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December 31, 2014

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426-0001

Re: **PJM Interconnection, L.L.C., Docket No. ER15-⁸⁰⁶-000**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act,¹ and the Commission’s Regulations,² PJM Interconnection, L.L.C. (“PJM”) hereby submits for filing non-substantive, ministerial revisions to correct and/or make consistent certain provisions of the PJM Open Access Transmission Tariff (“Tariff”), Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”) and Reliability Assurance Agreement Among Load Serving Entities in the PJM Region (“RAA”). PJM requests an effective date of March 2, 2015, a date at least 60 days after the date of this filing, for all revisions.

I. Procedural Background and Stakeholder Process

In 2014, PJM commenced a review of its Commission-approved governing documents, including the Tariff, Operating Agreement and RAA (collectively referred to as the “Governing Documents”), as well as the PJM Manual 35: *Definitions and Acronyms* and the PJM Glossary, to identify and address any inconsistencies among the definitions in those documents.

In its review, PJM identified a number of definitions in the Commission-approved governing documents, Manual 35 and the PJM Glossary requiring further examination. This Phase One is

¹ 16 U.S.C. § 824d.

² 18 C.F.R. Part 35 (2014).

intended to address non-substantive, ministerial inconsistencies only. PJM will undertake further review of the inconsistencies found and determine whether revisions, corrections or clarifications should be made to address any other definitions that appear to be more substantive in nature.

For ease of review, PJM provides a chart, attached hereto as Attachment C, which describes each proposed revision by name of Governing Document and section. PJM presented the proposed revisions for informational purposes and discussion to the Markets and Reliability Committee (“MRC”) on October 30, 2014 and November 20, 2014 and to the PJM Members Committee (“MC”) on November 20, 2014.³

All of the proposed revisions were endorsed at the November 20, 2014 meetings of the MRC and MC by acclamation with no objections or abstentions.

II. Proposed Revisions

The chart appended hereto as Attachment C describes revisions to the Tariff, Operating Agreement and RAA which were approved/endorsed by PJM stakeholders and represent ministerial corrections and revisions to conform the definitions found in other Governing Documents. To assist the Commission with its review of the proposed changes, the chart shows the definitional term, the relevant documents and sections affected and the proposed revisions.

This filing is the first of several filings that PJM expects to submit as a result of PJM’s initiative to review and conform all definitions included in its Governing Documents, PJM Manual 35 and PJM Glossary. PJM expects to begin discussions of the substantive changes with its stakeholders in the coming year.

³ PJM made three changes to the Attachment C chart, which include: (i) correcting the document referenced in Row 2 (“Applicable Laws and Regulations”) to the Tariff, Attachment GG, section 1.2, not the Operating Agreement, (ii) Row 6 (“DR Factor”), correcting the reference to the section of the RAA from 1.115 to 1.15 and Row 9 (“PJM Region”) correcting the reference to the Tariff, Attachment DD, section 2.52, not 2.53.

III. Effective Date

PJM proposes an effective date of March 2, 2015 for the proposed Tariff, Operating Agreement and RAA revisions referenced herein.

IV. Documents Enclosed

PJM encloses the following:

1. This transmittal letter;
2. Attachment A – Revised sections of the PJM Tariff, Operating Agreement and RAA (in redlined form);
3. Attachment B – Revised sections of the PJM Tariff, Operating Agreement and RAA (in clean form); and
4. Attachment C – Chart detailing the definitional term, the Governing Document and section affected and the specific revision proposed, shown in redline.

V. Correspondence and Communications

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

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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,⁴ 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->

⁴ See 18 C.F.R. §§ 35.2(e) and 385.201(f)(3).

[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 Region⁵ 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 24 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.aspx> in accordance with the Commission's regulations and Order No. 714.

Respectfully submitted,

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⁵ PJM already maintains, updates, and regularly uses e-mail lists for all PJM Members and affected state commissions.

Attachment A

Revisions to the
PJM Open Access Transmission Tariff,
PJM Operating Agreement and
PJM Reliability Assurance Agreement

(Marked / Redline Format)

Section(s) of the
PJM Open Access Transmission Tariff
(Marked / Redline Format)

Definitions – A - B

1.01 Abnormal Condition:

Any condition on the Interconnection Facilities which, determined in accordance with Good Utility Practice, is: (i) outside normal operating parameters such that facilities are operating outside their normal ratings or that reasonable operating limits have been exceeded; and (ii) could reasonably be expected to materially and adversely affect the safe and reliable operation of the Interconnection Facilities; but which, in any case, could reasonably be expected to result in an Emergency Condition. Any condition or situation that results from lack of sufficient generating capacity to meet load requirements or that results solely from economic conditions shall not, standing alone, constitute an Abnormal Condition.

1.0A Affected System:

An electric system other than the Transmission Provider's Transmission System that may be affected by a proposed interconnection or on which a proposed interconnection or addition of facilities or upgrades may require modifications or upgrades to the Transmission System.

1.0A.01 Affiliate:

With respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

1.0B Affected System Operator:

An entity that operates an Affected System or, if the Affected System is under the operational control of an independent system operator or a regional transmission organization, such independent entity.

1.1 Ancillary Services:

Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice.

1.2 Annual Transmission Costs:

The total annual cost of the Transmission System for purposes of Network Integration Transmission Service shall be the amount specified in Attachment H for each Zone until amended by the applicable Transmission Owner or modified by the Commission.

1.2.01 Applicable Laws and Regulations:

All duly promulgated applicable federal, ~~state~~State and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority having jurisdiction over the relevant parties, their respective facilities, and/or the respective services they provide.

1.2A Applicable Regional Entity:

The Regional Entity for the region in which a Network Customer, Transmission Customer, Interconnection Customer, or Transmission Owner operates.

1.2B Applicable Standards:

The requirements and guidelines of NERC, the Applicable Regional Entity, and the Control Area in which the Customer Facility is electrically located; the PJM Manuals; and Applicable Technical Requirements and Standards.

1.2C Applicable Technical Requirements and Standards:

Those certain technical requirements and standards applicable to interconnections of generation and/or transmission facilities with the facilities of an Interconnected Transmission Owner or, as the case may be and to the extent applicable, of an Electric Distributor (as defined in Section 1.8 of the Operating Agreement), as published by Transmission Provider in a PJM Manual provided, however, that, with respect to any generation facilities with maximum generating capacity of 2 MW or less for which the Interconnection Customer executes a Construction Service Agreement or Interconnection Service Agreement on or after March 19, 2005, "Applicable Technical Requirements and Standards" shall refer to the "PJM Small Generator Interconnection Applicable Technical Requirements and Standards." All Applicable Technical Requirements and Standards shall be publicly available through postings on Transmission Provider's internet website.

1.3 Application:

A request by an Eligible Customer for transmission service pursuant to the provisions of the Tariff.

1.3A Attachment Facilities:

The facilities necessary to physically connect a Customer Facility to the Transmission System or interconnected distribution facilities.

1.3AA Attachment H

Attachment H shall refer collectively to the Attachments to the PJM Tariff with the prefix "H-" that set forth, among other things, the Annual Transmission Rates for Network Integration Transmission Service in the PJM Zones.

1.3B Behind The Meter Generation:

Behind The Meter Generation refers to a generation unit that delivers energy to load without using the Transmission System or any distribution facilities (unless the entity that owns or leases the distribution facilities has consented to such use of the distribution facilities and such consent has been demonstrated to the satisfaction of the Office of the Interconnection); provided, however, that Behind The Meter Generation does not include (i) at any time, any portion of such generating unit's capacity that is designated as a Generation Capacity Resource; or (ii) in an hour, any portion of the output of such generating unit[s] that is sold to another entity for consumption at another electrical location or into the PJM Interchange Energy Market.

1.3BB Black Start Service:

Black Start Service is the capability of generating units to start without an outside electrical supply or the demonstrated ability of a generating unit with a high operating factor (subject to Transmission Provider concurrence) to automatically remain operating at reduced levels when disconnected from the grid.

1.3BB.01 Breach:

The failure of a party to perform or observe any material term or condition of Part IV or Part VI of the Tariff, or any agreement entered into thereunder as described in the relevant provisions of such agreement.

1.3BB.02 Breaching Party:

A party that is in Breach of Part IV or Part VI and/or an agreement entered into thereunder.

Definitions – E - F

1.10A Economic-based Enhancement or Expansion:

“Economic-based Enhancement or Expansion” shall have the same meaning provided in the Operating Agreement.

1.10B Economic Minimum:

The lowest incremental MW output level a unit can achieve while following economic dispatch.

1.11 Eligible Customer:

(i) Any electric utility (including any Transmission Owner and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale is an Eligible Customer under the Tariff. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that the Transmission Provider or Transmission Owner offer the unbundled transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner.

(ii) Any retail customer taking unbundled transmission service pursuant to a state requirement that the Transmission Provider or a Transmission Owner offer the transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner, is an Eligible Customer under the Tariff. As used in Part VI, Eligible Customer shall mean only those Eligible Customers that have submitted a Completed Application.

1.11.01 Emergency Condition:

A condition or situation (i) that in the judgment of any Interconnection Party is imminently likely to endanger life or property; or (ii) that in the judgment of the Interconnected Transmission Owner or Transmission Provider is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Transmission System, the Interconnection Facilities, or the transmission systems or distribution systems to which the Transmission System is directly or indirectly connected; or (iii) that in the judgment of Interconnection Customer is imminently likely (as determined in a non-discriminatory manner) to cause damage to the Customer Facility or to the Customer Interconnection Facilities. System restoration and black start shall be considered Emergency Conditions, provided that a Generation Interconnection Customer is not obligated by an Interconnection Service Agreement to possess black start capability. Any condition or situation that results from lack of sufficient generating capacity to meet load requirements or that results solely from economic conditions shall not constitute an Emergency Condition, unless one or more of the enumerated conditions or situations identified in this definition also exists.

1.11A Energy Resource:

A generating facility that is not a Capacity Resource.

1.11A.01 Energy Settlement Area:

The bus or distribution of busses that represents the physical location of Network Load and by which the obligations of the Network Customer to PJM are settled.

1.11B Energy Transmission Injection Rights:

The rights to schedule energy deliveries at a specified point on the Transmission System. Energy Transmission Injection Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System to another control area. Deliveries scheduled using Energy Transmission Injection Rights have rights similar to those under Non-Firm Point-to-Point Transmission Service.

1.11C Environmental Laws:

Applicable Laws or Regulations relating to pollution or protection of the environment, natural resources or human health and safety.

1.11D Existing Generation Capacity Resource:

Existing Generation Capacity Resource shall have the meaning specified in the Reliability Assurance Agreement.

1.12 Facilities Study:

An engineering study conducted by the Transmission Provider (in coordination with the affected Transmission Owner(s)) to determine the required modifications to the Transmission Provider's Transmission System, including the cost and scheduled completion date for such modifications, that will be required to provide the requested transmission service or to accommodate an Interconnection Request or Upgrade Request. As used in the Interconnection Service Agreement or Construction Service Agreement, Facilities Study shall mean that certain Facilities Study conducted by Transmission Provider (or at its direction) to determine the design and specification of the Interconnection Facilities necessary to accommodate the New Service Customer's New Service Request in accordance with Section 207 of Part VI of the Tariff.

1.12A Federal Power Act:

The Federal Power Act, as amended, 16 U.S.C. §§ 791a, et seq.

1.12B FERC:

The Federal Energy Regulatory Commission or its successor.

1.13 Firm Point-To-Point Transmission Service:

Transmission Service under this Tariff that is reserved and/or scheduled between specified Points of Receipt and Delivery pursuant to Part II of this Tariff.

1.13A Firm Transmission Withdrawal Rights:

The rights to schedule energy and capacity withdrawals from a Point of Interconnection (as defined in Section 1.33A) of a Merchant Transmission Facility with the Transmission System. Firm Transmission Withdrawal Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System with another control area. Withdrawals scheduled using Firm Transmission Withdrawal Rights have rights similar to those under Firm Point-to-Point Transmission Service.

1.13A.01 Force Majeure:

Any cause beyond the control of the affected Interconnection Party or Construction Party, including but not restricted to, acts of God, flood, drought, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, acts of public enemy, explosions, orders, regulations or restrictions imposed by governmental, military, or lawfully established civilian authorities, which, in any of the foregoing cases, by exercise of due diligence such party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, it has been unable to overcome. Force Majeure does not include (i) a failure of performance that is due to an affected party's own negligence or intentional wrongdoing; (ii) any removable or remediable causes (other than settlement of a strike or labor dispute) which an affected party fails to remove or remedy within a reasonable time; or (iii) economic hardship of an affected party.

2. DEFINITIONS

Definitions specific to this Attachment are set forth below. In addition, any capitalized terms used in this Attachment not defined herein shall have the meaning given to such terms elsewhere in this Tariff or in the RAA. References to section numbers in this Attachment DD refer to sections of this attachment, unless otherwise specified.

2.1A Annual Demand Resource

“Annual Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.1B Annual Resource

“Annual Resource” shall mean a Generation Capacity Resource, an Energy Efficiency Resource or an Annual Demand Resource.

2.1C Annual Resource Price Adder

“Annual Resource Price Adder” shall mean, for Delivery Years starting June 1, 2014 and ending May 31, 2017, an addition to the marginal value of Unforced Capacity and the Extended Summer Resource Price Adder as necessary to reflect the price of Annual Resources required to meet the applicable Minimum Annual Resource Requirement.

2.1D Annual Revenue Rate

“Annual Revenue Rate” shall mean the rate employed to assess a compliance penalty charge on a Curtailment Service Provider under section 11.

2.2 Avoidable Cost Rate

“Avoidable Cost Rate” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.

2.3 Base Load Generation Resource

“Base Load Generation Resource” shall mean a Generation Capacity Resource that operates at least 90 percent of the hours that it is available to operate, as determined by the Office of the Interconnection in accordance with the PJM Manuals.

2.4 Base Offer Segment

“Base Offer Segment” shall mean a component of a Sell Offer based on an existing Generation Capacity Resource, equal to the Unforced Capacity of such resource, as determined in accordance with the PJM Manuals. If the Sell Offers of multiple Market Sellers are based on a single Existing Generation Capacity Resource, the Base Offer Segments of such Market Sellers

shall be determined pro rata based on their entitlements to Unforced Capacity from such resource.

2.5 Base Residual Auction

“Base Residual Auction” shall mean the auction conducted three years prior to the start of the Delivery Year to secure commitments from Capacity Resources as necessary to satisfy any portion of the Unforced Capacity Obligation of the PJM Region not satisfied through Self-Supply.

2.6 Buy Bid

“Buy Bid” shall mean a bid to buy Capacity Resources in any Incremental Auction.

2.6A Compliance Aggregation Area (CAA)

“Compliance Aggregation Area” or “CAA” shall mean a geographic area of Zones or sub-Zones that are electrically-contiguous and experience for the relevant Delivery Year, based on Resource Clearing Prices of Annual Resources, the same locational price separation in the Base Residual Auction, the same locational price separation in the First Incremental Auction, the same locational price separation in the Second Incremental Auction, or the same locational price separation in the Third Incremental Auction.

2.7 Capacity Credit

“Capacity Credit” shall have the meaning specified in Schedule 11 of the Operating Agreement, including Capacity Credits obtained prior to the termination of such Schedule applicable to periods after the termination of such Schedule.

2.8 Capacity Emergency Transfer Limit

“Capacity Emergency Transfer Limit” or “CETL” shall have the meaning provided in the Reliability Assurance Agreement.

2.9 Capacity Emergency Transfer Objective

“Capacity Emergency Transfer Objective” or “CETO” shall have the meaning provided in the Reliability Assurance Agreement.

2.9A Capacity Export Transmission Customer

“Capacity Export Transmission Customer” shall mean a customer taking point to point transmission service under Part II of this Tariff to export capacity from a generation resource located in the PJM Region that has qualified for an exception to the RPM must-offer requirement as described in section 6.6(g).

2.9B Capacity Import Limit

“Capacity Import Limit” shall have the meaning provided in the Reliability Assurance Agreement.

2.10 Capacity Market Buyer

“Capacity Market Buyer” shall mean a Member that submits bids to buy Capacity Resources in any Incremental Auction.

2.11 Capacity Market Seller

“Capacity Market Seller” shall mean a Member that owns, or has the contractual authority to control the output or load reduction capability of, a Capacity Resource, that has not transferred such authority to another entity, and that offers such resource in the Base Residual Auction or an Incremental Auction.

2.12 Capacity Resource

“Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.13 Capacity Resource Clearing Price

“Capacity Resource Clearing Price” shall mean the price calculated for a Capacity Resource that offered and cleared in a Base Residual Auction or Incremental Auction, in accordance with Section 5.

2.14 Capacity Transfer Right

“Capacity Transfer Right” shall mean a right, allocated to LSEs serving load in a Locational Deliverability Area, to receive payments, based on the transmission import capability into such Locational Deliverability Area, that offset, in whole or in part, the charges attributable to the Locational Price Adder, if any, included in the Zonal Capacity Price calculated for a Locational Delivery Area.

2.14A Conditional Incremental Auction

“Conditional Incremental Auction” shall mean an Incremental Auction conducted for a Delivery Year if and when necessary to secure commitments of additional capacity to address reliability criteria violations arising from the delay in a Backbone Transmission upgrade that was modeled in the Base Residual Auction for such Delivery Year.

2.15 CONE Area

“CONE Area” shall mean the areas listed in section 5.10(a)(iv)(A) and any LDAs established as CONE Areas pursuant to section 5.10(a)(iv)(B).

2.16 Cost of New Entry

“Cost of New Entry” or “CONE” shall mean the nominal levelized cost of a Reference Resource, as determined in accordance with section 5.

2.16A Credit-Limited Offer

“Credit-Limited Offer” shall have the meaning provided in Attachment Q to this Tariff.

2.17 Daily Deficiency Rate

“Daily Deficiency Rate” shall mean the rate employed to assess certain deficiency charges under sections 7, 8, 9, or 13.

2.18 Daily Unforced Capacity Obligation

“Daily Unforced Capacity Obligation” shall mean the capacity obligation of a Load Serving Entity during the Delivery Year, determined in accordance with Schedule 8, or, as to an FRR entity, in Schedule 8.1 of the Reliability Assurance Agreement.

2.19 Delivery Year

Delivery Year shall mean the Planning Period for which a Capacity Resource is committed pursuant to the auction procedures specified in Section 5, or pursuant to an FRR Capacity Plan.

2.20 Demand Resource

“Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.21 Demand Resource Factor

“Demand Resource Factor” (or “DR Factor”) shall have the meaning specified in the Reliability Assurance Agreement.

2.22 [Reserved for Future Use]

2.23 EFORD

“EFORD” shall have the meaning specified in the PJM Reliability Assurance Agreement.

2.24 Energy Efficiency Resource

“Energy Efficiency Resource” shall have the meaning specified in the PJM Reliability Assurance Agreement.

2.24A Extended Summer Demand Resource

“Extended Summer Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.24B Extended Summer Resource Price Adder

“Extended Summer Resource Price Adder” shall mean an addition to the marginal value of Unforced Capacity as necessary to reflect the price of Annual Resources and Extended Summer Demand Resources required to meet the applicable Minimum Extended Summer Resource Requirement.

2.24C Sub-Annual Resource Reliability Target

“Sub-Annual Reliability Target” for the PJM Region or an LDA, shall mean the maximum amount of the combination of Extended Summer Demand Resources and Limited Demand Resources in Unforced Capacity determined by PJM to be consistent with the maintenance of reliability, stated in Unforced Capacity, that shall be used to calculate the Minimum Annual Resource Requirement for Delivery Years through May 31, 2017 and the Sub-Annual Resource Constraint for Delivery Years beginning June 1, 2017. As more fully set forth in the PJM Manuals, PJM calculates the Sub-Annual Resource Reliability Target, by first determining a reference annual loss of load expectation (“LOLE”) assuming no Demand Resources. The calculation for the unconstrained portion of the PJM Region uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast and iteratively shifting the load distributions to result in the Installed Reserve Margin established for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). The calculation for each relevant LDA uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Capacity Emergency Transfer Objective study for the Delivery Year in question). For the relevant LDA calculation, the weekly capacity distributions are adjusted to reflect the Capacity Emergency Transfer Limit for the Delivery Year in question.

For both the PJM Region and LDA analyses, PJM then models the commitment of varying amounts of DR (displacing otherwise committed generation) as interruptible from May 1 through October 31 and unavailable from November 1 through April 30 and calculates the LOLE at each DR level. The Extended Summer DR Reliability Target is the DR amount, stated as a percentage of the unrestricted peak load, that produces no more than a ten percent increase in the LOLE, compared to the reference value. The Sub-Annual Resource Reliability Target shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [the Forecast Pool Requirement] times [the DR Factor] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].

2.25 Sub-Annual Resource Constraint

“Sub-Annual Resource Constraint” shall mean, for the PJM Region or for each LDA for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for a Delivery Year, a limit on the total amount of Unforced Capacity that can be committed as Limited Demand Resources and Extended Summer Demand Resources for such Delivery Year in the PJM Region or in such LDA, calculated as the Sub-Annual Resource Reliability Target for the PJM Region or for such LDA, respectively, minus the Short-Term Resource Procurement Target for the PJM Region or for such LDA, respectively.

2.26 Final RTO Unforced Capacity Obligation

“Final RTO Unforced Capacity Obligation” shall mean the capacity obligation for the PJM Region, determined in accordance with Schedule 8 of the Reliability Assurance Agreement.

2.26A [Reserved]

2.27 First Incremental Auction

“First Incremental Auction” shall mean an Incremental Auction conducted 20 months prior to the start of the Delivery Year to which it relates.

2.28 Forecast Pool Requirement

“Forecast Pool Requirement” shall have the meaning specified in the Reliability Assurance Agreement.

2.29 [Reserved]

2.30 [Reserved]

2.31 Generation Capacity Resource

“Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.32 [Reserved]

2.33 [Reserved]

2.34 Incremental Auction

“Incremental Auction” shall mean any of several auctions conducted for a Delivery Year after the Base Residual Auction for such Delivery Year and before the first day of such Delivery Year, including the First Incremental Auction, Second Incremental Auction, Third Incremental Auction or Conditional Incremental Auction. Incremental Auctions (other than the Conditional Incremental Auction), shall be held for the purposes of:

(i) allowing Market Sellers that committed Capacity Resources in the Base Residual Auction for a Delivery Year, which subsequently are determined to be unavailable to deliver the committed Unforced Capacity in such Delivery Year (due to resource retirement, resource cancellation or construction delay, resource derating, EFORD increase, a decrease in the Nominated Demand Resource Value of a Planned Demand Resource, delay or cancellation of a Qualifying Transmission Upgrade, or similar occurrences) to submit Buy Bids for replacement Capacity Resources; and

(ii) allowing the Office of the Interconnection to reduce or increase the amount of committed capacity secured in prior auctions for such Delivery Year if, as a result of changed circumstances or expectations since the prior auction(s), there is, respectively, a significant excess or significant deficit of committed capacity for such Delivery Year, for the PJM Region or for an LDA.

2.35 Incremental Capacity Transfer Right

“Incremental Capacity Transfer Right” shall mean a Capacity Transfer Right allocated to a Generation Interconnection Customer or Transmission Interconnection Customer obligated to fund a transmission facility or upgrade, to the extent such upgrade or facility increases the transmission import capability into a Locational Deliverability Area, or a Capacity Transfer Right allocated to a Responsible Customer in accordance with Schedule 12A of the Tariff.

2.36 [Reserved]

2.36A Limited Demand Resource

“Limited Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.36B Limited Demand Resource Reliability Target

“Limited Demand Resource Reliability Target” for the PJM Region or an LDA, shall mean the maximum amount of Limited Demand Resources determined by PJM to be consistent with the maintenance of reliability, stated in Unforced Capacity that shall be used to calculate the Minimum Extended Summer Demand Resource Requirement for Delivery Years through May 31, 2017 and the Limited Resource Constraint for Delivery Years beginning June 1, 2017 for the PJM Region or such LDA. As more fully set forth in the PJM Manuals, PJM calculates the Limited Demand Resource Reliability Target by first: i) testing the effects of the ten-interruption requirement by comparing possible loads on peak days under a range of weather conditions (from the daily load forecast distributions for the Delivery Year in question) against possible generation capacity on such days under a range of conditions (using the cumulative capacity distributions employed in the Installed Reserve Margin study for the PJM Region and in the Capacity Emergency Transfer Objective study for the relevant LDAs for such Delivery Year) and, by varying the assumed amounts of DR that is committed and displaces committed generation, determines the DR penetration level at which there is a ninety percent probability that DR will not be called (based on the applicable operating reserve margin for the PJM Region

and for the relevant LDAs) more than ten times over those peak days; ii) testing the six-hour duration requirement by calculating the MW difference between the highest hourly unrestricted peak load and seventh highest hourly unrestricted peak load on certain high peak load days (e.g., the annual peak, loads above the weather normalized peak, or days where load management was called) in recent years, then dividing those loads by the forecast peak for those years and averaging the result; and (iii) (for the 2016-2017 and subsequent Delivery Years) testing the effects of the six-hour duration requirement by comparing possible hourly loads on peak days under a range of weather conditions (from the daily load forecast distributions for the Delivery Year in question) against possible generation capacity on such days under a range of conditions (using a Monte Carlo model of hourly capacity levels that is consistent with the capacity model employed in the Installed Reserve Margin study for the PJM Region and in the Capacity Emergency Transfer Objective study for the relevant LDAs for such Delivery Year) and, by varying the assumed amounts of DR that is committed and displaces committed generation, determines the DR penetration level at which there is a ninety percent probability that DR will not be called (based on the applicable operating reserve margin for the PJM Region and for the relevant LDAs) for more than six hours over any one or more of the tested peak days. Second, PJM adopts the lowest result from these three tests as the Limited Demand Resource Reliability Target. The Limited Demand Resource Reliability Target shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [the Forecast Pool Requirement] times [the DR Factor] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].

2.36C Limited Resource Constraint

“Limited Resource Constraint” shall mean, for the PJM Region or each LDA for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for a Delivery Year, a limit on the total amount of Unforced Capacity that can be committed as Limited Demand Resources for such Delivery Year in the PJM Region or in such LDA, calculated as the Limited Demand Resource Reliability Target for the PJM Region or such LDA, respectively, minus the Short Term Resource Procurement Target for the PJM Region or such LDA, respectively.

2.36D Limited Resource Price Decrement

“Limited Resource Price Decrement” shall mean, for the Delivery Year commencing June 1, 2017 and subsequent Delivery Years, a difference between the clearing price for Limited Demand Resources and the clearing price for Extended Summer Demand Resources and Annual Resources, representing the cost to procure additional Extended Summer Demand Resources or Annual Resources out of merit order when the Limited Resource Constraint is binding.

2.37 Load Serving Entity (LSE)

“Load Serving Entity” or “LSE” shall have the meaning specified in the Reliability Assurance Agreement.

2.38 Locational Deliverability Area (LDA)

“Locational Deliverability Area” or “LDA” shall mean a geographic area within the PJM Region that has limited transmission capability to import capacity to satisfy such area’s reliability requirement, as determined by the Office of the Interconnection in connection with preparation of the Regional Transmission Expansion Plan, and as specified in Schedule 10.1 of the Reliability Assurance Agreement.

2.39 Locational Deliverability Area Reliability Requirement

“Locational Deliverability Area Reliability Requirement” shall mean the projected internal capacity in the Locational Deliverability Area plus the Capacity Emergency Transfer Objective for the Delivery Year, as determined by the Office of the Interconnection in connection with preparation of the Regional Transmission Expansion Plan, less the minimum internal resources required for all FRR Entities in such Locational Deliverability Area.

2.40 Locational Price Adder

“Locational Price Adder” shall mean an addition to the marginal value of Unforced Capacity within an LDA as necessary to reflect the price of Capacity Resources required to relieve applicable binding locational constraints.

2.41 Locational Reliability Charge

“Locational Reliability Charge” shall have the meaning specified in the Reliability Assurance Agreement.

2.41A Locational UCAP

“Locational UCAP” shall mean unforced capacity that a Member with available uncommitted capacity sells in a bilateral transaction to a Member that previously committed capacity through an RPM Auction but now requires replacement capacity to fulfill its RPM Auction commitment. The Locational UCAP Seller retains responsibility for performance of the resource providing such replacement capacity.

2.41B Locational UCAP Seller

“Locational UCAP Seller” shall mean a Member that sells Locational UCAP.

2.41C Market Seller Offer Cap

“Market Seller Offer Cap” shall mean a maximum offer price applicable to certain Market Sellers under certain conditions, as determined in accordance with section 6 of Attachment DD and section II.E of Attachment M - Appendix.

2.41D Minimum Annual Resource Requirement

“Minimum Annual Resource Requirement” shall mean, for Delivery Years through May 31, 2017, the minimum amount of capacity that PJM will seek to procure from Annual Resources for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for such Delivery Year. For the PJM Region, the Minimum Annual Resource Requirement shall be equal to the RTO Reliability Requirement minus [the Sub-Annual Resource Reliability Target for the RTO in Unforced Capacity]. For an LDA, the Minimum Annual Resource Requirement shall be equal to the LDA Reliability Requirement minus [the LDA CETL] minus [the Sub-Annual Resource Reliability Target for such LDA in Unforced Capacity]. The LDA CETL may be adjusted pro rata for the amount of load served under the FRR Alternative.

2.41E Minimum Extended Summer Resource Requirement

“Minimum Extended Summer Resource Requirement” shall mean, for Delivery Years through May 31, 2017, the minimum amount of capacity that PJM will seek to procure from Extended Summer Demand Resources and Annual Resources for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for such Delivery Year. For the PJM Region, the Minimum Extended Summer Resource Requirement shall be equal to the RTO Reliability Requirement minus [the Limited Demand Resource Reliability Target for the PJM Region in Unforced Capacity]. For an LDA, the Minimum Extended Summer Resource Requirement shall be equal to the LDA Reliability Requirement minus [the LDA CETL] minus [the Limited Demand Resource Reliability Target for such LDA in Unforced Capacity]. The LDA CETL may be adjusted pro rata for the amount of load served under the FRR Alternative.

2.42 Net Cost of New Entry

“Net Cost of New Entry” shall mean the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset, as defined in Section 5.

2.43 Nominated Demand Resource Value

“Nominated Demand Resource Value” shall mean the amount of load reduction that a Demand Resource commits to provide either through direct load control, firm service level or guaranteed load drop programs. For existing Demand Resources, the maximum Nominated Demand Resource Value is limited, in accordance with the PJM Manuals, to the value appropriate for the method by which the load reduction would be accomplished, at the time the Base Residual Auction or Incremental Auction is being conducted.

2.43A Nominated Energy Efficiency Value

“Nominated Energy Efficiency Value” shall mean the amount of load reduction that an Energy Efficiency Resource commits to provide through installation of more efficient devices or equipment or implementation of more efficient processes or systems.

2.44 [Reserved]

2.45 Opportunity Cost

“Opportunity Cost” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.

2.46 Peak-Hour Dispatch

“Peak-Hour Dispatch” shall mean, for purposes of calculating the Energy and Ancillary Services Revenue Offset under section 5 of this Attachment, an assumption, as more fully set forth in the PJM Manuals, that the Reference Resource is committed in the Day-Ahead Energy Market in four distinct blocks of four hours of continuous output for each block from the peak-hour period beginning with the hour ending 0800 EPT through to the hour ending 2300 EPT for any day when the average day-ahead LMP for the area for which the Net Cost of New Entry is being determined is greater than, or equal to, the cost to generate (including the cost for a complete start and shutdown cycle) for at least two hours during each four-hour block, where such blocks shall be assumed to be committed independently; provided that, if there are not at least two economic hours in any given four-hour block, then the Reference Resource shall be assumed not to be committed for such block; and to the extent not committed in any such block in the Day-Ahead Energy Market under the above conditions based on Day-Ahead LMPs, is dispatched in the Real-Time Energy Market for such block if the Real-Time LMP is greater than or equal to the cost to generate under the same conditions as described above for the Day-Ahead Energy Market.

2.47 Peak Season

“Peak Season” shall mean the weeks containing the 24th through 36th Wednesdays of the calendar year. Each such week shall begin on a Monday and end on the following Sunday, except for the week containing the 36th Wednesday, which shall end on the following Friday.

2.48 Percentage Internal Resources Required

“Percentage Internal Resources Required” shall have the meaning specified in the Reliability Assurance Agreement.

2.49 Planned Demand Resource

“Planned Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.50 Planned External Generation Capacity Resource

“Planned External Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.50A Planned Generation Capacity Resource

“Planned Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.51 Planning Period

“Planning Period” shall have the meaning specified in the Reliability Assurance Agreement.

2.52 PJM Region

“PJM Region” shall have the meaning specified in the Reliability Assurance Agreement.

2.53 PJM Region Installed Reserve Margin

“PJM Region Installed Reserve Margin” shall have the meaning specified in the ~~Reliability Assurance Agreement~~Operating Agreement.

2.54 PJM Region Peak Load Forecast

“PJM Region Peak Load Forecast” shall mean the peak load forecast used by the Office of the Interconnection in determining the PJM Region Reliability Requirement, and shall be determined on both a preliminary and final basis as set forth in section 5.

2.55 PJM Region Reliability Requirement

“PJM Region Reliability Requirement” shall mean, for purposes of the Base Residual Auction, the Forecast Pool Requirement multiplied by the Preliminary PJM Region Peak Load Forecast, less the sum of all Preliminary Unforced Capacity Obligations of FRR Entities in the PJM Region; and, for purposes of the Incremental Auctions, the Forecast Pool Requirement multiplied by the updated PJM Region Peak Load Forecast, less the sum of all updated Unforced Capacity Obligations of FRR Entities in the PJM Region.

2.56 Projected PJM Market Revenues

“Projected PJM Market Revenues” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.

2.57 Qualifying Transmission Upgrade

“Qualifying Transmission Upgrade” shall mean a proposed enhancement or addition to the Transmission System that: (a) will increase the Capacity Emergency Transfer Limit into an LDA by a megawatt quantity certified by the Office of the Interconnection; (b) the Office of the Interconnection has determined will be in service on or before the commencement of the first Delivery Year for which such upgrade is the subject of a Sell Offer in the Base Residual Auction; (c) is the subject of a Facilities Study Agreement executed before the conduct of the

Base Residual Auction for such Delivery Year and (d) a New Service Customer is obligated to fund through a rate or charge specific to such facility or upgrade.

2.58 Reference Resource

“Reference Resource” shall mean a combustion turbine generating station, configured with two General Electric Frame 7FA turbines with inlet air cooling to 50 degrees, Selective Catalytic Reduction technology all CONE Areas, dual fuel capability, and a heat rate of 10.096 Mmbtu/MWh.

2.59 Reliability Assurance Agreement

“Reliability Assurance Agreement” shall mean that certain “Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region,” on file with FERC as PJM Interconnection, L.L.C. Rate Schedule FERC No.44.

2.60 Reliability Pricing Model Auction

“Reliability Pricing Model Auction” or “RPM Auction” shall mean the Base Residual Auction or any Incremental Auction.

2.60A Repowered / Repowering

“Repowering” or “Repowered” shall refer to a partial or total replacement of existing steam production equipment with new technology or a partial or total replacement of steam production process and power generation equipment, or an addition of steam production and/or power generation equipment, or a change in the primary fuel being used at the plant. A resource can be considered Repowered whether or not such aforementioned replacement, addition, or fuel change provides an increase in installed capacity, and whether or not the pre-existing plant capability is formally deactivated or retired.

2.61 Resource Substitution Charge

“Resource Substitution Charge” shall mean a charge assessed on Capacity Market Buyers in an Incremental Auction to recover the cost of replacement Capacity Resources.

2.61A Scheduled Incremental Auctions

“Scheduled Incremental Auctions” shall refer to the First, Second, or Third Incremental Auction.

2.62 Second Incremental Auction

“Second Incremental Auction” shall mean an Incremental Auction conducted ten months before the Delivery Year to which it relates.

2.63 Sell Offer

“Sell Offer” shall mean an offer to sell Capacity Resources in a Base Residual Auction, Incremental Auction, or Reliability Backstop Auction.

2.64 [Reserved for Future Use]

2.65 Self-Supply

“Self-Supply” shall mean Capacity Resources secured by a Load-Serving Entity, by ownership or contract, outside a Reliability Pricing Model Auction, and used to meet obligations under this Attachment or the Reliability Assurance Agreement through submission in a Base Residual Auction or an Incremental Auction of a Sell Offer indicating such Market Seller’s intent that such Capacity Resource be Self-Supply. Self-Supply may be either committed regardless of clearing price or submitted as a Sell Offer with a price bid. A Load Serving Entity's Sell Offer with a price bid for an owned or contracted Capacity Resource shall not be deemed “Self-Supply,” unless it is designated as Self-Supply and used by the LSE to meet obligations under this Attachment or the Reliability Assurance Agreement.

2.65A Short-Term Resource Procurement Target

“Short-Term Resource Procurement Target” shall mean, as to the PJM Region, for purposes of the Base Residual Auction, 2.5% of the PJM Region Reliability Requirement determined for such Base Residual Auction, for purposes of the First Incremental Auction, 2% of the of the PJM Region Reliability Requirement as calculated at the time of the Base Residual Auction; and, for purposes of the Second Incremental Auction, 1.5% of the of the PJM Region Reliability Requirement as calculated at the time of the Base Residual Auction; and, as to any Zone, an allocation of the PJM Region Short-Term Resource Procurement Target based on the Preliminary Zonal Forecast Peak Load, reduced by the amount of load served under the FRR Alternative. For any LDA, the LDA Short-Term Resource Procurement Target shall be the sum of the Short-Term Resource Procurement Targets of all Zones in the LDA.

2.65B Short-Term Resource Procurement Target Applicable Share

“Short-Term Resource Procurement Target Applicable Share” shall mean: (i) for the PJM Region, as to the First and Second Incremental Auctions, 0.2 times the Short-Term Resource Procurement Target used in the Base Residual Auction and, as to the Third Incremental Auction for the PJM Region, 0.6 times such target; and (ii) for an LDA, as to the First and Second Incremental Auctions, 0.2 times the Short-Term Resource Procurement Target used in the Base Residual Auction for such LDA and, as to the Third Incremental Auction, 0.6 times such target.

2.65B.01 Small Commercial Customer

“Small Commercial Customer,” as used in Schedule 6 of the RAA and Attachment DD-1 of the Tariff, shall mean a commercial retail electric end-use customer of an electric distribution company that participates in a mass market demand response program under the jurisdiction of a RERRA and satisfies the definition of a “small commercial customer” under the terms of the

applicable RERRA's program, provided that the customer has an annual peak demand no greater than 100kW.

2.65C Sub-Annual Resource Price Decrement

“Sub-Annual Resource Price Decrement” shall mean, for the Delivery Year commencing June 1, 2017 and subsequent Delivery Years, a difference between the clearing price for Extended Summer Demand Resources and the clearing price for Annual Resources, representing the cost to procure additional Annual Resources out of merit order when the Sub-Annual Resource Constraint is binding.

2.66 Third Incremental Auction

“Third Incremental Auction” shall mean an Incremental Auction conducted three months before the Delivery Year to which it relates.

2.67 [Reserved for Future Use]

2.68 Unconstrained LDA Group

“Unconstrained LDA Group” shall mean a combined group of LDAs that form an electrically contiguous area and for which a separate Variable Resource Requirement Curve has not been established under Section 5.10 of Attachment DD. Any LDA for which a separate Variable Resource Requirement Curve has not been established under Section 5.10 of Attachment DD shall be combined with all other such LDAs that form an electrically contiguous area.

2.69 Unforced Capacity

“Unforced Capacity” shall have the meaning specified in the Reliability Assurance Agreement.

2.69A Updated VRR Curve

“Updated VRR Curve” shall mean the Variable Resource Requirement Curve as defined in section 5.10(a) of this Attachment for use in the Base Residual Auction of the relevant Delivery Year, updated to reflect the Short-term Resource Procurement Target applicable to the relevant Incremental Auction and any change in the Reliability Requirement from the Base Residual Auction to such Incremental Auction.

2.69B Updated VRR Curve Increment

“Updated VRR Curve Increment” shall mean the portion of the Updated VRR Curve to the right of a vertical line at the level of Unforced Capacity on the x-axis of such curve equal to the net Unforced Capacity committed to the PJM Region as a result of all prior auctions conducted for such Delivery Year and adjusted, if applicable, by the reduction in Unforced Capacity commitments associated with the transition provision of section 5.14C of this Attachment DD.

2.69C Updated VRR Curve Decrement

“Updated VRR Curve Decrement” shall mean the portion of the Updated VRR Curve to the left of a vertical line at the level of Unforced Capacity on the x-axis of such curve equal to the net Unforced Capacity committed to the PJM Region as a result of all prior auctions conducted for such Delivery Year and adjusted, if applicable, by the reduction in Unforced Capacity commitments associated with the transition provision of section 5.14C of this attachment DD.

2.70 Variable Resource Requirement Curve

“Variable Resource Requirement Curve” shall mean a series of maximum prices that can be cleared in a Base Residual Auction for Unforced Capacity, corresponding to a series of varying resource requirements based on varying installed reserve margins, as determined by the Office of the Interconnection for the PJM Region and for certain Locational Deliverability Areas in accordance with the methodology provided in Section 5.

2.71 Zonal Capacity Price

“Zonal Capacity Price” shall mean the clearing price required in each Zone to meet the demand for Unforced Capacity and satisfy Locational Deliverability Requirements for the LDA or LDAs associated with such Zone. If the Zone contains multiple LDAs with different Capacity Resource Clearing Prices, the Zonal Capacity Price shall be a weighted average of the Capacity Resource Clearing Prices for such LDAs, weighted by the Unforced Capacity of Capacity Resources cleared in each such LDA.

APPENDIX II
DEFINITIONS

1. Definitions.

The following definitions shall apply to this Agreement.

1.1 “Affiliate”

Affiliate shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

1.2 “Applicable Laws and Regulations”

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, State and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority having jurisdiction over the relevant ~~Parties~~parties, their respective facilities, and/or the respective services they provide.

1.3 “Applicable Regional Entity”

Applicable Regional Entity shall mean the Regional Entity for the region in which the Transmission Owner or New Service Customer operates.

1.4 “Applicable Standards”

Applicable Standards shall mean the requirements and guidelines of NERC, the Applicable Regional Entity and the Control Area in which the Direct Assignment Facilities or Customer-Funded Upgrades are electrically located, the PJM Manuals and applicable technical requirements and standards.

1.5 “Breach”

Breach shall mean the failure of a Party to perform or observe any material term or condition of the applicable Part of the PJM Tariff or this Upgrade CSA.

1.6 “Breaching Party”

Breaching Party shall mean a Party that is in Breach of the applicable Part of the PJM Tariff and/or this Upgrade CSA.

1.7 “Cancellation Costs”

Cancellation Costs shall mean the Costs and liabilities incurred in connection with: (a) cancellation of supplier and contractor written orders and agreements entered into to design, engineer, construct and install the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA; and/or (b) completion of some or all of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, or specific unfinished portions and/or removal of any or all of such Direct Assignment Facilities or Customer-Funded Upgrades which have been installed, to the extent required for the Transmission Owner and Transmission Provider to perform their respective obligations under this Upgrade CSA.

1.8 “Commission”

Commission shall mean the Federal Energy Regulatory Commission.

1.9 “Confidential Information”

Confidential Information shall mean any confidential, proprietary, or trade secret information of a plan, specification, pattern, procedure, design, engineering, device, list, concept, policy, or compilation relating to the present or planned business of a Party, which is designated as confidential by the Party supplying the information, whether conveyed verbally, electronically, in writing, through inspection, or otherwise, and shall include, without limitation, all information relating to the producing Party’s technology, research and development, business affairs and pricing, and any information supplied by any Party to another such Party prior to the execution of a Transmission Service Agreement or this Upgrade CSA.

1.10 “Constructing Entity”

Constructing Entity shall mean either the Transmission Owner or the New Service Customer, depending on which entity has the construction responsibility pursuant to Part VI and this Upgrade CSA.

1.11 “Control Area”

Control Area shall mean an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to: (1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s); (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.12 “Costs”

Costs shall mean all of the actual costs and expenses incurred by the Transmission Owner to complete its obligations under Section 2.4 of this Upgrade CSA, including, but not limited to, capital expenditures, overhead, return, and the costs of financing, equipment, labor, services, taxes, income tax gross-ups and any Incidental Expenses.

1.13 “Default”

Default shall mean the failure of a Breaching Party to cure its Breach in accordance with the applicable provisions of this Upgrade CSA and the PJM Tariff.

1.14 “Delivering Party”

Delivering Party shall mean the entity supplying capacity and energy to be transmitted at Point(s) of Receipt.

1.15 “Emergency Condition”

Emergency Condition shall mean a condition or situation: (i) that in the judgment of any Party is imminently likely to endanger life or property; or (ii) that in the judgment of the Transmission Owner or the Transmission Provider is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Transmission System, a Transmission Owner’s transmission system or distribution system to which the Transmission System is directly or indirectly connected; or (iii) that in the judgment of the New Service Customer is imminently likely (as determined in a non-discriminatory manner) to cause damage to the facility.

1.16 “Environmental Laws”

Environmental Laws shall mean Applicable Laws or Regulations relating to pollution or protection of the environment, natural resources or human health and safety.

1.17 “Facilities Study”

Facilities Study shall mean that certain Facilities Study conducted by Transmission Provider (or at its direction) to determine the design and specification of the Direct Assignment Facilities or Customer-Funded Upgrades necessary to accommodate the New Service Request, as applicable.

1.18 “Federal Power Act”

Federal Power Act shall mean the Federal Power Act, as amended, 16 U.S.C. §§ 791a, et seq.

1.19 “FERC”

FERC shall mean the Federal Energy Regulatory Commission or its successor.

1.20 “Firm Point-To-Point Transmission Service”

Firm Point-To-Point Transmission Service shall mean Transmission Service under the PJM Tariff that is reserved and/or scheduled between specified Points of Receipt and Delivery pursuant to Part II of the PJM Tariff.

1.21 “Force Majeure”

Force Majeure shall mean any cause beyond the control of the affected Party, including but not restricted to, acts of God, flood, drought, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, acts of public enemy, explosions, orders, regulations or restrictions imposed by governmental, military, or lawfully established civilian authorities, which, in any of the foregoing cases, by exercise of due diligence such Party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, it has been unable to overcome. Force Majeure does not include: (i) a failure of performance that is due to an affected Party’s own negligence or intentional wrongdoing; (ii) any removable or remediable causes (other than settlement of a strike or labor dispute) which an affected Party fails to remove or remedy within a reasonable time; or (iii) economic hardship of an affected Party.

1.22 “Good Utility Practice”

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

1.23 “Governmental Authority”

Governmental Authority means any federal, State, local or other governmental, regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, arbitrating body, or other governmental authority having jurisdiction over any Party regarding any matter relating to this Upgrade CSA, as applicable.

1.24 “Hazardous Substances”

Hazardous Substances shall mean any chemicals, materials or substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “hazardous constituents,” “restricted hazardous materials,” “extremely hazardous substances,” “toxic substances,” “radioactive substances,” “contaminants,” “pollutants,” “toxic pollutants” or words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

1.25 “Incidental Expenses”

Incidental Expenses shall mean those expenses incidental to the performance of design, engineering, procurement and construction of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, including, but not limited to, the expense of temporary construction power, telecommunications charges, Transmission Owner expenses associated with, but not limited to, document preparation, design review, engineering, installation, monitoring, and construction-related operations and maintenance for the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA.

1.26 “Local Upgrades”

Local Upgrades shall mean modifications or additions of facilities to abate any local thermal loading, voltage, short circuit, stability or similar engineering problem caused by the interconnection and delivery of generation to the Transmission System. Local Upgrades shall include: (i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and (ii) Non-Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

(i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

1.27 “Long-Term Firm Point-To-Point Transmission Service”

Long-Term Firm Point-To-Point Transmission Service shall mean Firm Point-To-Point Transmission Service under Part II of the PJM Tariff with a term of one year or more.

1.28 “NERC”

NERC shall mean the North American Electric Reliability Council or any successor thereto.

1.29 “Network Upgrades”

Network Upgrades shall mean modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider’s overall Transmission System for the general benefit of all users of such Transmission System. Network Upgrades shall include:

(i) **Direct Connection Network Upgrades** which are Network Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) **Non-Direct Connection Network Upgrades** which are parallel flow Network Upgrades that are not Direct Connection Network Upgrades.

1.30 “Office of the Interconnection”

Office of the Interconnection shall mean the Office of the Interconnection, as supervised by the Board of Managers of the PJM Interconnection, L.L.C., acting pursuant to the Operating Agreement.

1.31 “Operating Agreement of the PJM Interconnection, L.L.C.” or “Operating Agreement”

Operating Agreement of the PJM Interconnection, L.L.C.” or “Operating Agreement shall mean that agreement dated as of April 1, 1997 and as amended and restated as of June 2, 1997 and as amended from time to time thereafter, among the members of the PJM Interconnection, L.L.C.

1.32 “Part I”

Part I shall mean the PJM Tariff Definitions and Common Service Provisions contained in Sections 2 through 12 of the PJM Tariff.

1.33 “Part II”

Part II shall mean PJM Tariff Sections 13 through 27 pertaining to Point-To-Point Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments of the PJM Tariff.

1.34 “Part III”

Part III shall mean PJM Tariff Sections 28 through 35 pertaining to Network Integration Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments of the PJM Tariff.

1.35 “Part IV”

Part IV shall mean PJM Tariff Sections 36 through 112 pertaining to generation or merchant transmission interconnection to the Transmission System in conjunction with applicable Common Service Provision of Part I and appropriate Schedules and Attachments.

1.36 “Part VI”

Part VI shall mean PJM Tariff Sections 200 through 237 pertaining to the queuing, study, and agreements relating to New Service Requests, and the rights associated with Customer-Funded Upgrades in conjunction with the applicable Common Service Provision of Part I and appropriate Schedules and Attachments.

1.37 “PJM Interchange Energy Market”

PJM Interchange Energy Market shall mean the regional competitive market administered by the Transmission Provider for the purchase and sale of spot electric energy at wholesale interstate commerce and related services, as more fully set forth in Attachment K – Appendix to the PJM Tariff and Schedule 1 to the Operating Agreement.

1.38 “PJM Manuals”

PJM Manuals shall mean the instructions, rules, procedures and guidelines established by the Transmission Provider for the operation, planning, and accounting requirements of the PJM Region and the PJM Interchange Energy Market.

1.39 “PJM Region”

PJM Region shall have the meaning specified in the Operating Agreement.

1.40 “Point(s) of Delivery”

Point(s) of Delivery shall mean the point(s) on the Transmission Provider’s Transmission System where capacity and energy transmitted by the Transmission Provider will be made available to the Receiving Party under Part II of the PJM Tariff. The Point(s) of Delivery shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

1.41 “Point(s) of Receipt”

Point(s) of Receipt shall mean the point(s) of interconnection on the Transmission Provider’s Transmission System where capacity and energy will be made available to the Transmission Provider by the Delivering Party under Part II of the PJM Tariff. The Point(s) of Receipt shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

1.42 “Project Financing” means:

Project Financing shall mean

- (a) One or more loans, leases, equity and/or debt financings, together with all modifications, renewals, supplements, substitutions and replacements thereof, the proceeds of which are used to finance or refinance the costs of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, any alteration, expansion or improvement to such Direct Assignment Facilities or Customer-Funded Upgrades, the purchase

and sale of such Direct Assignment Facilities or Customer-Funded Upgrades or the operation of such Direct Assignment Facilities or Customer-Funded Upgrades;

(b) Loans and/or debt issues secured by the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA.

1.43 “Project Finance Entity”

Project Finance Entity means: (a) a holder, trustee or agent for holders, of any component of Project Financing; or (b) any purchaser of capacity and/or energy produced by the facility to which New Service Customer has granted a mortgage or other lien as security for some or all of New Service Customer’s obligations under the corresponding power purchase agreement.

1.44 “Reasonable Efforts”

Reasonable Efforts shall mean, with respect to any action required to be made, attempted, or taken by Transmission Provider or Transmission Owner, such efforts as are timely and consistent with Good Utility Practice and with efforts that such Party would undertake for the protection of its own interests.

1.45 “Receiving Party”

Receiving Party shall mean the entity receiving the capacity and energy transmitted by the Transmission Provider to Point(s) of Delivery.

1.46 “Regional Transmission Expansion Plan” or “RTEP”

Regional Transmission Expansion Plan or “RTEP” shall mean the plan prepared by the Office of the Interconnection pursuant to Schedule 6 of the Operating Agreement for the enhancement and expansion of the Transmission System in order to meet the demands for firm transmission service in the PJM Region.

1.47 “Schedule and Scope of Work”

Schedule and Scope of Work shall mean that schedule and scope of work attached to the Upgrade CSA setting forth the scope and timing of work to be performed by the Transmission Owner, based upon the Facilities Study and subject to modification, as required, in accordance with Transmission Provider’s scope change process for projects set forth in the PJM Manuals.

1.48 “Security”

Security shall mean the letter of credit or other reasonable form of security provided by the New Service Customer to the Transmission Provider pursuant to Section 213.4 of the PJM Tariff to secure the New Service Customer’s responsibility for Costs incurred pursuant to this Upgrade CSA.

1.49 “Service Agreement”

Service Agreement shall mean the initial agreement and any amendments or supplements thereto entered into by the New Service Customer and the Transmission Provider for service under the PJM Tariff.

1.50 “State”

State shall mean a state of the United States or the District of Columbia.

1.51 “Transmission System”

Transmission System shall mean the facilities controlled or operated by the Transmission Provider within the PJM Region that are used to provide transmission service under Part II and Part III of the PJM Tariff.

Section(s) of the
PJM Operating Agreement
(Marked / Redline Format)

Definitions I - L

1.15A Immediate-need *Reliability* Project.

A reliability-based transmission enhancement or expansion with an in-service date of three years or less from the year the Office of the Interconnection identified the existing or projected limitations on the Transmission System that gave rise to the need for such enhancement or expansion pursuant to the study process described in section 1.5.3 of this Schedule 6.

1.15B *Incremental Multi-Driver* Project.

“Incremental Multi-Driver Project” shall mean a Multi-Driver Project that is planned as described in Schedule 6, section 1.5.10(h) of this Agreement.

1.16 Information Request.

“Information Request” shall mean a written request, in accordance with the terms of this Agreement for disclosure of ~~confidential~~ Confidential information ~~Information~~ pursuant to Section 18.17.4 of this Agreement.

1.17 LLC.

“LLC” shall mean PJM Interconnection, L.L.C., a Delaware limited liability company.

1.18 Load Serving Entity.

“Load Serving Entity” shall mean an entity, including a load aggregator or power marketer, (1) serving end-users within the PJM Region, and (2) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the PJM Region, or the duly designated agent of such an entity.

1.18A Local Plan.

“Local Plan” shall mean the plan as developed by the Transmission Owners. The Local Plan shall include, at a minimum, the Subregional RTEP Projects and Supplemental Projects as identified by the Transmission Owners within their zone. The Local Plan will include those projects that are developed to comply with the Transmission Owner planning criteria.

1.19 Locational Marginal Price.

“Locational Marginal Price” or “LMP” shall mean the hourly integrated market clearing marginal price for energy at the location the energy is delivered or received, calculated as specified in Section 2 of Schedule 1 of this Agreement.

1.19A Long-lead Project.

A transmission enhancement or expansion with an in-service date more than five years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, or Public Policy Requirements to be addressed by the enhancement or expansion.

Definitions S – T

1.40C SERC.

“SERC” or “Southeastern Electric Reliability Council” shall mean the reliability council under section 202 of the Federal Power Act established pursuant to the SERC Agreement dated January 14, 1970, or any successor thereto.

1.41 Sector Votes.

“Sector Votes” shall mean the affirmative and negative votes of each sector of a Senior Standing Committee, as specified in Section 8.4.

1.41.01 Securities

“Securities” shall mean negotiable or non-negotiable investment or financing instruments that can be sold and bought. Securities include bonds, stocks, debentures, notes and options.

1.41A Senior Standing Committees.

“Senior Standing Committees” shall mean the Members Committee, and the Markets, and Reliability Committee, as established in Sections 8.1 and 8.6.

1.41A.01 Short-term Project.

A transmission enhancement or expansion with an in-service date of more than three years but no more than five years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, or Public Policy Requirements to be addressed by the enhancement or expansion.

1.41A.02 [Reserved].

1.41A.03 [Reserved].

1.41B Standing Committees.

“Standing Committees” shall mean the Members Committee, the committees established and maintained under Section 8.6, and such other committees as the Members Committee may establish and maintain from time to time.

1.42 State.

“State” shall mean the District of Columbia and any State or Commonwealth of the United States.

1.42.01 State Certification.

“State Certification” shall mean the Certification of an Authorized Commission, pursuant to Section 18 of this Agreement, the form of which is appended to this Agreement as Schedule 10A, wherein the Authorized Commission identifies all Authorized Persons employed or retained by such Authorized Commission, a copy of which shall be filed with FERC.

1.42A State Consumer Advocate.

“State Consumer Advocate” shall mean a legislatively created office from any State, all or any part of the territory of which is within the PJM Region, and the District of Columbia established, inter alia, for the purpose of representing the interests of energy consumers before the utility regulatory commissions of such states and the District of Columbia and the FERC.

1.42A.01 Subregional RTEP Project.

“Subregional RTEP Project” shall mean a transmission expansion or enhancement rated below 230 kV which is required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

1.42A.02 Supplemental Project.

“Supplemental Project” shall mean a transmission expansion or enhancement that is not required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection and is not a state public policy project pursuant to section 1.5.9(a)(ii) of Schedule 6 of this Agreement. Any system upgrades required to maintain the reliability of the system that are driven by a Supplemental Project are considered part of that Supplemental Project and are the responsibility of the entity sponsoring that Supplemental Project.

1.42B [Reserved].

1.43 System.

“System” shall mean the interconnected electric supply system of a Member and its interconnected subsidiaries exclusive of facilities which it may own or control outside of the PJM Region. Each Member may include in its system the electric supply systems of any party or parties other than Members which are within the PJM Region, provided its interconnection agreements with such other party or parties do not conflict with such inclusion.

1.43A Third Party Request.

“Third Party Request” shall mean any request or demand by any entity upon an Authorized Person or an Authorized Commission for release or disclosure of confidential information

provided to the Authorized Person or Authorized Commission by the Office of the Interconnection or PJM Market Monitor. A Third Party Request shall include, but shall not be limited to, any subpoena, discovery request, or other request for confidential information made by any: (i) federal, state, or local governmental subdivision, department, official, agency or court, or (ii) arbitration panel, business, company, entity or individual.

1.44 Transmission Facilities.

“Transmission Facilities” shall mean facilities that: (i) are within the PJM Region; (ii) meet the definition of transmission facilities pursuant to FERC’s Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities; and (iii) have been demonstrated to the satisfaction of the Office of the Interconnection to be integrated with the PJM Region transmission system ~~of the PJM Region~~ and integrated into the planning and operation of ~~such the PJM Region~~ to serve all of the power and transmission customers within ~~such the PJM region~~Region.

1.45 Transmission Owner.

“Transmission Owner” shall mean a Member that owns or leases with rights equivalent to ownership Transmission Facilities and is a signatory to the PJM Transmission Owners Agreement. Taking transmission service shall not be sufficient to qualify a Member as a Transmission Owner.

1.46 Transmission Owner Upgrade

“Transmission Owner Upgrade” shall mean an upgrade to a Transmission Owner’s own transmission facilities, which is an improvement to, addition to, or replacement of a part of, an existing facility and is not an entirely new transmission facility.

Definitions U - Z

1.47 User Group.

“User Group” shall mean a group formed pursuant to Section 8.7 of this Agreement.

1.47A VACAR.

“VACAR” shall mean the group of five companies, consisting of Duke Energy ~~Carolinas, Carolina Power and Light~~ Duke Energy Progress, South Carolina Public Service Authority, South Carolina Electric and Gas, and Virginia Electric and Power Company.

1.47B [Reserved]

1.48 Voting Member.

“Voting Member” shall mean (i) a Member as to which no other Member is an Affiliate or Related Party, or (ii) a Member together with any other Members as to which it is an Affiliate or Related Party.

1.49 Weighted Interest.

“Weighted Interest” shall be equal to $(0.1(1/N) + 0.5(B/C) + 0.2(D/E) + 0.2(F/G))$, where:

N = the total number of Members excluding ex officio Members and State Consumer Advocates (which, for purposes of Section 15.2 of this agreement, shall be calculated as of five o'clock p.m. Eastern Time on the date PJM declares a Member in default)

B = the Member's internal peak demand for the previous calendar year (which, for Load Serving Entities under the Reliability Assurance Agreement, shall be that used to calculate Accounted For Obligation as determined by the Office of the Interconnection pursuant to Schedule 7 of the Reliability Assurance Agreement averaged over the previous calendar year)

C = the sum of factor B for all Members

D = the Member's generating capability from Generation Capacity Resources located in the PJM Region as of January 1 of the current calendar year, determined by the Office of the Interconnection pursuant to Schedule 9 of the Reliability Assurance Agreement

E = the sum of factor D for all Members

F = the sum of the Member's circuit miles of transmission facilities multiplied by the respective operating voltage for facilities 100 kV and above as of January 1 of the current calendar year

G = the sum of factor F for all Members

1.50 [Reserved].

1.51 [Reserved].

1.52 Zone.

“Zone” shall mean an area within the PJM Region, as set forth in Attachment J to the PJM Tariff.

Section(s) of the
PJM Reliability Assurance Agreement

(Marked / Redline Format)

ARTICLE 1 – DEFINITIONS

Unless the context otherwise specifies or requires, capitalized terms used herein shall have the respective meanings assigned herein or in the Schedules hereto for all purposes of this Agreement (such definitions to be equally applicable to both the singular and the plural forms of the terms defined). Unless otherwise specified, all references herein to Articles, Sections or Schedules, are to Articles, Sections or Schedules of this Agreement. As used in this Agreement:

1.1 Agreement

Agreement shall mean this Reliability Assurance Agreement, together with all Schedules hereto, as amended from time to time.

1.1A Annual Demand Resource

Annual Demand Resource shall mean a resource that is placed under the direction of the Office of the Interconnection during the Delivery Year, and will be available for an unlimited number of interruptions during such Delivery Year by the Office of the Interconnection, and will be capable of maintaining each such interruption for at least a 10-hour duration between the hours of 10:00AM to 10:00PM Eastern Prevailing Time for the months of June through October and the following May, and 6:00AM through 9:00PM Eastern Prevailing Time for the months of November through April unless there is an Office of the Interconnection approved maintenance outage during October through April. The Annual Demand Resource must be available in the corresponding Delivery year to be offered for sale or Self-Supplied in an RPM Auction, or included as an Annual Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

1.2 Applicable Regional Entity

Applicable Regional Entity shall have the same meaning as in the PJM Tariff.

1.3 Base Residual Auction

Base Residual Auction shall have the same meaning as in Attachment DD to the PJM Tariff.

1.4 Behind The Meter Generation

Behind The Meter Generation shall mean a generating unit that delivers energy to load without using the Transmission System or any distribution facilities (unless the entity that owns or leases the distribution facilities consented to such use of the distribution facilities and such consent has been demonstrated to the satisfaction of the Office of the Interconnection; provided, however, that Behind The Meter Generation does not include (i) at any time, any portion of such generating unit's capacity that is designated as a Capacity Resource or (ii) in any hour, any portion of the output of such generating unit that is sold to another entity for consumption at another electrical location or into the PJM Interchange Energy Market.

1.5 Black Start Capability

Black Start Capability shall mean the ability of a generating unit or station to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system.

1.6 Capacity Emergency Transfer Objective (“CETO”)

Capacity Emergency Transfer Objective (“CETO”) shall mean the amount of electric energy that a given area must be able to import in order to remain within a loss of load expectation of one event in 25 years when the area is experiencing a localized capacity emergency, as determined in accordance with the PJM Manuals. Without limiting the foregoing, CETO shall be calculated based in part on EFORD determined in accordance with Paragraph C of Schedule 5.

1.7 Capacity Emergency Transmission Limit (“CETL”)

Capacity Emergency Transmission Limit (“CETL”) shall mean the capability of the transmission system to support deliveries of electric energy to a given area experiencing a localized capacity emergency as determined in accordance with the PJM Manuals.

1.7A Capacity Import Limit

Capacity Import Limit shall mean, (a) for the PJM Region, (1) the maximum megawatt quantity of external Generation Capacity Resources that PJM determines for each Delivery Year, through appropriate modeling and the application of engineering judgment, the transmission system can receive, in aggregate at the interface of the PJM Region with all external balancing authority areas and deliver to load in the PJM Region under capacity emergency conditions without violating applicable reliability criteria on any bulk electric system facility of 100kV or greater, internal or external to the PJM Region, that has an electrically significant response to transfers on such interface, minus (2) the then-applicable Capacity Benefit Margin; and (b) for certain source zones identified in the PJM manuals as groupings of one or more balancing authority areas, (1) the maximum megawatt quantity of external Generation Capacity Resources that PJM determines the transmission system can receive at the interface of the PJM Region with each such source zone and deliver to load in the PJM Region under capacity emergency conditions without violating applicable reliability criteria on any bulk electric system facility of 100kV or greater, internal or external to the PJM Region, that has an electrically significant response to transfers on such interface, minus the then-applicable Capacity Benefit Margin times (2) the ratio of the maximum import quantity from each such source zone divided by the PJM total maximum import quantity. As more fully set forth in the PJM Manuals, PJM shall make such determination based on the latest peak load forecast for the studied period, the same computer simulation model of loads, generation and transmission topography employed in the determination of Capacity Emergency Transmission Limit for such Delivery Year, including external facilities from an industry standard model of the loads, generation, and transmission topography of the Eastern Interconnection under peak conditions. PJM shall specify in the PJM

Manuals the areas and minimum distribution factors for identifying monitored bulk electric system facilities that have an electrically significant response to such transfers on the PJM interface. Employing such tools, PJM shall model increased power transfers from external areas into PJM to determine the transfer level at which one or more reliability criteria is violated on any monitored bulk electric system facilities that have an electrically significant response to such transfers. For the PJM Region Capacity Import Limit, PJM shall optimize transfers from other source areas not experiencing any reliability criteria violations as appropriate to increase the Capacity Import Limit. The aggregate megawatt quantity of transfers into PJM at the point where any increase in transfers on the interface would violate reliability criteria will establish the Capacity Import Limit. Notwithstanding the foregoing, a Capacity Resource located outside the PJM Region shall not be subject to the Capacity Import Limit if the Capacity Market Seller seeks an exception thereto by demonstrating to PJM, by no later than five (5) business days prior to the commencement of the offer period for the relevant RPM Auction, that such resource meets all of the following requirements:

(i) it has, at the time such exception is requested, met all applicable requirements to be treated as equivalent to PJM Region internal generation that is not subject to NERC tagging as an interchange transaction, or the Capacity Market Seller has committed in writing that it will meet such requirements, unless prevented from doing so by circumstances beyond the control of the Capacity Market Seller, prior to the relevant Delivery Year;

(ii) at the time such exception is requested, it has long-term firm transmission service confirmed on the complete transmission path from such resource into PJM; and

(iii) it is, by written commitment of the Capacity Market Seller, subject to the same obligations imposed on Generation Capacity Resources located in the PJM Region by section 6.6 of Attachment DD of the PJM Tariff to offer their capacity into RPM Auctions;

provided, however, that (a) the total megawatt quantity of all exceptions granted hereunder for a Delivery Year, plus the Capacity Import Limit for the applicable interface determined for such Delivery Year, may not exceed the total megawatt quantity of Network External Designated Transmission Service on such interface that PJM has confirmed for such Delivery Year; and (b) if granting a qualified exception would result in a violation of the rule in clause (a), PJM shall grant the requested exception but reduce the Capacity Import Limit by the quantity necessary to ensure that the total quantity of Network External Designated Transmission Service is not exceeded.

1.8 Capacity Resources

Capacity Resources shall mean megawatts of (i) net capacity from existing or Planned Generation Capacity Resources meeting the requirements of Schedules 9 and 10 that are or will be owned by or contracted to a Party and that are or will be committed to satisfy that Party's obligations under this Agreement, or to satisfy the reliability requirements of the PJM Region, for a Delivery Year; (ii) net capacity from existing or Planned Generation Capacity Resources within the PJM Region not owned or contracted for by a Party which are accredited to the PJM Region pursuant to the procedures set forth in Schedules 9 and 10; and (iii) load reduction

capability provided by Demand Resources or Energy Efficiency Resources that are accredited to the PJM Region pursuant to the procedures set forth in Schedule 6.

1.9 Capacity Transfer Right

Capacity Transfer Right shall have the meaning specified in Attachment DD to the PJM Tariff.

1.9.1 Compliance Aggregation Area (CAA)

“Compliance Aggregation Area” or “CAA” shall have the same meaning as in the PJM Tariff.

1.10 Control Area

Control Area shall mean an electric power system or combination of electric power systems bounded by interconnection metering and telemetry to which a common generation control scheme is applied in order to:

- (a) match the power output of the generators within the electric power system(s) and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- (b) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;
- (c) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice and the criteria of NERC and each Applicable Regional Entity;
- (d) maintain power flows on transmission facilities within appropriate limits to preserve reliability; and
- (e) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.11 Daily Unforced Capacity Obligation

Daily Unforced Capacity Obligation shall have the meaning set forth in Schedule 8 or, as to an FRR Entity, in Schedule 8.1.

1.12 Delivery Year

Delivery Year shall mean a Planning Period for which a Capacity Resource is committed pursuant to the auction procedures specified in Attachment DD to the Tariff or pursuant to an FRR Capacity Plan.

1.13 Demand Resource

Demand Resource or “DR” shall mean a Limited Demand Resource, Extended Summer Demand Resource, or Annual Demand Resource with a demonstrated capability to provide a reduction in demand or otherwise control load in accordance with the requirements of Schedule 6 that offers and that clears load reduction capability in a Base Residual Auction or Incremental Auction or that is committed through an FRR Capacity Plan. As set forth in Schedule 6, a Limited Demand Resource, Extended Summer Demand Resource or Annual Demand Resource may be an existing demand response resource or a Planned Demand Resource.

1.13A Demand Resource Officer Certification Form

Demand Resource Officer Certification Form shall mean a certification as to an intended Demand Resource Sell Offer, in accordance with Schedules 6 and 8.1 of this Agreement and the PJM Manuals.

1.14 [Reserved for Future Use]

1.14A Demand Resource Sell Offer Plan

Demand Resource Sell Offer Plan shall mean the plan required by Schedules 6 and 8.1 of this Agreement in support of an intended offer of Demand Resources in an RPM Auction, or an intended inclusion of Demand Resources in an FRR Capacity Plan.

1.15 DR Factor

DR Factor (“**Demand Resource Factor**”) shall mean that factor approved from time to time by the PJM Board used to determine the unforced capacity value of a Demand Resource in accordance with Schedule 6.

1.16 [Reserved for Future Use]

1.17 Electric Cooperative

Electric Cooperative shall mean an entity owned in cooperative form by its customers that is engaged in the generation, transmission, and/or distribution of electric energy.

1.18 Electric Distributor

Electric Distributor shall mean an entity that owns or leases with rights equivalent to ownership electric distribution facilities that are providing electric distribution service to electric load within the PJM Region.

1.19 Emergency

Emergency shall mean (i) an abnormal system condition requiring manual or automatic action to maintain system frequency, or to prevent loss of firm load, equipment damage, or tripping of system elements that could adversely affect the reliability of an electric system or the safety of persons or property; or (ii) a fuel shortage requiring departure from normal operating procedures in order to minimize the use of such scarce fuel; or (iii) a condition that requires implementation of emergency procedures as defined in the PJM Manuals.

1.20 End-Use Customer

End-Use Customer shall mean a Member that is a retail end-user of electricity within the PJM Region.

1.20A Energy Efficiency Resource

Energy Efficiency Resource shall mean a project, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, meeting the requirements of Schedule 6 of this Agreement and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during peak periods as described in Schedule 6 and the PJM Manuals) reduction in electric energy consumption that is not reflected in the peak load forecast prepared for the Delivery Year for which the Energy Efficiency Resource is proposed, and that is fully implemented at all times during such Delivery Year, without any requirement of notice, dispatch, or operator intervention.

1.20A.1 Existing Demand Resource

Existing Demand Resource shall mean a Demand Resource for which the Demand Resource Provider has identified existing end-use customer sites that are registered for the current Delivery Year with PJM (even if not registered by such Demand Resource Provider) and that the Demand Resource Provider reasonably expects to have under a contract to reduce load based on PJM dispatch instructions by the start of the Delivery Year for which such resource is offered.

1.20B Existing Generation Capacity Resource

Existing Generation Capacity Resource shall mean, for purposes of the must-offer requirement and mitigation of offers for any RPM Auction for a Delivery Year, a Generation Capacity Resource that, as of the date on which bidding commences for such auction: (a) is in service; or (b) is not yet in service, but has cleared any RPM Auction for any prior Delivery Year. Notwithstanding the foregoing, a Generation Capacity Resource for which construction has not commenced and which would otherwise have been treated as a Planned Generation Capacity Resource but for the fact that it was bid into RPM Auctions for at least two consecutive Delivery Years, and cleared the last such auction only because it was considered existing and its mitigated offer cap was accepted when its price offer would not have otherwise been accepted, shall be deemed to be a Planned Generation Capacity Resource. A Generation Capacity Resource shall be deemed to be in service if interconnection service has ever commenced (for resources located in the PJM Region), or if it is physically and electrically interconnected to an

external Control Area and is in full commercial operation (for resources not located in the PJM Region). The additional megawatts of a Generation Capacity Resource that is being, or has been, modified to increase the number of megawatts of available installed capacity thereof shall not be deemed to be an Existing Generation Capacity Resource until such time as those megawatts (a) are in service; or (b) are not yet in service, but have cleared any RPM Auction for any prior Delivery Year.

1.20C Extended Summer Demand Resource

Extended Summer Demand Resource shall mean a resource that is placed under the direction of the Office of the Interconnection and that will be available June through October and the following May, and will be available for an unlimited number of interruptions during such months by the Office of the Interconnection, and will be capable of maintaining each such interruption for at least a 10-hour duration between the hours of 10:00AM to 10:00PM Eastern Prevailing Time. The Extended Summer Demand Resource must be available June through October and the following May in the corresponding Delivery Year to be offered for sale or Self-Supplied in an RPM Auction, or included as an Extended Summer Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

1.21 Facilities Study Agreement

Facilities Study Agreement shall have the same meaning as in the PJM Tariff

1.22 FERC

FERC shall mean the Federal Energy Regulatory Commission or any successor federal agency, commission or department.

1.23 Firm Point-To-Point Transmission Service

Firm Point-To-Point Transmission Service shall mean Firm Transmission Service provided pursuant to the rates, terms and conditions set forth in Part II of the PJM Tariff.

1.24 Firm Transmission Service

Firm Transmission Service shall mean transmission service that is intended to be available at all times to the maximum extent practicable, subject to an Emergency, an unanticipated failure of a facility, or other event beyond the control of the owner or operator of the facility or the Office of the Interconnection.

1.25 Fixed Resource Requirement Alternative or FRR Alternative

Fixed Resource Requirement Alternative or FRR Alternative shall mean an alternative method for a Party to satisfy its obligation to provide Unforced Capacity hereunder, as set forth in Schedule 8.1 to this Agreement.

1.26 Forecast Pool Requirement

Forecast Pool Requirement or FPR shall mean the amount equal to one plus the unforced reserve margin (stated as a decimal number) for the PJM Region required pursuant to this Agreement, as approved by the PJM Board pursuant to Schedule 4.1.

1.27 [Reserved]

1.28 [Reserved]

1.29 FRR Capacity Plan

FRR Capacity Plan shall mean a long-term plan for the commitment of Capacity Resources to satisfy the capacity obligations of a Party that has elected the FRR Alternative, as more fully set forth in Schedule 8.1 to this Agreement.

1.30 FRR Entity

FRR Entity shall mean, for the duration of such election, a Party that has elected the FRR Alternative hereunder.

1.31 FRR Service Area

FRR Service Area shall mean (a) the service territory of an IOU as recognized by state law, rule or order; (b) the service area of a Public Power Entity or Electric Cooperative as recognized by franchise or other state law, rule, or order; or (c) a separately identifiable geographic area that is: (i) bounded by wholesale metering, or similar appropriate multi-site aggregate metering, that is visible to, and regularly reported to, the Office of the Interconnection, or that is visible to, and regularly reported to an Electric Distributor and such Electric Distributor agrees to aggregate the load data from such meters for such FRR Service Area and regularly report such aggregated information, by FRR Service Area, to the Office of the Interconnection; and (ii) for which the FRR Entity has or assumes the obligation to provide capacity for all load (including load growth) within such area. In the event that the service obligations of an Electric Cooperative or Public Power Entity are not defined by geographic boundaries but by physical connections to a defined set of customers, the FRR Service Area in such circumstances shall be defined as all customers physically connected to transmission or distribution facilities of such Electric Cooperative or Public Power Entity within an area bounded by appropriate wholesale aggregate metering as described above.

1.32 Full Requirements Service

Full Requirements Service shall mean wholesale service to supply all of the power needs of a Load Serving Entity to serve end-users within the PJM Region that are not satisfied by its own generating facilities.

1.33 Generation Capacity Resource

Generation Capacity Resource shall mean a generation unit, or the right to capacity from a specified generation unit, that meets the requirements of Schedules 9 and 10 of this Agreement. A Generation Capacity Resource may be an Existing Generation Capacity Resource or a Planned Generation Capacity Resource.

1.34 Generation Owner

Generation Owner shall mean a Member that owns or leases with rights equivalent to ownership facilities for the generation of electric energy that are located within the PJM Region. Purchasing all or a portion of the output of a generation facility shall not be sufficient to qualify a Member as a Generation Owner.

1.35 Generator Forced Outage

Generator Forced Outage shall mean an immediate reduction in output or capacity or removal from service, in whole or in part, of a generating unit by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the facility, as specified in the relevant portions of the PJM Manuals. A reduction in output or removal from service of a generating unit in response to changes in market conditions shall not constitute a Generator Forced Outage.

1.36 Generator Maintenance Outage

Generator Maintenance Outage shall mean the scheduled removal from service, in whole or in part, of a generating unit in order to perform repairs on specific components of the facility, if removal of the facility qualifies as a maintenance outage pursuant to the PJM Manuals.

1.37 Generator Planned Outage

Generator Planned Outage shall mean the scheduled removal from service, in whole or in part, of a generating unit for inspection, maintenance or repair with the approval of the Office of the Interconnection in accordance with the PJM Manuals.

1.38 Good Utility Practice

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather is intended to include acceptable practices, methods, or acts generally accepted in the region.

1.39 [Reserved]

1.40 Incremental Auction

Incremental Auction shall mean the First Incremental Auction, the Second Incremental Auction, the Third Incremental Auction, or the Conditional Incremental Auction, each as defined in Attachment DD to the PJM Tariff.

1.41 Interconnection Agreement

Interconnection Agreement shall have the same meaning as in the PJM Tariff.

1.42 [Reserved]

1.43 IOU

IOU shall mean an investor-owned utility with substantial business interest in owning and/or operating electric facilities in any two or more of the following three asset categories: generation, transmission, distribution.

1.43A Limited Demand Resource

Limited Demand Resource shall mean a resource that is placed under the direction of the Office of the Interconnection and that will, at a minimum, be available for interruption for at least 10 Load Management Events during the summer period of June through September in the Delivery Year, and will be capable of maintaining each such interruption for at least a 6-hour duration. At a minimum, the Limited Demand Resource shall be available for such interruptions on weekdays, other than NERC holidays, from 12:00PM (noon) to 8:00PM Eastern Prevailing Time. The Limited Demand Resource must be available during the summer period of June through September in the corresponding Delivery Year to be offered for sale or Self-Supplied in an RPM Auction, or included as a Limited Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

1.44 Load Serving Entity or LSE

Load Serving Entity or LSE shall mean any entity (or the duly designated agent of such an entity), including a load aggregator or power marketer, (i) serving end-users within the PJM Region, and (ii) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the PJM Region. Load Serving Entity shall include any end-use customer that qualifies under state rules or a utility retail tariff to manage directly its own supply of electric power and energy and use of transmission and ancillary services.

1.45 Locational Reliability Charge

Locational Reliability Charge shall mean the charge determined pursuant to Schedule 8.

1.46 Markets and Reliability Committee

Markets and Reliability Committee shall mean the committee established pursuant to the Operating Agreement as a Standing Committee of the Members Committee.

1.46A Maximum Emergency Service Level

Maximum Emergency Service Level or MESL of Price Responsive Demand shall mean the level, determined at a PRD Substation level, to which Price Responsive Demand shall be reduced during the Delivery Year when a Maximum Generation Emergency is declared and the Locational Marginal Price exceeds the price associated with such Price Responsive Demand identified by the PRD Provider in its PRD Plan.

1.47 Member

Member shall mean an entity that satisfies the requirements of Sections 1.24 and 11.6 of the PJM Operating Agreement. In accordance with Article 4 of this Agreement, each Party to this Agreement also is a Member.

1.48 Members Committee

Members Committee shall mean the committee specified in Section 8 of the PJM Operating Agreement composed of the representatives of all the Members.

1.49 NERC

NERC shall mean the North American Electric Reliability Council or any successor thereto.

1.49A Network External Designated Transmission Service

Network External Designated Transmission Service shall mean the quantity of network transmission service confirmed by PJM for use by a market participant to import power and energy from an identified Generation Capacity Resource located outside the PJM Region, upon demonstration by such market participant that it owns such Generation Capacity Resource, has an executed contract to purchase power and energy from such Generation Capacity Resource, or has a contract to purchase power and energy from such Generation Capacity Resource contingent upon securing firm transmission service from such resource.

1.50 Network Resources

Network Resources shall have the meaning set forth in the PJM Tariff.

1.51 Network Transmission Service

Network Transmission Service shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Part III of the PJM Tariff, or transmission service comparable to such service that is provided to a Load Serving Entity that is also a Transmission Owner (as that term is defined in the PJM Tariff).

1.51A Nominal PRD Value

Nominal PRD Value shall mean, as to any PRD Provider, an adjustment, determined in accordance with Schedule 6.1 of this Agreement, to the peak-load forecast used to determine the quantity of capacity sought through an RPM Auction, reflecting the aggregate effect of Price Responsive Demand on peak load resulting from the Price Responsive Demand to be provided by such PRD Provider.

1.52 Nominated Demand Resource Value

Nominated Demand Resource Value shall have the meaning specified in Attachment DD to the PJM Tariff.

1.53 [Reserved]

1.54 Non-Retail Behind the Meter Generation

Non-Retail Behind the Meter Generation shall mean Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, and electric distribution companies to serve load.

1.55 Obligation Peak Load

Obligation Peak Load shall have the meaning specified in Schedule 8 of this Agreement.

1.56 Office of the Interconnection

Office of the Interconnection shall mean the employees and agents of PJM Interconnection, L.L.C., subject to the supervision and oversight of the PJM Board, acting pursuant to the Operating Agreement.

1.57 Operating Agreement of PJM Interconnection, L.L.C. or Operating Agreement

Operating Agreement of PJM Interconnection, L.L.C. or Operating Agreement shall mean that certain agreement, dated April 1, 1997 and as amended and restated June 2, 1997 and as amended from time to time thereafter, among the members of the PJM Interconnection, L.L.C.

1.57A Operating Day

Operating Day shall have the same meaning as provided in the Operating Agreement.

1.58 Operating Reserve

Operating Reserve shall mean the amount of generating capacity scheduled to be available for a specified period of an Operating Day to ensure the reliable operation of the PJM Region, as specified in the PJM Manuals.

1.59 Other Supplier

Other Supplier shall mean a Member that is (i) a seller, buyer or transmitter of electric capacity or energy in, from or through the PJM Region, and (ii) is not a Generation Owner, Electric Distributor, Transmission Owner or End-Use Customer.

1.60 Partial Requirements Service

Partial Requirements Service shall mean wholesale service to supply a specified portion, but not all, of the power needs of a Load Serving Entity to serve end-users within the PJM Region that are not satisfied by its own generating facilities.

1.61 Percentage Internal Resources Required

Percentage Internal Resources Required shall mean, for purposes of an FRR Capacity Plan, the percentage of the LDA Reliability Requirement for an LDA that must be satisfied with Capacity Resources located in such LDA.

1.62 Party

Party shall mean an entity bound by the terms of this Agreement.

1.63 PJM

PJM shall mean the PJM Board and the Office of the Interconnection.

1.64 PJM Board

PJM Board shall mean the Board of Managers of the PJM Interconnection, L.L.C., acting pursuant to the Operating Agreement.

1.65 PJM Manuals

PJM Manuals shall mean the instructions, rules, procedures and guidelines established by the Office of the Interconnection for the operation, planning and accounting requirements of the PJM Region.

1.66 PJM Open Access Transmission Tariff or PJM Tariff

PJM Open Access Transmission Tariff or PJM Tariff shall mean the tariff for transmission service within the PJM Region, as in effect from time to time, including any schedules, appendices, or exhibits attached thereto.

1.67 PJM Region

PJM Region shall have the same meaning as provided in the Operating Agreement.

1.68 PJM Region Installed Reserve Margin

PJM Region Installed Reserve Margin shall mean the percent installed reserve margin for the PJM Region required pursuant to this Agreement, as approved by the PJM Board pursuant to Schedule 4.1.

1.69 Planned Demand Resource

Planned Demand Resource shall mean any Demand Resource that does not currently have the capability to provide a reduction in demand or to otherwise control load, but that is scheduled to be capable of providing such reduction or control on or before the start of the Delivery Year for which such resource is to be committed, as determined in accordance with the requirements of Schedule 6. As set forth in Schedules 6 and 8.1 of this Agreement, a Demand Resource Provider submitting a DR Sell Offer Plan shall identify as Planned Demand Resources in such plan all Demand Resources in excess of those that qualify as Existing Demand Resources.

1.69A Planned External Generation Capacity Resource

Planned External Generation Capacity Resource shall mean a proposed Generation Capacity Resource, or a proposed increase in the capability of a Generation Capacity Resource, that (a) is to be located outside the PJM Region, (b) participates in the generation interconnection process of a Control Area external to PJM, (c) is scheduled to be physically and electrically interconnected to the transmission facilities of such Control Area on or before the first day of the Delivery Year for which such resource is to be committed to satisfy the reliability requirements of the PJM Region, and (d) is in full commercial operation prior to the first day of such Delivery Year, such that it is sufficient to provide the Installed Capacity set forth in the Sell Offer forming the basis of such resource's commitment to the PJM Region. Prior to participation in any Reliability Pricing Model Auction for such Delivery Year, the Capacity Market Seller must demonstrate that it has executed an interconnection agreement (functionally equivalent to a System Impact Study Agreement under the PJM Tariff for Base Residual Auction and an Interconnection Service Agreement under the PJM Tariff for Incremental Auction) with the transmission owner to whose transmission facilities or distribution facilities the resource is being directly connected, and if applicable the transmission provider. A Planned External Generation Capacity Resource must provide evidence to PJM that it has been studied as a Network Resource, or such other similar interconnection product in such external Control Area, must provide contractual evidence that it has applied for or purchased transmission service to be

deliverable to the PJM border, and must provide contractual evidence that it has applied for transmission service to be deliverable to the bus at which energy is to be delivered, the agreements for which must have been executed prior to participation in any Reliability Pricing Model Auction for such Delivery Year. An External Generation Capacity Resource shall cease to be considered a Planned External Generation Capacity Resource as of the earlier of (i) the date that interconnection service commences as to such resource; or (ii) the resource has cleared an RPM Auction, in which case it shall become an Existing Generation Capacity Resource for purposes of the mitigation of offers for any RPM Auction for all subsequent Delivery Years.

1.70 Planned Generation Capacity Resource

Planned Generation Capacity Resource shall mean a Generation Capacity Resource participating in the generation interconnection process under Part IV, Subpart A of the PJM Tariff, for which: (i) Interconnection Service is scheduled to commence on or before the first day of the Delivery Year for which such resource is to be committed to RPM or to an FRR Plan; (ii) a System Impact Study Agreement has been executed prior to the Base Residual Auction for such Delivery Year; (iii) an Interconnection Service Agreement has been executed prior to any Incremental Auction for such Delivery Year in which such resource plans to participate; and (iv) no megawatts of capacity have cleared an RPM Auction for any prior Delivery Year. For purposes of the must-offer requirement and mitigation of offers for any RPM Auction for a Delivery Year, a Generation Capacity Resource shall cease to be considered a Planned Generation Capacity Resource as of the earlier of (i) the date that Interconnection Service commences as to such resource; or (ii) the resource has cleared an RPM Auction for any Delivery Year, in which case it shall become an Existing Generation Capacity Resource for any RPM Auction for all subsequent Delivery Years. Notwithstanding the foregoing, a Generation Capacity Resource for which construction has not commenced and which would otherwise have been treated as a Planned Generation Capacity Resource but for the fact that it was bid into RPM Auctions for at least two consecutive Delivery Years, and cleared the last such auction only because it was considered existing and its mitigated offer cap was accepted when its price offer would not have otherwise been accepted, shall be deemed to be a Planned Generation Capacity Resource.

1.71 Planning Period

Planning Period shall mean the 12 months beginning June 1 and extending through May 31 of the following year, or such other period approved by the Members Committee.

1.71A PRD Curve

PRD Curve shall mean a price-consumption curve at a PRD Substation level, if available, and otherwise at a Zonal (or sub-Zonal LDA, if applicable) level, that details the base consumption level of Price Responsive Demand and the decreasing consumption levels at increasing prices.

1.71B PRD Provider

PRD Provider shall mean (i) a Load Serving Entity that provides PRD; or (ii) an entity without direct load serving responsibilities that has entered contractual arrangements with end-use customers served by a Load Serving Entity that satisfy the eligibility criteria for Price Responsive Demand.

1.71C PRD Provider's Zonal Expected Peak Load Value of PRD

PRD Provider's Zonal Expected Peak Load Value of PRD shall mean the expected contribution to Delivery Year peak load of a PRD Provider's Price Responsive Demand, were such demand not to be reduced in response to price, based on the contribution of the end-use customers comprising such Price Responsive Demand to the most recent prior Delivery Year's peak demand, escalated to the Delivery Year in question, as determined in a manner consistent with the Office of the Interconnection's load forecasts used for purposes of the RPM Auctions.

1.71D PRD Reservation Price

PRD Reservation Price shall mean an RPM Auction clearing price identified in a PRD Plan for Price Responsive Demand load below which the PRD Provider desires not to commit the identified load as Price Responsive Demand.

1.71E PRD Substation

PRD Substation shall mean an electrical substation that is located in the same Zone or in the same sub-Zonal LDA as the end-use customers identified in a PRD Plan or PRD registration and that, in terms of the electrical topography of the Transmission Facilities comprising the PJM Region, is as close as practicable to such loads.

1.71F Price Responsive Demand

Price Responsive Demand or PRD shall mean end-use customer load registered by a PRD Provider pursuant to Schedule 6.1 of the PJM Reliability Assurance Agreement that have, as set forth in more detail in the PJM Manuals, the metering capability to record electricity consumption at an interval of one hour or less, Supervisory Control capable of curtailing such load (consistent with applicable RERRA requirements) at each PRD Substation identified in the relevant PRD Plan or PRD registration in response to a Maximum Generation Emergency declared by the Office of the Interconnection, and a retail rate structure, or equivalent contractual arrangement, capable of changing retail rates as frequently as an hourly basis, that is linked to or based upon changes in real-time Locational Marginal Prices at a PRD Substation level and that results in a predictable automated response to varying wholesale electricity prices.

1.71G Price Responsive Demand Credit

Price Responsive Demand Credit shall mean a credit, based on committed Price Responsive Demand, as determined under Schedule 6.1 of this Agreement.

1.71H Price Responsive Demand Plan or PRD Plan

Price Responsive Demand Plan or PRD Plan shall mean a plan, submitted by a PRD Provider and received by the Office of the Interconnection in accordance with Schedule 6.1 of this Agreement and procedures specified in the PJM Manuals, claiming a peak demand limitation due to Price Responsive Demand to support the determination of such PRD Provider's Nominal PRD Value.

1.72 Public Power Entity

Public Power Entity shall mean any agency, authority, or instrumentality of a state or of a political subdivision of a state, or any corporation wholly owned by any one or more of the foregoing, that is engaged in the generation, transmission, and/or distribution of electric energy.

1.73 Qualifying Transmission Upgrades

Qualifying Transmission Upgrades shall have the meaning specified in Attachment DD to the PJM Tariff.

1.74 [Reserved for Future Use]

1.74A Relevant Electric Retail Regulatory Authority

Relevant Electric Retail Regulatory Authority or RERRA shall have the meaning specified in the PJM Operating Agreement.

1.75 Reliability Principles and Standards

Reliability Principles and Standards shall mean the principles and standards established by NERC or an Applicable Regional Entity to define, among other things, an acceptable probability of loss of load due to inadequate generation or transmission capability, as amended from time to time.

1.76 Required Approvals

Required Approvals shall mean all of the approvals required for this Agreement to be modified or to be terminated, in whole or in part, including the acceptance for filing by FERC and every other regulatory authority with jurisdiction over all or any part of this Agreement.

1.77 Self-Supply

Self Supply shall have the meaning provided in Attachment DD to the PJM Tariff.

1.77A Small Commercial Customer

“Small Commercial Customer” shall have the same meaning as in the PJM Tariff.

1.78 [Reserved for Future Use]

1.79 [Reserved for Future Use]

1.80 State Consumer Advocate

State Consumer Advocate shall mean a legislatively created office from any State, all or any part of the territory of which is within the PJM Region, and the District of Columbia established, inter alia, for the purpose of representing the interests of energy consumers before the utility regulatory commissions of such states and the District of Columbia and the FERC.

1.81 State Regulatory Structural Change

State Regulatory Structural Change shall mean as to any Party, a state law, rule, or order that, after September 30, 2006, initiates a program that allows retail electric consumers served by such Party to choose from among alternative suppliers on a competitive basis, terminates such a program, expands such a program to include classes of customers or localities served by such Party that were not previously permitted to participate in such a program, or that modifies retail electric market structure or market design rules in a manner that materially increases the likelihood that a substantial proportion of the customers of such Party that are eligible for retail choice under such a program (a) that have not exercised such choice will exercise such choice; or (b) that have exercised such choice will no longer exercise such choice, including for example, without limitation, mandating divestiture of utility-owned generation or structural changes to such Party's default service rules that materially affect whether retail choice is economically viable.

1.81A Supervisory Control

Supervisory Control shall mean the capability to curtail, in accordance with applicable RERRA requirements, load registered as Price Responsive Demand at each PRD Substation identified in the relevant PRD Plan or PRD registration in response to a Maximum Generation Emergency declared by the Office of the Interconnection. Except to the extent automation is not required by the provisions of this Agreement, the curtailment shall be automated, meaning that load shall be reduced automatically in response to control signals sent by the PRD Provider or its designated agent directly to the control equipment where the load is located without the requirement for any action by the end-use customer.

1.82 Threshold Quantity

Threshold Quantity shall mean, as to any FRR Entity for any Delivery Year, the sum of (a) the Unforced Capacity equivalent (determined using the Pool-Wide Average EFORD) of the Installed Reserve Margin for such Delivery Year multiplied by the Preliminary Forecast Peak Load for which such FRR Entity is responsible under its FRR Capacity Plan for such Delivery Year, plus (b) the lesser of (i) 3% of the Unforced Capacity amount determined in (a) above or (ii) 450 MW. If the FRR Entity is not responsible for all load within a Zone, the Preliminary

Forecast Peak Load for such entity shall be the FRR Entity's Obligation Peak Load last determined prior to the Base Residual Auction for such Delivery Year, times the Base FRR Scaling Factor (as determined in accordance with Schedule 8.1).

1.83 Transmission Facilities

Transmission Facilities shall mean facilities that: (i) are within the PJM Region; (ii) meet the definition of transmission facilities pursuant to FERC's Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities; and (iii) have been demonstrated to the satisfaction of the Office of the Interconnection to be integrated with the PJM Region transmission system and integrated into the planning and operation of the PJM Region to serve all of the power and transmission customers within the PJM Region.

1.84 Transmission Owner

Transmission Owner shall mean a Member that owns or leases with rights equivalent to ownership Transmission Facilities. Taking transmission service shall not be sufficient to qualify a Member as a Transmission Owner.

1.85 Transmission Owners Agreement

Transmission Owners Agreement shall mean that certain Consolidated Transmission Owners Agreement, dated as of December 15, 2005 and as amended from time to time, among transmission owners within the PJM Region.

1.86 Unforced Capacity

Unforced Capacity shall mean installed capacity rated at summer conditions that is not on average experiencing a forced outage or forced derating, calculated for each Capacity Resource on the 12-month period from October to September without regard to the ownership of or the contractual rights to the capacity of the unit.

1.87 [Reserved for Future Use]

1.88 Zonal Capacity Price

Zonal Capacity Price shall mean the price of Unforced Capacity in a Zone that an LSE that has not elected the FRR Alternative is obligated to pay for a Delivery Year as determined pursuant to Attachment DD to the PJM Tariff.

1.89 Zone or Zonal

Zone or Zonal shall refer to an area within the PJM Region, as set forth in Schedule 15, or as such areas may be (i) combined as a result of mergers or acquisitions or (ii) added as a result of the expansion of the boundaries of the PJM Region. A Zone shall include any Non-

Zone Network Load (as defined in the PJM Tariff) located outside the PJM Region that is served from such Zone under Schedule H-A of the PJM Tariff.

Attachment B

PJM Open Access Transmission Tariff,
PJM Operating Agreement and
PJM Reliability Assurance Agreement

(Clean Format)

Section(s) of the
PJM Open Access Transmission Tariff
(Clean Format)

Definitions – A - B

1.01 Abnormal Condition:

Any condition on the Interconnection Facilities which, determined in accordance with Good Utility Practice, is: (i) outside normal operating parameters such that facilities are operating outside their normal ratings or that reasonable operating limits have been exceeded; and (ii) could reasonably be expected to materially and adversely affect the safe and reliable operation of the Interconnection Facilities; but which, in any case, could reasonably be expected to result in an Emergency Condition. Any condition or situation that results from lack of sufficient generating capacity to meet load requirements or that results solely from economic conditions shall not, standing alone, constitute an Abnormal Condition.

1.0A Affected System:

An electric system other than the Transmission Provider's Transmission System that may be affected by a proposed interconnection or on which a proposed interconnection or addition of facilities or upgrades may require modifications or upgrades to the Transmission System.

1.0A.01 Affiliate:

With respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

1.0B Affected System Operator:

An entity that operates an Affected System or, if the Affected System is under the operational control of an independent system operator or a regional transmission organization, such independent entity.

1.1 Ancillary Services:

Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice.

1.2 Annual Transmission Costs:

The total annual cost of the Transmission System for purposes of Network Integration Transmission Service shall be the amount specified in Attachment H for each Zone until amended by the applicable Transmission Owner or modified by the Commission.

1.2.01 Applicable Laws and Regulations:

All duly promulgated applicable federal, State and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority having jurisdiction over the relevant parties, their respective facilities, and/or the respective services they provide.

1.2A Applicable Regional Entity:

The Regional Entity for the region in which a Network Customer, Transmission Customer, Interconnection Customer, or Transmission Owner operates.

1.2B Applicable Standards:

The requirements and guidelines of NERC, the Applicable Regional Entity, and the Control Area in which the Customer Facility is electrically located; the PJM Manuals; and Applicable Technical Requirements and Standards.

1.2C Applicable Technical Requirements and Standards:

Those certain technical requirements and standards applicable to interconnections of generation and/or transmission facilities with the facilities of an Interconnected Transmission Owner or, as the case may be and to the extent applicable, of an Electric Distributor (as defined in Section 1.8 of the Operating Agreement), as published by Transmission Provider in a PJM Manual provided, however, that, with respect to any generation facilities with maximum generating capacity of 2 MW or less for which the Interconnection Customer executes a Construction Service Agreement or Interconnection Service Agreement on or after March 19, 2005, "Applicable Technical Requirements and Standards" shall refer to the "PJM Small Generator Interconnection Applicable Technical Requirements and Standards." All Applicable Technical Requirements and Standards shall be publicly available through postings on Transmission Provider's internet website.

1.3 Application:

A request by an Eligible Customer for transmission service pursuant to the provisions of the Tariff.

1.3A Attachment Facilities:

The facilities necessary to physically connect a Customer Facility to the Transmission System or interconnected distribution facilities.

1.3AA Attachment H

Attachment H shall refer collectively to the Attachments to the PJM Tariff with the prefix "H-" that set forth, among other things, the Annual Transmission Rates for Network Integration Transmission Service in the PJM Zones.

1.3B Behind The Meter Generation:

Behind The Meter Generation refers to a generation unit that delivers energy to load without using the Transmission System or any distribution facilities (unless the entity that owns or leases the distribution facilities has consented to such use of the distribution facilities and such consent has been demonstrated to the satisfaction of the Office of the Interconnection); provided, however, that Behind The Meter Generation does not include (i) at any time, any portion of such generating unit's capacity that is designated as a Generation Capacity Resource; or (ii) in an hour, any portion of the output of such generating unit[s] that is sold to another entity for consumption at another electrical location or into the PJM Interchange Energy Market.

1.3BB Black Start Service:

Black Start Service is the capability of generating units to start without an outside electrical supply or the demonstrated ability of a generating unit with a high operating factor (subject to Transmission Provider concurrence) to automatically remain operating at reduced levels when disconnected from the grid.

1.3BB.01 Breach:

The failure of a party to perform or observe any material term or condition of Part IV or Part VI of the Tariff, or any agreement entered into thereunder as described in the relevant provisions of such agreement.

1.3BB.02 Breaching Party:

A party that is in Breach of Part IV or Part VI and/or an agreement entered into thereunder.

Definitions – E - F

1.10A Economic-based Enhancement or Expansion:

“Economic-based Enhancement or Expansion” shall have the same meaning provided in the Operating Agreement.

1.10B Economic Minimum:

The lowest incremental MW output level a unit can achieve while following economic dispatch.

1.11 Eligible Customer:

(i) Any electric utility (including any Transmission Owner and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale is an Eligible Customer under the Tariff. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that the Transmission Provider or Transmission Owner offer the unbundled transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner.

(ii) Any retail customer taking unbundled transmission service pursuant to a state requirement that the Transmission Provider or a Transmission Owner offer the transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner, is an Eligible Customer under the Tariff. As used in Part VI, Eligible Customer shall mean only those Eligible Customers that have submitted a Completed Application.

1.11.01 Emergency Condition:

A condition or situation (i) that in the judgment of any Interconnection Party is imminently likely to endanger life or property; or (ii) that in the judgment of the Interconnected Transmission Owner or Transmission Provider is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Transmission System, the Interconnection Facilities, or the transmission systems or distribution systems to which the Transmission System is directly or indirectly connected; or (iii) that in the judgment of Interconnection Customer is imminently likely (as determined in a non-discriminatory manner) to cause damage to the Customer Facility or to the Customer Interconnection Facilities. System restoration and black start shall be considered Emergency Conditions, provided that a Generation Interconnection Customer is not obligated by an Interconnection Service Agreement to possess black start capability. Any condition or situation that results from lack of sufficient generating capacity to meet load requirements or that results solely from economic conditions shall not constitute an Emergency Condition, unless one or more of the enumerated conditions or situations identified in this definition also exists.

1.11A Energy Resource:

A generating facility that is not a Capacity Resource.

1.11A.01 Energy Settlement Area:

The bus or distribution of busses that represents the physical location of Network Load and by which the obligations of the Network Customer to PJM are settled.

1.11B Energy Transmission Injection Rights:

The rights to schedule energy deliveries at a specified point on the Transmission System. Energy Transmission Injection Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System to another control area. Deliveries scheduled using Energy Transmission Injection Rights have rights similar to those under Non-Firm Point-to-Point Transmission Service.

1.11C Environmental Laws:

Applicable Laws or Regulations relating to pollution or protection of the environment, natural resources or human health and safety.

1.11D Existing Generation Capacity Resource:

Existing Generation Capacity Resource shall have the meaning specified in the Reliability Assurance Agreement.

1.12 Facilities Study:

An engineering study conducted by the Transmission Provider (in coordination with the affected Transmission Owner(s)) to determine the required modifications to the Transmission Provider's Transmission System, including the cost and scheduled completion date for such modifications, that will be required to provide the requested transmission service or to accommodate an Interconnection Request or Upgrade Request. As used in the Interconnection Service Agreement or Construction Service Agreement, Facilities Study shall mean that certain Facilities Study conducted by Transmission Provider (or at its direction) to determine the design and specification of the Interconnection Facilities necessary to accommodate the New Service Customer's New Service Request in accordance with Section 207 of Part VI of the Tariff.

1.12A Federal Power Act:

The Federal Power Act, as amended, 16 U.S.C. §§ 791a, et seq.

1.12B FERC:

The Federal Energy Regulatory Commission or its successor.

1.13 Firm Point-To-Point Transmission Service:

Transmission Service under this Tariff that is reserved and/or scheduled between specified Points of Receipt and Delivery pursuant to Part II of this Tariff.

1.13A Firm Transmission Withdrawal Rights:

The rights to schedule energy and capacity withdrawals from a Point of Interconnection (as defined in Section 1.33A) of a Merchant Transmission Facility with the Transmission System. Firm Transmission Withdrawal Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System with another control area. Withdrawals scheduled using Firm Transmission Withdrawal Rights have rights similar to those under Firm Point-to-Point Transmission Service.

1.13A.01 Force Majeure:

Any cause beyond the control of the affected Interconnection Party or Construction Party, including but not restricted to, acts of God, flood, drought, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, acts of public enemy, explosions, orders, regulations or restrictions imposed by governmental, military, or lawfully established civilian authorities, which, in any of the foregoing cases, by exercise of due diligence such party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, it has been unable to overcome. Force Majeure does not include (i) a failure of performance that is due to an affected party's own negligence or intentional wrongdoing; (ii) any removable or remediable causes (other than settlement of a strike or labor dispute) which an affected party fails to remove or remedy within a reasonable time; or (iii) economic hardship of an affected party.

2. DEFINITIONS

Definitions specific to this Attachment are set forth below. In addition, any capitalized terms used in this Attachment not defined herein shall have the meaning given to such terms elsewhere in this Tariff or in the RAA. References to section numbers in this Attachment DD refer to sections of this attachment, unless otherwise specified.

2.1A Annual Demand Resource

“Annual Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.1B Annual Resource

“Annual Resource” shall mean a Generation Capacity Resource, an Energy Efficiency Resource or an Annual Demand Resource.

2.1C Annual Resource Price Adder

“Annual Resource Price Adder” shall mean, for Delivery Years starting June 1, 2014 and ending May 31, 2017, an addition to the marginal value of Unforced Capacity and the Extended Summer Resource Price Adder as necessary to reflect the price of Annual Resources required to meet the applicable Minimum Annual Resource Requirement.

2.1D Annual Revenue Rate

“Annual Revenue Rate” shall mean the rate employed to assess a compliance penalty charge on a Curtailment Service Provider under section 11.

2.2 Avoidable Cost Rate

“Avoidable Cost Rate” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.

2.3 Base Load Generation Resource

“Base Load Generation Resource” shall mean a Generation Capacity Resource that operates at least 90 percent of the hours that it is available to operate, as determined by the Office of the Interconnection in accordance with the PJM Manuals.

2.4 Base Offer Segment

“Base Offer Segment” shall mean a component of a Sell Offer based on an existing Generation Capacity Resource, equal to the Unforced Capacity of such resource, as determined in accordance with the PJM Manuals. If the Sell Offers of multiple Market Sellers are based on a single Existing Generation Capacity Resource, the Base Offer Segments of such Market Sellers

shall be determined pro rata based on their entitlements to Unforced Capacity from such resource.

2.5 Base Residual Auction

“Base Residual Auction” shall mean the auction conducted three years prior to the start of the Delivery Year to secure commitments from Capacity Resources as necessary to satisfy any portion of the Unforced Capacity Obligation of the PJM Region not satisfied through Self-Supply.

2.6 Buy Bid

“Buy Bid” shall mean a bid to buy Capacity Resources in any Incremental Auction.

2.6A Compliance Aggregation Area (CAA)

“Compliance Aggregation Area” or “CAA” shall mean a geographic area of Zones or sub-Zones that are electrically-contiguous and experience for the relevant Delivery Year, based on Resource Clearing Prices of Annual Resources, the same locational price separation in the Base Residual Auction, the same locational price separation in the First Incremental Auction, the same locational price separation in the Second Incremental Auction, or the same locational price separation in the Third Incremental Auction.

2.7 Capacity Credit

“Capacity Credit” shall have the meaning specified in Schedule 11 of the Operating Agreement, including Capacity Credits obtained prior to the termination of such Schedule applicable to periods after the termination of such Schedule.

2.8 Capacity Emergency Transfer Limit

“Capacity Emergency Transfer Limit” or “CETL” shall have the meaning provided in the Reliability Assurance Agreement.

2.9 Capacity Emergency Transfer Objective

“Capacity Emergency Transfer Objective” or “CETO” shall have the meaning provided in the Reliability Assurance Agreement.

2.9A Capacity Export Transmission Customer

“Capacity Export Transmission Customer” shall mean a customer taking point to point transmission service under Part II of this Tariff to export capacity from a generation resource located in the PJM Region that has qualified for an exception to the RPM must-offer requirement as described in section 6.6(g).

2.9B Capacity Import Limit

“Capacity Import Limit” shall have the meaning provided in the Reliability Assurance Agreement.

2.10 Capacity Market Buyer

“Capacity Market Buyer” shall mean a Member that submits bids to buy Capacity Resources in any Incremental Auction.

2.11 Capacity Market Seller

“Capacity Market Seller” shall mean a Member that owns, or has the contractual authority to control the output or load reduction capability of, a Capacity Resource, that has not transferred such authority to another entity, and that offers such resource in the Base Residual Auction or an Incremental Auction.

2.12 Capacity Resource

“Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.13 Capacity Resource Clearing Price

“Capacity Resource Clearing Price” shall mean the price calculated for a Capacity Resource that offered and cleared in a Base Residual Auction or Incremental Auction, in accordance with Section 5.

2.14 Capacity Transfer Right

“Capacity Transfer Right” shall mean a right, allocated to LSEs serving load in a Locational Deliverability Area, to receive payments, based on the transmission import capability into such Locational Deliverability Area, that offset, in whole or in part, the charges attributable to the Locational Price Adder, if any, included in the Zonal Capacity Price calculated for a Locational Delivery Area.

2.14A Conditional Incremental Auction

“Conditional Incremental Auction” shall mean an Incremental Auction conducted for a Delivery Year if and when necessary to secure commitments of additional capacity to address reliability criteria violations arising from the delay in a Backbone Transmission upgrade that was modeled in the Base Residual Auction for such Delivery Year.

2.15 CONE Area

“CONE Area” shall mean the areas listed in section 5.10(a)(iv)(A) and any LDAs established as CONE Areas pursuant to section 5.10(a)(iv)(B).

2.16 Cost of New Entry

“Cost of New Entry” or “CONE” shall mean the nominal levelized cost of a Reference Resource, as determined in accordance with section 5.

2.16A Credit-Limited Offer

“Credit-Limited Offer” shall have the meaning provided in Attachment Q to this Tariff.

2.17 Daily Deficiency Rate

“Daily Deficiency Rate” shall mean the rate employed to assess certain deficiency charges under sections 7, 8, 9, or 13.

2.18 Daily Unforced Capacity Obligation

“Daily Unforced Capacity Obligation” shall mean the capacity obligation of a Load Serving Entity during the Delivery Year, determined in accordance with Schedule 8, or, as to an FRR entity, in Schedule 8.1 of the Reliability Assurance Agreement.

2.19 Delivery Year

Delivery Year shall mean the Planning Period for which a Capacity Resource is committed pursuant to the auction procedures specified in Section 5, or pursuant to an FRR Capacity Plan.

2.20 Demand Resource

“Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.21 Demand Resource Factor

“Demand Resource Factor” (or “DR Factor”) shall have the meaning specified in the Reliability Assurance Agreement.

2.22 [Reserved for Future Use]

2.23 EFORD

“EFORD” shall have the meaning specified in the PJM Reliability Assurance Agreement.

2.24 Energy Efficiency Resource

“Energy Efficiency Resource” shall have the meaning specified in the PJM Reliability Assurance Agreement.

2.24A Extended Summer Demand Resource

“Extended Summer Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.24B Extended Summer Resource Price Adder

“Extended Summer Resource Price Adder” shall mean an addition to the marginal value of Unforced Capacity as necessary to reflect the price of Annual Resources and Extended Summer Demand Resources required to meet the applicable Minimum Extended Summer Resource Requirement.

2.24C Sub-Annual Resource Reliability Target

“Sub-Annual Reliability Target” for the PJM Region or an LDA, shall mean the maximum amount of the combination of Extended Summer Demand Resources and Limited Demand Resources in Unforced Capacity determined by PJM to be consistent with the maintenance of reliability, stated in Unforced Capacity, that shall be used to calculate the Minimum Annual Resource Requirement for Delivery Years through May 31, 2017 and the Sub-Annual Resource Constraint for Delivery Years beginning June 1, 2017. As more fully set forth in the PJM Manuals, PJM calculates the Sub-Annual Resource Reliability Target, by first determining a reference annual loss of load expectation (“LOLE”) assuming no Demand Resources. The calculation for the unconstrained portion of the PJM Region uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast and iteratively shifting the load distributions to result in the Installed Reserve Margin established for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). The calculation for each relevant LDA uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Capacity Emergency Transfer Objective study for the Delivery Year in question). For the relevant LDA calculation, the weekly capacity distributions are adjusted to reflect the Capacity Emergency Transfer Limit for the Delivery Year in question.

For both the PJM Region and LDA analyses, PJM then models the commitment of varying amounts of DR (displacing otherwise committed generation) as interruptible from May 1 through October 31 and unavailable from November 1 through April 30 and calculates the LOLE at each DR level. The Extended Summer DR Reliability Target is the DR amount, stated as a percentage of the unrestricted peak load, that produces no more than a ten percent increase in the LOLE, compared to the reference value. The Sub-Annual Resource Reliability Target shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [the Forecast Pool Requirement] times [the DR Factor] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].

2.25 Sub-Annual Resource Constraint

“Sub-Annual Resource Constraint” shall mean, for the PJM Region or for each LDA for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for a Delivery Year, a limit on the total amount of Unforced Capacity that can be committed as Limited Demand Resources and Extended Summer Demand Resources for such Delivery Year in the PJM Region or in such LDA, calculated as the Sub-Annual Resource Reliability Target for the PJM Region or for such LDA, respectively, minus the Short-Term Resource Procurement Target for the PJM Region or for such LDA, respectively.

2.26 Final RTO Unforced Capacity Obligation

“Final RTO Unforced Capacity Obligation” shall mean the capacity obligation for the PJM Region, determined in accordance with Schedule 8 of the Reliability Assurance Agreement.

2.26A [Reserved]

2.27 First Incremental Auction

“First Incremental Auction” shall mean an Incremental Auction conducted 20 months prior to the start of the Delivery Year to which it relates.

2.28 Forecast Pool Requirement

“Forecast Pool Requirement” shall have the meaning specified in the Reliability Assurance Agreement.

2.29 [Reserved]

2.30 [Reserved]

2.31 Generation Capacity Resource

“Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.32 [Reserved]

2.33 [Reserved]

2.34 Incremental Auction

“Incremental Auction” shall mean any of several auctions conducted for a Delivery Year after the Base Residual Auction for such Delivery Year and before the first day of such Delivery Year, including the First Incremental Auction, Second Incremental Auction, Third Incremental Auction or Conditional Incremental Auction. Incremental Auctions (other than the Conditional Incremental Auction), shall be held for the purposes of:

(i) allowing Market Sellers that committed Capacity Resources in the Base Residual Auction for a Delivery Year, which subsequently are determined to be unavailable to deliver the committed Unforced Capacity in such Delivery Year (due to resource retirement, resource cancellation or construction delay, resource derating, EFORD increase, a decrease in the Nominated Demand Resource Value of a Planned Demand Resource, delay or cancellation of a Qualifying Transmission Upgrade, or similar occurrences) to submit Buy Bids for replacement Capacity Resources; and

(ii) allowing the Office of the Interconnection to reduce or increase the amount of committed capacity secured in prior auctions for such Delivery Year if, as a result of changed circumstances or expectations since the prior auction(s), there is, respectively, a significant excess or significant deficit of committed capacity for such Delivery Year, for the PJM Region or for an LDA.

2.35 Incremental Capacity Transfer Right

“Incremental Capacity Transfer Right” shall mean a Capacity Transfer Right allocated to a Generation Interconnection Customer or Transmission Interconnection Customer obligated to fund a transmission facility or upgrade, to the extent such upgrade or facility increases the transmission import capability into a Locational Deliverability Area, or a Capacity Transfer Right allocated to a Responsible Customer in accordance with Schedule 12A of the Tariff.

2.36 [Reserved]

2.36A Limited Demand Resource

“Limited Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.36B Limited Demand Resource Reliability Target

“Limited Demand Resource Reliability Target” for the PJM Region or an LDA, shall mean the maximum amount of Limited Demand Resources determined by PJM to be consistent with the maintenance of reliability, stated in Unforced Capacity that shall be used to calculate the Minimum Extended Summer Demand Resource Requirement for Delivery Years through May 31, 2017 and the Limited Resource Constraint for Delivery Years beginning June 1, 2017 for the PJM Region or such LDA. As more fully set forth in the PJM Manuals, PJM calculates the Limited Demand Resource Reliability Target by first: i) testing the effects of the ten-interruption requirement by comparing possible loads on peak days under a range of weather conditions (from the daily load forecast distributions for the Delivery Year in question) against possible generation capacity on such days under a range of conditions (using the cumulative capacity distributions employed in the Installed Reserve Margin study for the PJM Region and in the Capacity Emergency Transfer Objective study for the relevant LDAs for such Delivery Year) and, by varying the assumed amounts of DR that is committed and displaces committed generation, determines the DR penetration level at which there is a ninety percent probability that DR will not be called (based on the applicable operating reserve margin for the PJM Region

and for the relevant LDAs) more than ten times over those peak days; ii) testing the six-hour duration requirement by calculating the MW difference between the highest hourly unrestricted peak load and seventh highest hourly unrestricted peak load on certain high peak load days (e.g., the annual peak, loads above the weather normalized peak, or days where load management was called) in recent years, then dividing those loads by the forecast peak for those years and averaging the result; and (iii) (for the 2016-2017 and subsequent Delivery Years) testing the effects of the six-hour duration requirement by comparing possible hourly loads on peak days under a range of weather conditions (from the daily load forecast distributions for the Delivery Year in question) against possible generation capacity on such days under a range of conditions (using a Monte Carlo model of hourly capacity levels that is consistent with the capacity model employed in the Installed Reserve Margin study for the PJM Region and in the Capacity Emergency Transfer Objective study for the relevant LDAs for such Delivery Year) and, by varying the assumed amounts of DR that is committed and displaces committed generation, determines the DR penetration level at which there is a ninety percent probability that DR will not be called (based on the applicable operating reserve margin for the PJM Region and for the relevant LDAs) for more than six hours over any one or more of the tested peak days. Second, PJM adopts the lowest result from these three tests as the Limited Demand Resource Reliability Target. The Limited Demand Resource Reliability Target shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [the Forecast Pool Requirement] times [the DR Factor] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].

2.36C Limited Resource Constraint

“Limited Resource Constraint” shall mean, for the PJM Region or each LDA for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for a Delivery Year, a limit on the total amount of Unforced Capacity that can be committed as Limited Demand Resources for such Delivery Year in the PJM Region or in such LDA, calculated as the Limited Demand Resource Reliability Target for the PJM Region or such LDA, respectively, minus the Short Term Resource Procurement Target for the PJM Region or such LDA, respectively.

2.36D Limited Resource Price Decrement

“Limited Resource Price Decrement” shall mean, for the Delivery Year commencing June 1, 2017 and subsequent Delivery Years, a difference between the clearing price for Limited Demand Resources and the clearing price for Extended Summer Demand Resources and Annual Resources, representing the cost to procure additional Extended Summer Demand Resources or Annual Resources out of merit order when the Limited Resource Constraint is binding.

2.37 Load Serving Entity (LSE)

“Load Serving Entity” or “LSE” shall have the meaning specified in the Reliability Assurance Agreement.

2.38 Locational Deliverability Area (LDA)

“Locational Deliverability Area” or “LDA” shall mean a geographic area within the PJM Region that has limited transmission capability to import capacity to satisfy such area’s reliability requirement, as determined by the Office of the Interconnection in connection with preparation of the Regional Transmission Expansion Plan, and as specified in Schedule 10.1 of the Reliability Assurance Agreement.

2.39 Locational Deliverability Area Reliability Requirement

“Locational Deliverability Area Reliability Requirement” shall mean the projected internal capacity in the Locational Deliverability Area plus the Capacity Emergency Transfer Objective for the Delivery Year, as determined by the Office of the Interconnection in connection with preparation of the Regional Transmission Expansion Plan, less the minimum internal resources required for all FRR Entities in such Locational Deliverability Area.

2.40 Locational Price Adder

“Locational Price Adder” shall mean an addition to the marginal value of Unforced Capacity within an LDA as necessary to reflect the price of Capacity Resources required to relieve applicable binding locational constraints.

2.41 Locational Reliability Charge

“Locational Reliability Charge” shall have the meaning specified in the Reliability Assurance Agreement.

2.41A Locational UCAP

“Locational UCAP” shall mean unforced capacity that a Member with available uncommitted capacity sells in a bilateral transaction to a Member that previously committed capacity through an RPM Auction but now requires replacement capacity to fulfill its RPM Auction commitment. The Locational UCAP Seller retains responsibility for performance of the resource providing such replacement capacity.

2.41B Locational UCAP Seller

“Locational UCAP Seller” shall mean a Member that sells Locational UCAP.

2.41C Market Seller Offer Cap

“Market Seller Offer Cap” shall mean a maximum offer price applicable to certain Market Sellers under certain conditions, as determined in accordance with section 6 of Attachment DD and section II.E of Attachment M - Appendix.

2.41D Minimum Annual Resource Requirement

“Minimum Annual Resource Requirement” shall mean, for Delivery Years through May 31, 2017, the minimum amount of capacity that PJM will seek to procure from Annual Resources for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for such Delivery Year. For the PJM Region, the Minimum Annual Resource Requirement shall be equal to the RTO Reliability Requirement minus [the Sub-Annual Resource Reliability Target for the RTO in Unforced Capacity]. For an LDA, the Minimum Annual Resource Requirement shall be equal to the LDA Reliability Requirement minus [the LDA CETL] minus [the Sub-Annual Resource Reliability Target for such LDA in Unforced Capacity]. The LDA CETL may be adjusted pro rata for the amount of load served under the FRR Alternative.

2.41E Minimum Extended Summer Resource Requirement

“Minimum Extended Summer Resource Requirement” shall mean, for Delivery Years through May 31, 2017, the minimum amount of capacity that PJM will seek to procure from Extended Summer Demand Resources and Annual Resources for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for such Delivery Year. For the PJM Region, the Minimum Extended Summer Resource Requirement shall be equal to the RTO Reliability Requirement minus [the Limited Demand Resource Reliability Target for the PJM Region in Unforced Capacity]. For an LDA, the Minimum Extended Summer Resource Requirement shall be equal to the LDA Reliability Requirement minus [the LDA CETL] minus [the Limited Demand Resource Reliability Target for such LDA in Unforced Capacity]. The LDA CETL may be adjusted pro rata for the amount of load served under the FRR Alternative.

2.42 Net Cost of New Entry

“Net Cost of New Entry” shall mean the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset, as defined in Section 5.

2.43 Nominated Demand Resource Value

“Nominated Demand Resource Value” shall mean the amount of load reduction that a Demand Resource commits to provide either through direct load control, firm service level or guaranteed load drop programs. For existing Demand Resources, the maximum Nominated Demand Resource Value is limited, in accordance with the PJM Manuals, to the value appropriate for the method by which the load reduction would be accomplished, at the time the Base Residual Auction or Incremental Auction is being conducted.

2.43A Nominated Energy Efficiency Value

“Nominated Energy Efficiency Value” shall mean the amount of load reduction that an Energy Efficiency Resource commits to provide through installation of more efficient devices or equipment or implementation of more efficient processes or systems.

2.44 [Reserved]

2.45 Opportunity Cost

“Opportunity Cost” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.

2.46 Peak-Hour Dispatch

“Peak-Hour Dispatch” shall mean, for purposes of calculating the Energy and Ancillary Services Revenue Offset under section 5 of this Attachment, an assumption, as more fully set forth in the PJM Manuals, that the Reference Resource is committed in the Day-Ahead Energy Market in four distinct blocks of four hours of continuous output for each block from the peak-hour period beginning with the hour ending 0800 EPT through to the hour ending 2300 EPT for any day when the average day-ahead LMP for the area for which the Net Cost of New Entry is being determined is greater than, or equal to, the cost to generate (including the cost for a complete start and shutdown cycle) for at least two hours during each four-hour block, where such blocks shall be assumed to be committed independently; provided that, if there are not at least two economic hours in any given four-hour block, then the Reference Resource shall be assumed not to be committed for such block; and to the extent not committed in any such block in the Day-Ahead Energy Market under the above conditions based on Day-Ahead LMPs, is dispatched in the Real-Time Energy Market for such block if the Real-Time LMP is greater than or equal to the cost to generate under the same conditions as described above for the Day-Ahead Energy Market.

2.47 Peak Season

“Peak Season” shall mean the weeks containing the 24th through 36th Wednesdays of the calendar year. Each such week shall begin on a Monday and end on the following Sunday, except for the week containing the 36th Wednesday, which shall end on the following Friday.

2.48 Percentage Internal Resources Required

“Percentage Internal Resources Required” shall have the meaning specified in the Reliability Assurance Agreement.

2.49 Planned Demand Resource

“Planned Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.50 Planned External Generation Capacity Resource

“Planned External Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.50A Planned Generation Capacity Resource

“Planned Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

2.51 Planning Period

“Planning Period” shall have the meaning specified in the Reliability Assurance Agreement.

2.52 PJM Region

“PJM Region” shall have the meaning specified in the Reliability Assurance Agreement.

2.53 PJM Region Installed Reserve Margin

“PJM Region Installed Reserve Margin” shall have the meaning specified in the Operating Agreement.

2.54 PJM Region Peak Load Forecast

“PJM Region Peak Load Forecast” shall mean the peak load forecast used by the Office of the Interconnection in determining the PJM Region Reliability Requirement, and shall be determined on both a preliminary and final basis as set forth in section 5.

2.55 PJM Region Reliability Requirement

“PJM Region Reliability Requirement” shall mean, for purposes of the Base Residual Auction, the Forecast Pool Requirement multiplied by the Preliminary PJM Region Peak Load Forecast, less the sum of all Preliminary Unforced Capacity Obligations of FRR Entities in the PJM Region; and, for purposes of the Incremental Auctions, the Forecast Pool Requirement multiplied by the updated PJM Region Peak Load Forecast, less the sum of all updated Unforced Capacity Obligations of FRR Entities in the PJM Region.

2.56 Projected PJM Market Revenues

“Projected PJM Market Revenues” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.

2.57 Qualifying Transmission Upgrade

“Qualifying Transmission Upgrade” shall mean a proposed enhancement or addition to the Transmission System that: (a) will increase the Capacity Emergency Transfer Limit into an LDA by a megawatt quantity certified by the Office of the Interconnection; (b) the Office of the Interconnection has determined will be in service on or before the commencement of the first Delivery Year for which such upgrade is the subject of a Sell Offer in the Base Residual Auction; (c) is the subject of a Facilities Study Agreement executed before the conduct of the

Base Residual Auction for such Delivery Year and (d) a New Service Customer is obligated to fund through a rate or charge specific to such facility or upgrade.

2.58 Reference Resource

“Reference Resource” shall mean a combustion turbine generating station, configured with two General Electric Frame 7FA turbines with inlet air cooling to 50 degrees, Selective Catalytic Reduction technology all CONE Areas, dual fuel capability, and a heat rate of 10.096 Mmbtu/MWh.

2.59 Reliability Assurance Agreement

“Reliability Assurance Agreement” shall mean that certain “Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region,” on file with FERC as PJM Interconnection, L.L.C. Rate Schedule FERC No.44.

2.60 Reliability Pricing Model Auction

“Reliability Pricing Model Auction” or “RPM Auction” shall mean the Base Residual Auction or any Incremental Auction.

2.60A Repowered / Repowering

“Repowering” or “Repowered” shall refer to a partial or total replacement of existing steam production equipment with new technology or a partial or total replacement of steam production process and power generation equipment, or an addition of steam production and/or power generation equipment, or a change in the primary fuel being used at the plant. A resource can be considered Repowered whether or not such aforementioned replacement, addition, or fuel change provides an increase in installed capacity, and whether or not the pre-existing plant capability is formally deactivated or retired.

2.61 Resource Substitution Charge

“Resource Substitution Charge” shall mean a charge assessed on Capacity Market Buyers in an Incremental Auction to recover the cost of replacement Capacity Resources.

2.61A Scheduled Incremental Auctions

“Scheduled Incremental Auctions” shall refer to the First, Second, or Third Incremental Auction.

2.62 Second Incremental Auction

“Second Incremental Auction” shall mean an Incremental Auction conducted ten months before the Delivery Year to which it relates.

2.63 Sell Offer

“Sell Offer” shall mean an offer to sell Capacity Resources in a Base Residual Auction, Incremental Auction, or Reliability Backstop Auction.

2.64 [Reserved for Future Use]

2.65 Self-Supply

“Self-Supply” shall mean Capacity Resources secured by a Load-Serving Entity, by ownership or contract, outside a Reliability Pricing Model Auction, and used to meet obligations under this Attachment or the Reliability Assurance Agreement through submission in a Base Residual Auction or an Incremental Auction of a Sell Offer indicating such Market Seller’s intent that such Capacity Resource be Self-Supply. Self-Supply may be either committed regardless of clearing price or submitted as a Sell Offer with a price bid. A Load Serving Entity's Sell Offer with a price bid for an owned or contracted Capacity Resource shall not be deemed “Self-Supply,” unless it is designated as Self-Supply and used by the LSE to meet obligations under this Attachment or the Reliability Assurance Agreement.

2.65A Short-Term Resource Procurement Target

“Short-Term Resource Procurement Target” shall mean, as to the PJM Region, for purposes of the Base Residual Auction, 2.5% of the PJM Region Reliability Requirement determined for such Base Residual Auction, for purposes of the First Incremental Auction, 2% of the of the PJM Region Reliability Requirement as calculated at the time of the Base Residual Auction; and, for purposes of the Second Incremental Auction, 1.5% of the of the PJM Region Reliability Requirement as calculated at the time of the Base Residual Auction; and, as to any Zone, an allocation of the PJM Region Short-Term Resource Procurement Target based on the Preliminary Zonal Forecast Peak Load, reduced by the amount of load served under the FRR Alternative. For any LDA, the LDA Short-Term Resource Procurement Target shall be the sum of the Short-Term Resource Procurement Targets of all Zones in the LDA.

2.65B Short-Term Resource Procurement Target Applicable Share

“Short-Term Resource Procurement Target Applicable Share” shall mean: (i) for the PJM Region, as to the First and Second Incremental Auctions, 0.2 times the Short-Term Resource Procurement Target used in the Base Residual Auction and, as to the Third Incremental Auction for the PJM Region, 0.6 times such target; and (ii) for an LDA, as to the First and Second Incremental Auctions, 0.2 times the Short-Term Resource Procurement Target used in the Base Residual Auction for such LDA and, as to the Third Incremental Auction, 0.6 times such target.

2.65B.01 Small Commercial Customer

“Small Commercial Customer,” as used in Schedule 6 of the RAA and Attachment DD-1 of the Tariff, shall mean a commercial retail electric end-use customer of an electric distribution company that participates in a mass market demand response program under the jurisdiction of a RERRA and satisfies the definition of a “small commercial customer” under the terms of the

applicable RERRA's program, provided that the customer has an annual peak demand no greater than 100kW.

2.65C Sub-Annual Resource Price Decrement

“Sub-Annual Resource Price Decrement” shall mean, for the Delivery Year commencing June 1, 2017 and subsequent Delivery Years, a difference between the clearing price for Extended Summer Demand Resources and the clearing price for Annual Resources, representing the cost to procure additional Annual Resources out of merit order when the Sub-Annual Resource Constraint is binding.

2.66 Third Incremental Auction

“Third Incremental Auction” shall mean an Incremental Auction conducted three months before the Delivery Year to which it relates.

2.67 [Reserved for Future Use]

2.68 Unconstrained LDA Group

“Unconstrained LDA Group” shall mean a combined group of LDAs that form an electrically contiguous area and for which a separate Variable Resource Requirement Curve has not been established under Section 5.10 of Attachment DD. Any LDA for which a separate Variable Resource Requirement Curve has not been established under Section 5.10 of Attachment DD shall be combined with all other such LDAs that form an electrically contiguous area.

2.69 Unforced Capacity

“Unforced Capacity” shall have the meaning specified in the Reliability Assurance Agreement.

2.69A Updated VRR Curve

“Updated VRR Curve” shall mean the Variable Resource Requirement Curve as defined in section 5.10(a) of this Attachment for use in the Base Residual Auction of the relevant Delivery Year, updated to reflect the Short-term Resource Procurement Target applicable to the relevant Incremental Auction and any change in the Reliability Requirement from the Base Residual Auction to such Incremental Auction.

2.69B Updated VRR Curve Increment

“Updated VRR Curve Increment” shall mean the portion of the Updated VRR Curve to the right of a vertical line at the level of Unforced Capacity on the x-axis of such curve equal to the net Unforced Capacity committed to the PJM Region as a result of all prior auctions conducted for such Delivery Year and adjusted, if applicable, by the reduction in Unforced Capacity commitments associated with the transition provision of section 5.14C of this Attachment DD.

2.69C Updated VRR Curve Decrement

“Updated VRR Curve Decrement” shall mean the portion of the Updated VRR Curve to the left of a vertical line at the level of Unforced Capacity on the x-axis of such curve equal to the net Unforced Capacity committed to the PJM Region as a result of all prior auctions conducted for such Delivery Year and adjusted, if applicable, by the reduction in Unforced Capacity commitments associated with the transition provision of section 5.14C of this attachment DD.

2.70 Variable Resource Requirement Curve

“Variable Resource Requirement Curve” shall mean a series of maximum prices that can be cleared in a Base Residual Auction for Unforced Capacity, corresponding to a series of varying resource requirements based on varying installed reserve margins, as determined by the Office of the Interconnection for the PJM Region and for certain Locational Deliverability Areas in accordance with the methodology provided in Section 5.

2.71 Zonal Capacity Price

“Zonal Capacity Price” shall mean the clearing price required in each Zone to meet the demand for Unforced Capacity and satisfy Locational Deliverability Requirements for the LDA or LDAs associated with such Zone. If the Zone contains multiple LDAs with different Capacity Resource Clearing Prices, the Zonal Capacity Price shall be a weighted average of the Capacity Resource Clearing Prices for such LDAs, weighted by the Unforced Capacity of Capacity Resources cleared in each such LDA.

APPENDIX II
DEFINITIONS

1. Definitions.

The following definitions shall apply to this Agreement.

1.1 “Affiliate”

Affiliate shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

1.2 “Applicable Laws and Regulations”

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, State and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority having jurisdiction over the relevant parties, their respective facilities, and/or the respective services they provide.

1.3 “Applicable Regional Entity”

Applicable Regional Entity shall mean the Regional Entity for the region in which the Transmission Owner or New Service Customer operates.

1.4 “Applicable Standards”

Applicable Standards shall mean the requirements and guidelines of NERC, the Applicable Regional Entity and the Control Area in which the Direct Assignment Facilities or Customer-Funded Upgrades are electrically located, the PJM Manuals and applicable technical requirements and standards.

1.5 “Breach”

Breach shall mean the failure of a Party to perform or observe any material term or condition of the applicable Part of the PJM Tariff or this Upgrade CSA.

1.6 “Breaching Party”

Breaching Party shall mean a Party that is in Breach of the applicable Part of the PJM Tariff and/or this Upgrade CSA.

1.7 “Cancellation Costs”

Cancellation Costs shall mean the Costs and liabilities incurred in connection with: (a) cancellation of supplier and contractor written orders and agreements entered into to design, engineer, construct and install the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA; and/or (b) completion of some or all of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, or specific unfinished portions and/or removal of any or all of such Direct Assignment Facilities or Customer-Funded Upgrades which have been installed, to the extent required for the Transmission Owner and Transmission Provider to perform their respective obligations under this Upgrade CSA.

1.8 “Commission”

Commission shall mean the Federal Energy Regulatory Commission.

1.9 “Confidential Information”

Confidential Information shall mean any confidential, proprietary, or trade secret information of a plan, specification, pattern, procedure, design, engineering, device, list, concept, policy, or compilation relating to the present or planned business of a Party, which is designated as confidential by the Party supplying the information, whether conveyed verbally, electronically, in writing, through inspection, or otherwise, and shall include, without limitation, all information relating to the producing Party’s technology, research and development, business affairs and pricing, and any information supplied by any Party to another such Party prior to the execution of a Transmission Service Agreement or this Upgrade CSA.

1.10 “Constructing Entity”

Constructing Entity shall mean either the Transmission Owner or the New Service Customer, depending on which entity has the construction responsibility pursuant to Part VI and this Upgrade CSA.

1.11 “Control Area”

Control Area shall mean an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to: (1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s); (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.12 “Costs”

Costs shall mean all of the actual costs and expenses incurred by the Transmission Owner to complete its obligations under Section 2.4 of this Upgrade CSA, including, but not limited to, capital expenditures, overhead, return, and the costs of financing, equipment, labor, services, taxes, income tax gross-ups and any Incidental Expenses.

1.13 “Default”

Default shall mean the failure of a Breaching Party to cure its Breach in accordance with the applicable provisions of this Upgrade CSA and the PJM Tariff.

1.14 “Delivering Party”

Delivering Party shall mean the entity supplying capacity and energy to be transmitted at Point(s) of Receipt.

1.15 “Emergency Condition”

Emergency Condition shall mean a condition or situation: (i) that in the judgment of any Party is imminently likely to endanger life or property; or (ii) that in the judgment of the Transmission Owner or the Transmission Provider is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Transmission System, a Transmission Owner’s transmission system or distribution system to which the Transmission System is directly or indirectly connected; or (iii) that in the judgment of the New Service Customer is imminently likely (as determined in a non-discriminatory manner) to cause damage to the facility.

1.16 “Environmental Laws”

Environmental Laws shall mean Applicable Laws or Regulations relating to pollution or protection of the environment, natural resources or human health and safety.

1.17 “Facilities Study”

Facilities Study shall mean that certain Facilities Study conducted by Transmission Provider (or at its direction) to determine the design and specification of the Direct Assignment Facilities or Customer-Funded Upgrades necessary to accommodate the New Service Request, as applicable.

1.18 “Federal Power Act”

Federal Power Act shall mean the Federal Power Act, as amended, 16 U.S.C. §§ 791a, et seq.

1.19 “FERC”

FERC shall mean the Federal Energy Regulatory Commission or its successor.

1.20 “Firm Point-To-Point Transmission Service”

Firm Point-To-Point Transmission Service shall mean Transmission Service under the PJM Tariff that is reserved and/or scheduled between specified Points of Receipt and Delivery pursuant to Part II of the PJM Tariff.

1.21 “Force Majeure”

Force Majeure shall mean any cause beyond the control of the affected Party, including but not restricted to, acts of God, flood, drought, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, acts of public enemy, explosions, orders, regulations or restrictions imposed by governmental, military, or lawfully established civilian authorities, which, in any of the foregoing cases, by exercise of due diligence such Party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, it has been unable to overcome. Force Majeure does not include: (i) a failure of performance that is due to an affected Party’s own negligence or intentional wrongdoing; (ii) any removable or remediable causes (other than settlement of a strike or labor dispute) which an affected Party fails to remove or remedy within a reasonable time; or (iii) economic hardship of an affected Party.

1.22 “Good Utility Practice”

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

1.23 “Governmental Authority”

Governmental Authority means any federal, State, local or other governmental, regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, arbitrating body, or other governmental authority having jurisdiction over any Party regarding any matter relating to this Upgrade CSA, as applicable.

1.24 “Hazardous Substances”

Hazardous Substances shall mean any chemicals, materials or substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “hazardous constituents,” “restricted hazardous materials,” “extremely hazardous substances,” “toxic substances,” “radioactive substances,” “contaminants,” “pollutants,” “toxic pollutants” or words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

1.25 “Incidental Expenses”

Incidental Expenses shall mean those expenses incidental to the performance of design, engineering, procurement and construction of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, including, but not limited to, the expense of temporary construction power, telecommunications charges, Transmission Owner expenses associated with, but not limited to, document preparation, design review, engineering, installation, monitoring, and construction-related operations and maintenance for the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA.

1.26 “Local Upgrades”

Local Upgrades shall mean modifications or additions of facilities to abate any local thermal loading, voltage, short circuit, stability or similar engineering problem caused by the interconnection and delivery of generation to the Transmission System. Local Upgrades shall include: (i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and (ii) Non-Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

(i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

1.27 “Long-Term Firm Point-To-Point Transmission Service”

Long-Term Firm Point-To-Point Transmission Service shall mean Firm Point-To-Point Transmission Service under Part II of the PJM Tariff with a term of one year or more.

1.28 “NERC”

NERC shall mean the North American Electric Reliability Council or any successor thereto.

1.29 “Network Upgrades”

Network Upgrades shall mean modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider’s overall Transmission System for the general benefit of all users of such Transmission System. Network Upgrades shall include:

(i) **Direct Connection Network Upgrades** which are Network Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) **Non-Direct Connection Network Upgrades** which are parallel flow Network Upgrades that are not Direct Connection Network Upgrades.

1.30 “Office of the Interconnection”

Office of the Interconnection shall mean the Office of the Interconnection, as supervised by the Board of Managers of the PJM Interconnection, L.L.C., acting pursuant to the Operating Agreement.

1.31 “Operating Agreement of the PJM Interconnection, L.L.C.” or “Operating Agreement”

Operating Agreement of the PJM Interconnection, L.L.C.” or “Operating Agreement shall mean that agreement dated as of April 1, 1997 and as amended and restated as of June 2, 1997 and as amended from time to time thereafter, among the members of the PJM Interconnection, L.L.C.

1.32 “Part I”

Part I shall mean the PJM Tariff Definitions and Common Service Provisions contained in Sections 2 through 12 of the PJM Tariff.

1.33 “Part II”

Part II shall mean PJM Tariff Sections 13 through 27 pertaining to Point-To-Point Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments of the PJM Tariff.

1.34 “Part III”

Part III shall mean PJM Tariff Sections 28 through 35 pertaining to Network Integration Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments of the PJM Tariff.

1.35 “Part IV”

Part IV shall mean PJM Tariff Sections 36 through 112 pertaining to generation or merchant transmission interconnection to the Transmission System in conjunction with applicable Common Service Provision of Part I and appropriate Schedules and Attachments.

1.36 “Part VI”

Part VI shall mean PJM Tariff Sections 200 through 237 pertaining to the queuing, study, and agreements relating to New Service Requests, and the rights associated with Customer-Funded Upgrades in conjunction with the applicable Common Service Provision of Part I and appropriate Schedules and Attachments.

1.37 “PJM Interchange Energy Market”

PJM Interchange Energy Market shall mean the regional competitive market administered by the Transmission Provider for the purchase and sale of spot electric energy at wholesale interstate commerce and related services, as more fully set forth in Attachment K – Appendix to the PJM Tariff and Schedule 1 to the Operating Agreement.

1.38 “PJM Manuals”

PJM Manuals shall mean the instructions, rules, procedures and guidelines established by the Transmission Provider for the operation, planning, and accounting requirements of the PJM Region and the PJM Interchange Energy Market.

1.39 “PJM Region”

PJM Region shall have the meaning specified in the Operating Agreement.

1.40 “Point(s) of Delivery”

Point(s) of Delivery shall mean the point(s) on the Transmission Provider’s Transmission System where capacity and energy transmitted by the Transmission Provider will be made available to the Receiving Party under Part II of the PJM Tariff. The Point(s) of Delivery shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

1.41 “Point(s) of Receipt”

Point(s) of Receipt shall mean the point(s) of interconnection on the Transmission Provider’s Transmission System where capacity and energy will be made available to the Transmission Provider by the Delivering Party under Part II of the PJM Tariff. The Point(s) of Receipt shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

1.42 “Project Financing” means:

Project Financing shall mean

- (a) One or more loans, leases, equity and/or debt financings, together with all modifications, renewals, supplements, substitutions and replacements thereof, the proceeds of which are used to finance or refinance the costs of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, any alteration, expansion or improvement to such Direct Assignment Facilities or Customer-Funded Upgrades, the purchase

and sale of such Direct Assignment Facilities or Customer-Funded Upgrades or the operation of such Direct Assignment Facilities or Customer-Funded Upgrades;

(b) Loans and/or debt issues secured by the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA.

1.43 “Project Finance Entity”

Project Finance Entity means: (a) a holder, trustee or agent for holders, of any component of Project Financing; or (b) any purchaser of capacity and/or energy produced by the facility to which New Service Customer has granted a mortgage or other lien as security for some or all of New Service Customer’s obligations under the corresponding power purchase agreement.

1.44 “Reasonable Efforts”

Reasonable Efforts shall mean, with respect to any action required to be made, attempted, or taken by Transmission Provider or Transmission Owner, such efforts as are timely and consistent with Good Utility Practice and with efforts that such Party would undertake for the protection of its own interests.

1.45 “Receiving Party”

Receiving Party shall mean the entity receiving the capacity and energy transmitted by the Transmission Provider to Point(s) of Delivery.

1.46 “Regional Transmission Expansion Plan” or “RTEP”

Regional Transmission Expansion Plan or “RTEP” shall mean the plan prepared by the Office of the Interconnection pursuant to Schedule 6 of the Operating Agreement for the enhancement and expansion of the Transmission System in order to meet the demands for firm transmission service in the PJM Region.

1.47 “Schedule and Scope of Work”

Schedule and Scope of Work shall mean that schedule and scope of work attached to the Upgrade CSA setting forth the scope and timing of work to be performed by the Transmission Owner, based upon the Facilities Study and subject to modification, as required, in accordance with Transmission Provider’s scope change process for projects set forth in the PJM Manuals.

1.48 “Security”

Security shall mean the letter of credit or other reasonable form of security provided by the New Service Customer to the Transmission Provider pursuant to Section 213.4 of the PJM Tariff to secure the New Service Customer’s responsibility for Costs incurred pursuant to this Upgrade CSA.

1.49 “Service Agreement”

Service Agreement shall mean the initial agreement and any amendments or supplements thereto entered into by the New Service Customer and the Transmission Provider for service under the PJM Tariff.

1.50 “State”

State shall mean a state of the United States or the District of Columbia.

1.51 “Transmission System”

Transmission System shall mean the facilities controlled or operated by the Transmission Provider within the PJM Region that are used to provide transmission service under Part II and Part III of the PJM Tariff.

Section(s) of the
PJM Operating Agreement
(Clean Format)

Definitions I - L

1.15A Immediate-need *Reliability Project*.

A reliability-based transmission enhancement or expansion with an in-service date of three years or less from the year the Office of the Interconnection identified the existing or projected limitations on the Transmission System that gave rise to the need for such enhancement or expansion pursuant to the study process described in section 1.5.3 of this Schedule 6.

1.15B *Incremental Multi-Driver Project*.

“Incremental Multi-Driver Project” shall mean a Multi-Driver Project that is planned as described in Schedule 6, section 1.5.10(h) of this Agreement.

1.16 Information Request.

“Information Request” shall mean a written request, in accordance with the terms of this Agreement for disclosure of Confidential Information pursuant to Section 18.17.4 of this Agreement.

1.17 LLC.

“LLC” shall mean PJM Interconnection, L.L.C., a Delaware limited liability company.

1.18 Load Serving Entity.

“Load Serving Entity” shall mean an entity, including a load aggregator or power marketer, (1) serving end-users within the PJM Region, and (2) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the PJM Region, or the duly designated agent of such an entity.

1.18A Local Plan.

“Local Plan” shall mean the plan as developed by the Transmission Owners. The Local Plan shall include, at a minimum, the Subregional RTEP Projects and Supplemental Projects as identified by the Transmission Owners within their zone. The Local Plan will include those projects that are developed to comply with the Transmission Owner planning criteria.

1.19 Locational Marginal Price.

“Locational Marginal Price” or “LMP” shall mean the hourly integrated market clearing marginal price for energy at the location the energy is delivered or received, calculated as specified in Section 2 of Schedule 1 of this Agreement.

1.19A Long-lead Project.

A transmission enhancement or expansion with an in-service date more than five years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, or Public Policy Requirements to be addressed by the enhancement or expansion.

Definitions S – T

1.40C SERC.

“SERC” or “Southeastern Electric Reliability Council” shall mean the reliability council under section 202 of the Federal Power Act established pursuant to the SERC Agreement dated January 14, 1970, or any successor thereto.

1.41 Sector Votes.

“Sector Votes” shall mean the affirmative and negative votes of each sector of a Senior Standing Committee, as specified in Section 8.4.

1.41.01 Securities

“Securities” shall mean negotiable or non-negotiable investment or financing instruments that can be sold and bought. Securities include bonds, stocks, debentures, notes and options.

1.41A Senior Standing Committees.

“Senior Standing Committees” shall mean the Members Committee, and the Markets, and Reliability Committee, as established in Sections 8.1 and 8.6.

1.41A.01 Short-term Project.

A transmission enhancement or expansion with an in-service date of more than three years but no more than five years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, or Public Policy Requirements to be addressed by the enhancement or expansion.

1.41A.02 [Reserved].

1.41A.03 [Reserved].

1.41B Standing Committees.

“Standing Committees” shall mean the Members Committee, the committees established and maintained under Section 8.6, and such other committees as the Members Committee may establish and maintain from time to time.

1.42 State.

“State” shall mean the District of Columbia and any State or Commonwealth of the United States.

1.42.01 State Certification.

“State Certification” shall mean the Certification of an Authorized Commission, pursuant to Section 18 of this Agreement, the form of which is appended to this Agreement as Schedule 10A, wherein the Authorized Commission identifies all Authorized Persons employed or retained by such Authorized Commission, a copy of which shall be filed with FERC.

1.42A State Consumer Advocate.

“State Consumer Advocate” shall mean a legislatively created office from any State, all or any part of the territory of which is within the PJM Region, and the District of Columbia established, inter alia, for the purpose of representing the interests of energy consumers before the utility regulatory commissions of such states and the District of Columbia and the FERC.

1.42A.01 Subregional RTEP Project.

“Subregional RTEP Project” shall mean a transmission expansion or enhancement rated below 230 kV which is required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

1.42A.02 Supplemental Project.

“Supplemental Project” shall mean a transmission expansion or enhancement that is not required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection and is not a state public policy project pursuant to section 1.5.9(a)(ii) of Schedule 6 of this Agreement. Any system upgrades required to maintain the reliability of the system that are driven by a Supplemental Project are considered part of that Supplemental Project and are the responsibility of the entity sponsoring that Supplemental Project.

1.42B [Reserved].

1.43 System.

“System” shall mean the interconnected electric supply system of a Member and its interconnected subsidiaries exclusive of facilities which it may own or control outside of the PJM Region. Each Member may include in its system the electric supply systems of any party or parties other than Members which are within the PJM Region, provided its interconnection agreements with such other party or parties do not conflict with such inclusion.

1.43A Third Party Request.

“Third Party Request” shall mean any request or demand by any entity upon an Authorized Person or an Authorized Commission for release or disclosure of confidential information

provided to the Authorized Person or Authorized Commission by the Office of the Interconnection or PJM Market Monitor. A Third Party Request shall include, but shall not be limited to, any subpoena, discovery request, or other request for confidential information made by any: (i) federal, state, or local governmental subdivision, department, official, agency or court, or (ii) arbitration panel, business, company, entity or individual.

1.44 Transmission Facilities.

“Transmission Facilities” shall mean facilities that: (i) are within the PJM Region; (ii) meet the definition of transmission facilities pursuant to FERC’s Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities; and (iii) have been demonstrated to the satisfaction of the Office of the Interconnection to be integrated with the PJM Region transmission system and integrated into the planning and operation of the PJM Region to serve all of the power and transmission customers within the PJM Region.

1.45 Transmission Owner.

“Transmission Owner” shall mean a Member that owns or leases with rights equivalent to ownership Transmission Facilities and is a signatory to the PJM Transmission Owners Agreement. Taking transmission service shall not be sufficient to qualify a Member as a Transmission Owner.

1.46 Transmission Owner Upgrade

“Transmission Owner Upgrade” shall mean an upgrade to a Transmission Owner’s own transmission facilities, which is an improvement to, addition to, or replacement of a part of, an existing facility and is not an entirely new transmission facility.

Definitions U - Z

1.47 User Group.

“User Group” shall mean a group formed pursuant to Section 8.7 of this Agreement.

1.47A VACAR.

“VACAR” shall mean the group of five companies, consisting of Duke Energy Carolinas, Duke Energy Progress, South Carolina Public Service Authority, South Carolina Electric and Gas, and Virginia Electric and Power Company.

1.47B [Reserved]

1.48 Voting Member.

“Voting Member” shall mean (i) a Member as to which no other Member is an Affiliate or Related Party, or (ii) a Member together with any other Members as to which it is an Affiliate or Related Party.

1.49 Weighted Interest.

“Weighted Interest” shall be equal to $(0.1(1/N) + 0.5(B/C) + 0.2(D/E) + 0.2(F/G))$, where:

N = the total number of Members excluding ex officio Members and State Consumer Advocates (which, for purposes of Section 15.2 of this agreement, shall be calculated as of five o'clock p.m. Eastern Time on the date PJM declares a Member in default)

B = the Member's internal peak demand for the previous calendar year (which, for Load Serving Entities under the Reliability Assurance Agreement, shall be that used to calculate Accounted For Obligation as determined by the Office of the Interconnection pursuant to Schedule 7 of the Reliability Assurance Agreement averaged over the previous calendar year)

C = the sum of factor B for all Members

D = the Member's generating capability from Generation Capacity Resources located in the PJM Region as of January 1 of the current calendar year, determined by the Office of the Interconnection pursuant to Schedule 9 of the Reliability Assurance Agreement

E = the sum of factor D for all Members

F = the sum of the Member's circuit miles of transmission facilities multiplied by the respective operating voltage for facilities 100 kV and above as of January 1 of the current calendar year

G = the sum of factor F for all Members

1.50 [Reserved].

1.51 [Reserved].

1.52 Zone.

“Zone” shall mean an area within the PJM Region, as set forth in Attachment J to the PJM Tariff.

Section(s) of the
PJM Reliability Assurance Agreement
(Clean Format)

ARTICLE 1 – DEFINITIONS

Unless the context otherwise specifies or requires, capitalized terms used herein shall have the respective meanings assigned herein or in the Schedules hereto for all purposes of this Agreement (such definitions to be equally applicable to both the singular and the plural forms of the terms defined). Unless otherwise specified, all references herein to Articles, Sections or Schedules, are to Articles, Sections or Schedules of this Agreement. As used in this Agreement:

1.1 Agreement

Agreement shall mean this Reliability Assurance Agreement, together with all Schedules hereto, as amended from time to time.

1.1A Annual Demand Resource

Annual Demand Resource shall mean a resource that is placed under the direction of the Office of the Interconnection during the Delivery Year, and will be available for an unlimited number of interruptions during such Delivery Year by the Office of the Interconnection, and will be capable of maintaining each such interruption for at least a 10-hour duration between the hours of 10:00AM to 10:00PM Eastern Prevailing Time for the months of June through October and the following May, and 6:00AM through 9:00PM Eastern Prevailing Time for the months of November through April unless there is an Office of the Interconnection approved maintenance outage during October through April. The Annual Demand Resource must be available in the corresponding Delivery year to be offered for sale or Self-Supplied in an RPM Auction, or included as an Annual Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

1.2 Applicable Regional Entity

Applicable Regional Entity shall have the same meaning as in the PJM Tariff.

1.3 Base Residual Auction

Base Residual Auction shall have the same meaning as in Attachment DD to the PJM Tariff.

1.4 Behind The Meter Generation

Behind The Meter Generation shall mean a generating unit that delivers energy to load without using the Transmission System or any distribution facilities (unless the entity that owns or leases the distribution facilities consented to such use of the distribution facilities and such consent has been demonstrated to the satisfaction of the Office of the Interconnection; provided, however, that Behind The Meter Generation does not include (i) at any time, any portion of such generating unit's capacity that is designated as a Capacity Resource or (ii) in any hour, any portion of the output of such generating unit that is sold to another entity for consumption at another electrical location or into the PJM Interchange Energy Market.

1.5 Black Start Capability

Black Start Capability shall mean the ability of a generating unit or station to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system.

1.6 Capacity Emergency Transfer Objective (“CETO”)

Capacity Emergency Transfer Objective (“CETO”) shall mean the amount of electric energy that a given area must be able to import in order to remain within a loss of load expectation of one event in 25 years when the area is experiencing a localized capacity emergency, as determined in accordance with the PJM Manuals. Without limiting the foregoing, CETO shall be calculated based in part on EFORD determined in accordance with Paragraph C of Schedule 5.

1.7 Capacity Emergency Transmission Limit (“CETL”)

Capacity Emergency Transmission Limit (“CETL”) shall mean the capability of the transmission system to support deliveries of electric energy to a given area experiencing a localized capacity emergency as determined in accordance with the PJM Manuals.

1.7A Capacity Import Limit

Capacity Import Limit shall mean, (a) for the PJM Region, (1) the maximum megawatt quantity of external Generation Capacity Resources that PJM determines for each Delivery Year, through appropriate modeling and the application of engineering judgment, the transmission system can receive, in aggregate at the interface of the PJM Region with all external balancing authority areas and deliver to load in the PJM Region under capacity emergency conditions without violating applicable reliability criteria on any bulk electric system facility of 100kV or greater, internal or external to the PJM Region, that has an electrically significant response to transfers on such interface, minus (2) the then-applicable Capacity Benefit Margin; and (b) for certain source zones identified in the PJM manuals as groupings of one or more balancing authority areas, (1) the maximum megawatt quantity of external Generation Capacity Resources that PJM determines the transmission system can receive at the interface of the PJM Region with each such source zone and deliver to load in the PJM Region under capacity emergency conditions without violating applicable reliability criteria on any bulk electric system facility of 100kV or greater, internal or external to the PJM Region, that has an electrically significant response to transfers on such interface, minus the then-applicable Capacity Benefit Margin times (2) the ratio of the maximum import quantity from each such source zone divided by the PJM total maximum import quantity. As more fully set forth in the PJM Manuals, PJM shall make such determination based on the latest peak load forecast for the studied period, the same computer simulation model of loads, generation and transmission topography employed in the determination of Capacity Emergency Transmission Limit for such Delivery Year, including external facilities from an industry standard model of the loads, generation, and transmission topography of the Eastern Interconnection under peak conditions. PJM shall specify in the PJM

Manuals the areas and minimum distribution factors for identifying monitored bulk electric system facilities that have an electrically significant response to such transfers on the PJM interface. Employing such tools, PJM shall model increased power transfers from external areas into PJM to determine the transfer level at which one or more reliability criteria is violated on any monitored bulk electric system facilities that have an electrically significant response to such transfers. For the PJM Region Capacity Import Limit, PJM shall optimize transfers from other source areas not experiencing any reliability criteria violations as appropriate to increase the Capacity Import Limit. The aggregate megawatt quantity of transfers into PJM at the point where any increase in transfers on the interface would violate reliability criteria will establish the Capacity Import Limit. Notwithstanding the foregoing, a Capacity Resource located outside the PJM Region shall not be subject to the Capacity Import Limit if the Capacity Market Seller seeks an exception thereto by demonstrating to PJM, by no later than five (5) business days prior to the commencement of the offer period for the relevant RPM Auction, that such resource meets all of the following requirements:

(i) it has, at the time such exception is requested, met all applicable requirements to be treated as equivalent to PJM Region internal generation that is not subject to NERC tagging as an interchange transaction, or the Capacity Market Seller has committed in writing that it will meet such requirements, unless prevented from doing so by circumstances beyond the control of the Capacity Market Seller, prior to the relevant Delivery Year;

(ii) at the time such exception is requested, it has long-term firm transmission service confirmed on the complete transmission path from such resource into PJM; and

(iii) it is, by written commitment of the Capacity Market Seller, subject to the same obligations imposed on Generation Capacity Resources located in the PJM Region by section 6.6 of Attachment DD of the PJM Tariff to offer their capacity into RPM Auctions;

provided, however, that (a) the total megawatt quantity of all exceptions granted hereunder for a Delivery Year, plus the Capacity Import Limit for the applicable interface determined for such Delivery Year, may not exceed the total megawatt quantity of Network External Designated Transmission Service on such interface that PJM has confirmed for such Delivery Year; and (b) if granting a qualified exception would result in a violation of the rule in clause (a), PJM shall grant the requested exception but reduce the Capacity Import Limit by the quantity necessary to ensure that the total quantity of Network External Designated Transmission Service is not exceeded.

1.8 Capacity Resources

Capacity Resources shall mean megawatts of (i) net capacity from existing or Planned Generation Capacity Resources meeting the requirements of Schedules 9 and 10 that are or will be owned by or contracted to a Party and that are or will be committed to satisfy that Party's obligations under this Agreement, or to satisfy the reliability requirements of the PJM Region, for a Delivery Year; (ii) net capacity from existing or Planned Generation Capacity Resources within the PJM Region not owned or contracted for by a Party which are accredited to the PJM Region pursuant to the procedures set forth in Schedules 9 and 10; and (iii) load reduction

capability provided by Demand Resources or Energy Efficiency Resources that are accredited to the PJM Region pursuant to the procedures set forth in Schedule 6.

1.9 Capacity Transfer Right

Capacity Transfer Right shall have the meaning specified in Attachment DD to the PJM Tariff.

1.9.1 Compliance Aggregation Area (CAA)

“Compliance Aggregation Area” or “CAA” shall have the same meaning as in the PJM Tariff.

1.10 Control Area

Control Area shall mean an electric power system or combination of electric power systems bounded by interconnection metering and telemetry to which a common generation control scheme is applied in order to:

- (a) match the power output of the generators within the electric power system(s) and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- (b) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;
- (c) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice and the criteria of NERC and each Applicable Regional Entity;
- (d) maintain power flows on transmission facilities within appropriate limits to preserve reliability; and
- (e) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.11 Daily Unforced Capacity Obligation

Daily Unforced Capacity Obligation shall have the meaning set forth in Schedule 8 or, as to an FRR Entity, in Schedule 8.1.

1.12 Delivery Year

Delivery Year shall mean a Planning Period for which a Capacity Resource is committed pursuant to the auction procedures specified in Attachment DD to the Tariff or pursuant to an FRR Capacity Plan.

1.13 Demand Resource

Demand Resource or “DR” shall mean a Limited Demand Resource, Extended Summer Demand Resource, or Annual Demand Resource with a demonstrated capability to provide a reduction in demand or otherwise control load in accordance with the requirements of Schedule 6 that offers and that clears load reduction capability in a Base Residual Auction or Incremental Auction or that is committed through an FRR Capacity Plan. As set forth in Schedule 6, a Limited Demand Resource, Extended Summer Demand Resource or Annual Demand Resource may be an existing demand response resource or a Planned Demand Resource.

1.13A Demand Resource Officer Certification Form

Demand Resource Officer Certification Form shall mean a certification as to an intended Demand Resource Sell Offer, in accordance with Schedules 6 and 8.1 of this Agreement and the PJM Manuals.

1.14 [Reserved for Future Use]

1.14A Demand Resource Sell Offer Plan

Demand Resource Sell Offer Plan shall mean the plan required by Schedules 6 and 8.1 of this Agreement in support of an intended offer of Demand Resources in an RPM Auction, or an intended inclusion of Demand Resources in an FRR Capacity Plan.

1.15 DR Factor

DR Factor (“Demand Resource Factor”) shall mean that factor approved from time to time by the PJM Board used to determine the unforced capacity value of a Demand Resource in accordance with Schedule 6.

1.16 [Reserved for Future Use]

1.17 Electric Cooperative

Electric Cooperative shall mean an entity owned in cooperative form by its customers that is engaged in the generation, transmission, and/or distribution of electric energy.

1.18 Electric Distributor

Electric Distributor shall mean an entity that owns or leases with rights equivalent to ownership electric distribution facilities that are providing electric distribution service to electric load within the PJM Region.

1.19 Emergency

Emergency shall mean (i) an abnormal system condition requiring manual or automatic action to maintain system frequency, or to prevent loss of firm load, equipment damage, or tripping of system elements that could adversely affect the reliability of an electric system or the safety of persons or property; or (ii) a fuel shortage requiring departure from normal operating procedures in order to minimize the use of such scarce fuel; or (iii) a condition that requires implementation of emergency procedures as defined in the PJM Manuals.

1.20 End-Use Customer

End-Use Customer shall mean a Member that is a retail end-user of electricity within the PJM Region.

1.20A Energy Efficiency Resource

Energy Efficiency Resource shall mean a project, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, meeting the requirements of Schedule 6 of this Agreement and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during peak periods as described in Schedule 6 and the PJM Manuals) reduction in electric energy consumption that is not reflected in the peak load forecast prepared for the Delivery Year for which the Energy Efficiency Resource is proposed, and that is fully implemented at all times during such Delivery Year, without any requirement of notice, dispatch, or operator intervention.

1.20A.1 Existing Demand Resource

Existing Demand Resource shall mean a Demand Resource for which the Demand Resource Provider has identified existing end-use customer sites that are registered for the current Delivery Year with PJM (even if not registered by such Demand Resource Provider) and that the Demand Resource Provider reasonably expects to have under a contract to reduce load based on PJM dispatch instructions by the start of the Delivery Year for which such resource is offered.

1.20B Existing Generation Capacity Resource

Existing Generation Capacity Resource shall mean, for purposes of the must-offer requirement and mitigation of offers for any RPM Auction for a Delivery Year, a Generation Capacity Resource that, as of the date on which bidding commences for such auction: (a) is in service; or (b) is not yet in service, but has cleared any RPM Auction for any prior Delivery Year. Notwithstanding the foregoing, a Generation Capacity Resource for which construction has not commenced and which would otherwise have been treated as a Planned Generation Capacity Resource but for the fact that it was bid into RPM Auctions for at least two consecutive Delivery Years, and cleared the last such auction only because it was considered existing and its mitigated offer cap was accepted when its price offer would not have otherwise been accepted, shall be deemed to be a Planned Generation Capacity Resource. A Generation Capacity Resource shall be deemed to be in service if interconnection service has ever commenced (for resources located in the PJM Region), or if it is physically and electrically interconnected to an

external Control Area and is in full commercial operation (for resources not located in the PJM Region). The additional megawatts of a Generation Capacity Resource that is being, or has been, modified to increase the number of megawatts of available installed capacity thereof shall not be deemed to be an Existing Generation Capacity Resource until such time as those megawatts (a) are in service; or (b) are not yet in service, but have cleared any RPM Auction for any prior Delivery Year.

1.20C Extended Summer Demand Resource

Extended Summer Demand Resource shall mean a resource that is placed under the direction of the Office of the Interconnection and that will be available June through October and the following May, and will be available for an unlimited number of interruptions during such months by the Office of the Interconnection, and will be capable of maintaining each such interruption for at least a 10-hour duration between the hours of 10:00AM to 10:00PM Eastern Prevailing Time. The Extended Summer Demand Resource must be available June through October and the following May in the corresponding Delivery Year to be offered for sale or Self-Supplied in an RPM Auction, or included as an Extended Summer Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

1.21 Facilities Study Agreement

Facilities Study Agreement shall have the same meaning as in the PJM Tariff

1.22 FERC

FERC shall mean the Federal Energy Regulatory Commission or any successor federal agency, commission or department.

1.23 Firm Point-To-Point Transmission Service

Firm Point-To-Point Transmission Service shall mean Firm Transmission Service provided pursuant to the rates, terms and conditions set forth in Part II of the PJM Tariff.

1.24 Firm Transmission Service

Firm Transmission Service shall mean transmission service that is intended to be available at all times to the maximum extent practicable, subject to an Emergency, an unanticipated failure of a facility, or other event beyond the control of the owner or operator of the facility or the Office of the Interconnection.

1.25 Fixed Resource Requirement Alternative or FRR Alternative

Fixed Resource Requirement Alternative or FRR Alternative shall mean an alternative method for a Party to satisfy its obligation to provide Unforced Capacity hereunder, as set forth in Schedule 8.1 to this Agreement.

1.26 Forecast Pool Requirement

Forecast Pool Requirement or FPR shall mean the amount equal to one plus the unforced reserve margin (stated as a decimal number) for the PJM Region required pursuant to this Agreement, as approved by the PJM Board pursuant to Schedule 4.1.

1.27 [Reserved]

1.28 [Reserved]

1.29 FRR Capacity Plan

FRR Capacity Plan shall mean a long-term plan for the commitment of Capacity Resources to satisfy the capacity obligations of a Party that has elected the FRR Alternative, as more fully set forth in Schedule 8.1 to this Agreement.

1.30 FRR Entity

FRR Entity shall mean, for the duration of such election, a Party that has elected the FRR Alternative hereunder.

1.31 FRR Service Area

FRR Service Area shall mean (a) the service territory of an IOU as recognized by state law, rule or order; (b) the service area of a Public Power Entity or Electric Cooperative as recognized by franchise or other state law, rule, or order; or (c) a separately identifiable geographic area that is: (i) bounded by wholesale metering, or similar appropriate multi-site aggregate metering, that is visible to, and regularly reported to, the Office of the Interconnection, or that is visible to, and regularly reported to an Electric Distributor and such Electric Distributor agrees to aggregate the load data from such meters for such FRR Service Area and regularly report such aggregated information, by FRR Service Area, to the Office of the Interconnection; and (ii) for which the FRR Entity has or assumes the obligation to provide capacity for all load (including load growth) within such area. In the event that the service obligations of an Electric Cooperative or Public Power Entity are not defined by geographic boundaries but by physical connections to a defined set of customers, the FRR Service Area in such circumstances shall be defined as all customers physically connected to transmission or distribution facilities of such Electric Cooperative or Public Power Entity within an area bounded by appropriate wholesale aggregate metering as described above.

1.32 Full Requirements Service

Full Requirements Service shall mean wholesale service to supply all of the power needs of a Load Serving Entity to serve end-users within the PJM Region that are not satisfied by its own generating facilities.

1.33 Generation Capacity Resource

Generation Capacity Resource shall mean a generation unit, or the right to capacity from a specified generation unit, that meets the requirements of Schedules 9 and 10 of this Agreement. A Generation Capacity Resource may be an Existing Generation Capacity Resource or a Planned Generation Capacity Resource.

1.34 Generation Owner

Generation Owner shall mean a Member that owns or leases with rights equivalent to ownership facilities for the generation of electric energy that are located within the PJM Region. Purchasing all or a portion of the output of a generation facility shall not be sufficient to qualify a Member as a Generation Owner.

1.35 Generator Forced Outage

Generator Forced Outage shall mean an immediate reduction in output or capacity or removal from service, in whole or in part, of a generating unit by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the facility, as specified in the relevant portions of the PJM Manuals. A reduction in output or removal from service of a generating unit in response to changes in market conditions shall not constitute a Generator Forced Outage.

1.36 Generator Maintenance Outage

Generator Maintenance Outage shall mean the scheduled removal from service, in whole or in part, of a generating unit in order to perform repairs on specific components of the facility, if removal of the facility qualifies as a maintenance outage pursuant to the PJM Manuals.

1.37 Generator Planned Outage

Generator Planned Outage shall mean the scheduled removal from service, in whole or in part, of a generating unit for inspection, maintenance or repair with the approval of the Office of the Interconnection in accordance with the PJM Manuals.

1.38 Good Utility Practice

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather is intended to include acceptable practices, methods, or acts generally accepted in the region.

1.39 [Reserved]

1.40 Incremental Auction

Incremental Auction shall mean the First Incremental Auction, the Second Incremental Auction, the Third Incremental Auction, or the Conditional Incremental Auction, each as defined in Attachment DD to the PJM Tariff.

1.41 Interconnection Agreement

Interconnection Agreement shall have the same meaning as in the PJM Tariff.

1.42 [Reserved]

1.43 IOU

IOU shall mean an investor-owned utility with substantial business interest in owning and/or operating electric facilities in any two or more of the following three asset categories: generation, transmission, distribution.

1.43A Limited Demand Resource

Limited Demand Resource shall mean a resource that is placed under the direction of the Office of the Interconnection and that will, at a minimum, be available for interruption for at least 10 Load Management Events during the summer period of June through September in the Delivery Year, and will be capable of maintaining each such interruption for at least a 6-hour duration. At a minimum, the Limited Demand Resource shall be available for such interruptions on weekdays, other than NERC holidays, from 12:00PM (noon) to 8:00PM Eastern Prevailing Time. The Limited Demand Resource must be available during the summer period of June through September in the corresponding Delivery Year to be offered for sale or Self-Supplied in an RPM Auction, or included as a Limited Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

1.44 Load Serving Entity or LSE

Load Serving Entity or LSE shall mean any entity (or the duly designated agent of such an entity), including a load aggregator or power marketer, (i) serving end-users within the PJM Region, and (ii) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the PJM Region. Load Serving Entity shall include any end-use customer that qualifies under state rules or a utility retail tariff to manage directly its own supply of electric power and energy and use of transmission and ancillary services.

1.45 Locational Reliability Charge

Locational Reliability Charge shall mean the charge determined pursuant to Schedule 8.

1.46 Markets and Reliability Committee

Markets and Reliability Committee shall mean the committee established pursuant to the Operating Agreement as a Standing Committee of the Members Committee.

1.46A Maximum Emergency Service Level

Maximum Emergency Service Level or MESL of Price Responsive Demand shall mean the level, determined at a PRD Substation level, to which Price Responsive Demand shall be reduced during the Delivery Year when a Maximum Generation Emergency is declared and the Locational Marginal Price exceeds the price associated with such Price Responsive Demand identified by the PRD Provider in its PRD Plan.

1.47 Member

Member shall mean an entity that satisfies the requirements of Sections 1.24 and 11.6 of the PJM Operating Agreement. In accordance with Article 4 of this Agreement, each Party to this Agreement also is a Member.

1.48 Members Committee

Members Committee shall mean the committee specified in Section 8 of the PJM Operating Agreement composed of the representatives of all the Members.

1.49 NERC

NERC shall mean the North American Electric Reliability Council or any successor thereto.

1.49A Network External Designated Transmission Service

Network External Designated Transmission Service shall mean the quantity of network transmission service confirmed by PJM for use by a market participant to import power and energy from an identified Generation Capacity Resource located outside the PJM Region, upon demonstration by such market participant that it owns such Generation Capacity Resource, has an executed contract to purchase power and energy from such Generation Capacity Resource, or has a contract to purchase power and energy from such Generation Capacity Resource contingent upon securing firm transmission service from such resource.

1.50 Network Resources

Network Resources shall have the meaning set forth in the PJM Tariff.

1.51 Network Transmission Service

Network Transmission Service shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Part III of the PJM Tariff, or transmission service comparable to such service that is provided to a Load Serving Entity that is also a Transmission Owner (as that term is defined in the PJM Tariff).

1.51A Nominal PRD Value

Nominal PRD Value shall mean, as to any PRD Provider, an adjustment, determined in accordance with Schedule 6.1 of this Agreement, to the peak-load forecast used to determine the quantity of capacity sought through an RPM Auction, reflecting the aggregate effect of Price Responsive Demand on peak load resulting from the Price Responsive Demand to be provided by such PRD Provider.

1.52 Nominated Demand Resource Value

Nominated Demand Resource Value shall have the meaning specified in Attachment DD to the PJM Tariff.

1.53 [Reserved]

1.54 Non-Retail Behind the Meter Generation

Non-Retail Behind the Meter Generation shall mean Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, and electric distribution companies to serve load.

1.55 Obligation Peak Load

Obligation Peak Load shall have the meaning specified in Schedule 8 of this Agreement.

1.56 Office of the Interconnection

Office of the Interconnection shall mean the employees and agents of PJM Interconnection, L.L.C., subject to the supervision and oversight of the PJM Board, acting pursuant to the Operating Agreement.

1.57 Operating Agreement of PJM Interconnection, L.L.C. or Operating Agreement

Operating Agreement of PJM Interconnection, L.L.C. or Operating Agreement shall mean that certain agreement, dated April 1, 1997 and as amended and restated June 2, 1997 and as amended from time to time thereafter, among the members of the PJM Interconnection, L.L.C.

1.57A Operating Day

Operating Day shall have the same meaning as provided in the Operating Agreement.

1.58 Operating Reserve

Operating Reserve shall mean the amount of generating capacity scheduled to be available for a specified period of an Operating Day to ensure the reliable operation of the PJM Region, as specified in the PJM Manuals.

1.59 Other Supplier

Other Supplier shall mean a Member that is (i) a seller, buyer or transmitter of electric capacity or energy in, from or through the PJM Region, and (ii) is not a Generation Owner, Electric Distributor, Transmission Owner or End-Use Customer.

1.60 Partial Requirements Service

Partial Requirements Service shall mean wholesale service to supply a specified portion, but not all, of the power needs of a Load Serving Entity to serve end-users within the PJM Region that are not satisfied by its own generating facilities.

1.61 Percentage Internal Resources Required

Percentage Internal Resources Required shall mean, for purposes of an FRR Capacity Plan, the percentage of the LDA Reliability Requirement for an LDA that must be satisfied with Capacity Resources located in such LDA.

1.62 Party

Party shall mean an entity bound by the terms of this Agreement.

1.63 PJM

PJM shall mean the PJM Board and the Office of the Interconnection.

1.64 PJM Board

PJM Board shall mean the Board of Managers of the PJM Interconnection, L.L.C., acting pursuant to the Operating Agreement.

1.65 PJM Manuals

PJM Manuals shall mean the instructions, rules, procedures and guidelines established by the Office of the Interconnection for the operation, planning and accounting requirements of the PJM Region.

1.66 PJM Open Access Transmission Tariff or PJM Tariff

PJM Open Access Transmission Tariff or PJM Tariff shall mean the tariff for transmission service within the PJM Region, as in effect from time to time, including any schedules, appendices, or exhibits attached thereto.

1.67 PJM Region

PJM Region shall have the same meaning as provided in the Operating Agreement.

1.68 PJM Region Installed Reserve Margin

PJM Region Installed Reserve Margin shall mean the percent installed reserve margin for the PJM Region required pursuant to this Agreement, as approved by the PJM Board pursuant to Schedule 4.1.

1.69 Planned Demand Resource

Planned Demand Resource shall mean any Demand Resource that does not currently have the capability to provide a reduction in demand or to otherwise control load, but that is scheduled to be capable of providing such reduction or control on or before the start of the Delivery Year for which such resource is to be committed, as determined in accordance with the requirements of Schedule 6. As set forth in Schedules 6 and 8.1 of this Agreement, a Demand Resource Provider submitting a DR Sell Offer Plan shall identify as Planned Demand Resources in such plan all Demand Resources in excess of those that qualify as Existing Demand Resources.

1.69A Planned External Generation Capacity Resource

Planned External Generation Capacity Resource shall mean a proposed Generation Capacity Resource, or a proposed increase in the capability of a Generation Capacity Resource, that (a) is to be located outside the PJM Region, (b) participates in the generation interconnection process of a Control Area external to PJM, (c) is scheduled to be physically and electrically interconnected to the transmission facilities of such Control Area on or before the first day of the Delivery Year for which such resource is to be committed to satisfy the reliability requirements of the PJM Region, and (d) is in full commercial operation prior to the first day of such Delivery Year, such that it is sufficient to provide the Installed Capacity set forth in the Sell Offer forming the basis of such resource's commitment to the PJM Region. Prior to participation in any Reliability Pricing Model Auction for such Delivery Year, the Capacity Market Seller must demonstrate that it has executed an interconnection agreement (functionally equivalent to a System Impact Study Agreement under the PJM Tariff for Base Residual Auction and an Interconnection Service Agreement under the PJM Tariff for Incremental Auction) with the transmission owner to whose transmission facilities or distribution facilities the resource is being directly connected, and if applicable the transmission provider. A Planned External Generation Capacity Resource must provide evidence to PJM that it has been studied as a Network Resource, or such other similar interconnection product in such external Control Area, must provide contractual evidence that it has applied for or purchased transmission service to be

deliverable to the PJM border, and must provide contractual evidence that it has applied for transmission service to be deliverable to the bus at which energy is to be delivered, the agreements for which must have been executed prior to participation in any Reliability Pricing Model Auction for such Delivery Year. An External Generation Capacity Resource shall cease to be considered a Planned External Generation Capacity Resource as of the earlier of (i) the date that interconnection service commences as to such resource; or (ii) the resource has cleared an RPM Auction, in which case it shall become an Existing Generation Capacity Resource for purposes of the mitigation of offers for any RPM Auction for all subsequent Delivery Years.

1.70 Planned Generation Capacity Resource

Planned Generation Capacity Resource shall mean a Generation Capacity Resource participating in the generation interconnection process under Part IV, Subpart A of the PJM Tariff, for which: (i) Interconnection Service is scheduled to commence on or before the first day of the Delivery Year for which such resource is to be committed to RPM or to an FRR Plan; (ii) a System Impact Study Agreement has been executed prior to the Base Residual Auction for such Delivery Year; (iii) an Interconnection Service Agreement has been executed prior to any Incremental Auction for such Delivery Year in which such resource plans to participate; and (iv) no megawatts of capacity have cleared an RPM Auction for any prior Delivery Year. For purposes of the must-offer requirement and mitigation of offers for any RPM Auction for a Delivery Year, a Generation Capacity Resource shall cease to be considered a Planned Generation Capacity Resource as of the earlier of (i) the date that Interconnection Service commences as to such resource; or (ii) the resource has cleared an RPM Auction for any Delivery Year, in which case it shall become an Existing Generation Capacity Resource for any RPM Auction for all subsequent Delivery Years. Notwithstanding the foregoing, a Generation Capacity Resource for which construction has not commenced and which would otherwise have been treated as a Planned Generation Capacity Resource but for the fact that it was bid into RPM Auctions for at least two consecutive Delivery Years, and cleared the last such auction only because it was considered existing and its mitigated offer cap was accepted when its price offer would not have otherwise been accepted, shall be deemed to be a Planned Generation Capacity Resource.

1.71 Planning Period

Planning Period shall mean the 12 months beginning June 1 and extending through May 31 of the following year, or such other period approved by the Members Committee.

1.71A PRD Curve

PRD Curve shall mean a price-consumption curve at a PRD Substation level, if available, and otherwise at a Zonal (or sub-Zonal LDA, if applicable) level, that details the base consumption level of Price Responsive Demand and the decreasing consumption levels at increasing prices.

1.71B PRD Provider

PRD Provider shall mean (i) a Load Serving Entity that provides PRD; or (ii) an entity without direct load serving responsibilities that has entered contractual arrangements with end-use customers served by a Load Serving Entity that satisfy the eligibility criteria for Price Responsive Demand.

1.71C PRD Provider's Zonal Expected Peak Load Value of PRD

PRD Provider's Zonal Expected Peak Load Value of PRD shall mean the expected contribution to Delivery Year peak load of a PRD Provider's Price Responsive Demand, were such demand not to be reduced in response to price, based on the contribution of the end-use customers comprising such Price Responsive Demand to the most recent prior Delivery Year's peak demand, escalated to the Delivery Year in question, as determined in a manner consistent with the Office of the Interconnection's load forecasts used for purposes of the RPM Auctions.

1.71D PRD Reservation Price

PRD Reservation Price shall mean an RPM Auction clearing price identified in a PRD Plan for Price Responsive Demand load below which the PRD Provider desires not to commit the identified load as Price Responsive Demand.

1.71E PRD Substation

PRD Substation shall mean an electrical substation that is located in the same Zone or in the same sub-Zonal LDA as the end-use customers identified in a PRD Plan or PRD registration and that, in terms of the electrical topography of the Transmission Facilities comprising the PJM Region, is as close as practicable to such loads.

1.71F Price Responsive Demand

Price Responsive Demand or PRD shall mean end-use customer load registered by a PRD Provider pursuant to Schedule 6.1 of the PJM Reliability Assurance Agreement that have, as set forth in more detail in the PJM Manuals, the metering capability to record electricity consumption at an interval of one hour or less, Supervisory Control capable of curtailing such load (consistent with applicable RERRA requirements) at each PRD Substation identified in the relevant PRD Plan or PRD registration in response to a Maximum Generation Emergency declared by the Office of the Interconnection, and a retail rate structure, or equivalent contractual arrangement, capable of changing retail rates as frequently as an hourly basis, that is linked to or based upon changes in real-time Locational Marginal Prices at a PRD Substation level and that results in a predictable automated response to varying wholesale electricity prices.

1.71G Price Responsive Demand Credit

Price Responsive Demand Credit shall mean a credit, based on committed Price Responsive Demand, as determined under Schedule 6.1 of this Agreement.

1.71H Price Responsive Demand Plan or PRD Plan

Price Responsive Demand Plan or PRD Plan shall mean a plan, submitted by a PRD Provider and received by the Office of the Interconnection in accordance with Schedule 6.1 of this Agreement and procedures specified in the PJM Manuals, claiming a peak demand limitation due to Price Responsive Demand to support the determination of such PRD Provider's Nominal PRD Value.

1.72 Public Power Entity

Public Power Entity shall mean any agency, authority, or instrumentality of a state or of a political subdivision of a state, or any corporation wholly owned by any one or more of the foregoing, that is engaged in the generation, transmission, and/or distribution of electric energy.

1.73 Qualifying Transmission Upgrades

Qualifying Transmission Upgrades shall have the meaning specified in Attachment DD to the PJM Tariff.

1.74 [Reserved for Future Use]

1.74A Relevant Electric Retail Regulatory Authority

Relevant Electric Retail Regulatory Authority or RERRA shall have the meaning specified in the PJM Operating Agreement.

1.75 Reliability Principles and Standards

Reliability Principles and Standards shall mean the principles and standards established by NERC or an Applicable Regional Entity to define, among other things, an acceptable probability of loss of load due to inadequate generation or transmission capability, as amended from time to time.

1.76 Required Approvals

Required Approvals shall mean all of the approvals required for this Agreement to be modified or to be terminated, in whole or in part, including the acceptance for filing by FERC and every other regulatory authority with jurisdiction over all or any part of this Agreement.

1.77 Self-Supply

Self Supply shall have the meaning provided in Attachment DD to the PJM Tariff.

1.77A Small Commercial Customer

“Small Commercial Customer” shall have the same meaning as in the PJM Tariff.

1.78 [Reserved for Future Use]

1.79 [Reserved for Future Use]

1.80 State Consumer Advocate

State Consumer Advocate shall mean a legislatively created office from any State, all or any part of the territory of which is within the PJM Region, and the District of Columbia established, inter alia, for the purpose of representing the interests of energy consumers before the utility regulatory commissions of such states and the District of Columbia and the FERC.

1.81 State Regulatory Structural Change

State Regulatory Structural Change shall mean as to any Party, a state law, rule, or order that, after September 30, 2006, initiates a program that allows retail electric consumers served by such Party to choose from among alternative suppliers on a competitive basis, terminates such a program, expands such a program to include classes of customers or localities served by such Party that were not previously permitted to participate in such a program, or that modifies retail electric market structure or market design rules in a manner that materially increases the likelihood that a substantial proportion of the customers of such Party that are eligible for retail choice under such a program (a) that have not exercised such choice will exercise such choice; or (b) that have exercised such choice will no longer exercise such choice, including for example, without limitation, mandating divestiture of utility-owned generation or structural changes to such Party's default service rules that materially affect whether retail choice is economically viable.

1.81A Supervisory Control

Supervisory Control shall mean the capability to curtail, in accordance with applicable RERRA requirements, load registered as Price Responsive Demand at each PRD Substation identified in the relevant PRD Plan or PRD registration in response to a Maximum Generation Emergency declared by the Office of the Interconnection. Except to the extent automation is not required by the provisions of this Agreement, the curtailment shall be automated, meaning that load shall be reduced automatically in response to control signals sent by the PRD Provider or its designated agent directly to the control equipment where the load is located without the requirement for any action by the end-use customer.

1.82 Threshold Quantity

Threshold Quantity shall mean, as to any FRR Entity for any Delivery Year, the sum of (a) the Unforced Capacity equivalent (determined using the Pool-Wide Average EFORD) of the Installed Reserve Margin for such Delivery Year multiplied by the Preliminary Forecast Peak Load for which such FRR Entity is responsible under its FRR Capacity Plan for such Delivery Year, plus (b) the lesser of (i) 3% of the Unforced Capacity amount determined in (a) above or (ii) 450 MW. If the FRR Entity is not responsible for all load within a Zone, the Preliminary

Forecast Peak Load for such entity shall be the FRR Entity's Obligation Peak Load last determined prior to the Base Residual Auction for such Delivery Year, times the Base FRR Scaling Factor (as determined in accordance with Schedule 8.1).

1.83 Transmission Facilities

Transmission Facilities shall mean facilities that: (i) are within the PJM Region; (ii) meet the definition of transmission facilities pursuant to FERC's Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities; and (iii) have been demonstrated to the satisfaction of the Office of the Interconnection to be integrated with the PJM Region transmission system and integrated into the planning and operation of the PJM Region to serve all of the power and transmission customers within the PJM Region.

1.84 Transmission Owner

Transmission Owner shall mean a Member that owns or leases with rights equivalent to ownership Transmission Facilities. Taking transmission service shall not be sufficient to qualify a Member as a Transmission Owner.

1.85 Transmission Owners Agreement

Transmission Owners Agreement shall mean that certain Consolidated Transmission Owners Agreement, dated as of December 15, 2005 and as amended from time to time, among transmission owners within the PJM Region.

1.86 Unforced Capacity

Unforced Capacity shall mean installed capacity rated at summer conditions that is not on average experiencing a forced outage or forced derating, calculated for each Capacity Resource on the 12-month period from October to September without regard to the ownership of or the contractual rights to the capacity of the unit.

1.87 [Reserved for Future Use]

1.88 Zonal Capacity Price

Zonal Capacity Price shall mean the price of Unforced Capacity in a Zone that an LSE that has not elected the FRR Alternative is obligated to pay for a Delivery Year as determined pursuant to Attachment DD to the PJM Tariff.

1.89 Zone or Zonal

Zone or Zonal shall refer to an area within the PJM Region, as set forth in Schedule 15, or as such areas may be (i) combined as a result of mergers or acquisitions or (ii) added as a result of the expansion of the boundaries of the PJM Region. A Zone shall include any Non-

Zone Network Load (as defined in the PJM Tariff) located outside the PJM Region that is served from such Zone under Schedule H-A of the PJM Tariff.

ATTACHMENT C
PJM INTERCONNECTION L.L.C.
CHART CONTAINING REDLINE REVISIONS
TO PJM GOVERNING DOCUMENTS

Non-Substantive and Ministerial Corrections to the PJM Tariff, OA & RAA - (MRC and MC)

Definition Name	Documents Effected	Proposed Solution
Applicable Laws and Regulations	Tariff, Section 1.2.01	Modify Tariff, Section 1.2.01: All duly promulgated applicable federal, S tate and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority having jurisdiction over the relevant parties, their respective facilities, and/or the respective services they provide.
Applicable Laws and Regulations	Tariff, Attachment GG, Section 1.2	Modify Tariff, Attachment GG, Section 1.2: All duly promulgated applicable federal, State and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority having jurisdiction over the relevant p arties, their respective facilities, and/or the respective services they provide.
Daily Unforced Capacity Obligation	Tariff Att DD, Section 2.18	Modify Att DD to conform with definition in RAA, Section 1.11 and detailed in Schedule 8.1: shall mean the capacity obligation of a Load Serving Entity during the Delivery Year, determined in accordance with Schedule 8 or, as to an FRR entity, in Schedule 8.1 of the Reliability Assurance Agreement.
Delivery Year	Tariff, Att DD, Section 2.19	Modify Att DD to conform with definition in RAA, Section 1.12: the Planning Period for which a Capacity Resource is committed pursuant to the auction procedures specified in Section 5, or pursuant to an FRR Capacity Plan.
Demand Resource Factor	Tariff, Att DD, Section 2.21	Modify the definition to add "DR Factor": "Demand Resource Factor" (or "DR Factor") shall have the meaning specified in the Reliability Assurance Agreement.
DR Factor	RAA, Section 1.15	Modify the definition to add "Demand Resource Factor": DR Factor ("Demand Resource Factor") shall mean that factor approved from time to time by the PJM Board used to determine the unforced capacity value of a Demand Resource in accordance with Schedule 6.
Existing Generation Capacity Resource	Tariff, Section 1.11D	Add a definition to Section 1 of the PJM Tariff with the term "Existing Generation Capacity Resource" which states: shall have the meaning specified in the Reliability Assurance Agreement.
Information Request	Operating Agreement, Section 1.16	Modify Operating Agreement, Section 1.16: shall mean a written request in accordance with the terms of the Agreement for disclosure of C onfidential Information pursuant to Section 18.1.4 of this Agreement.
Network Transmission Service	RAA, Section 1.51	Modify RAA Section 1.51: shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Part III of the PJM Tariff, or transmission service comparable to such service that is provided to a Load Serving Entity that is also a Transmission Customer (as that term is defined in the PJM Tariff).
PJM Region	Tariff Att DD, Section 2.52	Modify Tariff Attachment DD, Section 2.52: "PJM Region" shall have the meaning specified in the Reliability Assurance Agreement Operating Agreement.
Transmission Facilities	Operating Agreement, Section 1.44	Modify OA, Section 1.44 to conform with definition in the RAA, section 1.83 : shall mean facilities that: (i) are within the PJM Region; (ii) meet the definition of transmission facilities pursuant to FERC's Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities; and (iii) have been demonstrated to the satisfaction of the Office of the Interconnection to be integrated with the PJM Region transmission system of the PJM Region and integrated into the planning and operation of the PJM Region such to serve all of the power and transmission customers with in such the PJM Region.
VACAR	Operating Agreement, Section 1.47A	Modify Operating Agreement, Section 1.47A: shall mean the group of five companies, consisting of Duke Energy Carolinas, Carolina Power and Light Duke Energy Progress , South Carolina Public Service Authority, South Carolina Electric and Gas, and Virginia Electric and Power Company.