System Restoration Strategy
Task Force Update

MRC
February 27, 2014
This Task Force will examine the current System Restoration Planning process to determine its viability and efficiency moving forward and recommend any changes to the System Restoration strategy and associated procurement, cost allocation, and compensation methods, inclusive of back stop options to the MRC for approval.

✔ Strategy changes developed and approved by FERC on 9/9/13
  • RTO-wide Black Start RFP awards made May 2014
  • Task Force has approved changes to compensation and back stop options
  • Task Force has not approved changes to cost allocation
<table>
<thead>
<tr>
<th>Minor Compensation Changes w/ Limited Fuel Storage</th>
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<tbody>
<tr>
<td>Allow non-ICAP Black Start units to be compensated using the offered Black Start MW</td>
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<td>Allow ALR units to recover NERC Compliance costs as documented to the IMM</td>
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<td>Fuel Storage:</td>
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<td>• Allow for fuel storage compensation for LNG, propane, and oil per the existing formula;</td>
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<td>• In the case where BS units share a common fuel tank, only one BS unit will be eligible for recovery of minimum tank suction level (MTSL).</td>
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<td>Provide for a 5 year PJM internal review of compensation formula</td>
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## Reliability Back Stop Proposal

| What triggers the Back Stop? | • Failed RTO-wide RFP,  
|                            | • 2 failed incremental RFPs,  
|                            | • No cross-zonal solution available, and  
|                            | • No transmission upgrade solution available; and  
|                            | • With consideration of PJM, TO, State and SOS-T discussions |
| Solution Type              | TO provided proposal, which may be owned by the TO, by a generation-owning affiliate or by contracting with a generation-owning company. Asset may only be used for Black Start. |
1. PJM and TO agree on need for 3rd RFP (Backstop)
   - PJM/TO assess situation with affected state(s)
   - PJM issues 3rd (30 day backstop) RFP. “TO Proposal” is included in RFP posting
   - PJM selects winning proposal. “TO Proposal” selected if best or only proposal.

2. PJM and TO agree on that 3rd RFP is NOT needed
   - PJM/TO assess situation with affected state(s) and SOS-T
   - PJM/TO actively monitor BS shortage situation

3. PJM and TO disagree on need for 3rd RFP (Backstop)
   - PJM/TO assess situation with affected state(s) and SOS-T
   - Considering state, TO and SOS-T input, PJM will determine whether or not to issue 3rd RFP
   - PJM issues 3rd 30 day RFP. “TO Proposal” is submitted
   - PJM selects winning proposal. “TO Proposal” selected if best or only proposal.
   - PJM/TO actively monitor BS shortage situation

How does it work?
## Reliability Back Stop Proposal

<table>
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<tr>
<th>Length of Commitment</th>
<th>Per FERC approved recovery period (examples are Attachment H of the OATT, PJM's OATT Schedule 6A, or FERC approved recovery rate)</th>
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</table>
| Cost Recovery Method                                      | ▪ If TO owned or contracted with generation affiliate or non-affiliate: TO makes 205 Filing with FERC for OATT Recovery Capability to Recover Capital Costs, Ongoing O&M Costs, Depreciation, and Fuel for Diesel Generators (or Comparable Power Sources) as Transmission Assets;  
▪ For GO owned: Recover through OATT Schedule 6A or FERC filing. |