December 22, 2014

Via eTariff

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E. Room 1A
Washington, D.C. 20426

Re: PJM Interconnection, L.L.C., Docket No. EL15-15-000
Compliance Filing Regarding Reactive Power Capability

Dear Secretary Bose:

PJM Interconnection, L.L.C. (“PJM”) respectfully submits for filing proposed revisions to the PJM Open Access Transmission Tariff (“Tariff”) in compliance with the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) order to show cause issued on November 20, 2014, in this proceeding (“November 20 Order”). PJM requests an effective date of February 20, 2015, for the Tariff revisions proposed herein.

I. BACKGROUND

Under Schedule 2 of the Tariff (“Schedule 2”), PJM compensates resources for their capability to produce reactive power (“Reactive Power Supplier”) in accordance with each Reactive Power Supplier’s Commission-approved revenue requirement. PJM plays a very limited role in the determination of rates for reactive power: after the Commission approves the rate schedule filed by the Reactive Power Supplier, PJM simply facilitates the collection in each zone of charges from loads and credits to Reactive Power Suppliers in accordance with the Commission-approved rate schedules.
PJM’s limited role as a conduit of charges from load and payments to Reactive Power Suppliers has remained largely unchanged since the incorporation of Schedule 2 into the Tariff in 1997. Prior to the addition of Schedule 2 in the Tariff and the issuance of Order No. 888, the PJM transmission owners owned most if not all of the generation within PJM. Each transmission owner was compensated for providing reactive supply capability in accordance with its own fleet-based rate schedule, which rate schedule was typically developed by the transmission owners and approved by the Commission over an extended period of time. When Schedule 2 was incorporated into the Tariff in 1997 as part of the effort to restructure PJM consistent with the requirements of Order No. 888, the Commission allowed the PJM transmission owners and PJM to transfer each individual transmission owner’s fleet-based rates into the Tariff. As a result, Schedule 2 initially listed each PJM transmission owner’s individual cost-based revenue requirement from the transmission owner’s individual tariff for the transmission owner’s zone. Importantly, Schedule 2 did not specify which of the transmission owner’s generators were actually supplying the reactive power.

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2 Pennsylvania-New Jersey-Maryland Interconnection, 81 FERC ¶ 61,257, at 62,247 (1997). The subject of the sub-dockets are the zonal rates for the PJM transmission owners. Subsequently, offers of settlement, including zonal rates for reactive power were filed with, and accepted by the Commission in sub-dockets numbers ER97-3189-001 through 008.

3 Id.
Schedule 2 has changed little since its incorporation into the Tariff. Effective October 1, 2000, Schedule 2 was revised to provide a mechanism to include the revenue requirements of generation owners that are not transmission owners (e.g., owners of divested or newly-constructed generation) in the charges for reactive power and to allocate reactive power-related revenues to all generation owners, not just transmission owners.4

In 2002, PJM revised Schedule 2 to include a chart that lists the annual and monthly revenue requirement amount for each generator or fleet of generators providing reactive supply capability under Schedule 2 of the Tariff in accordance with each generator owner’s Commission-approved rate schedule. The monthly revenue requirement amounts in the chart had no force and effect independent of the Commission’s determinations in other proceedings. PJM added the chart to the Tariff in response to a Commission directive to clarify which Reactive Power Suppliers are being compensated for providing reactive power. The Commission issued an order approving the chart on January 7, 2002.5

In 2007, to reduce the considerable staff time and legal costs associated with maintaining the chart within the Tariff, PJM submitted a filing to remove the chart from Schedule 2 of the Tariff and replace it with a provision requiring PJM to post such information on its website.6 Similar to the chart in the Tariff, the chart on the website

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4 See PJM Interconnection, L.L.C., Docket No. ER00-3327-000 (Sept. 25, 2000) (unpublished letter order).
6 PJM Interconnection, L.L.C., Docket No. ER08-339-000 (Dec. 17, 2007) (“2007 Filing”). See., e.g., November Chart of Reactive Supply and Voltage Control from Generation or Other Sources
lists “…each Zone of the annual revenue requirements for each Generation Owner receiving payment within such Zone and specifies the total annual revenue requirement for all of the Transmission Provider.” PJM explained that “…the sole purpose of the chart is to provide a central and convenient reference to notify the members of the rates being charged and credited to generators on their behalf.” PJM stated it “…is not aware that any other RTO or ISO includes a similar chart in Schedule 2 of its open-access transmission tariff or that they post or maintain such a chart on their Websites.” PJM also stated “[i]n the event of a conflict between the rate specified in the chart and a provider's filed rate, it is clear that the service provider's rate and not the amount specified in the chart is the lawful filed rate.” The Commission issued an order approving the revisions on February 13, 2008.

Today, PJM continues to play the limited role of facilitating the collection of charges from loads and payments to Reactive Power Suppliers in accordance with the Commission-approved rate schedules. PJM also updates the chart containing the monthly revenue requirements for each Reactive Power Supplier. PJM monitors filings submitted

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7 Tariff at Schedule 2.


9 2007 Filing at p. 3.

10 Id. at p. 2.

by Reactive Power Suppliers under 205 of the Federal Power Act ("FPA")\(^{12}\) to implement new, or revise existing, cost-based rate schedules that will be collected and distributed pursuant to Schedule 2 of the Tariff. After the Commission approves Reactive Power Supplier’s rate schedule, PJM updates the chart and “...pays each generation owner an amount equal to the generation owner’s monthly revenue requirement as accepted or approved by the Commission.”\(^{13}\) As PJM stated in its 2007 filing, the monthly rates in the chart do not constitute the filed rates for reactive power. Rather, they merely track the rates duly determined by the Commission in separate cost-based rate proceedings. The payment amounts in the chart correspond to the Commission-approved rate schedule for the Reactive Power Supplier: they have no force and effect independent of the Commission's determinations in other proceedings.

In the November 20 Order, the Commission directed “…PJM to either: (1) revise… [the Tariff] to provide that a generation or non-generation resource owner will no longer receive reactive power capability payments after it has deactivated its unit and to clarify the treatment of reactive power capability payments for units transferred out of a fleet; or (2) show cause why it should not be required to do so.”\(^{14}\) In accordance with the Commission’s directive, PJM proposes the following revisions to the Tariff.

II. DESCRIPTION OF PROPOSED REVISIONS TO THE PJM TARIFF

In compliance with the Commission’s directive in the November 20 Order, PJM proposes to revise Schedule 2 of the Tariff to require that ninety days prior to the

\(^{12}\) 16 U.S.C. § 824d.

\(^{13}\) Tariff at Schedule 2.

\(^{14}\) November 20 Order at P 6.
deactivation or transfer of a generation unit each Reactive Power Supplier either: (1) submit a filing to either terminate or adjust its cost-based rate schedule to account for the deactivated or transferred unit; or (2) submit an informational filing explaining the basis for the decision by the Reactive Power Supplier not to terminate or revise its cost-based rate schedule. As explained further below, PJM does not have the necessary information regarding the fleet-based rates or authority under section 205 of the FPA to revise the Tariff to simply stop paying a Reactive Power Supplier in accordance with its Commission-approved rate schedule or to force a Reactive Power Supplier to terminate or revise its Commission-approved rate schedule. Moreover, it would not be appropriate for PJM to take on a ratemaking role and essentially try to “unbundle” a bundled rate which could include reactive service from several generators only some of which have given notice of deactivation. For these reasons and to ensure that PJM not usurp the 205 rights of the Reactive Power Suppliers (or the 206 obligations of the Commission), the Tariff revisions proposed herein will require each generator that deactivates or transfers a unit to submit a filing to revise its rate schedule or provide notice to the Commission and stakeholders explaining the basis for its decision not to submit a filing thereby significantly reducing the probability that a generator will receive improper payments for a deactivated or transferred unit. Moreover, the requirement that any necessary rate filings be made at least ninety days before deactivation allows for the sixty-day notice requirement on the Commission’s processing of a section 205

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15 Asking PJM to decipher a “black box” settlement to determine the degree to which a settled rate should be adjusted is even more fraught with challenges and far afield of PJM’s legal responsibilities.
application to coincide with the actual deactivation of the unit and avoid the unit owner potentially continuing to collect while its section 205 application were pending at the Commission.

A. **Filing Rights for Reactive Rate Schedules**

In the November 20 Order, the Commission directed PJM to revise the Tariff to ensure that Reactive Power Suppliers no longer receive reactive power capability payments after a unit has deactivated. While PJM proposes rules that significantly reduce the probability that a generator will receive improper payments for a deactivated unit, PJM does not have the authority to compel a Reactive Power Supplier to submit a filing under section 205 of the FPA to modify or cancel its existing reactive power tariff or its reactive power revenue requirement when a unit is deactivated. Similarly, PJM does not have the authority under section 205 of the FPA to stop paying Reactive Power Suppliers in accordance with their fleet-based rate absent Commission direction as such action would be tantamount to PJM unilaterally revising the Reactive Power Supplier’s Commission-approved rate schedule and stepping into a ratemaking role that appropriately lies with the Commission.

FPA sections 205 and 206 establish two paths by which an existing rate mechanism, including any Reactive Power Tariff that forms the basis for payments to a Reactive Power Supplier under PJM Tariff Schedule 2, can be modified.\(^\text{16}\) To ensure

\(^\text{16}\) *See Atlantic City Electric Co. v. FERC*, 295 F.3d 1, 10 (D.C. Cir. 2002) (“Atlantic City”) (sections 205 and 206 are part of the same statutory scheme where all rates are initially established by the public utility, subject to modification by the Commission upon a finding that they are unlawful); *Mass. Dep’t of Pub. Utils. v. U.S.*, 729 F.2d 886, 887 (1st Cir. 1984) (“Mass. DPU”) (sections 205
each Reactive Power Supplier no longer receives reactive power capability payments after it has deactivated its unit, the Reactive Power Supplier must revise or terminate its rate under section 205 of the FPA\textsuperscript{17} or, alternatively, the Commission must find the rate schedule unjust and unreasonable in a proceeding initiated under section 206 of the FPA\textsuperscript{18} by a party that lacks section 205 filing rights (e.g., the Commission, PJM, or a third-party).\textsuperscript{19}

These FPA section 205 and 206 requirements eliminate two potential options to revise the Tariff that would satisfy the Commission’s directive in the November 20 Order but violate the FPA: (1) the option to revise the Tariff to state that on its own PJM will no longer pay suppliers in accordance with the Commission-approved filed rate after a unit retires; and (2) the option to require each Reactive Power Supplier to submit a 205 filing to revise or terminate its filed rate schedule when a unit deactivates or is transferred.

\textsuperscript{17} The courts have made it clear that public utilities have the statutory right under section 205 to make changes to their rates, and that the Commission lacks the authority to compel them to forego or cede their section 205 filing rights. In \textit{Atlantic City}, the court rejected an attempt by the Commission to require transmission owners in PJM to cede their rights under section 205 to file rate changes, noting that “FERC cannot point to any statute giving it authority for its unprecedented decision to require the utility petitioners to cede rights expressly given to them in section 205 of the Federal Power Act” and finding that “FERC is attempting to deny the utility petitioners the very statutory rights given to them by Congress.”

\textsuperscript{18} See \textit{Mass. DPU} at 887 (rejecting “regulator-compelled” section 205 filings, and stating this would prevent a utility from choosing amount reasonable rate alternatives, and also that others cannot exercise powers denied to the Commission but that are within the Commission’s general area of authority); \textit{Entergy Services, Inc.}, 115 FERC \textsection{} 61,095, at P 62 (2006), \textit{order on reh’g}, 116 FERC \textsection{} 61,275 (2006) (stating that an entity that lacks 205 filing rights under section 205 cannot propose tariff changes under section 205, but is limited to protesting filings or submitting a section 206 complaint); \textit{PJM Interconnection, L.L.C.}, 110 FERC \textsection{} 61,234, at P 22 (2005) (“Under the FPA, attempts by one utility to change the rate of another utility must be made pursuant to section 206, together with a showing that the existing rate of the other utility is unjust or unreasonable.”).

\textsuperscript{19} and 206 “provide two different ‘tracks’ for review”). A similar division of authority exists under the parallel provisions of the Natural Gas Act. See \textit{Atlantic City} at 10; \textit{Mass. DPU} at 887.
Both approaches are tantamount to PJM impermissibly revising a Reactive Power Supplier’s filed rate schedule and, in the case of simply stopping payment, forces PJM to have to effectively unbundle and reset rates—a task that belongs to the Commission. Absent an express waiver, the Reactive Power Supplier has the exclusive right to submit filings to amend its rates under FPA section 205, and entities without section 205 filing rights, such as customers, must initiate a proceeding pursuant to section 206 of the FPA to compel a Reactive Power Supplier to revise its Commission-approved tariff.

B. Lack of Information to Stop Payments to Deactivated or Transferred Units Receiving Payments Under Fleet-Based Rate Schedules

Even assuming, arguendo, that PJM has sufficient authority under the FPA to stop paying Reactive Power Suppliers for deactivated or transferred units without the requisite filings to adjust Commission-accepted rated schedules, PJM does not have the information necessary to do so. While generators within PJM are generally obligated to inform PJM they are retiring pursuant to Part V of the Tariff, in most cases, PJM does not know whether a retiring unit is compensated for provide reactive supply capability under a fleet-based rate schedule. As explained above, the fleet-based rates are rather opaque: they consist of a single rate for multiple generators developed sometimes over an extended period and do not specify which generators are being compensated under the rate schedule. Therefore, without additional information from the Reactive Power Supplier, PJM could not know whether to reduce the payment to account for a deactivated or transferred unit or by how much.
Moreover, several PJM stakeholders have posited that a single generator deactivation does not necessarily trigger an adjustment of a cost-based rate schedule.\textsuperscript{20} Assuming this assertion is legally valid, PJM does not have sufficient information regarding the Reactive Power Supplier’s various system changes, such as the addition of other generators that provide reactive power and other factors necessary to trigger or hold a rate case, to determine whether to stop payment for the deactivated unit.

\textit{C. Proposed Tariff Revisions}

As stated above, to satisfy the Commission’s requirement that PJM revise the Tariff to provide that Reactive Power Supplier no longer receives reactive power capability payments after it has deactivated its unit, the Reactive Power Supplier’s must revise or terminate its rate pursuant to section 205 of the FPA or another party must initiate a proceeding pursuant to section 206 of the FPA. Therefore, PJM proposes to revise Schedule 2 to require that ninety days prior to the deactivation or transfer of a generation unit each Reactive Power Supplier either: (1) submit a filing to either terminate or adjust its cost-based rate schedule to account for the deactivated or transferred unit; or (2) submit an informational filing explaining the basis for its decision not to terminate or revise its cost-based rate schedule in the docket in which the rate schedule was originally approved or as otherwise directed by the Commission. As noted above, the requirement to submit such a filing ninety days before the deactivation also

\textsuperscript{20} See, \textit{e.g.}, \textit{Motion to Intervene and Protest of the PSEG Companies}, Docket No. EL15-15-000, at p. 3 (Dec. 11, 2014).
goes to address the issue of an entity continuing to collect rates for a unit which has deactivated merely because the relevant 205 or 206 process has not been completed.

Moreover, PJM proposes to add new section 113.4 (Notice for Generation Units Providing Reactive Supply and Voltage Control) to Part V (Generation Deactivation) of the Tariff. New section 113.4 requires generation owners to provide notice in accordance with the new rules proposed to Schedule 2 in this filing in addition to the other notice requirements in Part V of the Tariff that generation owners must satisfy when deactivating a unit.

This approach will both: (1) preserve Reactive Power Suppliers’ 205 filing rights; and (2) require a filing by a Reactive Power Supplier that will result in either a change to the rate schedule to account for the deactivated unit or provide other parties with sufficient information about a generator’s deactivation to initiate a proceeding under section 206 of the FPA and provide a reasonable time for such applications to be processed prior to the unit actually being deactivated. Such an approach will increase transparency surrounding deactivated and transferred units thereby significantly reducing the probability that such units improperly receive payments while also preserving each Reactive Power Supplier’s 205 filing rights.

PJM also proposes ministerial revisions to Schedule 2. First, PJM proposes to modify each instance of “Generation or other source Owner” to read “Generation Owner or other source owner” because “Generation” and “Owner” are not defined terms in the Tariff while “Generation Owner” is a defined term. Second, PJM proposes to revise

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21 Tariff at § 1.13F.
two instances of “Generation Capacity Resources” to read “generator or other source” in Schedule 2. Generator owners and other source owners may transfer any generator or other source in accordance with Schedule 2, not only generation capacity resources. Therefore, PJM proposes to revise Schedule 2 to clarify this rule.

III. EFFECTIVE DATE

PJM requests an effective date of February 20, 2015 for the Tariff revisions proposed in this filing.

IV. DOCUMENTS ENCLOSED

PJM encloses the following documents with this transmittal letter:

1. a redlined version of the PJM’s proposed revisions to the Tariff (Attachment A); and

2. a clean version of the PJM’s proposed revisions to the Tariff (Attachment B).

V. CORRESPONDENCE AND COMMUNICATIONS

Correspondence and communications with respect to this filing should be sent to the following individuals:

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See PJM Interconnection, L.L.C., ER00-3327-000 (Sept. 25, 2000) (unpublished letter order).
VI. SERVICE

PJM has served a copy of this filing on all PJM Members and on the affected state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission’s regulations,\(^{23}\) PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region\(^{24}\) alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within twenty-four hours of the filing. Also, a copy of this filing will be available on the Commission’s eLibrary website located at the following link: http://www.ferc.gov/docs-filing/elibrary.asp in accordance with the Commission’s regulations and Order No. 714.

VII. CONCLUSION

Wherefore, for the foregoing reasons, PJM respectfully requests that the Commission accept the attached Tariff revisions for filing.

\(^{23}\) See 18C.F.R §§ 35.2(e) and 385.2010(f)(3).

\(^{24}\) PJM already maintains, updates, and regularly uses e-mail lists for all PJM members and affected state commissions.
Respectfully submitted,

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Attachment A

Revisions to the PJM Open Access Transmission Tariff (Marked/Redline Format)
113   Notices

113.1 Generation Owner Notice:

When a Generation Owner desires to deactivate a generating unit located in the PJM Region, such Generation Owner, or its Designated Agent, must provide notice of such proposed Deactivation in writing to the Transmission Provider no later than 90 days prior to the proposed Deactivation Date for the generating unit. This notice shall include an indication of whether the generating unit is being retired or mothballed, the desired Deactivation Date, and a good faith estimate of the amount of any project investment and the time period the generating unit would be out of service for repairs, if any, that would be required to keep the unit in, or return the unit to, operation. PJM shall promptly provide a copy of such notice to the Market Monitoring Unit.

113.2 Notice of Reliability Impact:

Within 30 days of the receipt of the Generation Owner’s notice pursuant to section 113.1 of this Tariff, the Transmission Provider shall inform Generation Owner, or its Designated Agent, whether the Deactivation of the generating unit would adversely affect the reliability of the Transmission System. In the event there are no reliability issues associated with the proposed Deactivation of the generating unit, Transmission Provider shall so notify Generation Owner, or its Designated Agent, and the Generation Owner or its Designated Agent may deactivate its generating unit at any time thereafter. The Generation Owner shall coordinate with the appropriate Transmission Owner and the Transmission Provider regarding the removal of any transmission equipment located at the generating unit proposed for Deactivation. In the event the Transmission Provider determines that, in accordance with established reliability criteria, the Deactivation of Generation Owner’s generating unit would adversely affect the reliability of the Transmission System absent upgrades to the Transmission System, it shall notify the Generation Owner, or its Designated Agent, of the reliability concerns. Such notice shall (1) identify the specific reliability impact resulting from the proposed Deactivation of the generating unit; and (2) provide an initial estimate of the period of time it will take to complete the Transmission System reliability upgrades necessary to alleviate the reliability impact. Regardless of whether the Deactivation of the generating unit would adversely affect the reliability of the Transmission System, the Generation Owner or its Designated Agent may deactivate its generating unit, subject to the notice requirements in section 113.1 of this Tariff. Within 60 days of Generation Owner’s or its Designated Agent’s notice pursuant to section 113.1 of this Tariff, the Generation Owner or its Designated Agent shall inform Transmission Provider whether the generating unit proposed for Deactivation will continue operating beyond its desired Deactivation Date during the period of construction of the Transmission System reliability upgrades necessary to alleviate the reliability impact resulting from the Deactivation of the generating unit, and if the generating unit will continue operating, provide the Transmission Provider with an updated estimate of the amount of any project investment and the time period the generating unit would be out of service for repairs, if any, that would be required to keep the unit in, or return the unit to, operation. For generating units that will continue operating beyond their desired Deactivation Dates, Transmission Provider shall (a) within 75 days of Generation Owner’s or its Designated Agent’s notice pursuant to section 113.1 of this Tariff, provide an updated estimate of the period of time it will take to complete the Transmission System upgrades necessary to alleviate the reliability impact.
impact; and (b) within 90 days of Generation Owner’s or its Designated Agent’s notice pursuant to section 113.1 of this Tariff, post on its internet site full details of the transmission upgrades necessary to alleviate the reliability impact that would result from the Deactivation of the generating unit. Upon receipt of notification from the Transmission Provider that Deactivation of the generating unit would cause reliability concerns, the Generation Owner shall immediately be entitled to file with the Commission a cost of service rate to recover the entire cost of operating the generating unit until such time as the generating unit is deactivated pursuant to this Part V (“Cost of Service Recovery Rate”). In the alternative, the Generation Owner may elect to receive the Deactivation Avoidable Cost Credit provided under this Part V.

113.3 Subsequent Deactivation Notice for Generating Units Continuing to Operate:

In the event that a Generation Owner or its Designated Agent, which has informed Transmission Provider pursuant to section 113.2 that a generating unit will continue operating, desires to deactivate such generating unit prior to the completion date of the Transmission System reliability upgrades necessary to alleviate the reliability impact resulting from the Deactivation of the generating unit, or the date that the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System, the Generation Owner or its Designated Agent shall provide notice of such proposed Deactivation in writing to the Transmission Provider no later than 90 days prior to the desired Deactivation Date for the generating unit.

113.4 Notice for Generation Units Providing Reactive Supply and Voltage Control:

In addition to the notice requirements in this Part V of the Tariff, when a Generation Owner desires to deactivate a generating unit that provides reactive supply and voltage control service under Schedule 2 of the Tariff, such Generation Owner, or its Designated Agent, must satisfy the notice and filing requirements in Schedule 2 of the Tariff.
SCHEDULE 2
Reactive Supply and Voltage Control from
Generation or Other Sources Service

In order to maintain transmission voltages on the Transmission Provider’s transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing this service that are under the control of the control area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on the Transmission Provider’s transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to the Transmission Customer’s transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided directly by the Transmission Provider. The Transmission Customer must purchase this service from the Transmission Provider.

In addition to the charges and payments set forth in this Schedule 2, Market Sellers providing reactive services at the direction of the Office of the Interconnection shall be credited for such services, and Market Participants shall be charged for such services, as set forth in section 3.2.3B of the Appendix to Attachment K.

The Transmission Provider shall administer the purchases and sales of Reactive Supply. PJMSettlement shall be the Counterparty to (a) the purchases of Reactive Supply from owners of Generation or Other Sources and Market Sellers and (b) the sales of Reactive Supply to Transmission Customers and Market Participants.

Charges

Purchasers of Reactive Supply and Voltage Control from Generation or Other Sources Service shall be charged for such service in accordance with the following formulae.

Monthly Charge for a purchaser receiving Network Integration Transmission Service or Point-to-Point Transmission Service to serve Non-Zone Load = Allocation Factor * Total Generation Owner or other source Owner Monthly Revenue Requirement

Monthly Charge for a purchaser receiving Network Integration Transmission Service or Point-to-Point Transmission Service to serve Zone Load = Allocation Factor * Zonal Generation Owner or other source Owner Monthly Revenue Requirement * Adjustment Factor

Where:
Purchaser serving Non-Zone Load is a Network Customer serving Non-Zone Network Load or serving Network Load in a zone with no revenue requirement for Reactive Supply and Voltage Control from Generation or Other Sources Service, or a Transmission Customer where the Point of Delivery is at the boundary of the PJM Region.

Zonal Generation **Owner** or other source **Owner—owner** Monthly Revenue Requirement is the sum of the monthly revenue requirements for each generator or other source located in a Zone, as such revenue requirements have been accepted or approved, upon application, by the Commission.

Total Generation **Owner** or other source **Owner—owner** Monthly Revenue Requirement is the sum of the Zonal Generation or other source **Owner—owner** Monthly Revenue Requirements for all Zones in the PJM Region.

Allocation Factor is the monthly transmission use of each Network Customer or Transmission Customer per Zone or Non-Zone, as applicable, on a megawatt basis divided by the total transmission use in the Zone or in the PJM Region, as applicable, on a megawatt basis.

For Network Customers, monthly transmission use on a megawatt basis is the sum of a Network Customer’s daily values of DCPZ or DCPNZ (as those terms are defined in Section 34.1) as applicable, for all days of the month.

For Transmission Customers, monthly transmission use on a megawatt basis is the sum of the Transmission Customer’s hourly amounts of Reserved Capacity for each day of the month (not curtailed by PJM) divided by the number of hours in the day.

Adjustment Factor is determined as the sum of the total monthly transmission use in the PJM Region, exclusive of such use by Transmission Customers serving Non-Zone Load, divided by the total monthly transmission use in the PJM Region on a megawatt basis.

In the event that a single customer is serving load in more than one Zone, or serving Non-Zone Load as well as load in one or more Zones, or is both a Network Customer and a Transmission Customer, the Monthly Charge for such a customer shall be the sum of the Monthly Charges determined by applying the appropriate formulae set forth in this Schedule 2 for each category of service.

**Payment to Generation or Other Source Owners**

Each month, the Transmission Provider shall pay each Generation **Owner** or other source **Owner—owner** an amount equal to the Generation **Owner’s** or other source **Owner—owner’s** monthly revenue requirement as accepted or approved by the Commission. In the event a Generation
Owner or other source Owner-owner sells a Generation Capacity Resource(s)-generator or other source which is included in its current effective monthly revenue requirement accepted or approved by the Commission, payments in that Generation Owner’s or other source Owner’s Zone may be allocated as agreed to by the owners of Generation Capacity Resources-the generator or other source in that Zone. Such Generation Owner or other source Owners shall inform the Transmission Provider of any such agreement and submit either a filing to revise its cost-based rate or an informational filing in accordance with the requirements below in this Schedule 2. In the absence of agreement among such Generation Owners or other source Owners, the Commission, upon application, shall establish the allocation. Generation Owners shall not be eligible for payment, pursuant to this Schedule 2, of monthly revenue requirement associated with those portions of generating units designated as Behind The Meter Generation. The Transmission Provider shall post on its website a list for each Zone of the annual revenue requirements for each Generation Owner receiving payment within such Zone and specify the total annual revenue requirement for all of the Transmission provider.

At least 90 days prior to the Deactivation Date or disposition date of a generator or other source receiving payment in accordance with a Commission accepted or approved revenue requirement for providing reactive supply and voltage control service under this Schedule 2 of the Tariff, the Generation Owner or other source owner must either:

(1) submit to the Commission the appropriate filings to terminate or revise its cost-based revenue requirement for supplying reactive supply and voltage control service under this Schedule 2 to account for the deactivated or transferred generator or other source; or

(2) provide to the Transmission Provider and file with the Commission an informational filing that identifies the Deactivation Date or disposition date of the generator or other source and explains the basis for the decision by the Generation Owner or other source owner not to terminate or revise the cost-based rate approved or accepted by the Commission associated with the planned generator or other source deactivation or disposition.

The Generation Owner or other source owner must submit the informational filing in the docket in which its cost-based revenue requirement was approved or accepted by the Commission or as otherwise directed by the Commission.
Attachment B

Revisions to the PJM Open Access Transmission Tariff

(Clean Format)
113 Notices

113.1 Generation Owner Notice:

When a Generation Owner desires to deactivate a generating unit located in the PJM Region, such Generation Owner, or its Designated Agent, must provide notice of such proposed Deactivation in writing to the Transmission Provider no later than 90 days prior to the proposed Deactivation Date for the generating unit. This notice shall include an indication of whether the generating unit is being retired or mothballed, the desired Deactivation Date, and a good faith estimate of the amount of any project investment and the time period the generating unit would be out of service for repairs, if any, that would be required to keep the unit in, or return the unit to, operation. PJM shall promptly provide a copy of such notice to the Market Monitoring Unit.

113.2 Notice of Reliability Impact:

Within 30 days of the receipt of the Generation Owner’s notice pursuant to section 113.1 of this Tariff, the Transmission Provider shall inform Generation Owner, or its Designated Agent, whether the Deactivation of the generating unit would adversely affect the reliability of the Transmission System. In the event there are no reliability issues associated with the proposed Deactivation of the generating unit, Transmission Provider shall so notify Generation Owner, or its Designated Agent, and the Generation Owner or its Designated Agent may deactivate its generating unit at any time thereafter. The Generation Owner shall coordinate with the appropriate Transmission Owner and the Transmission Provider regarding the removal of any transmission equipment located at the generating unit proposed for Deactivation. In the event the Transmission Provider determines that, in accordance with established reliability criteria, the Deactivation of Generation Owner’s generating unit would adversely affect the reliability of the Transmission System absent upgrades to the Transmission System, it shall notify the Generation Owner, or its Designated Agent, of the reliability concerns. Such notice shall (1) identify the specific reliability impact resulting from the proposed Deactivation of the generating unit; and (2) provide an initial estimate of the period of time it will take to complete the Transmission System reliability upgrades necessary to alleviate the reliability impact. Regardless of whether the Deactivation of the generating unit would adversely affect the reliability of the Transmission System, the Generation Owner or its Designated Agent may deactivate its generating unit, subject to the notice requirements in section 113.1 of this Tariff. Within 60 days of Generation Owner’s or its Designated Agent’s notice pursuant to section 113.1 of this Tariff, the Generation Owner or its Designated Agent shall inform Transmission Provider whether the generating unit proposed for Deactivation will continue operating beyond its desired Deactivation Date during the period of construction of the Transmission System reliability upgrades necessary to alleviate the reliability impact resulting from the Deactivation of the generating unit, and if the generating unit will continue operating, provide the Transmission Provider with an updated estimate of the amount of any project investment and the time period the generating unit would be out of service for repairs, if any, that would be required to keep the unit in, or return the unit to, operation. For generating units that will continue operating beyond their desired Deactivation Dates, Transmission Provider shall (a) within 75 days of Generation Owner’s or its Designated Agent’s notice pursuant to section 113.1 of this Tariff, provide an updated estimate of the period of time it will take to complete the Transmission System upgrades necessary to alleviate the reliability impact.
impact; and (b) within 90 days of Generation Owner’s or its Designated Agent’s notice pursuant to section 113.1 of this Tariff, post on its internet site full details of the transmission upgrades necessary to alleviate the reliability impact that would result from the Deactivation of the generating unit. Upon receipt of notification from the Transmission Provider that Deactivation of the generating unit would cause reliability concerns, the Generation Owner shall immediately be entitled to file with the Commission a cost of service rate to recover the entire cost of operating the generating unit until such time as the generating unit is deactivated pursuant to this Part V (“Cost of Service Recovery Rate”). In the alternative, the Generation Owner may elect to receive the Deactivation Avoidable Cost Credit provided under this Part V.

113.3 Subsequent Deactivation Notice for Generating Units Continuing to Operate:

In the event that a Generation Owner or its Designated Agent, which has informed Transmission Provider pursuant to section 113.2 that a generating unit will continue operating, desires to deactivate such generating unit prior to the completion date of the Transmission System reliability upgrades necessary to alleviate the reliability impact resulting from the Deactivation of the generating unit, or the date that the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System, the Generation Owner or its Designated Agent shall provide notice of such proposed Deactivation in writing to the Transmission Provider no later than 90 days prior to the desired Deactivation Date for the generating unit.

113.4 Notice for Generation Units Providing Reactive Supply and Voltage Control:

In addition to the notice requirements in this Part V of the Tariff, when a Generation Owner desires to deactivate a generating unit that provides reactive supply and voltage control service under Schedule 2 of the Tariff, such Generation Owner, or its Designated Agent, must satisfy the notice and filing requirements in Schedule 2 of the Tariff.
SCHEDULE 2
Reactive Supply and Voltage Control from Generation or Other Sources Service

In order to maintain transmission voltages on the Transmission Provider’s transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing this service that are under the control of the control area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on the Transmission Provider’s transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to the Transmission Customer’s transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided directly by the Transmission Provider. The Transmission Customer must purchase this service from the Transmission Provider.

In addition to the charges and payments set forth in this Schedule 2, Market Sellers providing reactive services at the direction of the Office of the Interconnection shall be credited for such services, and Market Participants shall be charged for such services, as set forth in section 3.2.3B of the Appendix to Attachment K.

The Transmission Provider shall administer the purchases and sales of Reactive Supply. PJMSettlement shall be the Counterparty to (a) the purchases of Reactive Supply from owners of Generation or Other Sources and Market Sellers and (b) the sales of Reactive Supply to Transmission Customers and Market Participants.

Charges

Purchasers of Reactive Supply and Voltage Control from Generation or Other Sources Service shall be charged for such service in accordance with the following formulae.

\[
\text{Monthly Charge for a purchaser receiving Network Integration Transmission Service or Point-to-Point Transmission Service to serve Non-Zone Load} = \text{Allocation Factor} \times \text{Total Generation Owner or other source owner Monthly Revenue Requirement}
\]

\[
\text{Monthly Charge for a purchaser receiving Network Integration Transmission Service or Point-to-Point Transmission Service to serve Zone Load} = \text{Allocation Factor} \times \text{Zonal Generation Owner or other source owner Monthly Revenue Requirement} \times \text{Adjustment Factor}
\]

Where:
Purchaser serving Non-Zone Load is a Network Customer serving Non-Zone Network Load or serving Network Load in a zone with no revenue requirement for Reactive Supply and Voltage Control from Generation or Other Sources Service, or a Transmission Customer where the Point of Delivery is at the boundary of the PJM Region.

Zonal Generation Owner or other source owner Monthly Revenue Requirement is the sum of the monthly revenue requirements for each generator or other source located in a Zone, as such revenue requirements have been accepted or approved, upon application, by the Commission.

Total Generation Owner or other source owner Monthly Revenue Requirement is the sum of the Zonal Generation or other source owner Monthly Revenue Requirements for all Zones in the PJM Region.

Allocation Factor is the monthly transmission use of each Network Customer or Transmission Customer per Zone or Non-Zone, as applicable, on a megawatt basis divided by the total transmission use in the Zone or in the PJM Region, as applicable, on a megawatt basis.

For Network Customers, monthly transmission use on a megawatt basis is the sum of a Network Customer’s daily values of DCPZ or DCPNZ (as those terms are defined in Section 34.1) as applicable, for all days of the month.

For Transmission Customers, monthly transmission use on a megawatt basis is the sum of the Transmission Customer’s hourly amounts of Reserved Capacity for each day of the month (not curtailed by PJM) divided by the number of hours in the day.

Adjustment Factor is determined as the sum of the total monthly transmission use in the PJM Region, exclusive of such use by Transmission Customers serving Non-Zone Load, divided by the total monthly transmission use in the PJM Region on a megawatt basis.

In the event that a single customer is serving load in more than one Zone, or serving Non-Zone Load as well as load in one or more Zones, or is both a Network Customer and a Transmission Customer, the Monthly Charge for such a customer shall be the sum of the Monthly Charges determined by applying the appropriate formulae set forth in this Schedule 2 for each category of service.

Payment to Generation or Other Source Owners

Each month, the Transmission Provider shall pay each Generation Owner or other source owner an amount equal to the Generation Owner’s or other source owner’s monthly revenue requirement as accepted or approved by the Commission. In the event a Generation Owner or
other source owner sells a generator or other source which is included in its current effective monthly revenue requirement accepted or approved by the Commission, payments in that Generation Owner’s or other source owner’s Zone may be allocated as agreed to by the owners of the generator or other source in that Zone. Such Generation Owner or other source owners shall inform the Transmission Provider of any such agreement and submit either a filing to revise its cost-based rate or an informational filing in accordance with the requirements below in this Schedule 2. In the absence of agreement among such Generation Owners or other source owners, the Commission, upon application, shall establish the allocation. Generation Owners shall not be eligible for payment, pursuant to this Schedule 2, of monthly revenue requirement associated with those portions of generating units designated as Behind The Meter Generation. The Transmission Provider shall post on its website a list for each Zone of the annual revenue requirements for each Generation Owner receiving payment within such Zone and specify the total annual revenue requirement for all of the Transmission provider.

At least 90 days prior to the Deactivation Date or disposition date of a generator or other source receiving payment in accordance with a Commission accepted or approved revenue requirement for providing reactive supply and voltage control service under this Schedule 2 of the Tariff, the Generation Owner or other source owner must either:

1. submit to the Commission the appropriate filings to terminate or revise its cost-based revenue requirement for supplying reactive supply and voltage control service under this Schedule 2 to account for the deactivated or transferred generator or other source; or

2. provide to the Transmission Provider and file with the Commission an informational filing that identifies the Deactivation Date or disposition date of the generator or other source and explains the basis for the decision by the Generation Owner or other source owner not to terminate or revise the cost-based rate approved or accepted by the Commission associated with the planned generator or other source deactivation or disposition.

The Generation Owner or other source owner must submit the informational filing in the docket in which its cost-based revenue requirement was approved or accepted by the Commission or as otherwise directed by the Commission.