DATE: December 8, 2016

TO: URMSTF

FROM: Monitoring Analytics

SUBJECT: Executive Summary – URMSTF (ECPE) Package D

The primary objective of Monitoring Analytics package is to ensure that all external units that qualify as capacity resources in PJM can be direct substitutes for an internal resource.

New Requests

Monitoring Analytics package D proposal for handling new external capacity pseudo ties is similar to Exelon's package B and PJM's package E with a few exceptions. In summary, Monitoring Analytics package differs in the following design components:

3B – Initial External Upgrade Cost Allocation: Monitoring Analytics package matches the PJM and Exelon packages, but includes additional wording to ensure that the cost allocations associated with the external upgrades stay within the external region and are not assigned to PJM load.

4B – Ongoing External Upgrade Cost Allocations: Monitoring Analytics package matches the PJM and Exelon packages, but includes additional wording to ensure that the cost allocations associated with the external upgrades stay within the external region and are not assigned to PJM load.

6 – Operational Modeling Requirement: Monitoring Analytics package requires new resources to be physically located in the region previously defined as "Tier 1" (defined as PJM's neighboring balancing authorities (or the legacy local balancing authorities (LBAs) in the case of MISO)). In addition to the physical location requirement, PJM may exclude some units based on electrical distance. This differs from the PJM minimal electrical impedance proposal.

8 – Pseudo Tie Request Deadline for RPM Auction Participation: Monitoring Analytics package requires market participants to submit a pseudo tie request one year prior to the auction to analyze feasibility, with the feasibility approved prior to auction participation. This differs from PJM's proposal where an evaluation will be performed at the time the transmission service is request is submitted.

8A – RPM Auction Participation Requirements: Monitoring Analytics package matches the PJM and Exelon packages, but includes additional wording to ensure that the pseudo tie was formally requested by one year prior to the start of the Auction, to ensure that there is a commitment from the host balancing authority to transfer FFEs/FFLs to the attaining

balancing authority by the start of the delivery year and to clarify that all requirements are completed prior to participation in the Auction.

16 – Ability to assign external pseudo tied resources to individual locational delivery areas (LDAs): To ensure external resources are a direct substitute for internal units, Monitoring Analytics package requires that external resources be modeled in the RPM auction as meeting the reliability requirements for a specific LDA. The PJM and Exelon packages propose to maintain the status quo, and continue to model external resources to Rest of RTO. Monitoring Analytics package also states that external resources must be assessed for performance during performance assessment (PAH) hours of the assigned LDA or smaller PAH areas. The PJM and Exelon packages propose to assess performance at sub RTO granularity based on operational requirements starting with the 2020/2021 delivery year.

Existing Pseudo Ties

Monitoring Analytics package D proposal for the treatment of existing external capacity pseudo ties is more similar to Exelon's package B than PJM's package E. The main differences in the treatment of existing pseudo ties between Monitoring Analytics package D and PJM's package E are:

10 – Transition mechanism for existing cleared RPM external resources: The Monitoring Analytics package matches the PJM package proposal for the treatment of existing units that are currently cleared through the 2019/2020 DY. The Monitoring Analytics package does not allow for the additional two years of commitments to be granted under the existing rules, as the PJM package proposes.

16 – Ability to assign external pseudo tied resources to individual locational delivery areas (LDAs): To ensure external resources are a direct substitute for internal units, Monitoring Analytics package requires that external resources be modeled in the RPM auction as meeting the reliability requirements for a specific LDA. The PJM and Exelon packages propose to maintain the status quo, and continue to model external resources to Rest of RTO. Monitoring Analytics package also states that external resources must be assessed for performance during performance assessment (PAH) hours of the assigned LDA or smaller PAH areas. The PJM and Exelon packages propose to assess performance at sub RTO granularity based on operational requirements starting with the 2020/2021 delivery year.

17A – Ongoing Stage 1A infeasibilities as a result of pseudo-tie flowgates: The Monitoring Analytics and Exelon packages include requirements to assign costs associated with ARR infeasibility due to pseudo-tie flowgates to external resources if the resources are not assigned FFEs. The PJM proposal is to maintain the status quo of allowing Stage 1 infeasibilities to exist when external resources are not assigned FFEs.

19 – Exception for Existing Resources (for Design Components 10,14,15): The Monitoring Analytics proposal does not allow for exceptions to external units based on pre-existing long-term contracts with internal PJM load.