Protocol and for purposes of determining locational capacity obligations hereunder.

C. For each Locational Deliverability Area for which a separate VRR Curve was established for a Delivery Year, the Office of the Interconnection shall determine, pursuant to procedures set forth in the PJM Manuals, the Percentage of Internal Resources Required, that must be committed during such Delivery Year from Capacity Resources physically located in such Locational Deliverability Area.

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