3.2.3

(s) Gas Contingency Compensation

1. In the event that the Office of the Interconnection issues an Operating Instruction, as defined by NERC, associated with gas infrastructure contingency analysis that instructs a Market Seller that is the Generator Owner/Operator of the resource subject to such instruction to make certain operational changes (i.e. switching to an alternate fuel type, switching to an alternate fuel source) normally made at the discretion of the Market Seller, such Market Seller will be entitled to recovery of the following Gas Contingency Switching Costs in addition to, but not to be duplicative of, their normal PJM market settlements:

    Gas Contingency Switching Costs = Gas Balancing Costs and Penalties + Other Gas Balancing Costs and Penalties + Start Up Costs + RT Lost Opportunity Revenue

    Where

    Gas Balancing Costs and Penalties include any or all of the following, as applicable, unless the gas contingency switching is performed post-contingency and the Office of the Interconnection can show the generator would be unable to continue operating on the original pipeline:

    park and loan services – i.e., charges incurred when taking actions with a park and loan service which allows customers the flexibility of putting gas in pipeline for later use (Park) or borrowing gas from the pipeline and paying back the volume at a later date (Loan).

    overrun charges – i.e., charges incurred for taking gas in excess of the scheduled quantity.

    exceeding maximum daily quantity – i.e., charges incurred for exceeding the maximum daily quantity of natural gas, obligated to be delivered on any gas day to Shipper.

    exceeding min/max storage balance – i.e., charges incurred due to exceeding the minimum or maximum level of storage inventory, injection, or withdraw.

    imbalance cash out penalties – i.e., charges incurred for exceeding +/- limits of the difference between the quantity of gas nominated and the amount of gas delivered.

    disposal of gas and related products – i.e., charges incurred as a result of the monetary loss experienced by the market seller due to the difference between the cost paid to obtain the gas or related product and revenue received for selling the gas or related products on the original pipeline.

and where

Other Gas Balancing Costs and Penalties shall include: charges incurred as a result of any other pipeline tariff or contract balancing cost or penalties imposed on the resource related to switching pipelines or fuels as a result of the PJM Operating Instruction that may not already be defined as a Gas Balancing Cost and Penalty.

and where

Start-up Costs shall include: charges incurred if a start is required to switch fuel/source, limited to one start-up per switching event. Switching back to original fuel/source is a separate switching event, and is eligible for compensation if PJM directs the action

and where

Real Time Lost Opportunity Revenue shall include: monetary loss incurred during the duration of the Operating Instruction as a result of any difference in original fuel (Fuel A) costs and the alternate fuel or alternate sourced fuel (Fuel B) costs. These are RT lost opportunity revenues associated with using a different fuel or alternate sourced fuel , calculated as (Cost of Fuel B - Cost of Fuel A) * Real Time MW. (MWs includes the quantity that would have been scheduled using Fuel A based on the greater of PJM Real Time or Day Ahead commitment).

Nothing in this section shall restrict the rights of any Market Participant or other interested party to file a complaint with FERC under relevant provisions of the Federal Power Act.

2. Market Seller maintains a responsibility to ensure such Gas Contingency Switching Costs are mitigated and are the result of arms-length transactions.

3. Any pipeline or LDC penalties as the result of using an alternative pipeline or fuel source beyond what was explicitly authorized by such pipeline or LDC will not be reimbursed.

4. Regardless of whether a generator is opted-in or opted-out of intraday offers, the unit is eligible for make-whole compensation for costs incurred from fuel switching associated with an Operating Instruction.

5. The Gas Contingency Switching Costs will be treated as Balancing Operating Reserves for reliability in accordance with Operating Agreement, Schedule 1, section 3.2.3 and Tariff, Attachment K-Appendix, section 3.2.3. The Market Seller is considered

to be following PJM dispatch, during fuel/source switching, when following an Operating Instruction associated with gas infrastructure contingency analysis.

[NOTE: The following section necessitates the need to make changes in other sections of the tariff to ensure there is appropriate linkage.  We included an example of this as to what the revisions to Tariff, Attachment DD, section 10A will look like regarding excuse for CP Non-Performance Charges]

6. The following existing market settlement procedures will be adjusted or clarified as follows:

(a) Market Seller will be subject to the Capacity Performance Non-Performance Charge and any excuses thereto specified in Tariff, Attachment DD, section 10A.

(b) LOC for amount of output reduced from scheduled associated with switching. LOC will be based on the initial fuel before a switch, reduction, or shutdown requested, during the Operating Instruction event.

(c) Generator is exempt from Deviation charges beginning with the initiation of the Operating Instruction until the sooner of 1) reaching dispatch base point after switching back to original fuel or 2) 10 AM the following Operating Day for generators that switch.  This period may extend multiple days if the Operating Instruction lasts multiple electric or gas days.

(d) Current operating segment associated with Balancing Operating Reserve credits ends at the time the Operating Instruction is issued.   A new operating segment starts at the time the Operating Instruction is issued and ends at sooner of the “end of gas contingency event” or the “end of the Operating Day.”

(e) Generators (even those not on intraday offer updates) may update their current schedules immediately after Operating Instruction notification.  Generators can switch to alternate (another fuel) schedules if fuel switching.

Tariff, Attachment DD, section 10A

(d) Notwithstanding subsection (c) above, a Capacity Resource or Locational UCAP of a Capacity Market Seller or Locational UCAP Seller shall not be considered in the calculation of a Performance Shortfall for a Performance Assessment Hour to the extent such Capacity Notwithstanding subsection (c) above, a Capacity Resource or Locational UCAP of a Capacity Market Seller or Locational UCAP Seller shall not be considered in the calculation of a Performance Shortfall for a Performance Assessment Interval to the extent such Capacity Resource or Locational UCAP was unavailable during such Performance Assessment Interval solely because the resource on which such Capacity Resource or Locational UCAP is based was on a Generator Planned Outage or Generator Maintenance Outage approved by the Office of the Interconnection, or was not scheduled to operate by the Office of the Interconnection, or was online but was scheduled down, by the Office of the Interconnection, based on a determination by the Office of the Interconnection that such scheduling action was appropriate to the security constrained economic dispatch of the PJM Region, or was instructed by the Office of Interconnection to switch to an alternate fuel or fuel source, in accordance with Section 3.2.3(s) until the Capacity Resource or Locational UCAP returns to the original fuel / fuel source where such resource is operating at a reduced MW output level relative to its Expected Performance because of transportation and/or supply limitations associated with the alternate fuel / fuel source. Such a resource shall be considered in the calculation of a Performance Shortfall if it otherwise was needed and would have been scheduled by the Office of the Interconnection to perform, but was not scheduled to operate, or was scheduled down, solely due to: (i) any operating parameter limitations submitted in the resource’s offer, or (ii) the seller’s submission of a market-based offer higher than its cost-based.