

Demand Resource (DR) Operational Resource Flexibility Transition Provision

Purpose of Transition Provision

The purpose of the DR Operational Resource Flexibility Transition Provision¹ is to relieve Curtailment Service Provider (CSPs) of RPM commitments for Demand Resources that cannot be delivered due to the 30 minute notification requirement effective with the 2015/2016 Delivery Year. FERC Order ER14-822, accepted on May 9, 2014, required that all Demand Resources effective with the 2015/2016 Delivery Year provide load reductions within 30 minutes of notification from PJM to the CSP, unless PJM has granted an exemption for the Demand Resource to permit either a 60 or 120 notification time. The Transition Provision allows CSPs that are no longer able to deliver the amounts of demand response previously cleared in the Base Residual Auction and/or First Incremental Auction for the 2015/2016 Delivery Year and/or Base Residual Auction for the 2016/2017 Delivery Year due to the 30 minute notification requirement to be relieved of part, or all of, their commitment and have their capacity payments commensurately reduced accordingly.

Overview of the Transition Provision

Eligibility

The Transition Provision applies only with respect to Demand Resources with existing RPM commitments from the 2015/2016 DY Base Residual Auction, 2015/2016 DY First Incremental Auction, or 2016/2017 DY Base Residual Auction that are unable to satisfy the 30 minute notification requirement and do not qualify for an exemption from the 30 minute requirement (“Affected Demand Resources”).

The transition mechanism requires the party owning one or more affected resources (“Affected Curtailment Service Provider”) to provide notification to PJM in accordance with the deadlines specified in Table 1 if they wish to elect the Transition Provision. Affected CSPs that elect the Transition Provision are subject to restrictions on selling DR in Incremental Auctions for the Delivery Year as specified in Table 1 and as further delineated in Table 2.

The Affected CSP must provide written email notification via the RPM Hotline at rpm_hotline@pjm.com by the deadline date and indicate in such notification the cleared MWs of unforced capacity that the Affected CSP cannot and will not deliver from Affected Demand

¹ DR Operation Resource Flexibility Transition Provision was filed on October 20, 2014 (ER15-135-000) and is subject to FERC approval.

Demand Resource (DR) Operational Resource Flexibility Transition Provision

Resources (i.e., non-viable MWs) for a Delivery Year by end-use customer site and/or detailed analysis. The Affected CSP must provide the following data for each end-use customer site for a Delivery Year: EDC Account Number, End-use Customer Name, Site address, Zone or Sub-zonal LDA, Product-type, Non-viable MWs, and a detailed description of why customer cannot comply with the 30 minute notification requirement or qualify for one of the exceptions provided in the tariff. If applicable, a detailed analysis that quantifies the amount of non-viable MWs for prospective customer sales for a Delivery Year that could not be contracted by Affected CSP because of 30 minute notification requirement. The Affected CSP must provide an analysis that supports the non-viable MWs for prospective customer sales for a Delivery Year by Zone or Sub-zonal LDA and by Product-type. The analysis should include the amount of unforced capacity expected from prospective sales for the Delivery Year and supporting detail to substantiate the difference in reduced sales expectations. The Affected CSP must maintain records to support its detailed analysis. Any required supporting information (such as an Excel spreadsheet with end-use customer specific data or the detailed analysis document(s) related to customer sales prospects) must be attached to the email notification.

Table 1 – Election Deadlines and Sell Restrictions associated with the Transition Provision

| Elections for: | Deadline: | Restrictions on Selling DR in Incremental Auction: |
|--|---|---|
| 2015/2016 Delivery Year | No later than one week prior to posting of planning parameters for 2015/2016 DY Third Incremental Auction – <i>January 16, 2015</i> | May not sell or offer to sell MWs in 2015/2016 Third Incremental Auction in same modeled LDA or sub LDA where Affected Demand Resource is located |
| 2016/2017 Delivery Year (First opportunity to declare non-viable MWs for the 2016/2017 Delivery Year) | No later than one week prior to posting of planning parameters for 2016/2017 DY Second Incremental Auction – <i>June 6, 2015</i> | May not sell or offer to sell MWs in 2016/2017 Second or Third Incremental Auction in same modeled LDA or sub LDA where Affected Demand Resource is located |
| 2016/2017 Delivery Year (Second opportunity to declare Non-viable MWs) | No later than one week prior to posting of planning parameters for 2016/2017 DY Third Incremental Auction – <i>January 22, 2016</i> | Must not have sold or offered to sell MWs in 2016/2017 Second Incremental Auction in |

Demand Resource (DR) Operational Resource Flexibility Transition Provision

| | | |
|---|--|---|
| for the 2016/2017 Delivery Year. May declare additional non-viable MWs beyond first election) | | same modeled LDA or sub LDA where Affected Demand Resource is located AND may not sell or offer to sell MWs in 2016/2017 Third Incremental Auction in same LDA or sub LDA where Affected Demand Resource is located |
|---|--|---|

Table 2 – Restrictions on Selling Non-Viable Zone DR for DY in DY Incremental Auction

| | | Non-Viable Zone DR for DY cannot sell DR in Zone/Sub Zone marked with "X" for DY Incremental Auction | | | | | | | | | | | | | | | | | | | | | | |
|----------------------------------|---------------------|--|-----|-----|--------------------------------|---------------|--------|-------|--------|------|-----|-------------------------------|---------------|-----|------|-------|-------|-------|---------|--------|------|-------------------------------|--------------|-------|
| Non-Viable Zone/Sub-Zone | Offer Zone/Sub Zone | AECO | AEP | APS | ATSI (excluding Cleveland LDA) | Cleveland LDA | BGE | COMED | DAYTON | DEOK | DOM | DPL (excluding DPL SOUTH LDA) | DPL SOUTH LDA | DUQ | EKPC | JCPL | METED | PECO | PENELEC | PEPCO | PPL | PSEG (excluding PS NORTH LDA) | PS NORTH LDA | RECO |
| | LDA | EMAAC | RTO | RTO | ATSI | ATSI | SWMAAC | RTO | RTO | RTO | RTO | EMAAC | DPLS | RTO | RTO | EMAAC | MAAC | EMAAC | MAAC | SWMAAC | MAAC | PS | PS-N | EMAAC |
| AECO | EMAAC | X | | | | | | | | | | X | X | | | | | | | | | | | |
| AEP | RTO | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X |
| APS | RTO | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X |
| ATSI (excluding Cleveland LDA) | ATSI | | | | X | X | | | | | | | | | | | | | | | | | | |
| Cleveland LDA | ATSI | | | | X | X | | | | | | | | | | | | | | | | | | |
| BGE | SWMAAC | | | | | X | | | | | | | | | | | | | | X | | | | |
| COMED | RTO | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X |
| DAYTON | RTO | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X |
| DEOK | RTO | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X |
| DOM | RTO | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X |
| DPL (excluding DPL SOUTH LDA) | EMAAC | X | | | | | | | | | | X | X | | | X | | X | | | | X | X | X |
| DPL SOUTH LDA | DPLS | | | | | | | | | | | X | | | | | | | | | | | | |
| DUQ | RTO | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X |
| EKPC | RTO | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X |
| JCPL | EMAAC | X | | | | | | | | | | X | X | | | X | | X | | | | X | X | X |
| METED | MAAC | X | | | | | X | | | | | X | X | | | X | X | X | X | X | X | X | X | X |
| PECO | EMAAC | X | | | | | | | | | | X | X | | | X | X | X | X | X | X | X | X | X |
| PENELEC | MAAC | X | | | | | X | | | | | X | X | | | X | X | X | X | X | X | X | X | X |
| PEPCO | SWMAAC | | | | | | | | | | | | | | | | | | | X | | | | |
| PPL | MAAC | X | | | | | X | | | | | X | X | | | X | X | X | X | X | X | X | X | X |
| PSEG (excluding PS NORTH LDA) | PS | | | | | | | | | | | | | | | | | | | | | X | X | |
| PS NORTH LDA | PS-N | | | | | | | | | | | | | | | | | | | | | | X | |
| RECO | EMAAC | X | | | | | | | | | | X | X | | | X | | X | | | | X | X | X |
| MODELED LDAs for 15/16 DY | | RTO, MAAC, EMAAC, SWMAAC, PS, PS NORTH, DPL SOUTH, PEPCO, ATSI | | | | | | | | | | | | | | | | | | | | | | |
| MODELED LDAs for 16/17 DY | | RTO, MAAC, EMAAC, SWMAAC, PS, PS NORTH, DPL SOUTH, PEPCO, ATSI, ATSI CLEVELAND | | | | | | | | | | | | | | | | | | | | | | |

Impact on 2015/2016 Third Incremental Auction, 2016/2017 Second Incremental Auction, & 2016/2017 Third Incremental Auction

PJM will publish aggregate information on non-viable MWs, by product type and by Zone/sub-zone, with the posting of the planning parameters for the 2015/2016 Third Incremental Auction, 2016/2017 Second Incremental Auction, and 2016/2017 Third Incremental Auction. Non-viable MWs for these Scheduled Incremental Auctions represent those MWs that are declared in advance of such Scheduled Incremental Auction.

Demand Resource (DR) Operational Resource Flexibility Transition Provision

For the 2015/2016 Third Incremental Auction, 2016/2017 Second Incremental Auction, and 2016/2017 Third Incremental Auction, PJM will adjust the PJM Buy Bid/Sell Offer in RTO/LDA to take into account the amount the non-viable MWs by zone/sub-zone for the Scheduled Incremental Auction. However, for the 2016/2017 Second Incremental Auction, PJM will adjust the change in the RTO/LDA Reliability Requirements between the 2016/2017 Second Incremental Auction and the 2016/2017 First Incremental Auction to take into account the non-viable MWs by zone/sub-zone elected prior to the 2016/2017 Second Incremental Auction, and only consider the adjusted change in the RTO/LDA Reliability Requirement in determining the PJM Buy Bid/Sell Offer if such adjusted change in the RTO/LDA Reliability Requirement is greater than or equal to the lesser of (i) 500 MW or (ii) one percent of the 2016/2017 First Incremental Auction RTO/LDA Reliability Requirement.

For the 2015/2016 Third Incremental Auction, 2016/2017 Second Incremental Auction, and 2016/2017 Third Incremental Auction, the Updated VRR Curve Increment/Decrement will be based on the portion of the Updated VRR Curve to the right/left of a vertical line at the level of unforced capacity equal to the net unforced capacity committed in all prior auctions conducted for such Delivery Year less the non-viable MWs for such Scheduled Incremental Auction if such non-viable MWs were included in the determination of the PJM Buy Bids/Sell Offers for such Scheduled Incremental Auction.

Impact on Affected CSP's RPM Commitments and RPM Auction Credits

Prior to the start of the 2015/2016 Delivery Year and 2016/2017 Delivery Year, PJM shall reduce, by product and by Zone, the RPM unforced capacity commitment of each Affected CSP that elects this Transition Provision for such Delivery Year based on the non-viable MWs declared for such Delivery Year. PJM shall allocate the reduction in unforced capacity commitment by product type and by zone/sub-zone across the applicable Affected Demand Resources and relevant RPM Auctions if the Affected CSP cleared MWs from multiple Affected Demand Resources of the same product type and zone/sub-zone and/or cleared MWs in multiple RPM Auctions for the Delivery Year. Such allocation shall be performed on a pro-rata basis, based on MWs cleared by the Affected Demand Resources in the relevant RPM Auctions.

The Affected CSP that elects this Transition Provision is relieved of the commitment associated with the declared non-viable MWs and relinquishes an Affected Demand Resource's RPM Auction Credits for the capacity commitment reduction amount determined in accordance with the allocation procedure described above.

Demand Resource (DR) Operational Resource Flexibility Transition Provision

The Final Zonal Capacity Price calculated and used in the determination of LSE Locational Reliability Charges will take into account the reduction in RPM Auction Credits to Affected Demand Resources.