March 1, 2021

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE, Room 1A
Washington, DC 20426

Re:  
PJM Interconnection, L.L.C., Docket No. ER21-278-001
Response to Commission Deficiency Letter

Dear Secretary Bose:

PJM Interconnection, L.L.C. (“PJM”), pursuant to the Commission’s December 22, 2020 letter requesting additional information in this proceeding (“December 22 Letter”), encloses its written responses to the questions listed in the letter. These responses concern PJM’s October 30, 2020 filing (“October 30 Filing”) of revisions under section 205 of the Federal Power Act, 16 U.S.C. § 824d, to the PJM Open Access Transmission Tariff (“Tariff”) and the Reliability Assurance Agreement among Load Serving Entities in the PJM Region (“RAA”) to establish and implement an Effective Load Carrying Capability (“ELCC”) construct for determining the relative amount of capacity that variable, limited duration, and combination resources may offer to provide in PJM. PJM’s responses are enclosed as Attachment 1. As discussed below, PJM requests the Commission issued an order in this proceeding by May 1, 2021, and accept the Tariff and RAA revisions effective July 1, 2021.

Since early last year PJM has been working with stakeholders to develop a just and reasonable ELCC construct. After submitting the October 30 Filing, PJM has continued to work with stakeholders to develop ELCC implementation details. The Commission’s December 22 Letter focused recent stakeholder discussions and the enclosed responses reflect those continued discussions. In response to the Commission’s questions and stakeholder discussions, PJM is adding clarity to several proposed RAA provisions. Specifically, PJM is proposing additional revisions to proposed RAA, Schedule 9.1, section C and proposing to add new sections J(3)(f)(iii) and (iv), as discussed in the enclosed responses.

Request for July 1, 2021 Effective Date

PJM is also taking this opportunity to change the requested effective date to July 1, 2021, for the Tariff and RAA revisions proposed in the October 30 Filing and in this filing. Accordingly, PJM is re-filing all Tariff and RAA revisions and coding them with a July 1, 2021 effective date.1

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1 With the exception of RAA, Schedule 9.1, sections C & J, all proposed changes to the Tariff and RAA remain the same as in the October 30 Filing. Additionally, to avoid a future clean-up filing due to overlapping
In the October 30 Filing, PJM requested a June 1, 2021 effective date, which PJM stated would allow sufficient time to ensure the ELCC model is ready in time for PJM to implement the ELCC construct starting with the 2023/2024 Delivery Year. However, when the October 30 Filing was submitted, the exact timeline for holding the Base Residual Auction for the 2023/2024 Delivery Year was not known. It is now known that that auction will be held in December 2021, and the schedule for pre-auction activities is set. With this knowledge, PJM believes that a July 1, 2021 effective date is appropriate. Not only would a July 1, 2021 effective date provide PJM sufficient time to implement ELCC for the 2023/2024 Delivery Year, but it will also afford PJM and stakeholders an additional month to develop the implementation details and manual changes necessary to support the ELCC construct when the tariff changes become effective.

**Request for Order by May 1, 2021**

PJM also asks the Commission to issue an order on this filing by May 1, 2021, which is 61 days from the date of this filing. To that end, PJM has assigned an effective date of May 1, 2021, to a revised tariff record. PJM requests an order by May 1, 2021, to finalize establish, document, and approve the corresponding implementation details in the PJM manuals, and to ensure sufficient time to collect and validate the necessary data from providers of ELCC Resources so that the ELCC model can timely produce the necessary data for use in the 2023/2024 Base Residual Auction.

**Request for Confidential Treatment**

PJM requests confidential treatment for certain data provided in response to Information Request 6(a) of the December 22 Letter in accordance with section 388.112 of the Commission’s regulations. There, the Commission requested “any preliminary estimates of the ELCC Class Ratings for various classes of resources and the resource mixes PJM considered in developing those estimates.” PJM is providing an estimate of

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2 In the proposed RAA and Tariff revisions, PJM included language specifying that the ELCC construct will apply starting with the 2023/2024 Delivery Year. See proposed RAA, Schedule 9.1, sections C and J(3)(f)(iii) and (iv), the redline changes proposed to become effective on July 1, 2021, in this filing are the same as in the October 30 Filing. The updated redline and clean versions of the proposed Tariff and RAA language are attached as Attachment A and Attachment B, respectively.


4 Specifically, PJM has assigned an effective date of January 1, 2021, to the Attachment DD title tariff record. No substantive changes are being made to this section.

5 18 C.F.R. § 388.112.
the aggregate hourly energy output of each resource class, which is a measure of the resource mix used the ELCC analyses. Such data is proprietary to, and the intellectual property of, PJM’s outside vendor. Under the terms of the agreement with the vendor, PJM is requesting confidential treatment for that data. Accordingly, good cause exists to grant confidential privileged treatment as the data provided with this response includes commercially sensitive data that is exempt from public disclosure under the Freedom of Information Act, 5 U.S.C. § 552. The confidential version of responses will be made available to participants in this proceeding upon their execution of the Non-Disclosure Certificate included in Attachment 2 to this letter, which binds them to the terms of the proposed Protective Agreement included with this filing (the proposed Protective Order in Attachment 2 is based on the Commission’s Model Protective Order).

In accordance with the foregoing, PJM respectfully requests that the Commission accept the proposed revisions to the RAA and the Tariff effective as of July 1, 2021, and issue an order on this FPA section 205 submission by no later than May 1, 2021, as discussed above. Please feel free to contact the undersigned if additional information is needed.

Respectfully submitted,

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CC: Robert Fares (robert.fares@ferc.gov)
Response of PJM to FERC Staff’s
December 22, 2020 Information Request
1. In your filing, you state that PJM will utilize an ELCC analysis to allocate the ELCC Portfolio Unforced Capacity (UCAP) amongst ELCC Classes, “such that the aggregate of all ELCC Class UCAP values is equal to the ELCC Portfolio UCAP.” Affiant Dr. Rocha Garrido further explains that, while the ELCC Portfolio UCAP is an unambiguous value, the allocation of this value amongst ELCC Classes is a heuristic that requires multiple additional ELCC runs and generally includes: (1) determination of ELCC for each ELCC Class in the absence of all other ELCC Classes (ELCC “First-In” runs); (2) determination of ELCC for each ELCC Class in the presence of all other ELCC Classes (ELCC “Last-In” runs); and (3) use of the First-In and Last-In runs to allocate the ELCC Portfolio UCAP value and establish the ELCC Class UCAP values. The corresponding proposed RAA language states that “[t]he ELCC Portfolio UCAP shall be allocated to each ELCC Class UCAP, in accordance with the applicable [ELCC] analysis methodology specified in the PJM Manuals. . . .”

a. Please describe the methodology PJM will use to allocate the ELCC Portfolio UCAP amongst ELCC Classes to establish the ELCC Class UCAP values and ELCC Class Ratings, including how the results of the First-In and Last-In runs for each ELCC Class will be used. Please include a detailed explanation of any relevant formulas or procedures.

Answer:

PJM will use a version of the “Delta Method” to allocate the ELCC Portfolio UCAP among the ELCC Classes to establish the ELCC Class UCAP values and ELCC Class Ratings. Under PJM’s approach to the Delta Method, the value of each ELCC Class’s First-In run is adjusted either upward or downward according to the overall impact of diversity interactions within the portfolio, as well as the specific impact of diversity on the subject class as measured by the difference between its Last-In and First-In runs. The allocation is performed in a manner such that the sum of the ELCC Class UCAP values equals the ELCC Portfolio UCAP. This approach to the Delta Method can simultaneously account for synergistic, antagonistic, and neutral reactions between ELCC Classes within the entire portfolio of ELCC Classes.

To eliminate any ambiguity on this topic, PJM proposes in this deficiency response to revise proposed RAA, Schedule 9.1, section C governing the “Allocation from ELCC Portfolio UCAP to ELCC Class UCAP” to concisely state the overall calculation that embodies the Delta Method, while setting forth in the PJM Manuals the implementation details for the Delta Method. Specifically, PJM proposes to revise proposed RAA, Schedule 9.1, section C as follows:

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1 Transmittal at 32 (quoting Proposed RAA, Schedule 9.1, § C).
2 Attachment C, Affidavit of Dr. Patricio Rocha Garrido (Garrido Affidavit) at P 25.
3 Proposed RAA, Schedule 9.1, § C.
March 1, 2021 Response of PJM to FERC Staff’s December 22, 2020 Information Request

The ELCC Portfolio UCAP shall be allocated, as specified in the PJM Manuals, to each ELCC Class UCAP according to:

(1) The reliability value of the subject ELCC Class evaluated in the absence of other ELCC Classes, minus

(2) A quantity that is proportional to the product of:

(a) The difference between the reliability value of the subject ELCC Class when evaluated in the presence of the entire portfolio of ELCC Classes and the reliability value of the subject ELCC Class when evaluated in the absence of the other ELCC Classes, and

(b) The difference between the total reliability value of all the ELCC Classes in the model when evaluated jointly and the sum of the reliability values determined individually for each ELCC Class by evaluating the subject ELCC Class in the absence of other ELCC Classes.

The foregoing is in accordance with the applicable effective load carrying capability analysis methodology specified in the PJM Manuals, as subject to adjustment in accordance with RAA, Schedule 9.1, section J, such that the aggregate of all ELCC Class UCAP values is equal to the ELCC Portfolio UCAP.

In other words, PJM will allocate ELCC Portfolio UCAP to the ELCC Classes according to the incremental value of each class measured in the absence of the other ELCC classes (i.e., subsection (1) above), but pursuant to subsection (2) such value will be adjusted to reflect the diversity interaction of the ELCC Class with all other modeled ELCC Classes. Through this adjustment the Delta Method appropriately considers the synergistic, antagonistic, and neutral reactions between the ELCC Classes.

For transparency, and to further respond to the Commission’s question, PJM shows here PJM’s planned implementation details for the Delta Method in new PJM Manual 21a, including details of how the First-In and Last-In runs are measured, and how they will be used in the ELCC analysis.

4 See Transmittal at 20 (“PJM also properly proposes to model simultaneously all ELCC Resources expected for the Delivery Year to account for complementary and antagonistic interactions between different ELCC Resource types.”); id. at 52 (“When increased penetration by one resource class tends to reduce the resource adequacy value of a second class, the two classes are said to be antagonistic. By contrast, when increased penetration by one resource class tends to increase the resource adequacy value of a second class, the two classes are said to be synergistic.”).
Delta Method Implementation Details:

A. Each ELCC Class has a representative incremental quantity whose hourly output is determined consistent with the output of the subject class.

B. For each ELCC Class, the “Last-In ELCC UCAP” (in MW) is defined as the difference between (a) the ELCC Portfolio UCAP of a portfolio that includes all classes and resources in the ELCC model plus the representative incremental quantity of the subject ELCC Class and (b) the ELCC Portfolio UCAP of a portfolio that includes all classes and resources in the ELCC model.

C. For each ELCC Class, the “Last-In ELCC Rating” (in percent) is equal to [Last-In ELCC UCAP]/[Effective Nameplate Capacity of the increment]

D. For each ELCC Class, the “First-In ELCC UCAP” (in MW) is defined as the ELCC Portfolio UCAP of a portfolio consisting solely of the representative incremental quantity of the subject ELCC Class;

E. For each ELCC Class, the “First-In ELCC Rating” (in percent) is equal to [First-In ELCC UCAP]/[Effective Nameplate Capacity of the increment];

F. For the entire ELCC Portfolio, the “Portfolio Diversity Interaction” (in MW) is defined as the difference of (a) the sum across all classes in the model of the product of [the aggregate Effective Nameplate Capacity of the class] times [the First-In ELCC Rating of the class]; minus (b) the ELCC Portfolio UCAP of a portfolio that includes all classes and resources in the ELCC model;

G. For each ELCC Class, the “Class Delta Rating” (in percent) is the Last-In ELCC Rating minus the First-In ELCC Rating.

H. For each ELCC Class, the “Class Delta UCAP” (in MW) is the Class Delta Rating times the aggregate Effective Nameplate Capacity of the class.

I. For the entire ELCC Portfolio, the “Total Delta UCAP” (in MW) is the sum of the Class Delta UCAP values of all classes.

J. For each ELCC Class, the “Class Delta Share” (in percent) is equal to [Class Delta UCAP] divided by [Total Delta UCAP].

K. For each ELCC Class, the “Class PDI Share” (in MW) is the product of the [Portfolio Diversity Interaction] times the [Class Delta Share].

L. For each ELCC Class, the “Class Rating Adjustment” (in percent) is the Class PDI Share divided by the aggregate Effective Nameplate of the class.

M. For each ELCC Class, the “ELCC Class Rating” (in percent) is the First-In ELCC Rating minus the Class Rating Adjustment.

N. For each ELCC Class, the ELCC Class UCAP is the ELCC Class Rating times the aggregate Effective Nameplate Capacity of the resources in the model that belong to the subject class.
b. We also note that your filing references a stakeholder presentation by Energy+Environmental Economics (E3). Is the method discussed in this presentation the same as the method referenced in Question 1(a)? Please confirm if PJM will employ this method as part of the procedures it implements under its proposal?

Answer:

The referenced presentation, which is included as “Response Appendix A.pdf,” describes the same Delta Method referenced in Question 1(a). However, much of the presentation describes a unit-specific variant of the Delta Method, whereas PJM proposes to use a “representative resource” approach to the Delta Method which relies on pre-defined classes. PJM’s approach is similar to that referenced on slides 15 and 19 of E3’s presentation, which reference a variant of the Delta Method that uses a “pre-defined library of ELCC values” and a “Representative Resource.” In particular, the arithmetic exemplified on slide 19 and the illustration on slide 13 are conceptually similar (if not precisely identical in all respects). Slide 13 illustrates how the overall portfolio diversity interaction (labeled “Portfolio Interactive Effects,” corresponding to letter F in the Delta Method Implementation Details above) is allocated as an offset (“AdjA and AdjB,” corresponding to the Class PDI Share in letter K above) among each of the classes according to the difference between the class’s Last In value and its First In value (labeled the “Individual Interactive Effect,” which corresponds to the Class Delta UCAP in letter H above).

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5 Transmittal at 14 n.34.

6 Proposed RAA, Schedule 9.1, § C (“The ELCC Portfolio UCAP shall be allocated to each ELCC Class UCAP, in accordance with the applicable effective load carrying capability analysis methodology specified in the PJM Manuals . . . “).

c. If PJM were to revise the method described in response to (a) and (b) at some point in the future, please explain how this would affect any ELCC Class Rating floors previously calculated for annual cohorts of resources.

Answer:

If PJM were to revise the method described in response to Questions 1(a) and 1(b) at some point in the future, the new method would only affect floors issued prospectively, and would not alter floors issued under the previously approved method. To be clear, PJM would not retroactively apply the new method.
2. In your filing, you state that, with the exception of an express stipulation in the proposed RAA that ELCC Classes be defined for Limited Duration Resources with 4-hour, 6-hour, 8-hour, and 10-hour durations (with matching durations for Combination Resources that are composed in part of one or more such ELCC Classes), PJM proposes to define the specific ELCC Classes in its Manuals. You state that this is, in part, an acknowledgement that innovation and technological change may considerably alter the kind of resources participating in PJM’s ELCC construct in the coming years, thereby making recitation of all possible ELCC Class permutations in the RAA impracticable.\(^8\)

   a. In your filing, you note that both tracking and fixed-tilt solar resources might share an ELCC Class.\(^9\) If PJM were to initially include these resources in the same ELCC Class, and then treat them as belonging to two different classes at some point in the future, please explain how this would affect the calculation of ELCC Class UCAP, ELCC Class Rating, and ELCC Class Rating floor values. How would the transition mechanism apply to resources that may be moved into a different ELCC Class than the one that was used to establish the ELCC Class Rating floors for their annual cohort?

   **Answer:**

   In case of a class redefinition, including splitting previously combined categories and joining previously split ones, the ELCC Class Rating and the Performance Adjustment for the old class could be significantly different from the ELCC Class Rating for the new class, which would render the old floor values inappropriate in the new context. For example, if PJM were to initially include tracking and fixed-tilt solar resources in the same ELCC Class, and then later treat them as belonging to two different classes, the effect of this redefinition would be to shift the ELCC Class Rating values, as well as the ELCC Resource Performance Adjustment (“Performance Adjustment”) values (which are resource-specific and used to determine a resource’s Accredited UCAP\(^{10}\)). The corresponding floor values—which were originally issued to resources in the context of a different class definition—would also be rendered inappropriate in the context of the new class. To continue the example: if tracking solar and fixed solar share a class, and the class is dominated by tracking solar, then the Class Rating could be quite high, for example 60%. A fixed-tilt solar unit in such class would be expected to have a significantly lower Performance Adjustment relative to the average for the class—for example, 65%. In that case, its final Accredited UCAP value\(^{11}\) would be 39% of its nameplate capacity. Such resource could have a hypothetical floor value of, for example, 55%. If fixed solar were split into its own

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\(^8\) Transmittal at 17.

\(^9\) Transmittal at 32.

\(^{10}\) See Transmittal at 33-36.

\(^{11}\) Proposed Accredited UCAP for Variable Resources = Effective Nameplate Capacity * ELCC Class Rating * Performance Adjustment. See proposed RAA, Schedule 9.1, section E.
class, separate from higher performing tracking solar, then the Performance Adjustment for such a unit would increase significantly (for example, to 105%) to represent its performance relative to other members of its new class, which now consists only of fixed-tilt solar resources. In this case, it would not be appropriate to apply to the fixed-tilt solar resource a 55% floor value using a 105% Performance Adjustment, which would yield an inappropriately high Accredited UCAP value of 57.75% of the resource’s nameplate capacity.

To provide greater certainty about the consequences of such a future class re-definition, PJM proposes to revise proposed RAA, Schedule 9.1, section J(3)(f)(iii) to state that if an ELCC Class is redefined, “the floors for a given resource whose class has been redefined will be adjusted based on a ratio of the aggregate performance of the newly defined class of which it is a member relative to the aggregate performance of the previously defined class of which it had been a member.”

Extending the above solar example, the performance of the previously defined class would be established based on the output of the entire class during the 200 coincident peak gross load hours over 10 years, as well as the 200 coincident peak putative net load hours over 10 years.\(^{12}\) It is reasonable to assume a plausible value of 60% of the aggregate nameplate capacity for such performance metric for a combined tracking and fixed-tilt solar class. Likewise, for the class consisting solely of fixed-tilt solar resources, it is reasonable to assume a plausible value of such performance metric of 39% of the aggregate nameplate capacity. The hypothetical previously issued floor of 55% cited in the example above would therefore be multiplied by the ratio \((0.39/0.60) = 35.75\%\). The Accredited UCAP value of the fixed-tilt solar resource with a reasonably assumed 100% Performance Adjustment in the new, fixed-tilt-only class calculated on the basis of their floor value (which initially had been 55%) would therefore be: \(35.75\%*100\% = 35.75\%\). This is exactly the same as what the Accredited UCAP value for the same resource would have been if it had been part of a combined solar class with a floor of 55% and a 65% Performance Adjustment: \(55\%*65\% = 35.75\%

\(^{12}\) See proposed RAA, Schedule 9.1, section E(2)(a).
3. In your filing, you state that, for any given Delivery Year, ELCC Resources will be assigned an Accredited UCAP based on the higher of the ELCC Class Rating floor value or the ELCC Class Rating calculated under the standard ELCC methodology. You also state that, if the ELCC Class Rating floor “binds” for any ELCC Resources, PJM must reduce the ELCC Class Rating of certain other ELCC Resources to preserve the ELCC Portfolio UCAP and ELCC Class UCAP values. You state that, to broaden the base for spreading these offsetting adjustments, PJM will work with stakeholders to group classes that have similar relevant physical characteristics (e.g. 4-hour and 6-hour storage) to produce groups that are broad enough to include a significant fraction of the ELCC Portfolio UCAP. Furthermore, you state that, as a fallback, PJM will offset ELCC Class Ratings on a total ELCC portfolio basis if there are not sufficient offsets available from resources within a group (i.e., without pushing those resources below the floor).

a. Please explain in detail how PJM will allocate ELCC Class Rating reductions across ELCC Class groups if the ELCC Class Rating floor binds for one or more ELCC Classes within the group.

Answer:

PJM has included spreadsheets illustrating this allocation in detail. These spreadsheets are included as “Response Appendix B.xlsx” and “Response Appendix C.xlsx.”

The spreadsheet in Response Appendix B details how PJM will reduce the ELCC Class Rating of certain other ELCC Resources to preserve the ELCC Portfolio UCAP and aggregate ELCC Class UCAP values, given predefined groupings of classes across which offsetting adjustments will be spread.

The methodology illustrated in Response Appendix B is designed to honor several key constraints: (a) reduce the Class Ratings of all the ELCC Classes of the predefined grouping by the same fraction; (b) identify Accredited UCAP values using floor ratings for those resources whose floor ratings exceed the applicable ELCC Class Rating; and (c) ensure that the sum of the Accredited UCAP values of the resources in the model (taking account of the floors and the final ELCC Class Ratings) is equal to the sum of the ELCC Class UCAP values which have been allocated on the basis of RAA, Schedule 9.1, section C.

13 Transmittal at 54-56.

14 The spreadsheet in Response Appendix B is also available at: https://www.pjm.com/-/media/committees-groups/task-forces/ccstf/2021/20210119/20210119-item-03d-1-class-to-group-floor-arithmetic-examples-rev2.ashx.

15 The spreadsheet in Response Appendix C is also available at: https://www.pjm.com/-/media/committees-groups/task-forces/ccstf/2021/20210119/20210119-item-03d-2-group-to-portfolio-ucap-arithmetic.ashx.
PJM Interconnection, L.L.C.
Docket No. ER21-278-001
March 1, 2021 Response of PJM to
FERC Staff’s December 22, 2020 Information Request

PJM will use a similar method to address the fallback scenario described in the question. In this circumstance, the offsets are first obtained by reducing the ELCC Class Ratings of the classes in the predefined groupings; then any residual offsets are obtained by reducing the ELCC Class Ratings of all the other classes of the ELCC portfolio. An example of the first stage in this process is illustrated in Response Appendix C.

In the example in Response Appendix C, the ELCC Class Ratings of the classes of the group (Class 1 and Class 2) have been reduced to 0%, and there are still 173 MW of offsetting reductions needed (i.e., 2,273 MW of guaranteed UCAP accreditations but only 2,100 of aggregate group-level ELCC Class UCAP) which, in the second stage, must be allocated to the remaining classes of the portfolio.
b. Please provide examples of classes of resources that PJM considers as having similar relevant physical characteristics, in addition to the example of 4-hour and 6-hour storage resources provided in your filing. Specifically, please explain how PJM and stakeholders will identify the characteristics used to establish similar classes for wind resources, solar resources, various classes of Combination Resources, and other common ELCC Resources.¹⁶

Answer:

PJM’s ELCC construct integrates stakeholder input into the determination of ELCC floor groupings. Accordingly, PJM is currently discussing the boundaries of ELCC floor groupings with its stakeholders, with plans to endorse and document the results in a new PJM Manual 21a in June of 2021.

As part of this collaborative process, PJM discussed with stakeholders the following examples of classes of resources that it believes should be designated as having similar relevant physical characteristics:

i) fixed solar and tracking solar;

ii) onshore wind and offshore wind; and

iii) tracking solar + 4-hour hybrids and fixed solar + 6-hour hybrids.¹⁷

¹⁶ As noted in question 2, we recognize that PJM does not propose to define explicit classes for wind and solar resources in its OATT or RAA.

c. Recognizing that resources will have their Accredited UCAP reduced if PJM determines that they have similar relevant physical characteristics to an ELCC Class for which the floor bound, please explain how PJM will resolve any disputes regarding which ELCC Classes share relevant physical characteristics for the purposes of offsetting adjustments to ELCC Class Rating.

Answer:

The groupings will be determined in advance through the stakeholder process and memorialized in PJM Manual 21a. Different views on the groupings therefore can be raised and resolved through the stakeholder process before the groupings are reflected in the manual. Consequently, Members will have notice of and input into the definition of such groupings.

The groupings may be revisited from time to time as part of the stakeholder process. Any stakeholders who have concerns with such grouping can propose a change via the PJM stakeholder process. Such a change would require presentation to stakeholders for endorsement and approval by PJM.

Finally, PJM’s dispute resolution procedures in Operating Agreement, Schedule 5, are available to Members in the event that they wish to contest a class designation prior to taking the case to the Commission.
d. Is it possible for ELCC Class Rating floors to bind to such an extent that PJM would be unable to identify sufficient offsetting reductions in ELCC Class Ratings across the ELCC portfolio to preserve the ELCC Portfolio UCAP? If so, how would PJM ensure that ELCC Resources are not assigned an aggregate UCAP greater than the ELCC Portfolio UCAP?

Answer:

The scenario posited by the question is theoretically possible, but very unlikely for several reasons. First, there is no obvious mechanism by which the total ELCC value ascribed to the current fleet of ELCC Resources will dramatically decline, even after allowing for the possibility that the marginal value of new additions of ELCC Resources to the grid could decline faster than in the conservative estimate used for the floors. The total reliability value of the 20+ gigawatts of currently installed ELCC Resources is fairly well established. While that reliability value could decline due to changes in load shape or other factors, it is unlikely to decline dramatically. This existing resource reliability value therefore bolsters the floor guarantees. Second, PJM anticipates large volumes of new ELCC Resources entering service in the coming years. To illustrate, PJM’s most recent resource mix forecast projects tens of thousands of megawatts of new renewables and storage being added to the PJM system in the next decade with an accelerating pace. Such additions will significantly add to the ELCC Portfolio UCAP, and therefore significantly add to the amount of UCAP available to support previously issued floors. Third, the floors are calculated using a conservative view of the resource mix, and so by definition are considered not likely to bind.

In the October 30 Filing, PJM proposed language in new RAA, Schedule 9.1, section C establishing the foundational principle that “ELCC Portfolio UCAP shall be allocated . . . to each ELCC Class UCAP . . . such that the aggregate of all ELCC Class UCAP values is equal to the ELCC Portfolio UCAP.” PJM does not propose to alter this principle in this response. In the unlikely event that the scenario described above occurred, PJM would ensure that ELCC Resources in the model are not assigned an aggregate UCAP greater than the ELCC Portfolio UCAP by reducing all floor ratings proportionately.

To address this specific contingency, PJM proposes to revise proposed RAA, Schedule 9.1, section J(3)(f) to include a new section (iv) to provide that, if such very unlikely circumstance occurs, PJM will reduce the applicable floor values “by the same proportion such that the aggregate Accredited UCAP values equal the ELCC Portfolio UCAP.” In other words, PJM will reduce all floors by the same proportion until equality is reached between the aggregate Accredited UCAP of the resources in the model and the identified reliability value of the resources in the model (that is, the ELCC Portfolio UCAP).
4. In your filing, you state that the Accredited UCAP sets a maximum amount of capacity an ELCC Resource may offer or provide in a given Delivery Year, subject to the amount of Capacity Interconnection Rights (CIRs) secured for the resource. Specifically, you state that the amount of capacity an ELCC Resource can provide is the lesser of its Accredited UCAP and its CIRs.\(^\text{18}\)

Answer:

The following background is relevant to PJM’s responses shown below to Questions 4(a)-(e). The determination of CIRs, which specify how much capacity a generation resource may deliver, is in part based on the physical capability of the resource, a measure of which is the resource’s installed capacity (“ICAP”). To provide context and to distinguish a resource’s ICAP from its Unforced Capacity (“UCAP”), PJM first describes the determination of ICAP, UCAP, and then CIRs.

**ICAP:** ICAP is a key measure of the physical capability of a resource and is defined generally in PJM Manual 21 as “the summer net capability of a generating unit . . . and within the capacity interconnection right limits of the bus to which it is connected.”\(^\text{19}\) Summer net capability represents the maximum output that a resource can produce coincident with the PJM system peak. The ICAP of all resources is further limited by the amount of power a resource can continuously produce for 10 hours—the “10-hour rule.”\(^\text{20}\) For all resources that are capable of sustained output greater than 10 hours, which includes all Variable Resources (e.g., solar and wind), the ICAP determination is not affected by the 10-hour rule. However, the ICAP determination of Limited Duration Resources (e.g., battery storage) of less than 10-hours duration is affected by the 10-hour rule.

**UCAP:** A resource’s physical capability to serve firm load is known as UCAP.\(^\text{21}\) Because of forced outages, resources cannot serve firm load at their full ICAP level. For all resources except wind and solar, UCAP is defined as ICAP times one minus the forced

\(^{18}\) Transmittal at 39-40.


\(^{20}\) See PJM Manual 21, section 2.1(5) (“All or any part of a unit’s capability that can be sustained for a number of hours of continuous operation commensurate with PJM load requirements, specified as 10 hours, shall be considered as unlimited energy capability. All or any part of a unit’s capability that cannot be sustained for a number of hours of continuous operation commensurate with PJM load requirements, specified as 10 hours, shall be considered as limited energy capability. Such limited energy capability will be used to meet the energy requirements of PJM and depending on the extent to which it meets these requirements such capability may be reduced as provided in Schedule 9 of the Reliability Assurance Agreement (RAA).”).

\(^{21}\) See RAA, Article 1 (“‘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.”).
outage rate (i.e., EFORd).22 Because of the unique variability of wind and solar, the UCAP of such resources is not based on ICAP, but is instead measured directly according to the average output on all summer afternoons.23 UCAP is the medium of exchange of the Capacity Market, and so resources cannot commit to provide more capacity than they are physically capable of providing (that is, their UCAP level).

**CIRs:** CIRs are closely connected to, but different from, the physical capability of a Generation Capacity Resource to serve firm load (i.e., CIRs are distinct from UCAP). CIRs represent the amount of firm injection capability into the transmission network that is secured for a given resource—CIRs reflect physical characteristics of the transmission network, not of any specific resource. Thorough planning studies are performed to ensure that the transmission network can reliably deliver the output of Generation Capacity Resources up to their CIR level under even the most challenging peak load conditions. Resources (other than wind and solar) hold CIRs commensurate with their actual or expected ICAP level.24 Wind and solar hold CIRs commensurate with their average output on summer afternoons.25 By not allowing resources to provide more megawatts of capacity than they have CIRs, PJM helps ensure that resources that provide capacity will not generally be curtailed below their committed capacity level due to transmission bottlenecks during emergency events, when such curtailment could lead to inadequate supply.

The following hypothetical example illustrates the concepts of ICAP, UCAP, and CIRs. Consider a gas plant with a 100 MW nameplate capacity and a 15% forced outage rate. Such a resource could request CIRs up to its potential ICAP level, for example 100 MW. If such resource indeed secured 100 MW of CIRs and tested at 100 MW, it would have an...

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23 See PJM Manual 21, Appendix B: ("The Capacity Value for a wind or solar capacity resource represents that amount of generating capacity, expressed in MW that it can reliably contribute during summer peak hours and which can be offered as unforced capacity into the PJM capacity markets,” i.e., over the period from June 1 through August 31, inclusive” and those hours “ending 3, 4, 5, and 6 PM Local Prevailing Time.”).

24 See PJM Manual 21, section 1.1 ("The CIR level of a generating unit is reflective of the net capability of the generating unit at the time of the expected summer peak . . . . Net capability is discussed in section 2 of this manual and cannot be higher than the CIR level; however, it can be lower."); id., section 1.1.2 ("CIRs are retained when a generating unit proves its CIR level in the PJM Summer Capability Verification Test once in the most recent consecutive three year period.”).

25 See PJM Manual 21, section 1.1.7 ("CIR calculations for wind and solar resources are based on the summer peak hour capacity factor of each wind/solar resource. CIRs are retained when a wind or solar units highest summer capacity factor of the most recent three summer periods meets or exceeds the capacity factor associated with its CIRs."); id., Appendix B ("The ‘Capacity Factor’ for a wind or solar capacity resource is a factor based on historical operating data and/or the Class Average Capacity Factor, and is used in the calculation that determines a wind or solar capacity resource’s Capacity Value.”).
ICAP of 100 MW. Such a resource would have a UCAP of 85 MW \([100*(100\%-15\%)]\). If such resource had a lower quantity of CIRs, its ICAP would accordingly be lower, and its UCAP would be lower in turn.

For the foregoing reasons, offers by a Generation Capacity Resource into the Capacity Market, and any other provision of capacity, both cannot exceed such resource’s UCAP level, and cannot exceed the resource’s CIRs.
a. Please explain the process used to determine the quantity of CIRs a Variable Resource, Limited Duration Resource, or Combination Resource secures upon interconnection, including any relevant tariff or Manual citations. How does the quantity of CIRs these resources secure compare to their nameplate capacity, existing UCAP valuation, and Accredited UCAP under the instant proposal? Please provide one or two illustrative examples.

Answer:

All generation resources can request CIRs at the level of their net capability at the time of the expected summer peak (that is, their potential ICAP), or, for wind and solar resources, at the level consistent with their average output during summer peak hours. This is true for Variable Resources, Limited Duration Resources, and Combination Resources. Section 230 of the Tariff addresses CIRs, and PJM Manual 21 sets forth the “Rules and Procedures for Determination of Generating Capability,” including how CIRs are granted, and retained.

Wind and solar resources hold CIRs based on average summer output; other resources hold CIRs based on ICAP. The October 30 Filing does not change these provisions. The ICAP for resources other than wind and solar is determined by the lesser of summer testing and the 10-hour rule, as described above, except that the ICAP for Combination Resources is based on the sum of the components. As further described below, the October 30 Filing redefines the ICAP value for Limited Duration Resources, replacing the 10-hour rule with the “X-hour rule,” and redefines the ICAP for Combination Resources other than Hydropower with Non-Pumped Storage.

Recognizing that a resource cannot request CIRs beyond the level described above based on their summer net capability, under the current process, a resource secures CIRs in the amount requested upon executing an Interconnection Service Agreement or Wholesale Market Participant Agreement.

Accordingly, for non-wind/solar resources, the quantity of CIRs a resource may be granted cannot exceed the installed capacity of a resource.

26 See PJM Manual 21, section 1.1.


28 See PJM Manual 21, section 1.3.6.
For wind and solar resources, there is no distinction in the determination of ICAP and UCAP, both are measured based on the resource’s performance over summer peak.

Under the current process, hybrids\textsuperscript{29} retain CIRs in an amount corresponding to the sum of the CIR levels of their components, except hybrids that cannot charge from the grid do not receive credit for the storage portion. The October 30 Filing proposes redefining the installed capacity of such resources to “the lesser of the Maximum Facility Output or the sum of the equivalent Effective Nameplate Capacity values of the resource’s constituent components considered on a stand-alone basis.”\textsuperscript{30} Like Limited Duration Resources, such resources cannot retain CIRs in excess of the summer test value.\textsuperscript{31} The implication of this proposal is to change the amount of CIRs that a hybrid that cannot charge from the grid can request by providing credit for the storage component.

In response to Question 4b below, PJM describes in detail the process used to determine the quantity of CIRs the various classes of Variable Resource, Limited Duration Resource, and Combination Resource holds, along with a comparison to nameplate capacity, existing UCAP valuation, and Accredited UCAP under the instant proposal.

\textsuperscript{29}The Combination Resource category includes Hydropower with Non-Pumped Storage resources as well as resources that mix a generation component with a Limited Duration Resource component. For the purposes of these responses, the term “hybrid” refers to a Combination Resource that is not Hydropower with Non-Pumped Storage.

\textsuperscript{30}Proposed RAA, Schedule 9.1, section F.

\textsuperscript{31}PJM Manual 21, section 1.1.3.
March 1, 2021 Response of PJM to FERC Staff’s December 22, 2020 Information Request

b. Please explain whether the instant filing will affect the quantity of CIRs that ELCC Resources secure upon interconnection.

Answer:

As explained in the response to subpart (a), the October 30 Filing indirectly affects the quantity of CIRs that Limited Duration Resources and Combination Resources secure upon interconnection by redefining the ICAP for such resources.

Beyond this, the instant filing would not impact the quantity of CIRs that ELCC Resources secure upon interconnection. However, given the potential for interplay between ELCC and CIRs, PJM has initiated a stakeholder process to consider changes to the rules for CIRs, and address any potential discrepancies with the ELCC rules. Depending on the outcome of this stakeholder process, PJM may make subsequent Federal Power Act section 205 filings with the Commission, as appropriate.

PJM’s ELCC framework will not change the current process for resources to obtain CIRs—neither in methodology nor quantity—for any resource except Limited Duration Resources and hybrid resources. The October 30 Filing would indirectly affect the quantity of CIRs for which a Limited Duration Resource may qualify by defining such a resource’s installed capacity on the 10-hour rule but on “the sustained level of output that the unit can provide and maintain over a continuous period, whereby the duration of that period matches the characteristic duration of the corresponding ELCC Class.” This change means that the installed capacity, or “net capability” for CIR purposes, for Limited Duration Resources with a characteristic duration of less than 10 hours will increase under the October 30 Filing relative to the current construct, increasing the amount of CIRs that such resources are eligible to request. In other words, in the October 30 Filing, PJM proposes to redefine the installed capacity of a Limited Duration Resource to an “X-hour rule,” where “X” is the characteristic duration of the chosen limited duration class. This X-hour rule effectively replaces the 10-hour rule in limiting the amount of CIRs that a


33 For the purposes of these responses, a “hybrid” refers to a Combination Resource that is not a Hydropower with Non-Pumped Storage resource.

34 See proposed RAA, Schedule 9.1, section F (“The installed capacity of a Limited Duration Resource is based on the sustained level of output that the unit can provide and maintain over a continuous period, whereby the duration of that period matches the characteristic duration of the corresponding ELCC Class, with consideration given to ambient conditions expected to exist at the time of PJM system peak load, as described in the PJM Manuals.”).
Limited Duration Resource may request. However, such resources cannot retain CIRs in excess of the summer test value.\textsuperscript{35}

The following describes how the quantity of CIRs the Variable Resources, Limited Duration Resources, and Combination Resources secure upon interconnection, and how such quantity compares to nameplate capacity, status quo (i.e., pre-ELCC) UCAP valuation, and Accredited UCAP determined under the instant proposal:

- **Status quo for wind and solar (both classes of Variable Resource):** the status quo for CIR retention and request eligibility is generally similar to the status quo for UCAP valuation. The underlying metric for both is the same (i.e., average output over the 368 hours of summer afternoons between the hours ending 3 PM and 6 PM Local Prevailing Time during the months of June, July, and August, as specified in Manual 21, Appendix B). Both CIRs and status quo UCAP for such resources are well below nameplate power ratings. As a hypothetical example: a planned 100 MW wind farm might have an expected average output on summer afternoons of 14.7 MW, and therefore be eligible to request 14.7 MW of CIRs. Prior to entering service, such resource would also have a UCAP of 14.7 MW. After entering service, the CIRs and UCAP could fall if actual average summer afternoon output were lower than 14.7 MW.

  - **ELCC:** The UCAP value (based on ELCC) would be distinct from the CIR eligibility value (based on average output over the 368 summer afternoon hours), and also distinct from the nameplate value. To continue the above example, if the ELCC Class Rating for onshore wind were 13%, and the expected ELCC Resource Performance Adjustment were 100%, the resource could request 14.7 MW of CIRs, but would have a UCAP of 13 MW.

- **Status quo for other Variable Resources:** CIRs may be requested up to the expected ICAP level. This is generally similar to or below the nameplate capacity, depending on the expected capability to produce power during conditions of the PJM summer peak given resource availability and generator characteristics. The UCAP valuation is adjusted down from the ICAP level by a factor of 1 minus the forced outage rate.

  - **ELCC:** The ELCC Accredited UCAP level is expected to be somewhat lower than the status quo UCAP level for other Variable Resources.

- **Status quo for Limited Duration Resources (including Energy Storage Resources) greater than 10-hours duration:** CIR retention and request eligibility

\textsuperscript{35} PJM Manual 21, section 1.1.3.
are generally equal to nameplate; status quo UCAP is lower, equal to nameplate*(1-forced outage rate).

- **ELCC**: This situation would be similar, except that if the ELCC Class Rating for 10-hour storage resources were less than 100%, then the UCAP value would be lower still relative to the other two values.

- **Status quo for Limited Duration Resources (including Energy Storage Resources) less than 10-hours duration (e.g., 4 hours):** CIR retention and request eligibility under the status quo is based on a 40% rating factor relative to nameplate power capacity, which is the fraction of the nameplate power level that a 4-hour resource can operate at for 10 hours. UCAP under the status quo would be similar to the CIR level, adjusted for forced outages. For example, a 100 MW battery resource with 400 MWh of energy storage capability could request 40 MW of CIRs under the status quo.

  - **ELCC**: the CIR level for this category of resource would increase to Effective Nameplate Capacity, while UCAP would be adjusted down from the Effective Nameplate Capacity by both the applicable Class Rating (which is expected to be under 100%) as well as the forced outage adjustment. To continue the above battery example, the resource could elect to participate in the 4-hour Energy Storage Resource class, in which case under the “X-hour rule” it could request CIRs up to its potential ICAP of 100 MW. If the hypothetical ELCC Class Rating for such class were 76%, and the expected forced outage rate were 95%, then the Accredited UCAP would be the product of the Effective Nameplate Capacity (100 MW), the hypothetical ELCC Class Rating (76%), and one minus EFORd (95%), or 72.2 MW.

- **Status quo for Hydropower with Non-Pumped Storage (a class of Combination Resource):** CIRs may be requested up to the expected ICAP level. This is generally similar to or below the nameplate capacity, depending on the expected capability to produce power during conditions of the PJM summer peak given resource availability, storage reservoir size, and generator characteristics. The UCAP valuation is adjusted down from the ICAP level by a factor of 1 minus the forced outage rate.

  - **ELCC**: The ELCC Accredited UCAP level is expected to be similar to or lower than the status quo UCAP level, depending on the characteristics of the particular resource.

- **Status quo for Other Combination Resources (i.e., hybrids), for example, solar+4-hour battery hybrids:** for hybrids that are capable of charging from the grid, CIR retention and request eligibility under the status quo is based on the sum of the CIR retention quantities of the components (but not to exceed the
Maximum Facility Output of the combined plant). For example, for a hybrid consisting of 100 MW Maximum Facility Output, 100 MW tracking solar, 25 MW/100 MWh battery, the CIR retention and request eligibility might be $0.6 \times 100 + 0.4 \times 25 = 66.25$ MW. Under the status quo, the UCAP value would be similar.

For hybrids that are not capable of charging from the grid, CIR levels under the status quo are based only on the CIR level of the solar component. In the prior example, if the hybrid could not charge from the grid, the CIR level would be $0.6 \times 100$ MW = 60 MW. Under the status quo, the UCAP value would be similar.

- **ELCC:** Regardless of whether the hybrid can or cannot charge from the grid, the CIR request eligibility would be the lesser of the Maximum Facility Output, the sum of the Effective Nameplate Capacity values of the components, or the expected summer test value. The UCAP would be the lesser of the Maximum Facility Output or the sum of the Accredited UCAP values of the components using the applicable hybrid rating for the storage component. Note that the hybrid rating for the storage component is different for hybrids that can charge from the grid vs. those that cannot charge from the grid, since their hourly profile is different—however, the actual values for such ratings have been very similar in preliminary analysis.
PJM Interconnection, L.L.C.
Docket No. ER21-278-001
March 1, 2021 Response of PJM to FERC Staff’s December 22, 2020 Information Request

c. If the application of the ELCC analysis proposed in the instant filing results in an Accredited UCAP greater than a resource’s existing CIRs, please explain whether the resource will be able to secure additional CIRs sufficiently in advance to offer its full Accredited UCAP into the capacity market.

Answer:

Limited Duration Resources and hybrid resources stand out among other types of ELCC resources in that their Accredited UCAP value could be well in excess of current ICAP levels, and therefore well in excess of current CIR levels. In the case of Limited Duration Resources and Combination Resources with less than 10 hours of characteristic duration, the instant proposal offers an opportunity to request more CIRs. This is because the proposal redefines installed capacity using the X-hour rule, and not the 10-hour rule, as discussed above, and CIRs can be requested up to potential installed capacity levels. To obtain additional CIRs, the Market Seller would need to submit a Generation Interconnection Request for PJM to study the increased net capacity capability of the resource. Given the need for such requests to proceed through the interconnection queue, it is unlikely that resources will be able to secure additional CIRs in advance of the 2023/2024 Base Residual Auction, which is scheduled to be held in December 2021. However, such resources may be able to obtain CIRs in advance of the Third Incremental Auction for the 2023/2024 Delivery Year, which is scheduled for February 2023.

The quantity of CIRs available for Variable Resources will be unchanged by the October 30 Filing, because a Variable Resource’s CIR level is based on its summer capability. The preliminary ELCC results included in response to Question 6(a) indicate ELCC Class Ratings for Variable Resources that in all cases are below the current CIR eligibility of those same resource classes, so this question may be moot for such classes.

Resources in other categories can only request more CIRs if they do not already have the maximum amount of CIRs that they are eligible to retain under current CIR rules. As discussed in the prior response, PJM has initiated a stakeholder process to investigate changing the rules for CIRs to bring the CIR rules and procedures into better alignment with the principles of ELCC, among other potential improvements.

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If a resource’s Accredited UCAP is less than its existing CIRs, what will happen to the resource’s unused CIRs in excess of its Accredited UCAP? Will the resource have any opportunity to shed or transfer unused CIRs?

**Answer:**

In this scenario, the resource will not lose CIRs simply because they are in excess of Accredited UCAP. They can only lose CIRs if their actual output fails PJM’s CIR testing procedures. In addition, all resources have defined opportunities to transfer CIRs under existing rules.\(^{37}\)

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e. If a Variable Resource or Combination Resource has CIRs equal to its Accredited UCAP, would this level of CIRs demonstrate sufficient deliverability to meet the Loss of Load Expectation standard on which the ELCC analysis and the resource’s Accredited UCAP are calibrated?

Answer:

If a Variable Resource or Combination Resource has CIRs equal to its Accredited UCAP, it is possible that this level of CIRs would not demonstrate sufficient deliverability to meet the Loss of Load Expectation standard on which the ELCC analysis and resource’s Accredited UCAP are determined. This is because the resource only has firm derivability rights (i.e., CIRs) up to the UCAP level in this scenario and PJM does not consider a resource’s UCAP or CIR level as parameters in the ELCC analysis.

The ELCC analysis evaluates the contribution to reliability of the output of the Variable Resource or Combination Resource without regard to a resource’s (expected) UCAP or CIR levels. As a result, the reliability value of output above a resource’s CIR level is included in the ELCC evaluation.
5. In support of your proposal to implement the ELCC construct with the 2023/2024 Delivery Year, you state that it would produce undesirable effects to run a Base Residual Auction for a given Delivery Year under the status quo capacity capability determination rules, and then switch to the ELCC construct for subsequent Incremental Auctions.\textsuperscript{38}

a. Please explain in more detail the undesirable effects to which PJM refers in the statement above.

Answer:

A generic rule change on the calculation of UCAP for a Delivery Year after the Base Residual Auction ("BRA") for that Delivery Year appears on its face to be needlessly disruptive, since the vast majority of capacity commitments for a Delivery Year are effected through the BRA. Among other practical problems, such a change increases the potential for inter-auction arbitrage, due solely to rule changes and not market or economic changes. Moreover, as suggested by the data provided in response to Question 6(b), many individual resources could see a decrease in UCAP if their BRA position was based on the current rules, but the ELCC approach governed their UCAP determination for the Delivery Year. Such resources could thus have Delivery Year commitments in excess of their resource’s Accredited UCAP, solely as a consequence of an inter-auction rule change. Such a change would not be due to a resource-specific condition such as additional resource performance data, but instead would be due to a rule change on calculation of a critical Sell Offer parameter—the quantity of the product the Seller can offer. While market rule changes are common, and some PJM market rule changes may from time to time affect particular sellers’ expectations, a generic rule change directed at an essential offer parameter, i.e., the quantity a seller may offer, appears to create inequities as between those that offer in the BRA versus those that offer in an Incremental Auction. Given that there is discretion in the timing of that rule change, such inequity can be readily avoided—and should be avoided.

\textsuperscript{38} Transmittal at 62 n.141.
b. How do these effects compare to adjustments in ELCC Resources’ Accredited UCAP and/or Unlimited Resources’ Equivalent Demand Forced Outage Rate (EFORd) between the Base Residual Auction and Third Incremental Auction to which you refer in your filing?39

Answer:

Any change in UCAP between auctions for a Delivery Year can change the seller’s capacity commitment for that Delivery Year, but the two scenarios contemplated by the question are not comparable.

The long-standing rule on updates to EFORd before the Third Incremental Auction (and an opportunity to adjust the resource’s specific commitment based on that update) ensures that a resource’s capacity commitment for the upcoming Delivery Year reflects the resource’s capacity capability, as determined based on the most recent information available—information not available at the earlier time of commitment. The October 30 Filing proposes a similar update prior to the Third Incremental Auction for ELCC resources, based on their latest resource-specific performance data and the latest ELCC calculations.40

By contrast, implementing the proposed ELCC rules for a Delivery Year after the BRA for that Delivery Year would represent a generic change on the fundamental rule for determining permissible offer quantities for numerous resource types for the Delivery Year addressed by that BRA. Such a change could well produce greater UCAP changes (and in particular more UCAP reductions) than the proposed approach that would implement ELCC in a BRA and merely refine the UCAP values before the Third Incremental Auction. As stated in the response to Question 5(a), post-BRA implementation of ELCC for a Delivery Year seems needlessly disruptive and potentially inequitable. Moreover, the October 30 Filing does not allege that the current rules for evaluating an ELCC Resource’s capacity capability are unjust and unreasonable, only that the ELCC construct is a just and reasonable means for evaluating an ELCC Resource’s capacity capability. Consequently, there is no compelling rationale for rushing the ELCC rules into effect for Delivery Years that have already had a BRA.

39 Transmittal at 47 (“Under PJM’s proposal, if final ELCC Class Ratings exceed preliminary ratings for the same Delivery Year, Capacity Market Sellers may have an opportunity to sell additional UCAP in the Third Incremental Auction for such Delivery Year. By contrast, if final ELCC Class Ratings are less than preliminary ones, then Capacity Market Sellers might need to buy back any shortfalls in order to avoid applicable Deficiency Charges. This is identical to the process in place today, where an Unlimited Resource’s final EFORd is not known until the December before the Delivery Year, and if the EFORd is higher than was what assumed at the time of the Base Residual Auction for the Delivery Year, the seller must make up the shortfall or face Deficiency Charges.” (citing OATT, Attachment DD, § 8)).

40 See proposed RAA, Schedule 9.1, section I.
6. In the instant filing, you state that the ELCC Class Rating is analogous to the “capacity factor” for wind and solar resources that is referred to in PJM Manual 21, reflecting the performance characteristics or history of the resource type that PJM has used to de-rate wind and solar resources and determine the maximum Unforced Capacity such resources may provide in a given Delivery Year.41

a. Please provide any preliminary estimates of the ELCC Class Ratings for various classes of resources and the resource mixes PJM considered in developing those estimates.

Answer:

The following table represents preliminary ELCC Class Rating values for a variety of classes in 2023 and 2028.42 Note that the ELCC model per se is not expected to significantly change for the calculation of final ELCC Class Rating results; however, final results will vary due to updates to changes to a variety of inputs. In particular, the preliminary offshore wind values shown here use preliminary hourly profiles, and the results could change significantly with more precise profiles. Note also that “open loop” hybrids are defined as those that can charge from the grid, while “closed loop” hybrids are those that cannot. Hybrids were modeled as 100% Maximum Facility Output, 100% tracking solar nameplate, 25% 4-hour storage nameplate. PJM is providing in “CUI-PRIV Response Appendix D.xlsx” an estimate of the aggregate hourly energy output of each resource class in the 2023 scenario. This data is a measure of the resource mix used the ELCC analyses. As explained in the cover letter, PJM is requesting confidential treatment for Response Appendix D.


42 These ELCC Class Rating Values do not attempt to account for possible ELCC floor rating impacts.
<table>
<thead>
<tr>
<th></th>
<th>Preliminary ELCC Class Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2023</td>
</tr>
<tr>
<td>Onshore Wind</td>
<td>13%</td>
</tr>
<tr>
<td>Offshore Wind</td>
<td>27%</td>
</tr>
<tr>
<td>Solar Fixed</td>
<td>29%</td>
</tr>
<tr>
<td>Solar Tracking</td>
<td>54%</td>
</tr>
<tr>
<td>4-hr Storage</td>
<td>79%</td>
</tr>
<tr>
<td>8-hr Storage</td>
<td>95%</td>
</tr>
<tr>
<td>Solar Hybrid Open Loop—Storage Component</td>
<td>80%</td>
</tr>
<tr>
<td>Solar Hybrid Closed Loop—Storage Component</td>
<td>79%</td>
</tr>
<tr>
<td>Hydro Intermittent</td>
<td>44%</td>
</tr>
<tr>
<td>Landfill Gas</td>
<td>62%</td>
</tr>
</tbody>
</table>
b. How do the preliminary ELCC Class Rating values for various classes of resources compare to the current deration factors PJM applies to those resources under its current rules, including the “capacity factors” used for wind and solar resources, the 10-hour rule used for Capacity Storage Resources, and any other relevant existing rules?

Answer:

The following table directly illustrates this comparison:

<table>
<thead>
<tr>
<th>Class</th>
<th>Preliminary for 2023</th>
<th>Status Quo</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onshore Wind</td>
<td>13%</td>
<td>14.7%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Solar Fixed</td>
<td>29%</td>
<td>38%</td>
<td>-9%</td>
</tr>
<tr>
<td>Solar Tracking</td>
<td>54%</td>
<td>60%</td>
<td>-6%</td>
</tr>
<tr>
<td>4-hr Storage</td>
<td>79%</td>
<td>40%</td>
<td>+39%</td>
</tr>
<tr>
<td>8-hr Storage</td>
<td>95%</td>
<td>80%</td>
<td>+15%</td>
</tr>
<tr>
<td>Hydro Intermittent</td>
<td>44%</td>
<td>100%</td>
<td>-56%</td>
</tr>
<tr>
<td>Landfill Gas</td>
<td>62%</td>
<td>100%</td>
<td>-38%</td>
</tr>
</tbody>
</table>
7. In the instant filing, you propose to determine the Accredited UCAP for a Combination Resource with a Variable Resource component based on the sum of the Accredited UCAP for its Variable Resource component and the Accredited UCAP for its Limited Duration Resource component. You state that the latter value is based on the actual reliability value of the fully-fledged Combination Resource class, rather than inappropriately applying the separately derived reliability value for a standalone Limited Duration Resource.\textsuperscript{43}

a. Under PJM’s proposal, would a Combination Resource offer into the capacity market as a single resource or two separate resources? Please provide any relevant tariff or manual citations.

Answer:

The ELCC model calculates only a single ELCC Class UCAP value for a hybrid class. This is then apportioned to individual hybrid resources of the class, which feature different relative sizes of batteries, according to the characteristics of the particular components.

PJM’s proposed ELCC approach is therefore designed for Combination Resources (sometimes referred as “hybrid” resources) to offer as a single resource. It does not include provisions for a Combination Resource that exhibits significant interaction between its components, but that would be offered into the Capacity market as separate resources. This is because, while the ELCC model accurately simulates the hourly output profile of a single Combination Resource including its realistic constraints, it does not specifically capture the specific output of the Variable Resource component of the hybrid, nor the storage component of the hybrid, for analysis in a separate group. Significant interactions include for example any shared power constraint of a Combination Resource, in which the two components could not both operate at full power at the same time (for example, in the case of a 100 MW hybrid with a 100 MW solar component and a 25 MW storage component, the storage component cannot discharge during periods in which the solar component is producing 100 MW). Another example of a significant interaction exists for a hybrid resource that cannot charge from this grid—in such case, the storage component can only charge during intervals in which the co-located component is producing power. Because the components cannot operate as separate, independent units, and since the mutual dependency is under the control of the market participant, the two components cannot be modeled or offered as separate components.

\textsuperscript{43} PJM Transmittal at 40-41; Proposed RAA Schedule 9.1, §§ D, E.
b. If a Combination Resource would be eligible to offer into the capacity market as two separate resources, could it offer just one of its component resources into the PJM capacity market, even though its Accredited UCAP would be based on both of its component resources? Please provide any relevant tariff or manual citations.

**Answer:**

PJM’s proposed ELCC approach is designed for Combination Resources to offer as a single resource. As explained in the response to Question 7(a), the ELCC approach does not include provisions for a Combination Resource to be offered into the Capacity market as separate resources. The ELCC framework does not contemplate this scenario.

That does not mean PJM could not explore this optionality for a possible future market rule change. In that regard, PJM notes that it is currently working on a new framework for hybrid resources at the DER & Inverter-based Resource Subcommittee (“DIRS”), which is anticipated to result in Tariff and manual revisions.

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c. How would a Combination Resource participate in the PJM energy and ancillary services markets under PJM’s current market rules? Would it participate as a single resource or as multiple resources? Please provide any relevant tariff or manual citations.

Answer:

PJM is currently working with stakeholders on this topic in the DIRS, which, as noted above, is expected to result in Tariff and Manual revisions. The DIRS is currently entertaining a proposal that hybrids participate in the energy and ancillary services markets as a single unit, provided that mixed-technology resources with no significant interaction between the components can choose to participate in energy and ancillary services markets as two separate and independent resources.
Protective Agreement
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C. ) Docket No. ER21-278

PROTECTIVE AGREEMENT

This Protective Agreement is entered into this _____ day of ____________, ____, by and between PJM Interconnection, L.L.C. (“Applicant”) and _______________ (“Intervenor”), and shall govern the use of all Privileged Material submitted by Applicant to the Federal Energy Regulatory Commission (“Commission”) in this proceeding. Applicant and Intervenor are sometimes referred to herein individually as a “Party” and jointly as “Parties.”

1. Applicant filed in the above referenced proceeding Privileged Material, as such term is defined herein. Intervenor is a Participant in such proceeding, as the term Participant is defined in 18 C.F.R. 385.102(B), or has filed a motion to intervene or a notice of intervention in such proceeding. The Parties enter into this Protective Agreement to govern the use of Privileged Material produced by Applicant in the above referenced proceeding. Notwithstanding any order terminating such proceeding, this Protective Agreement shall remain in effect unless and until specifically modified or terminated jointly by the Parties or by the Commission or a court of competent jurisdiction.

2. The Commission’s regulations\(^1\) and its policy governing the labeling of controlled unclassified information (“CUI”),\(^2\) additionally provide for the designation of Privileged Material. As to this designation, this Protective Agreement provides that a Party may designate as Privileged Material any material which customarily is treated by that Party as commercially sensitive or proprietary or material subject to a legal privilege, which is not otherwise available to the public, and which, if disclosed, would subject that Party or its customers to risk of competitive disadvantage or other business injury.

3. For the purposes of this Protective Agreement, the listed terms are defined as follows:

   A. Party(ies): As defined above.

   B. Privileged Material:\(^3\)

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\(^1\) Compare 18 C.F.R. § 388.112 with 18 C.F.R. § 388.113.


\(^3\) The Commission’s regulations state that “[f]or the purposes of the Commission’s filing requirements, non-CEII subject to an outstanding claim of exemption from disclosure under FOIA will be referred to as privileged material.” 18 C.F.R. § 388.112(a). The regulations further state that “[f]or material filed in proceedings set for trial-type hearing or settlement judge proceedings, a participant’s access to material for which privileged treatment is claimed is governed by the presiding official’s protective order.” 18 C.F.R. § 388.112(b)(2)(v).
i. Material (including depositions) provided by a Party in response to discovery requests or filed with the Commission, and that is designated as Privileged Material by such Party;⁴

ii. Material that is privileged under federal, state, or foreign law, such as work-product privilege, attorney-client privilege, or governmental privilege, and that is designated as Privileged Material by such Party;⁵

iii. Any information contained in or obtained from such designated material;

iv. Any other material which is made subject to this Protective Agreement by the Commission, any court, or other body having appropriate authority, or by agreement of the Parties (subject to approval by the relevant authority);

v. Notes of Privileged Material (memoranda, handwritten notes, or any other form of information (including electronic form) which copies or discloses Privileged Material);⁶ or


vii. Privileged Material does not include:

a. Any information or document that has been filed with and accepted into the public files of the Commission, or contained in the public files of any other federal or state agency, or any federal or state court, unless the information or document has been determined to be privileged by such agency or court; or

b. Information that is public knowledge, or which becomes public knowledge, other than through disclosure in violation of this Protective Agreement.

C. Critical Energy/Electric Infrastructure Information (“CEII”): As defined at 18 C.F.R. §§ 388.113(a), (c).

D. Non-Disclosure Certificate: The certificate attached to this Protective Agreement, by which Parties granted access to Privileged Material must certify their

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⁴ See infra P 11 for the procedures governing the labeling of this designation.

⁵ The Commission’s regulations state that “[a] presiding officer may, by order . . . restrict public disclosure of discoverable matter in order to . . . preserve a privilege of a participant . . . .” 18 C.F.R. § 385.410(c)(3). To adjudicate such privileges, the regulations further state that “[i]n the absence of controlling Commission precedent, privileges will be determined in accordance with decisions of the Federal courts with due consideration to the Commission’s need to obtain information necessary to discharge its regulatory responsibilities.” 18 C.F.R. § 385.410(d)(1)(i).

⁶ Notes of Privileged Material are subject to the same restrictions for Privileged Material except as specifically provided in this Protective Order.
understanding that such access to such material is provided pursuant to the terms and restrictions of this Protective Agreement, and that such Parties have read the Protective Agreement and agree to be bound by it.

E. Reviewing Representative: A person who has signed a Non-Disclosure Certificate and who is:

i. Commission Trial Staff designated as such in this proceeding;

ii. An attorney who has made an appearance in this proceeding for a Party;

iii. Attorneys, paralegals, and other employees associated for purposes of this case with an attorney who has made an appearance in this proceeding on behalf of a Party;

iv. An expert or an employee of an expert retained by a Party for the purpose of advising, preparing for, submitting evidence or testifying in this proceeding;

v. A person designated as a Reviewing Representative by order of the Commission; or

vi. Employees or other representatives of Parties appearing in this proceeding with significant responsibility for this docket.

4. Privileged Material shall be made available under the terms of this Protective Agreement only to Parties and only to their Reviewing Representatives as provided in this Protective Agreement. The contents of Privileged Material or any other form of information that copies or discloses such material shall not be disclosed to anyone other than in accordance with this Protective Agreement and shall be used only in connection with this specific proceeding.

5. All Privileged Material must be maintained in a secure place. Access to those materials must be limited to Reviewing Representatives specifically authorized pursuant to this Protective Agreement.

6. Privileged Material must be handled by each Party and by each Reviewing Representative in accordance with the Non-Disclosure Certificate executed pursuant to Paragraph 9 of this Protective Agreement. Privileged Material shall not be used except as necessary for the conduct of this proceeding, nor shall such material (or its substance) be disclosed in any manner to any person except a Reviewing Representative who is engaged in this proceeding and who needs to know the information in order to carry out that person’s responsibilities in this proceeding. Reviewing Representatives may make copies of Privileged Material, but such copies automatically become Privileged Material. Reviewing Representatives may make notes of Privileged Material, which shall be treated as Notes of Privileged Material if they reflect the contents of Privileged Material.
7. If a Reviewing Representative’s scope of employment includes any of the activities listed under this Paragraph 7, such Reviewing Representative may not use information contained in any Privileged Material obtained in this proceeding for a commercial purpose (e.g. to give a Participant or competitor of any Participant in this proceeding a commercial advantage):

   A. Energy marketing;
   B. Direct supervision of any employee or employees whose duties include energy marketing; or
   C. The provision of consulting services to any person whose duties include energy marketing.

8. In the event that a Party wishes to designate a person not described in Paragraph 3.E above as a Reviewing Representative, the Party must seek agreement from the Party providing the Privileged Material. If an agreement is reached, the designee shall be a Reviewing Representative pursuant to Paragraph 3.E of this Protective Agreement with respect to those materials. If no agreement is reached, the matter must be submitted to the Commission for resolution.

9. A Reviewing Representative shall not be permitted to inspect, participate in discussions regarding, or otherwise be permitted access to Privileged Material pursuant to this Protective Agreement until three business days after that Reviewing Representative first has executed and served a Non-Disclosure Certificate. However, if an attorney qualified as a Reviewing Representative has executed a Non-Disclosure Certificate, any participating paralegal, secretarial and clerical personnel under the attorney’s instruction, supervision or control need not do so. Attorneys designated as Reviewing Representatives are responsible for ensuring that persons under their supervision or control comply with this Protective Agreement, and must take all reasonable precautions to ensure that Privileged Material is not disclosed to unauthorized persons.

10. Any Reviewing Representative may disclose Privileged Material to any other Reviewing Representative as long as both Reviewing Representatives have executed a Non-Disclosure Certificate. In the event any Reviewing Representative to whom Privileged Material is disclosed ceases to participate in this proceeding, or becomes employed or retained for a position that renders him or her ineligible to be a Reviewing Representative under Paragraph 3.E of this Protective Agreement, access to such materials by that person shall be terminated. Even if no longer engaged in this proceeding, every person who has executed a Non-Disclosure Certificate shall continue to be bound by the provisions of this Protective Agreement and the Non-Disclosure Certificate for as long as the Protective Agreement is in effect.

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7 During this three-day period, a Party may file an objection with the Commission contesting that an individual qualifies as a Reviewing Representative, and the individual shall not receive access to the Privileged Material until resolution of the dispute.

8 See infra P 21.
11. All Privileged Material in this proceeding filed with the Commission or submitted to any Commission personnel must comply with the Commission’s Notice of Document Labelling Guidance for Documents Submitted to or Filed with the Commission or Commission Staff.\textsuperscript{9} Consistent with those requirements:

A. Documents that contain Privileged Material must include a top center header on each page of the document with the following text: CUI//PRIV. Any corresponding electronic files must also include this text in the file name.

B. The specific content on each page of the document that constitutes Privileged Material must also be clearly identified. For example, lines or individual words or numbers that include Privileged Material shall be prefaced and end with “BEGIN CUI//PRIV” and “END CUI//PRIV”.\textsuperscript{9}

12. If any Party desires to include, utilize, or refer to Privileged Material or information derived from Privileged Material in testimony or other exhibits during any hearing in this proceeding in a manner that might require disclosure of such materials to persons other than Reviewing Representatives, that Party first must notify both counsel for the disclosing Party and the Commission, and identify all such Privileged Material. Thereafter, use of such Privileged Material will be governed by procedures determined by the Commission.

13. Nothing in this Protective Agreement shall be construed as precluding any Party from objecting to the production or use of Privileged Material on any appropriate ground.

14. Nothing in this Protective Agreement shall preclude any Party from requesting the Commission or any other body having appropriate authority to find this Protective Agreement should not apply to all or any materials previously designated Privileged Material pursuant to this Protective Agreement. The Commission or any other body having appropriate authority may alter or amend this Protective Agreement as circumstances warrant at any time during the course of this proceeding.

15. Each Party governed by this Protective Agreement has the right to seek changes in it as appropriate from the Commission or any other body having appropriate authority.

16. Subject to Paragraph 17, the Commission shall resolve any disputes arising under this Protective Agreement pertaining to Privileged Material according to the following procedures. Prior to presenting any such dispute to the Commission, the Parties to the dispute shall employ good faith best efforts to resolve it.

A. Any Party that contests the designation of material as Privileged Material shall notify the Party that provided the Privileged Material by specifying in writing the material for which the designation is contested.

B. In any challenge to the designation of material as Privileged Material, the burden of proof shall be on the Party seeking protection. If the Commission finds that the material at issue is not entitled to the designation, the procedures of Paragraph 17 shall apply.

17. The designator will have five (5) days in which to respond to any pleading requesting disclosure of Privileged Material. Should the Commission determine that the information should be made public, the Commission will provide notice to the designator no less than five (5) days prior to the date on which the material will become public. This Protective Agreement shall automatically cease to apply to such material on the sixth (6th) calendar day after the notification is made unless the designator files a motion with the Commission with supporting affidavits, demonstrating why the material should continue to be privileged. Should such a motion be filed, the material will remain confidential until such time as the interlocutory appeal or certified question has been addressed by the Motions Commissioner or Commission, as provided in the Commission’s regulations, 18 C.F.R. §§ 385.714, 385.715. No Party waives its rights to seek additional administrative or judicial remedies after a decision regarding Privileged Material or the Commission’s denial of any appeal thereof or determination in response to any certified question. The provisions of 18 C.F.R. §§ 388.112 and 388.113 shall apply to any requests under the Freedom of Information Act (5 U.S.C. § 552) for Privileged Material in the files of the Commission.

18. Privileged Material shall remain available to Parties until the later of 1) the date an order terminating this proceeding no longer is subject to judicial review, or 2) the date any other Commission proceeding relating to the Privileged Material is concluded and no longer subject to judicial review. After this time, the Party that produced the Privileged Material may request (in writing) that all other Parties return or destroy the Privileged Material. This request must be satisfied within fifteen (15) days of the date the request is made. However, copies of filings, official transcripts and exhibits in this proceeding containing Privileged Material, or Notes of Privileged Material, may be retained if they are maintained in accordance with Paragraph 5 of this Protective Agreement. If requested, each Party also must submit to the Party making the request an affidavit stating that to the best of its knowledge it has satisfied the request to return or destroy the Privileged Material. To the extent Privileged Material is not returned or destroyed, it shall remain subject to this Protective Agreement.

19. Regardless of any order terminating this proceeding, this Protective Agreement shall remain in effect until specifically modified or terminated by the Commission.

20. Neither Party waives the right to pursue any other legal or equitable remedies that may be available in the event of actual or anticipated disclosure of Privileged Material, including but not limited to indemnification for unwarranted release of Privileged Material and injunctive relief.

22. IN WITNESS WHEREOF, the Parties each have caused this Protective Agreement to be signed by their respective duly authorized representatives as of the date first set forth above.

By: ___________________________  By: ___________________________
Name: __________________________ Name: __________________________
Title: __________________________ Title: __________________________
Representing Applicant            Representing Intervenor
NON-DISCLOSURE CERTIFICATE

I hereby certify my understanding that access to Privileged Material is provided to me pursuant to the terms and restrictions of the Protective Agreement dated __________. ____, by and between PJM Interconnection, L.L.C. and ________________ (“Intervenor”) in this proceeding, that I have been given a copy of and have read the Protective Agreement, and that I agree to be bound by it. I understand that the contents of Privileged Material, any notes or other memoranda, or any other form of information that copies or discloses such materials, shall not be disclosed to anyone other than in accordance with the Protective Agreement. I acknowledge that a violation of this certificate constitutes a violation of an order of the Federal Energy Regulatory Commission and may subject me and/or Intervenor to the imposition of legal or equitable remedies.

By: ________________________________

Printed Name: ___________________________

Title: ________________________________

Representing: _________________________

Date: ________________________________
CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 1st day of March 2021.

/s/ Ryan J. Collins
Ryan J. Collins
Attachment A

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

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

(Marked / Redline Format)
ATTACHMENT DD

Reliability Pricing Model

References to section numbers in this Attachment DD refer to sections of this Attachment DD, unless otherwise specified.
5.6 Sell Offers

Sell Offers shall be submitted or withdrawn via the internet site designated by the Office of the Interconnection, under the procedures and time schedule set forth in the PJM Manuals.

5.6.1 Specifications

A Sell Offer shall state quantities in increments of 0.1 megawatts and shall specify, as appropriate:

a) Identification of the Generation Capacity Resource, Demand Resource, Capacity Storage Resource or Energy Efficiency Resource on which such Sell Offer is based;

b) Minimum and maximum megawatt quantity of installed capacity that the Capacity Market Seller is willing to offer (notwithstanding such specification, the product offered shall be Unforced Capacity), or designate as Self-Supply, from a Generation Capacity Resource;

i) Price, in dollars and cents per megawatt-day, that will be accepted by the Capacity Market Seller for the megawatt quantity of Unforced Capacity offered from such Generation Capacity Resource.

ii) The Sell Offer may take the form of offer segments with varying price-quantity pairs for varying output levels from the underlying resource, but may not take the form of an offer curve with nonzero slope.

c) EFORd of each Generation Capacity Resource offered.

i) If a Capacity Market Seller is offering such resource in a Base Residual Auction, First Incremental Auction, Second Incremental Auction, or Conditional Incremental Auction occurring before the Third Incremental Auction, the Capacity Market Seller shall specify the EFORd to apply to the offer.

ii) If a Capacity Market Seller is committing the resource as Self-Supply, the Capacity Market Seller shall specify the EFORd to apply to the commitment.

iii) The EFORd applied to the Third Incremental Auction will be the final EFORd established by the Office of the Interconnection six (6) months prior to the Delivery Year, based on the actual EFORd in the PJM Region during the 12-month period ending September 30 that last precedes such Delivery Year.

d) The Nominated Demand Resource Value for each Demand Resource offered and the Nominated Energy Efficiency Value for each Energy Efficiency Resource offered. The Office of the Interconnection shall, in both cases, convert such value to an Unforced Capacity basis by multiplying such value by the DR Factor (for Delivery Years through May 31, 2018) times the Forecast Pool Requirement. Demand Resources shall specify the LDA in which the Demand Resource is located, including the location of such resource within any Zone that includes more than one LDA as identified on RAA, Schedule 10.1.
e) For Delivery Years through May 31, 2018, a Demand Resource with the potential to qualify as two or more of a Limited Demand Resource, Extended Summer Demand Resource or Annual Demand Resource may submit separate but coupled Sell Offers for each Demand Resource type for which it qualifies at different prices and the auction clearing algorithm will select the Sell Offer that yields the least-cost solution. For such coupled Demand Resource offers, the offer price of an Annual Demand Resource offer must be at least $.01 per MW-day greater than the offer price of a coupled Extended Summer Demand Resource offer and the offer price of a Extended Summer Demand Resource offer must be at least $.01 per MW-day greater than the offer price of a coupled Limited Demand Resource offer.

f) For a Qualifying Transmission Upgrade, the Sell Offer shall identify such upgrade, and the Office of the Interconnection shall determine and certify the increase in CETL provided by such upgrade. The Capacity Market Seller may offer the upgrade with an associated increase in CETL to an LDA in accordance with such certification, including an offer price that will be accepted by the Capacity Market Seller, stated in dollars and cents per megawatt-day as a price difference between a Capacity Resource located outside such an LDA and a Capacity Resource located inside such LDA; and the increase in CETL into such LDA to be provided by such Qualifying Transmission Upgrade, as certified by the Office of the Interconnection.

g) For the 2018/2019 and 2019/2020 Delivery Years, each Capacity Market Seller owning or controlling a resource that qualifies as both a Base Capacity Resource and a Capacity Performance Resource may submit separate but coupled Sell Offers for such resource as a Base Capacity Resource and as a Capacity Performance Resource, at different prices, and the auction clearing algorithm will select the Sell Offer that yields the least-cost solution. Submission of a coupled Base Capacity Resource Sell Offer shall be mandatory for any Capacity Performance Resource Sell Offer that exceeds a Sell Offer Price equal to the applicable Net Cost of New Entry times the Balancing Ratio as provided for in Tariff, Attachment DD, section 6.4. For such coupled Sell Offers, the offer price of a Capacity Performance Resource offer must be at least $.01 per MW-day greater than the offer price of a coupled Base Capacity Resource offer.

h) For the 2018/2019 Delivery Year and subsequent Delivery Years, a Capacity Market Seller that owns or controls one or more Capacity Storage Resources, Intermittent Resources, Demand Resources, or Energy Efficiency Resources may submit a Sell Offer as a Capacity Performance Resource in a MW quantity consistent with their average expected output during peak-hour periods but for ELCC Resources, for the 2023/2024 Delivery Year and subsequent Delivery Years, such MW quantity shall not exceed the Accredited UCAP of the resource. Alternatively, for the 2018/2019 Delivery Year and subsequent Delivery Years, a Capacity Market Seller that owns or controls one or more Capacity Storage Resources, Intermittent Resources, Demand Resources, Energy Efficiency Resources, or Environmentally-Limited Resources may submit a Sell Offer which represents the aggregated Unforced Capacity value of such resources, where such Sell Offer shall be considered to be located in the smallest modeled LDA common to the aggregated resources. Such aggregated resources shall be owned by or under contract to the Capacity Market Seller, including all such resources obtained through bilateral contract and reported to the Office of the Interconnection in accordance with the Office of the Interconnection’s rules related to its Capacity Exchange tools. If any of the commercially aggregated resources in such Sell Offer are subject to the Minimum Floor Offer Price pursuant
to Tariff, Attachment DD, sections 5.14(h) and 5.14(h-1), the Capacity Market Seller that owns or controls such resources may submit a Sell Offer with a Minimum Floor Offer Price of no lower than the time and MW-weighted average of the applicable MOPR Floor Offer Prices (zero if not applicable) of the aggregated resources in such Sell Offer.

(i) For the 2020/2021 Delivery Year and subsequent Delivery Years, a Capacity Market Seller that owns or controls a resource that qualifies as a Summer-Period Capacity Performance Resource may submit a Sell Offer as a Capacity Performance Resource in a MW quantity consistent with the average expected output of such resource during peak-hour periods, and may submit a separate Sell Offer as a Summer-Period Capacity Performance Resource in a MW quantity consistent with the average expected output of such resource during summer peak-hour periods, provided the total Sell Offer MW quantity submitted as both a Capacity Performance Resource and a Summer-Period Capacity Performance Resource does not exceed the Unforced Capacity value of the resource. For the 2020/2021 Delivery Year and subsequent Delivery Years, a Capacity Market Seller that owns or controls a resource that qualifies as a Winter-Period Capacity Performance Resource may submit a Sell Offer as a Capacity Performance Resource in a MW quantity consistent with the average expected output of such resource during peak-hour periods, and may submit a separate Sell Offer as a Winter-Period Capacity Performance Resource in a MW quantity consistent with the average expected output of such resource during winter peak-hour periods, provided the total Sell Offer MW quantity submitted as both a Capacity Performance Resource and a Winter-Period Capacity Performance Resource does not exceed the Unforced Capacity value of the resource. Each segment of a Seasonal Capacity Performance Resource Sell Offer must be submitted as a flexible Sell Offer segment with the minimum MW quantity offered set to zero.

5.6.2 Compliance with PJM Credit Policy

Capacity Market Sellers shall comply with the provisions of the PJM Credit Policy as set forth in Tariff, Attachment Q, including the provisions specific to the Reliability Pricing Model, prior to submission of Sell Offers in any Reliability Pricing Model Auction. A Capacity Market Seller desiring to submit a Credit-Limited Offer shall specify in its Sell Offer the maximum auction credit requirement, in dollars, and the maximum amount of Unforced Capacity, in megawatts, applicable to its Sell Offer.

5.6.3 [reserved]

5.6.4 Qualifying Transmission Upgrades

A Qualifying Transmission Upgrade may not be the subject of any Sell Offer in a Base Residual Auction unless it has been approved by the Office of the Interconnection, including certification of the increase in Import Capability to be provided by such Qualifying Transmission Upgrade, no later than 45 days prior to such Base Residual Auction. No such approval shall be granted unless, at a minimum, a Facilities Study Agreement has been executed with respect to such upgrade, and such upgrade conforms to all applicable standards of the Regional Transmission Expansion Plan process.

5.6.5 Market-based Sell Offers
Subject to section 6, a Market Seller authorized by FERC to sell electric generating capacity at market-based prices, or that is not required to have such authorization, may submit Sell Offers that specify market-based prices in any Base Residual Auction or Incremental Auction.

5.6.6 Availability of Capacity Resources for Sale

(a) The Office of the Interconnection shall determine the quantity of megawatts of available installed capacity that each Capacity Market Seller must offer in any RPM Auction pursuant to Tariff, Attachment DD, section 6.6, through verification of the availability of megawatts of installed capacity from: (i) all Generation Capacity Resources owned by or under contract to the Capacity Market Seller, including all Generation Capacity Resources obtained through bilateral contract; (ii) the results of prior Reliability Pricing Model Auctions, if any, for such Delivery Year (including consideration of any restriction imposed as a consequence of a prior failure to offer); and (iii) such other information as may be available to the Office of the Interconnection. The Office of the Interconnection shall reject Sell Offers or portions of Sell Offers for Capacity Resources in excess of the quantity of installed capacity from such Capacity Market Seller’s Capacity Resource that it determines to be available for sale.

(b) The Office of the Interconnection shall determine the quantity of installed capacity available for sale in a Base Residual Auction or Incremental Auction as of the beginning of the period during which Buy Bids and Sell Offers are accepted for such auction, as applicable, in accordance with the time schedule set forth in the PJM Manuals. Removal of a resource from Capacity Resource status shall not be reflected in the determination of available installed capacity unless the associated unit-specific bilateral transaction is approved, the designation of such resource (or portion thereof) as a network resource for the external load is demonstrated to the Office of the Interconnection, or equivalent evidence of a firm external sale is provided prior to the deadline established therefor. The determination of available installed capacity shall also take into account, as they apply in proportion to the share of each resource owned or controlled by a Capacity Market Seller, any approved capacity modifications, and existing capacity commitments established in a prior RPM Auction, an FRR Capacity Plan, Locational UCAP transactions and/or replacement capacity transactions under this Tariff, Attachment DD. To enable the Office of the Interconnection to make this determination, no bilateral transactions for Capacity Resources applicable to the period covered by an auction will be processed from the beginning of the period for submission of Sell Offers and Buy Bids, as appropriate, for that auction until completion of the clearing determination for such auction. Processing of such bilateral transactions will reconvene once clearing for that auction is completed. A Generation Capacity Resource located in the PJM Region shall not be removed from Capacity Resource status to the extent the resource is committed to service of PJM loads as a result of an RPM Auction, FRR Capacity Plan, Locational UCAP transaction and/or by designation as a replacement resource under this Tariff, Attachment DD.

(c) In order for a bilateral transaction for the purchase and sale of a Capacity Resource to be processed by the Office of the Interconnection, both parties to the transaction must notify the Office of the Interconnection of the transfer of the Capacity Resource from the seller to the buyer in accordance with procedures established by the Office of the Interconnection and set forth in the PJM Manuals. If a material change with respect to any of the prerequisites
for the application of Tariff, Attachment DD, section 5.6.6 to the Generation Capacity Resource occurs, the Capacity Resource Owner shall immediately notify the Market Monitoring Unit and the Office of the Interconnection.
5.10 Auction Clearing Requirements

The Office of the Interconnection shall clear each Base Residual Auction and Incremental Auction for a Delivery Year in accordance with the following:

a) Variable Resource Requirement Curve

The Office of the Interconnection shall determine Variable Resource Requirement Curves for the PJM Region and for such Locational Deliverability Areas as determined appropriate in accordance with subsection (a)(iii) for such Delivery Year to establish the level of Capacity Resources that will provide an acceptable level of reliability consistent with the Reliability Principles and Standards. It is recognized that the variable resource requirement reflected in the Variable Resource Requirement Curve can result in an optimized auction clearing in which the level of Capacity Resources committed for a Delivery Year exceeds the PJM Region Reliability Requirement (for Delivery Years through May 31, 2018, less the Short-Term Resource Procurement Target) or Locational Deliverability Area Reliability Requirement (for Delivery Year through May 31, 2018, less the Short-Term Resource Procurement Target for the Zones associated with such LDA) for such Delivery Year. For any auction, the Updated Forecast Peak Load, and Short-Term Resource Procurement Target applicable to such auction, shall be used, and Price Responsive Demand from any applicable approved PRD Plan, including any associated PRD Reservation Prices, shall be reflected in the derivation of the Variable Resource Requirement Curves, in accordance with the methodology specified in the PJM Manuals.

i) Methodology to Establish the Variable Resource Requirement Curve

Prior to the Base Residual Auction, in accordance with the schedule in the PJM Manuals, the Office of the Interconnection shall establish the Variable Resource Requirement Curve for the PJM Region as follows:

- Each Variable Resource Requirement Curve shall be plotted on a graph on which Unforced Capacity is on the x-axis and price is on the y-axis;

- For the 2015/2016, 2016/2017, and 2017/2018 Delivery Years, the Variable Resource Requirement Curve for the PJM Region shall be plotted by combining (i) a horizontal line from the y-axis to point (1), (ii) a straight line connecting points (1) and (2), (iii) a straight line connecting points (2) and (3), and (iv) a vertical line from point (3) to the x-axis, where:

  - For point (1), price equals: \{the greater of \[the Cost of New Entry\] or \[1.5 \times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)\]} divided by \(1 - \text{pool-wide average EFORD}\) and Unforced Capacity equals: \[\frac{\text{PJM Region Reliability Requirement} \times (100 + \text{approved PJM Region Installed Reserve Margin (\text{\%})} - 3)}{100 + \text{IRM\%}}\], and for Delivery Years...
through May 31, 2018, minus the Short-Term Resource Procurement Target;

- For point (2), price equals: (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset) divided by (one minus the pool-wide average EFORd) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by (100% plus IRM% plus 1%) divided by (100% plus IRM%)], and for Delivery Years through May 31, 2018, minus the Short-Term Resource Procurement Target; and

- For point (3), price equals [0.2 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)] divided by (one minus the pool-wide average EFORd) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by (100% plus IRM% plus 5%) divided by (100% plus IRM%)], and for Delivery Years through May 31, 2018, minus the Short-Term Resource Procurement Target;

- For the 2018/2019 Delivery Year and subsequent Delivery Years through and including the Delivery Year commencing June 1, 2021, the Variable Resource Requirement Curve for the PJM Region shall be plotted by combining (i) a horizontal line from the y-axis to point (1), (ii) a straight line connecting points (1) and (2), and (iii) a straight line connecting points (2) and (3), where:

  - For point (1), price equals: {the greater of [the Cost of New Entry] or [1.5 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)]} divided by (one minus the pool-wide average EFORd) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by (100% plus the approved PJM Region Installed Reserve Margin (“IRM”)% minus 0.2%) divided by (100% plus IRM%)];

  - For point (2), price equals: [0.75 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)] divided by (one minus the pool-wide average EFORd) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by (100% plus IRM% plus 2.9%) divided by (100% plus IRM%)]; and

  - For point (3), price equals zero and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by (100% plus IRM% plus 8.8%) divided by (100% plus IRM%)].

- For the 2022/2023 Delivery Year and subsequent Delivery Years, the Variable Resource Requirement Curve for the PJM Region shall be plotted
by combining (i) a horizontal line from the y-axis to point (1), (ii) a straight line connecting points (1) and (2), and (iii) a straight line connecting points (2) and (3), where:

- For point (1), price equals: \[
\text{the greater of [the Cost of New Entry] or [1.5 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)]} \over (1 - \text{the pool-wide average EFORd}) \] and Unforced Capacity equals: \[
\text{the PJM Region Reliability Requirement multiplied by (100\% + IRM\% minus 1.2\%)} \over (100\% + IRM\%)
\];

- For point (2), price equals: \[
0.75 \times (\text{the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset}) \over (1 - \text{the pool-wide average EFORd}) \] and Unforced Capacity equals: \[
\text{the PJM Region Reliability Requirement multiplied by (100\% + IRM\% + 1.9\%)} \over (100\% + IRM\%)
\]; and

- For point (3), price equals zero and Unforced Capacity equals: \[
\text{the PJM Region Reliability Requirement multiplied by (100\% + IRM\% + 7.8\%)} \over (100\% + IRM\%)
\].

ii) For any Delivery Year, the Office of the Interconnection shall establish a separate Variable Resource Requirement Curve for each LDA for which:

A. the Capacity Emergency Transfer Limit is less than 1.15 times the Capacity Emergency Transfer Objective, as determined by the Office of the Interconnection in accordance with NERC and Applicable Regional Entity guidelines; or

B. such LDA had a Locational Price Adder in any one or more of the three immediately preceding Base Residual Auctions; or

C. such LDA is determined in a preliminary analysis by the Office of the Interconnection to be likely to have a Locational Price Adder, based on historic offer price levels; provided however that for the Base Residual Auction conducted for the Delivery Year commencing on June 1, 2012, the Eastern Mid-Atlantic Region (“EMAR”), Southwest Mid-Atlantic Region (“SWMAR”), and Mid-Atlantic Region (“MAR”) LDAs shall employ separate Variable Resource Requirement Curves regardless of the outcome of the above three tests; and provided further that the Office of the Interconnection may establish a separate Variable Resource Requirement Curve for an LDA not otherwise qualifying under the above three tests if it finds that such is required to achieve an acceptable level of reliability consistent with the Reliability
Principles and Standards, in which case the Office of the Interconnection shall post such finding, such LDA, and such Variable Resource Requirement Curve on its internet site no later than the March 31 last preceding the Base Residual Auction for such Delivery Year. The same process as set forth in subsection (a)(i) shall be used to establish the Variable Resource Requirement Curve for any such LDA, except that the Locational Deliverability Area Reliability Requirement for such LDA shall be substituted for the PJM Region Reliability Requirement and, for Delivery Years through May 31, 2018, the LDA Short-Term Resource Procurement Target shall be substituted for the PJM Region Short-Term Resource Procurement Target. For purposes of calculating the Capacity Emergency Transfer Limit under this section, all generation resources located in the PJM Region that are, or that qualify to become, Capacity Resources, shall be modeled at their full capacity rating, regardless of the amount of capacity cleared from such resource for the immediately preceding Delivery Year.

For each such LDA, for the 2018/2019 Delivery Year and subsequent Delivery Years, the Office of the Interconnection shall (a) determine the Net Cost of New Entry for each Zone in such LDA, with such Net Cost of New Entry equal to the applicable Cost of New Entry value for such Zone minus the Net Energy and Ancillary Services Revenue Offset value for such Zone, and (b) compute the average of the Net Cost of New Entry values of all such Zones to determine the Net Cost of New Entry for such LDA. The Net Cost of New Entry for use in an LDA in any Incremental Auction for the 2015/2016, 2016/2017, and 2017/2018 Delivery Years shall be the Net Cost of New Entry used for such LDA in the Base Residual Auction for such Delivery Year.


Beginning with the Delivery Year that commences June 1, 2018, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall perform a review of the shape of the Variable Resource Requirement Curve, as established by the requirements of the foregoing subsection. Such analysis shall be based on simulation of market conditions to quantify the ability of the market to invest in new Capacity Resources and to meet the applicable reliability requirements on a probabilistic basis. Based on the results of such review, PJM shall prepare a recommendation to either modify or retain the existing Variable Resource Requirement Curve shape. The Office of the Interconnection shall post the recommendation and shall review the recommendation through the stakeholder process to solicit stakeholder input. If a modification of the Variable Resource Requirement Curve shape is recommended, the following process shall be followed:

A) If the Office of the Interconnection determines that the Variable Resource Requirement Curve shape should be modified, Staff of
the Office of the Interconnection shall propose a new Variable Resource Requirement Curve shape on or before May 15, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

B) The PJM Members shall review the proposed modification to the Variable Resource Requirement Curve shape.

C) The PJM Members shall either vote to (i) endorse the proposed modification, (ii) propose alternate modifications or (iii) recommend no modification, by August 31, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

D) The PJM Board of Managers shall consider a proposed modification to the Variable Resource Requirement Curve shape, and the Office of the Interconnection shall file any approved modified Variable Resource Requirement Curve shape with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

iv) Cost of New Entry

A) For the Incremental Auctions for the 2019/2020, 2020/2021, and 2021/2022 Delivery Years, the Cost of New Entry for the PJM Region and for each LDA shall be the respective value used in the Base Residual Auction for such Delivery Year and LDA. For the Delivery Year commencing on June 1, 2022, and continuing thereafter unless and until changed pursuant to subsection (B) below, the Cost of New Entry for the PJM Region shall be the average of the Cost of New Entry for each CONE Area listed in this section as adjusted pursuant to subsection (a)(iv)(B).

<table>
<thead>
<tr>
<th>Geographic Location Within the PJM Region Encompassing These Zones</th>
<th>Cost of New Entry in $/MW-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>PS, JCP&amp;L, AE, PECO, DPL, RECO (“CONE Area 1”)</td>
<td>108,000</td>
</tr>
<tr>
<td>BGE, PEPCO (“CONE Area 2”)</td>
<td>109,700</td>
</tr>
<tr>
<td>AEP, Dayton, ComEd, APS, DQL, ATSI, DEOK, EKPC, Dominion, OVEC (“CONE Area 3”)</td>
<td>105,500</td>
</tr>
<tr>
<td>PPL, MetEd, Penelec (“CONE Area 4”)</td>
<td>105,500</td>
</tr>
</tbody>
</table>
B) Beginning with the 2023/2024 Delivery Year, the CONE for each CONE Area shall be adjusted to reflect changes in generating plant construction costs based on changes in the Applicable United States Bureau of Labor Statistics (“BLS”) Composite Index, and then adjusted further by a factor of 1.022 to reflect the annual decline in bonus depreciation scheduled under federal corporate tax law, in accordance with the following:

(1) The Applicable BLS Composite Index for any Delivery Year and CONE Area shall be the most recently published twelve-month change, at the time CONE values are required to be posted for the Base Residual Auction for such Delivery Year, in a composite of the BLS Quarterly Census of Employment and Wages for Utility System Construction (weighted 20%), the BLS Producer Price Index for Construction Materials and Components (weighted 55%), and the BLS Producer Price Index Turbines and Turbine Generator Sets (weighted 25%), as each such index is further specified for each CONE Area in the PJM Manuals.

(2) The CONE in a CONE Area shall be adjusted prior to the Base Residual Auction for each Delivery Year by applying the Applicable BLS Composite Index for such CONE Area to the Benchmark CONE for such CONE Area, and then multiplying the result by 1.022.

(3) The Benchmark CONE for a CONE Area shall be the CONE used for such CONE Area in the Base Residual Auction for the prior Delivery Year (provided, however that the Gross CONE values stated in subsection (a)(iv)(A) above shall be the Benchmark CONE values for the 2022/2023 Delivery Year to which the Applicable BLS Composite Index shall be applied to determine the CONE for subsequent Delivery Years), and then multiplying the result by 1.022.

(4) Notwithstanding the foregoing, CONE values for any CONE Area for any Delivery Year shall be subject to amendment pursuant to appropriate filings with FERC under the Federal Power Act, including, without limitation, any filings resulting from the process described in section 5.10(a)(vi)(C) or any filing to establish new or revised CONE Areas.

v) Net Energy and Ancillary Services Revenue Offset up to the 2021/2022 Delivery Year:

A) The Office of the Interconnection shall determine the Net Energy and Ancillary Services Revenue Offset each year for the PJM Region as (A) the annual average of the revenues that would have been received by the Reference Resource from the PJM energy markets during a period of three consecutive calendar years preceding the time of the determination, based on (1) the heat rate and other characteristics of such Reference Resource; (2) fuel prices reported during such period at an appropriate pricing point.
for the PJM Region with a fuel transmission adder appropriate for such region, as set forth in the PJM Manuals, assumed variable operation and maintenance expenses for such resource of $6.93 per MWh, and actual PJM hourly average Locational Marginal Prices recorded in the PJM Region during such period; and (3) an assumption that the Reference Resource would be dispatched for both the Day-Ahead and Real-Time Energy Markets on a Peak-Hour Dispatch basis; plus (B) ancillary service revenues of $2,199 per MW-year.

B) The Office of the Interconnection also shall determine a Net Energy and Ancillary Service Revenue Offset each year for each Zone, using the same procedures and methods as set forth in the previous subsection; provided, however, that: (1) the average hourly LMPs for such Zone shall be used in place of the PJM Region average hourly LMPs; (2) if such Zone was not integrated into the PJM Region for the entire applicable period, then the offset shall be calculated using only those whole calendar years during which the Zone was integrated; and (3) a posted fuel pricing point in such Zone, if available, and (if such pricing point is not available in such Zone) a fuel transmission adder appropriate to such Zone from an appropriate PJM Region pricing point shall be used for each such Zone.

v-1) Net Energy and Ancillary Services Revenue Offset for the 2022/2023 Delivery and subsequent Delivery Years:

A) The Office of the Interconnection shall determine the Net Energy and Ancillary Services Revenue Offset each year for the PJM Region as (1) the average of the net energy and ancillary services revenues that the Reference Resource is projected to receive from the PJM energy and ancillary service markets for the applicable Delivery Year from three separate simulations, with each such simulation using forward prices shaped using historical data from one of the three consecutive calendar years preceding the time of the determination for the RPM Auction to take account of year-to-year variability in such hourly shapes. Each net energy and ancillary services revenue simulation is based on (a) the heat rate and other characteristics of such Reference Resource such as assumed variable operation and maintenance expenses of $1.95 per MWh and $11,732/start, and emissions costs; (b) Forward Hourly LMPs for the PJM Region; (c) Forward Hourly Ancillary Services Prices, (d) Forward Daily Natural Gas Prices at an appropriate pricing point for the PJM Region with a fuel transmission adder appropriate for such region, as set forth in the PJM Manuals; and (e) an assumption that the Reference Resource
would be dispatched on a Projected EAS Dispatch basis; plus (2) reactive service revenues of $2,199 per MW-year.

B) The Office of the Interconnection also shall determine a Net Energy and Ancillary Service Revenue Offset each year for each Zone, using the same procedures and methods as set forth in the previous subsection; provided, however, that: (1) the Forward Hourly LMPs for such Zone shall be used in place of the Forward Hourly LMP for the PJM Region; (2) if such Zone was not integrated into the PJM Region for the entire three calendar years preceding the time of the determination for the RPM Auction, then simulations shall rely on only those whole calendar years during which the Zone was integrated; and (3) Forward Daily Natural Gas Prices for the fuel pricing point mapped to such Zone.

C) “Forward Hourly LMPs” shall be determined as follows:

(1) Identify the liquid hub to which each Zone is mapped, as specified in the PJM Manuals.

(2) For each liquid hub, calculate the average day-ahead on-peak and day-ahead off-peak energy prices for each month during the Delivery Year over the most recent thirty trading days as of 180 days prior to the Base Residual Auction. For each of the remaining steps, the historical prices used herein shall be taken from the most recent three calendar years preceding the time of the determination for the RPM Auction:

(3) Determine and add monthly basis differentials between the hub and each of its mapped Zones to the forward monthly day-ahead on-peak and off-peak energy prices for the hub. This differential is developed using the prices for the Planning Period closest in time to the Delivery Year from the most recent long-term Financial Transmission Rights auction conducted prior to the Base Residual Auction. The difference between the annual long-term Financial Transmission Rights auction prices for the Zone and the hub are converted to monthly values by adding, for each month of the year, the difference between (a) the historical monthly average day-ahead congestion price differentials between the Zone and relevant hub and (b) the historical annual average day-ahead congestion price differentials between the Zone and hub. This step is only used when developing forward prices for locations other than the liquid hubs;
(4) Determine and add marginal loss differentials to the forward monthly day-ahead on-peak and off-peak energy prices for the hub. For each month of the year, calculate the marginal loss differential, which is the average of the difference between the loss components of the historical on peak or off peak day-ahead LMPs for the Zone and relevant hub in that month across the three year period scaled by the ratio of (a) the forward monthly average on-peak or off-peak day-ahead LMP at such hub to (b) the average of the historical on-peak or off-peak day-ahead LMPs for such hub in that month across the three year period. This step is only used when developing forward prices for locations other than the liquid hubs;

(5) Shape the forward monthly day-ahead on-peak and off-peak prices to (a) forward hourly day-ahead LMPs using historic hourly day-ahead LMP shapes for the Zone and (b) forward hourly real-time LMPs using historic hourly real-time LMP shapes for the Zone. The historic hourly shapes are based on the ratio of the historic day-ahead or real-time LMP for the Zone for each given hour in a monthly on-peak or off-peak period to the average of the historic day-ahead or real-time LMP for the Zone for all hours in such monthly on-peak or off-peak period. The historical prices used in this step shall be taken from one of each of the most recent three calendar years preceding the time of the determination for the RPM Auction;

(6) For unit-specific energy and ancillary service offset calculations, determine and apply basis differentials from the Zone to the generation bus to the forward day-ahead and real-time hourly LMPs for the Zone. The differential for each hour of the year is developed using the difference between the historical DA or RT LMP for the generation bus and the historical DA or RT LMP for the Zone in which the generation bus is located for that same hour; and

(7) Develop the Forward Hourly LMPs for the PJM Region pricing point. Calculate the load-weighted average of the monthly on-peak and off-peak Zonal LMPs developed in step (4) above, using the historical average load within each monthly on-peak or off-peak period. The load-weighted average monthly on-peak or off-peak Zonal LMPs are then shaped to forward hourly day-ahead and real-time LMPs using the same procedure as defined in step (5) above, except using historical LMPs for the PJM Region pricing point.
D) **Forward Hourly Ancillary Services Prices** shall include prices for Synchronized Reserve, Non-Synchronized Reserve, Secondary Reserve and Regulation and shall be determined as follows. The historical prices used herein shall be taken from one of each of the most recent three calendar years preceding the time of the determination for the RPM Auction:

1. **For Synchronized Reserve**, the forward day-ahead and real-time market clearing prices for the Reserve Zone for each hour of the Delivery Year shall be equal to the historical real-time Synchronized Reserve Market Clearing Price for the Reserve Zone for the corresponding hour of the year.

2. **For Non-Synchronized Reserve**, the forward day-ahead and real-time market clearing prices for the Reserve Zone for each hour of the Delivery Year shall be equal to the historical real-time Non-Synchronized Reserve Market Clearing Price for the Reserve Zone for the corresponding hour of the year.

3. **For Secondary Reserve**, the forward day-ahead and real-time Secondary Reserve market clearing price shall be $0.00/MWh for all hours.

4. **For Regulation**, the forward real-time Regulation market clearing price shall be calculated by multiplying the historical real-time hourly Regulation market clearing price for each hour of the Delivery Year by the ratio of the real-time Forward Hourly LMP at an appropriate pricing point, as defined in the PJM manuals, to the historic hourly real-time LMP at such pricing point for the corresponding hour of the year; and

E) **Forward Daily Natural Gas Prices** shall be determined as follows:

1. Map each Zone to the appropriate natural gas hub in the PJM Region, as listed in the PJM Manuals;

2. Map each natural gas hub lacking sufficient liquidity to the liquid hub to which it has the highest historic price correlation;

3. For each sufficiently liquid natural gas hub, calculate the simple average natural gas monthly settlement prices over
the most recent thirty trading days as of 180 days prior to the Base Residual Auction;

(4) Calculate the forward monthly prices for each illiquid hub by scaling the forward monthly price of the mapped liquid hub by the average ratio of historical monthly prices at the insufficiently liquid hub to the historical monthly prices at the sufficiently liquid over the most recent three calendar years preceding the time of determination for the RPM Auction;

(5) Shape the forward monthly prices for each hub to Forward Daily Natural Gas Prices using historic daily natural gas price shapes for the hub. The historic daily shapes are based on the ratio of the historic price for the hub for each given day in a month to the average of the historic prices for the hub for all days in such month. The daily prices are then assigned to each hour starting 10am Eastern Prevailing Time each day. The historical prices used in this step shall be taken from one of each of the most recent three calendar years preceding the time of the determination for the RPM Auction.

vi) Process for Establishing Parameters of Variable Resource Requirement Curve

A) The parameters of the Variable Resource Requirement Curve will be established prior to the conduct of the Base Residual Auction for a Delivery Year and will be used for such Base Residual Auction.

B) The Office of the Interconnection shall determine the PJM Region Reliability Requirement and the Locational Deliverability Area Reliability Requirement for each Locational Deliverability Area for which a Variable Resource Requirement Curve has been established for such Base Residual Auction on or before February 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values will be applied, in accordance with the Reliability Assurance Agreement.

C) Beginning with the Delivery Year that commences June 1, 2018, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall review the calculation of the Cost of New Entry for each CONE Area.

1) If the Office of the Interconnection determines that the Cost of New Entry values should be modified, the Staff of the
Office of the Interconnection shall propose new Cost of New Entry values on or before May 15, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

2) The PJM Members shall review the proposed values.

3) The PJM Members shall either vote to (i) endorse the proposed values, (ii) propose alternate values or (iii) recommend no modification, by August 31, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

4) The PJM Board of Managers shall consider Cost of New Entry values, and the Office of the Interconnection shall file any approved modified Cost of New Entry values with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

D) Beginning with the Delivery Year that commences June 1, 2018, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall review the methodology set forth in this Attachment for determining the Net Energy and Ancillary Services Revenue Offset for the PJM Region and for each Zone.

1) If the Office of the Interconnection determines that the Net Energy and Ancillary Services Revenue Offset methodology should be modified, Staff of the Office of the Interconnection shall propose a new Net Energy and Ancillary Services Revenue Offset methodology on or before May 15, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new methodology would be applied.

2) The PJM Members shall review the proposed methodology.

3) The PJM Members shall either vote to (i) endorse the proposed methodology, (ii) propose an alternate methodology or (iii) recommend no modification, by August 31, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new methodology would be applied.

4) The PJM Board of Managers shall consider the Net Revenue Offset methodology, and the Office of the
Interconnection shall file any approved modified Net Energy and Ancillary Services Revenue Offset values with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

vii) In conjunction with a review of the Variable Resource Requirement Curve shape that commences no later than December 31, 2026, the Office of the Interconnection shall review the ELCC transition mechanism set forth in RAA, Schedule 9.1, section J. Based on the results of such review, PJM shall prepare a recommendation to either modify or retain the existing ELCC transition mechanism. The Office of the Interconnection shall post the recommendation and shall review the recommendation through the stakeholder process to solicit stakeholder input.

b) Locational Requirements

The Office of Interconnection shall establish locational requirements prior to the Base Residual Auction to quantify the amount of Unforced Capacity that must be committed in each Locational Deliverability Area, in accordance with the Reliability Assurance Agreement.

c) Resource Requirements and Constraints

Prior to the Base Residual Auction and each Incremental Auction for the Delivery Years starting on June 1, 2014 and ending May 31, 2017, the Office of the Interconnection shall establish the Minimum Annual Resource Requirement and the Minimum Extended Summer Resource Requirement for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) above to establish a separate VRR Curve for such Delivery Year. Prior to the Base Residual Auction and Incremental Auctions for the 2017/2018 Delivery Year, the Office of the Interconnection shall establish the Limited Resource Constraints and the Sub-Annual Resource Constraints for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) above to establish a separate VRR Curve for such Delivery Year. Prior to the Base Residual Auction and Incremental Auctions for 2018/2019 and 2019/2020 Delivery Years, the Office of the Interconnection shall establish the Base Capacity Demand Resource Constraints and the Base Capacity Resource Constraints for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) above to establish a separate VRR Curve for such Delivery Year.

d) Preliminary PJM Region Peak Load Forecast for the Delivery Year

The Office of the Interconnection shall establish the Preliminary PJM Region Load Forecast for the Delivery Year in accordance with the PJM Manuals by February 1, prior to the conduct of the Base Residual Auction for such Delivery Year.

e) Updated PJM Region Peak Load Forecasts for Incremental Auctions
The Office of the Interconnection shall establish the updated PJM Region Peak Load Forecast for a Delivery Year in accordance with the PJM Manuals by February 1, prior to the conduct of the First, Second, and Third Incremental Auction for such Delivery Year.
5.14 Clearing Prices and Charges

a) Capacity Resource Clearing Prices

For each Base Residual Auction and Incremental Auction, the Office of the Interconnection shall calculate a clearing price to be paid for each megawatt-day of Unforced Capacity that clears in such auction. The Capacity Resource Clearing Price for each LDA will be the marginal value of system capacity for the PJM Region, without considering locational constraints, adjusted as necessary by any applicable Locational Price Adders, Annual Resource Price Adders, Extended Summer Resource Price Adders, Limited Resource Price Decrement, Sub-Annual Resource Price Decrement, Base Capacity Demand Resource Price Decrement, and Base Capacity Resource Price Decrement, all as determined by the Office of the Interconnection based on the optimization algorithm. If a Capacity Resource is located in more than one Locational Deliverability Area, it shall be paid the highest Locational Price Adder in any applicable LDA in which the Sell Offer for such Capacity Resource cleared. The Annual Resource Price Adder is applicable for Annual Resources only. The Extended Summer Resource Price Adder is applicable for Annual Resources and Extended Summer Demand Resources.

The Locational Price Adder applicable to each cleared Seasonal Capacity Performance Resource is determined during the post-processing of the RPM Auction results consistent with the manner in which the auction clearing algorithm recognizes the contribution of Seasonal Capacity Performance Resource Sell Offers in satisfying an LDA’s reliability requirement. For each LDA with a positive Locational Price Adder with respect to the immediate higher level LDA, starting with the lowest level constrained LDAs and moving up, PJM determines the quantity of equally matched Summer-Period Capacity Performance Resources and Winter-Period Capacity Performance Resources located and cleared within that LDA. Up to this quantity, the cleared Summer-Period Capacity Performance Resources and Winter-Period Capacity Performance Resources with the lowest Sell Offer prices will be compensated using the highest Locational Price Adder applicable to such LDA; and any remaining Seasonal Capacity Performance Resources cleared within the LDA are effectively moved to the next higher level constrained LDA, where they are considered in a similar manner for compensation.

b) Resource Make-Whole Payments

If a Sell Offer specifies a minimum block, and only a portion of such block is needed to clear the market in a Base Residual or Incremental Auction, the MW portion of such Sell Offer needed to clear the market shall clear, and such Sell Offer shall set the marginal value of system capacity. In addition, the Capacity Market Seller shall receive a Resource Make-Whole Payment equal to the Capacity Resource Clearing Price in such auction times the difference between the Sell Offer's minimum block MW quantity and the Sell Offer's cleared MW quantity. If the Sell Offer price of a cleared Seasonal Capacity Performance Resource exceeds the applicable Capacity Resource Clearing Price, the Capacity Market Seller shall receive a Resource Make-Whole Payment equal to the difference between the Sell Offer price and Capacity Resource Clearing Price in such RPM Auction. The cost for any such Resource Make-Whole Payments required in a Base Residual Auction or Incremental Auction for adjustment of prior capacity commitments shall be collected pro rata from all LSEs in the LDA in which such payments were made, based on their Daily Unforced Capacity Obligations. The cost for any such Resource Make-Whole...
Payments required in an Incremental Auction for capacity replacement shall be collected from all Capacity Market Buyers in the LDA in which such payments were made, on a pro-rata basis based on the MWs purchased in such auction.

c) New Entry Price Adjustment

A Capacity Market Seller that submits a Sell Offer based on a Planned Generation Capacity Resource that clears in the BRA for a Delivery Year may, at its election, submit Sell Offers with a New Entry Price Adjustment in the BRAs for the two immediately succeeding Delivery Years if:

1. Such Capacity Market Seller provides notice of such election at the time it submits its Sell Offer for such resource in the BRA for the first Delivery Year for which such resource is eligible to be considered a Planned Generation Capacity Resource. When the Capacity Market Seller provides notice of such election, it must specify whether its Sell Offer is contingent upon qualifying for the New Entry Price Adjustment. The Office of the Interconnection shall not clear such contingent Sell Offer if it does not qualify for the New Entry Price Adjustment.

2. All or any part of a Sell Offer from the Planned Generation Capacity Resource submitted in accordance with section 5.14(c)(1) is the marginal Sell Offer that sets the Capacity Resource Clearing Price for the LDA.

3. Acceptance of all or any part of a Sell Offer that meets the conditions in section 5.14(c)(1)-(2) in the BRA increases the total Unforced Capacity committed in the BRA (including any minimum block quantity) for the LDA in which such Resource will be located from a megawatt quantity below the LDA Reliability Requirement, minus the Short Term Resource Procurement Target, to a megawatt quantity at or above a megawatt quantity at the price-quantity point on the VRR Curve at which the price is 0.40 times the applicable Net CONE divided by (one minus the pool-wide average EFORd).

4. Such Capacity Market Seller submits Sell Offers in the BRA for the two immediately succeeding Delivery Years for the entire Unforced Capacity of such Generation Capacity Resource committed in the first BRA under section 5.14(c)(1)-(2) equal to the lesser of: A) the price in such seller’s Sell Offer for the BRA in which such resource qualified as a Planned Generation Capacity Resource that satisfies the conditions in section 5.14(c)(1)-(3); or B) 0.90 times the Net CONE applicable in the first BRA in which such Planned Generation Capacity Resource meeting the conditions in section 5.14(c)(1)-(3) cleared, on an Unforced Capacity basis, for such LDA.

5. If the Sell Offer is submitted consistent with section 5.14(c)(1)-(4) the foregoing conditions, then:

   (i) in the first Delivery Year, the Resource sets the Capacity Resource Clearing Price for the LDA and all cleared resources in the LDA receive the Capacity Resource Clearing Price set by the Sell Offer as the marginal
offer, in accordance with Tariff, Attachment DD, section 5.12(a) and section 5.14(a) above.

(ii) in either of the subsequent two BRAs, if any part of the Sell Offer from the Resource clears, it shall receive the Capacity Resource Clearing Price for such LDA for its cleared capacity and for any additional minimum block quantity pursuant to section 5.14(b) above; or

(iii) if the Resource does not clear, it shall be deemed resubmitted at the highest price per MW-day at which the megawatt quantity of Unforced Capacity of such Resource that cleared the first-year BRA will clear the subsequent-year BRA pursuant to the optimization algorithm described in Tariff, Attachment DD, section 5.12(a), and

(iv) the resource with its Sell Offer submitted shall clear and shall be committed to the PJM Region in the amount cleared, plus any additional minimum-block quantity from its Sell Offer for such Delivery Year, but such additional amount shall be no greater than the portion of a minimum-block quantity, if any, from its first-year Sell Offer satisfying section 5.14(c)(1)-(3) above that is entitled to compensation pursuant to section 5.14(b) above; and

(v) the Capacity Resource Clearing Price, and the resources cleared, shall be re-determined to reflect the resubmitted Sell Offer. In such case, the Resource for which the Sell Offer is submitted pursuant to section 5.14(c)(1)-(4) above shall be paid for the entire committed quantity at the Sell Offer price that it initially submitted in such subsequent BRA. The difference between such Sell Offer price and the Capacity Resource Clearing Price (as well as any difference between the cleared quantity and the committed quantity), will be treated as a Resource Make-Whole Payment in accordance with section 5.14(b) above. Other capacity resources that clear the BRA in such LDA receive the Capacity Resource Clearing Price as determined in section 5.14(a) above.

6. The failure to submit a Sell Offer consistent with section 5.14(c)(i)-(iii) above in the BRA for Delivery Year 3 shall not retroactively revoke the New Entry Price Adjustment for Delivery Year 2. However, the failure to submit a Sell Offer consistent with section 5.14(c)(4) above in the BRA for Delivery Year 2 shall make the resource ineligible for the New Entry Pricing Adjustment for Delivery Years 2 and 3.

7. For each Delivery Year that the foregoing conditions are satisfied, the Office of the Interconnection shall maintain and employ in the auction clearing for such LDA a separate VRR Curve, notwithstanding the outcome of the test referenced in Tariff, Attachment DD, section 5.10(a)(ii).

8. On or before August 1, 2012, PJM shall file with FERC under FPA section 205, as determined necessary by PJM following a stakeholder process, tariff changes to
establish a long-term auction process as a not unduly discriminatory means to provide adequate long-term revenue assurances to support new entry, as a supplement to or replacement of this New Entry Price Adjustment.

d) Qualifying Transmission Upgrade Payments

A Capacity Market Seller that submitted a Sell Offer based on a Qualifying Transmission Upgrade that clears in the Base Residual Auction shall receive a payment equal to the Capacity Resource Clearing Price, including any Locational Price Adder, of the LDA into which the Qualifying Transmission Upgrade is to increase Capacity Emergency Transfer Limit, less the Capacity Resource Clearing Price, including any Locational Price Adder, of the LDA from which the upgrade was to provide such increased CETL, multiplied by the megawatt quantity of increased CETL cleared from such Sell Offer. Such payments shall be reflected in the Locational Price Adder determined as part of the Final Zonal Capacity Price for the Zone associated with such LDAs, and shall be funded through a reduction in the Capacity Transfer Rights allocated to Load-Serving Entities under Tariff, Attachment DD, section 5.15, as set forth in that section. PJMSettlement shall be the Counterparty to any cleared capacity transaction resulting from a Sell Offer based on a Qualifying Transmission Upgrade.

e) Locational Reliability Charge

In accordance with the Reliability Assurance Agreement, each LSE shall incur a Locational Reliability Charge (subject to certain offsets and other adjustments as described in Tariff, Attachment DD, section 5.14B, Tariff, Attachment DD, section 5.14C, Tariff, Attachment DD, section 5.14D, Tariff, Attachment DD, section 5.14E and Tariff, Attachment DD, section 5.15) equal to such LSE’s Daily Unforced Capacity Obligation in a Zone during such Delivery Year multiplied by the applicable Final Zonal Capacity Price in such Zone. PJMSettlement shall be the Counterparty to the LSEs’ obligations to pay, and payments of, Locational Reliability Charges.

f) The Office of the Interconnection shall determine Zonal Capacity Prices in accordance with the following, based on the optimization algorithm:

i) The Office of the Interconnection shall calculate and post the Preliminary Zonal Capacity Prices for each Delivery Year following the Base Residual Auction for such Delivery Year. The Preliminary Zonal Capacity Price for each Zone shall be the sum of: 1) the marginal value of system capacity for the PJM Region, without considering locational constraints; 2) the Locational Price Adder, if any, for the LDA in which such Zone is located; provided however, that 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; 3) an adjustment, if required, to account for adders paid to Annual Resources and Extended Summer Demand Resources in the LDA for which the zone is located; 4) an adjustment, if required, to account for Resource Make-Whole Payments; and (5) an adjustment, if required to provide sufficient revenue for payment of any PRD Credits, all as determined in accordance with the optimization algorithm.
ii) The Office of the Interconnection shall calculate and post the Adjusted Zonal Capacity Price following each Incremental Auction. The Adjusted Zonal Capacity Price for each Zone shall equal the sum of: (1) the average marginal value of system capacity weighted by the Unforced Capacity cleared in all auctions previously conducted for such Delivery Year (excluding any Unforced Capacity cleared as replacement capacity); (2) the average Locational Price Adder weighted by the Unforced Capacity cleared in all auctions previously conducted for such Delivery Year (excluding any Unforced Capacity cleared as replacement capacity); (3) an adjustment, if required, to account for adders paid to Annual Resources and Extended Summer Demand Resources for all auctions previously conducted for such Delivery Year (excluding any Unforced Capacity cleared as replacement capacity); (4) an adjustment, if required, to account for Resource Make-Whole Payments for all actions previously conducted (excluding any Resource Make-Whole Payments to be charged to the buyers of replacement capacity); and (5) an adjustment, if required to provide sufficient revenue for payment of any PRD Credits. The Adjusted Zonal Capacity Price may decrease if Unforced Capacity is decommitted or the Resource Clearing Price decreases in an Incremental Auction.

iii) The Office of the Interconnection shall calculate and post the Final Zonal Capacity Price for each Delivery Year after the final auction is held for such Delivery Year, as set forth above. The Final Zonal Capacity Price for each Zone shall equal the Adjusted Zonal Capacity Price, as further adjusted to reflect any decreases in the Nominated Demand Resource Value of any existing Demand Resource cleared in the Base Residual Auction and Second Incremental Auction.

g) Resource Substitution Charge

Each Capacity Market Buyer in an Incremental Auction securing replacement capacity shall pay a Resource Substitution Charge equal to the Capacity Resource Clearing Price resulting from such auction multiplied by the megawatt quantity of Unforced Capacity purchased by such Market Buyer in such auction.

h) Minimum Offer Price Rule for Certain New Generation Capacity Resources that are not Capacity Resources with State Subsidy

(1) For purposes of this section, the Net Asset Class Costs of New Entry shall be asset-class estimates of competitive, cost-based nominal levelized Cost of New Entry, net of energy and ancillary service revenues. Determination of the gross Cost of New Entry component of the Net Asset Class Cost of New Entry shall be consistent with the methodology used to determine the Cost of New Entry set forth in Tariff, Attachment DD, section 5.10(a)(iv)(A) of this Attachment. This section only applies to new Generation Capacity Resources that do not receive or are not entitled to receive a State Subsidy, meaning that such resources are not Capacity Resources with State Subsidy. To the extent a new Generation Capacity Resource is a Capacity Resource with State Subsidy, then the provisions in Tariff, Attachment DD, section 5.14(h-1) apply.

The gross Cost of New Entry component of Net Asset Class Cost of New Entry shall be, for purposes of the 2018/2019 Delivery Year and subsequent Delivery Years, the values indicated in the table below for each CONE Area for a combustion turbine generator (“CT”), and
a combined cycle generator (“CC”) respectively, and shall be adjusted for subsequent Delivery Years in accordance with subsection (h)(2) below. For purposes of Incremental Auctions for the 2015/2016, 2016/2017 and 2017/2018 Delivery Years, the MOPR Floor Offer Price shall be the same as that used in the Base Residual Auction for such Delivery Year. The estimated energy and ancillary service revenues for each type of plant shall be determined as described in subsection (h)(3) below. Notwithstanding the foregoing, the Net Asset Class Cost of New Entry shall be zero for: (i) Sell Offers based on nuclear, coal or Integrated Gasification Combined Cycle facilities; or (ii) Sell Offers based on hydroelectric, wind, or solar facilities.

<table>
<thead>
<tr>
<th></th>
<th>CONE Area 1</th>
<th>CONE Area 2</th>
<th>CONE Area 3</th>
<th>CONE Area 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>CT $/MW-yr</td>
<td>132,200</td>
<td>130,300</td>
<td>128,990</td>
<td>130,300</td>
</tr>
<tr>
<td>CC $/MW-yr</td>
<td>185,700</td>
<td>176,000</td>
<td>172,600</td>
<td>179,400</td>
</tr>
</tbody>
</table>

(2) Beginning with the Delivery Year that begins on June 1, 2019, the gross Cost of New Entry component of the Net Asset Class Cost of New Entry shall be adjusted to reflect changes in generating plant construction costs in the same manner as set forth for the cost of new entry in Tariff, Attachment DD, section 5.10(a)(iv)(B), provided, however, that the Applicable BLS Composite Index used for CC plants shall be calculated from the three indices referenced in that section but weighted 25% for the wages index, 60% for the construction materials index, and 15% for the turbines index, and provided further that nothing herein shall preclude the Office of the Interconnection from filing to change the Net Asset Class Cost of New Entry for any Delivery Year pursuant to appropriate filings with FERC under the Federal Power Act.

(3) For the 2021/2022 Delivery Year, for purposes of this provision, the net energy and ancillary services revenue estimate for a combustion turbine generator shall be that determined by Tariff, Attachment DD, section 5.10(a)(v)(A), provided that the energy revenue estimate for each CONE Area shall be based on the Zone within such CONE Area that has the highest energy revenue estimate calculated under the methodology in that subsection. The net energy and ancillary services revenue estimate for a combined cycle generator shall be determined in the same manner as that prescribed for a combustion turbine generator in the previous sentence, except that the heat rate assumed for the combined cycle resource shall be 6.722 MMbtu/Mwh, the variable operations and maintenance expenses for such resource shall be $3.23 per MWh, the Peak-Hour Dispatch scenario for both the Day-Ahead and Real-Time Energy Markets shall be modified to dispatch the CC resource continuously during the full peak-hour period, as described in Peak-Hour Dispatch, for each such period that the resource is economic (using the test set forth in such definition), rather than only during the four-hour blocks within such period that such resource is economic, and the ancillary service revenues shall be $3198 per MW-year.

For the 2022/2023 Delivery Year and subsequent Delivery Years, for purposes of this provision, the net energy and ancillary services revenue estimate for a combustion turbine generator shall be that determined by Tariff, Attachment DD, section 5.10(a)(v-1)(A), provided that the energy and ancillary services revenue estimate for each CONE Area shall be based on the Zone within such CONE Area that has the highest energy revenue estimate calculated under the methodology in that subsection. The net energy and ancillary services revenue estimate for a combined cycle generator shall be determined in the same manner as that prescribed for a combustion turbine generator in the previous sentence, except that the heat rate assumed for the
combined cycle resource shall be 6.501 MMbtu/MWh, the variable operations and maintenance expenses for such resource shall be $2.11 per MWh, a 10% adder will not be included in the energy offer, and the reactive service revenues shall be $3,350 per MW-year.

(4) Any Sell Offer that is based on either (i) or (ii), and (iii):

i) a Generation Capacity Resource located in the PJM Region that is submitted in an RPM Auction for a Delivery Year unless a Sell Offer based on that resource has cleared an RPM Auction for that or any prior Delivery Year, or until a Sell Offer based on that resource clears an RPM auction for that or any subsequent Delivery Year; or

ii) a Generation Capacity Resource located outside the PJM Region (where such Sell Offer is based solely on such resource) that requires sufficient transmission investment for delivery to the PJM Region to indicate a long-term commitment to providing capacity to the PJM Region, unless a Sell Offer based on that resource has cleared an RPM Auction for that or any prior Delivery Year, or until a Sell offer based on that resource clears an RPM Auction for that or any subsequent Delivery Year;

iii) in any LDA for which a separate VRR Curve is established for use in the Base Residual Auction for the Delivery Year relevant to the RPM Auction in which such offer is submitted, and that is less than 90 percent of the applicable Net Asset Class Cost of New Entry or, if there is no applicable Net Asset Class Cost of New Entry, less than 70 percent of the Net Asset Class Cost of New Entry for a combustion turbine generator as provided in subsection (h)(1) above shall be set to equal 90 percent of the applicable Net Asset Class Cost of New Entry (or set equal to 70 percent of such cost for a combustion turbine, where there is no otherwise applicable net asset class figure), unless the Capacity Market Seller obtains the prior determination from the Office of the Interconnection described in subsection (5) hereof. This provision applies to Sell Offers submitted in Incremental Auctions conducted after December 19, 2011, provided that the Net Asset Class Cost of New Entry values for any such Incremental Auctions for the 2012-13 or 2013-14 Delivery Years shall be the Net Asset Class Cost of New Entry values posted by the Office of the Interconnection for the Base Residual Auction for the 2014-15 Delivery Year.

(5) Unit-Specific Exception. A Sell Offer meeting the criteria in subsection (4) shall be permitted and shall not be re-set to the price level specified in that subsection if the Capacity Market Seller obtains a determination from the Office of the Interconnection or the Commission, prior to the RPM Auction in which it seeks to submit the Sell Offer, that such Sell Offer is permissible because it is consistent with the competitive, cost-based, fixed, net cost of new entry were the resource to rely solely on revenues from PJM-administered markets. The following process and requirements shall apply to requests for such determinations:

i) The Capacity Market Seller may request such a determination by no later than one hundred twenty (120) days prior to the commencement of the offer period for the RPM Auction in which it seeks to submit its Sell Offer, by submitting simultaneously to the Office of the Interconnection and the Market Monitoring Unit a written request with all of the
required documentation as described below and in the PJM Manuals. For such purpose, the Office of the Interconnection shall post, by no later than one hundred fifty (150) days prior to the commencement of the offer period for the relevant RPM Auction, a preliminary estimate for the relevant Delivery Year of the minimum offer level expected to be established under subsection (4). If the minimum offer level subsequently established for the relevant Delivery Year is less than the Sell Offer, the Sell Offer shall be permitted and no exception shall be required.

ii) As more fully set forth in the PJM Manuals, the Capacity Market Seller must include in its request for an exception under this subsection documentation to support the fixed development, construction, operation, and maintenance costs of the planned generation resource, as well as estimates of offsetting net revenues, or, sufficient data for the Office of the Interconnection and the Market Monitoring Unit to produce an estimate. Estimates of costs or revenues shall be supported at a level of detail comparable to the cost and revenue estimates used to support the Net Asset Class Cost of New Entry established under this section 5.14(h). As more fully set forth in the PJM Manuals, supporting documentation for project costs may include, as applicable and available, a complete project description; environmental permits; vendor quotes for plant or equipment; evidence of actual costs of recent comparable projects; bases for electric and gas interconnection costs and any cost contingencies; bases and support for property taxes, insurance, operations and maintenance (“O&M”) contractor costs, and other fixed O&M and administrative or general costs; financing documents for construction–period and permanent financing or evidence of recent debt costs of the seller for comparable investments; and the bases and support for the claimed capitalization ratio, rate of return, cost-recovery period, inflation rate, or other parameters used in financial modeling. Such documentation also shall identify and support any sunk costs that the Capacity Market Seller has reflected as a reduction to its Sell Offer. The request shall include a certification, signed by an officer of the Capacity Market Seller, that the claimed costs accurately reflect, in all material respects, the seller’s reasonably expected costs of new entry and that the request satisfies all standards for an exception hereunder.

The request also shall identify all revenue sources relied upon in the Sell Offer to offset the claimed fixed costs, including, without limitation, long-term power supply contracts, tolling agreements, or tariffs on file with state regulatory agencies, and shall demonstrate that such offsetting revenues are consistent, over a reasonable time period identified by the Capacity Market Seller, with the standard prescribed above.

For the 2021/2022 Delivery Year, in making such demonstration, the Capacity Market Seller may rely upon forecasts of competitive electricity prices in the PJM Region based on well defined models that include fully documented estimates of future fuel prices, variable operation and maintenance expenses, energy demand, emissions allowance prices, and expected environmental or energy policies that affect the seller’s forecast of electricity prices in such region, employing input data from sources readily available to the public. Documentation for net revenues also may include, as available and applicable, plant performance and capability information, including heat rate, start-up times and costs, forced outage rates, planned outage schedules, maintenance cycle, fuel costs and other variable operations and maintenance expenses, and ancillary service capabilities. In addition to the documentation identified herein and in the PJM Manuals, the Capacity Market Seller shall provide any additional supporting information reasonably requested by the Office of the Interconnection or the Market Monitoring
Unit to evaluate the Sell Offer. Requests for additional documentation will not extend the
deadline by which the Office of the Interconnection or the Market Monitoring Unit must provide
their determinations of the Minimum Offer Price Rule exception request.

For the 2022/2023 Delivery Year and subsequent Delivery Years, in making such
demonstration, the Capacity Market Seller may rely upon revenues projected by well defined,
forward-looking dispatch models, designed to generally follow the rules and processes of PJM’s
energy and ancillary services markets. Such models must utilize publicly available forward
prices for electricity and fuel in the PJM Region. Any modifications made to the forward
electricity and fuel prices must similarly use publicly available data. Alternative forward prices
for fuel may be used if accompanied by contractual evidence showing the applicability of the
alternative fuel price. Where forward fuel markets are not available, publicly available estimates
of future fuel prices may be used. The model shall also contain estimates of variable operation
and maintenance costs, which may include Maintenance Adders, and emissions allowance prices.
Documentation for net revenues also must include, as available and applicable, plant
performance and capability information, including heat rate, start-up times and costs, forced
outage rates, planned outage schedules, maintenance cycle, fuel costs and other variable
operations and maintenance expenses, capacity factors and ancillary service capabilities.

In the alternative, the Capacity Market Seller may request that the Market
Monitoring Unit, subject to acceptance by the Office of Interconnection, produce a resource-
specific Energy & Ancillary Services Offset value for such resource using the Forward Hourly
LMPs, Forward Hourly Ancillary Service Prices, and either Forward Daily Natural Gas Prices
for combustion turbines and combined cycle resources, or forecasted fuel prices for other
resource types, and plant parameters and capability information specific to the dispatch of the
resource, as outlined above. In addition to the documentation identified herein and in the PJM
Manuals, the Capacity Market Seller shall provide any additional supporting information
reasonably requested by the Office of the Interconnection or the Market Monitoring Unit to
evaluate the Sell Offer. Requests for additional documentation will not extend the deadline by
which the Office of the Interconnection or the Market Monitoring Unit must provide their
determinations of the Minimum Offer Price Rule exception request.

iii) A Sell Offer evaluated hereunder shall be permitted if the
information provided reasonably demonstrates that the Sell Offer’s competitive, cost-based,
fixed, net cost of new entry is below the minimum offer level prescribed by subsection (4), based
on competitive cost advantages relative to the costs estimated for subsection (4), including,
without limitation, competitive cost advantages resulting from the Capacity Market Seller’s
business model, financial condition, tax status, access to capital or other similar conditions
affecting the applicant’s costs, or based on net revenues that are reasonably demonstrated
hereunder to be higher than estimated for subsection (4). Capacity Market Sellers shall be asked
to demonstrate that claimed cost advantages or sources of net revenue that are irregular or
anomalous, that do not reflect arm’s-length transactions, or that are not in the ordinary course of
the Capacity Market Seller’s business are consistent with the standards of this subsection.
Failure to adequately support such costs or revenues so as to enable the Office of the
Interconnection to make the determination required in this section will result in denial of an
exception hereunder by the Office of the Interconnection.
iv) The Market Monitoring Unit shall review the information and documentation in support of the request and shall provide its findings whether the proposed Sell Offer is acceptable, in accordance with the standards and criteria hereunder, in writing, to the Capacity Market Seller and the Office of the Interconnection by no later than ninety (90) days prior to the commencement of the offer period for such auction. The Office of the Interconnection shall also review all exception requests and documentation and shall provide in writing to the Capacity Market Seller, and the Market Monitoring Unit, its determination whether the requested Sell Offer is acceptable and if not it shall calculate and provide to such Capacity Market Seller, a minimum Sell Offer based on the data and documentation received, by no later than sixty-five (65) days prior to the commencement of the offer period for the relevant RPM Auction. If the Office of the Interconnection determines that the requested Sell Offer is acceptable, the Capacity Market Seller shall notify the Market Monitoring Unit and the Office of the Interconnection, in writing, of the minimum level of Sell Offer to which it agrees to commit by no later than sixty (60) days prior to the commencement of the offer period for the relevant RPM Auction.

h-1) Minimum Offer Price Rule for Capacity Resources with State Subsidy

(1) General Rule. Any Sell Offer based on either a New Entry Capacity Resource with State Subsidy or a Cleared Capacity Resource with a State Subsidy submitted in any RPM Auction shall have an offer price no lower than the applicable MOPR Floor Offer Price, unless the Capacity Market Seller qualifies for an exemption with respect to such Capacity Resource with a State Subsidy prior to the submission of such offer.

(A) Effect of Exemption. To the extent a Sell Offer in any RPM Auction is based on a Capacity Resource with State Subsidy that qualifies for any of the exemptions defined in Tariff, Attachment DD, sections 5.14(h-1)(4)-(8), the Sell Offer for such resource shall not be limited by the MOPR Floor Offer Price, unless otherwise specified.

(B) Effect of Exception. To the extent a Sell Offer in any RPM Auction for any Delivery Year is based on a Capacity Resource with State Subsidy for which the Capacity Market Seller obtains, prior to the submission of such offer, a resource-specific exception, such offer may include an offer price below the default MOPR Floor Offer Price applicable to such resource type, but no lower than the resource-specific MOPR Floor Offer Price determined in such exception process.

(C) Process for Establishing a Capacity Resource with a State Subsidy.

(i) By no later than one hundred and twenty (120) days prior to the commencement of the offer period of any RPM Auction conducted for the 2022/2023 Delivery Year and all subsequent Delivery Years, each Capacity Market Seller must certify to the Office of Interconnection, in accordance with the PJM Manuals, whether or not each Capacity Resource (other than Demand Resource and Energy Efficiency Resource) that the Capacity Market Seller intends to offer into the RPM Auction qualifies as a Capacity Resource with a State Subsidy (including by way of Jointly Owned Cross-Subsidized Capacity Resource) and identify (with specificity) any State Subsidy. Capacity Market Sellers that intend to offer a Demand Resource or an Energy Efficiency Resource into the RPM Auction shall certify to the
Office of Interconnection, in accordance with the PJM Manuals, whether or not such Demand Resource or Energy Efficiency Resource qualifies as a Capacity Resource with a State Subsidy no later than thirty (30) days prior to the commencement of the offer period of any RPM Auction conducted for the 2022/2023 Delivery Year and all subsequent Delivery Years. All Capacity Market Sellers shall be responsible for each certification irrespective of any guidance developed by the Office of the Interconnection and the Market Monitoring Unit. A Capacity Resource shall be deemed a Capacity Resource with State Subsidy if the Capacity Market Seller fails to timely certify whether or not a Capacity Resource is entitled to a State Subsidy unless the Capacity Market Seller receives a waiver from the Commission. Notwithstanding, if a Capacity Market Seller submits a timely resource-specific exception pursuant to Tariff, Attachment DD, section 5.14(h-1)(3) for the relevant Delivery Year, and PJM approves the resource-specific MOPR Floor Offer Price, then the Capacity Market Seller may use such floor price regardless of whether it timely certified whether or not the resource is a Capacity Resource with State Subsidy.

(ii) The requirements in subsection (i) above do not apply to Capacity Resources for which the Market Seller designated whether or not it is subject to a State Subsidy and the associated subsidies to which the Capacity Resource is entitled in a prior Delivery Year, unless there has been a change in the set of those State Subsidy(ies), or for those which are eligible for the Demand Resource or Energy Efficiency exemption, Capacity Storage Resource exemption, Self-Supply Entity exemption, or the Renewable Portfolio Standard exemption.

(iii) Once a Capacity Market Seller has certified a Capacity Resource as a Capacity Resource with a State Subsidy, the status of such Capacity Resource will remain unchanged unless and until the Capacity Market Seller (or a subsequent Capacity Market Seller) that owns or controls such Capacity Resource provides a certification of a change in such status, the Office of the Interconnection removes such status, or by FERC order. All Capacity Market Sellers shall have an ongoing obligation to certify to the Office of Interconnection and the Market Monitoring Unit a Capacity Resource’s material change in status as a Capacity Resource with State Subsidy within 30 days of such material change, unless such material change occurs within 30 days of the commencement of the offer period of any RPM Auction for the 2022/2023 Delivery Year and all subsequent Delivery Years, in which case the Market Seller must notify PJM no later than 5 days prior to the commencement of the offer period of any RPM Auction for the 2022/2023 Delivery Year and all subsequent Delivery Years. Nothing in this provision shall supersede the requirement for all Capacity Market Sellers to certify to the Office of Interconnection whether its resource meets the criteria of a Capacity Resource with State Subsidy pursuant to Tariff, Attachment DD, section 5.14(h-1)(1)(C)(i).

(2) **Minimum Offer Price Rule.** Any Sell Offer for a New Entry Capacity Resource with State Subsidy or a Cleared Capacity Resource with State Subsidy that does not qualify for any of the exemptions, as defined in Tariff, Attachment DD, sections 5.14(h-1)(4)-(8), shall have an offer price no lower than the applicable MOPR Floor Offer Price, unless the applicable MOPR Floor Offer Price is higher than the applicable Market Seller Offer Cap, in which circumstance the Capacity Resource with State Subsidy must seek a resource-specific value determined in accordance with the resource-specific MOPR Floor Offer Price process to participate in an RPM Auction.
(A) New Entry MOPR Floor Offer Price. For a New Entry Capacity Resource with State Subsidy the applicable MOPR Floor Offer Price, based on the net cost of new entry for each resource type, shall be, at the election of the Capacity Market Seller, (i) the resource-specific value determined in accordance with the resource-specific MOPR Floor Offer Price process in Tariff, Attachment DD, section 5.14(h-1)(3) below or (ii) if applicable, the default New Entry MOPR Floor Offer Price for the applicable resource based on the gross cost of new entry values shown in the table below, as adjusted for Delivery Years subsequent to the 2022/2023 Delivery Year, net of estimated net energy and ancillary service revenues for the resource type and Zone in which the resource is located.

<table>
<thead>
<tr>
<th>Resource Type</th>
<th>Gross Cost of New Entry (2022/2023 $/MW-day) (Nameplate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuclear</td>
<td>$2,000</td>
</tr>
<tr>
<td>Coal</td>
<td>$1,068</td>
</tr>
<tr>
<td>Combined Cycle</td>
<td>$320</td>
</tr>
<tr>
<td>Combustion Turbine</td>
<td>$294</td>
</tr>
<tr>
<td>Fixed Solar PV</td>
<td>$271</td>
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<tr>
<td>Tracking Solar PV</td>
<td>$290</td>
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<tr>
<td>Onshore Wind</td>
<td>$420</td>
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<tr>
<td>Offshore Wind</td>
<td>$1,155</td>
</tr>
<tr>
<td>Battery Energy Storage</td>
<td>$532</td>
</tr>
<tr>
<td>Diesel Backed Demand Resource</td>
<td>$254</td>
</tr>
</tbody>
</table>

The gross cost of new entry values in the table above are expressed in dollars per MW-day in terms of nameplate megawatts. For purposes of submitting a Sell Offer, the gross cost of new entry values must be converted to a net cost of new entry by subtracting the estimated net energy and ancillary service revenues, as determined below, from the gross cost of new entry. However, the resultant net cost of new entry of the battery energy storage resource type in the table above must be multiplied by 2.5. The net cost of new entry based on nameplate capacity is then converted to Unforced Capacity (“UCAP”) MW-day. For Delivery Years through the 2022/2023 Delivery Year, to determine the applicable UCAP MW-day value, the net cost of new entry is adjusted as follows: for thermal generation resource types and battery energy storage resource types, the applicable class average EFORd; for wind and solar generation resource types, the applicable class average capacity value factor; or for Demand Resources and Energy Efficiency Resources, the Forecast Pool Requirement, as applicable to the relevant RPM Auction. For the 2023/2024 Delivery Year and subsequent Delivery Years, to determine the applicable UCAP MW-day value, the net cost of new entry is adjusted as follows: for thermal generation resource types, the applicable class average EFORd; for battery storage, wind, and solar resource types, the applicable ELCC Class Rating; or for Demand Resources and Energy Efficiency Resources, the Forecast Pool Requirement, as applicable to the relevant RPM Auction. The resulting default New Entry MOPR Floor Offer price in UCAP/MW-day terms shall be applied to each MW offered for the Capacity Resource regardless of the actual Sell Offer quantity and regardless of whether the Sell Offer is for a Seasonal Capacity Performance Resource.
The default New Entry MOPR Floor Offer Price for load-backed Demand Resources (i.e., the MW portion of Demand Resources that is not supported by generation) shall be separately determined for each Locational Deliverability Area as the MW-weighted average offer price of load-backed Demand Resources from the most recent three Base Residual Auctions, where the MW weighting shall be determined based on the portion of each Sell Offer for a load-backed portion of the Demand Resource that is supported by end-use customer locations on the registrations used in the pre-registration process for such Base Residual Auctions, as described in the PJM Manuals.

For generation-backed Demand Resources that are not powered by diesel generators, the default New Entry MOPR Floor Offer Price shall be the default New Entry MOPR Floor Offer Price applicable to their technology type. Generation-backed Demand Resources using a technology type for which there is no default MOPR Floor Offer Price provided in accordance with this section must seek a resource-specific value determined in accordance with the resource-specific MOPR Floor Offer Price process in Tariff, Attachment DD, section 5.14(h-1)(3) below to participate in an RPM Auction.

The default gross cost of new entry for Energy Efficiency Resources shall be $644/ICAP MW-Day, which shall be offset by projected wholesale energy savings, as well as transmission and distribution savings of $95/ICAP MW-Day, to determine the default New Entry MOPR Floor Offer Price (Net Cost of New Entry), where the projected wholesale energy savings are determined utilizing the cost and performance data of relevant programs offered by representative energy efficiency programs with sufficiently detailed publicly available data. The wholesale energy savings, in $/ICAP MW-day, shall be calculated prior to each RPM Auction and be equal to the average annual energy savings of 6,221 MWh/ICAP MW times the weighted average of the annual real-time Forward Hourly LMPs of the Zones of the representative energy efficiency programs, where the weighting is developed from the annual energy savings in the relevant Zones, divided by 365.

Commencing with the Base Residual Auction for the 2023/2024 Delivery Year, the Office of the Interconnection shall adjust the default gross costs of new entry in the table above and for load-backed Demand Resources, and post the preliminary estimates of the adjusted applicable default New Entry MOPR Floor Offer Prices on its website, by no later than one hundred fifty (150) days prior to the commencement of the offer period for each Base Residual Auction. To determine the adjusted applicable default New Entry MOPR Floor Offer Prices for all resource types except for load-backed Demand Resources and Energy Efficiency Resources, the Office of the Interconnection shall adjust the gross costs of new entry utilizing, for combustion turbine and combined cycle resource types, the same Applicable BLS Composite Index applied for such Delivery Year to adjust the CONE value used to determine the Variable Resource Requirement Curve, in accordance with Tariff, Attachment DD, section 5.10(a)(iv), and for all other resource types, the “BLS Producer Price Index Turbines and Turbine Generator Sets” component of the Applicable BLS Composite Index used to determine the Variable Resource Requirement Curve shall be replaced with the “BLS Producer Price Index Final Demand, Goods Less Food & Energy, Private Capital Equipment” when adjusting the gross costs of new entry. The resultant value shall then be then adjusted further by a factor of 1.022 for nuclear, coal, combustion turbine, combine cycle, and generation-backed Demand Resource types or 1.01 for solar, wind,
and storage resource types to reflect the annual decline in bonus depreciation scheduled under federal corporate tax law. Updated estimates of the net energy and ancillary service revenues for each default resource type and applicable Zone, which shall include, but are not limited to, consideration of Fuel Costs, Maintenance Adders and Operating Costs, as applicable, pursuant to Operating Agreement. Schedule 2 shall then be subtracted from the adjusted gross costs of new entry to determine the adjusted New Entry MOPR Floor Offer Price. The net energy and ancillary services revenue shall be the average of the net energy and ancillary service revenues that the resource is projected to receive from the PJM energy and ancillary service markets for the applicable Delivery Year from three separate simulations, with each such simulation using forward prices shaped using historical data from one of each of the three consecutive calendar years preceding the time of the determination for the RPM Auction to take account of year-to-year variability in such hourly shapes. Each net energy and ancillary services revenue simulation shall be conducted in accordance with the following and the PJM Manuals:

(i) for nuclear resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined by the gross energy market revenue determined by the product of [average annual day-ahead Forward Hourly LMPs for such Zone, times 8,760 hours times the annual average equivalent availability factor of all PJM nuclear resources] minus the total annual cost to produce energy determined by the product of [8,760 hours times the annual average equivalent availability factor of all PJM nuclear resources times $9.02/MWh for a single unit plant or $7.66/MWh for a multi-unit plant] where these hourly cost rates include fuel costs and variable operation and maintenance expenses, inclusive of Maintenance Adder costs, plus reactive services revenue of $3,350/MW-year;

(ii) for coal resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined by the Projected EAS Dispatch of a 650 MW coal unit (with heat rate of 8,638 BTU/kWh and variable operations and maintenance variable operation and maintenance expenses, inclusive of Maintenance Adder costs, of $9.50/MWh) using day-ahead and real-time Forward Hourly LMPs for such Zone and Forward Hourly Ancillary Service Prices, and daily forecasted coal prices, as set forth in the PJM Manuals, plus reactive services revenue of $3,350/MW-year;

(iii) for combustion turbine resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined in a manner consistent with the methodology described in Tariff, Attachment DD, section 5.10(a)(v-1)(B) for the Reference Resource combustion turbine.

(iv) for combined cycle resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined in the same manner as that prescribed for a combustion turbine resource type, except that the heat rate assumed for the combined cycle resource shall be 6,501 BTU/kwh, the variable operations and maintenance expenses for such resource, inclusive of Maintenance Adder costs, shall be $2.11/MWh, plus reactive services revenue of $3,350/MW-year.

(v) for solar PV resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined using a solar resource model that provides the average MW output level, expressed as a percentage of nameplate rating, by hour of day (for each of the 24-hours of a day) and by calendar month (for each of the twelve months of a year). The annual net energy market revenues are determined by multiplying the solar output level of each hour by the real-time Forward Hourly LMP for such Zone and applicable to such hour with this product summed across all of the hours of an annual period, plus reactive services revenue of
$3,350/MW-year. Two separate solar resource models are used, one model for a fixed panel resource and a second model for a tracking panel resource;

(vi) for onshore wind resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined using a wind resource model that provides the average MW output level, expressed as a percentage of nameplate rating, by hour of day (for each of the 24-hours of a day) and by calendar month (for each of the twelve months of a year). The annual energy market revenues are determined by multiplying the wind output level of each hour by the real-time Forward Hourly LMP for such Zone applicable to such hour with this product summed across all of the hours of an annual period, plus reactive services revenue of $3,350/MW-year;

(vii) for offshore wind resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined by the gross energy market revenue equal to the product of [the average annual real-time Forward Hourly LMP for such Zone times 8,760 hours times an assumed annual capacity factor of 45%], plus reactive services revenue of $3,350/MW-year;

(viii) for Capacity Storage Resource, the net energy and ancillary services revenue estimate shall be estimated by the Projected EAS Dispatch of a 1 MW, 4MWh resource, with an 85% roundtrip efficiency, and assumed to be dispatched between 95% and 5% state of charge against day-ahead and real-time Forward Hourly LMPs for such Zone and Forward Hourly Ancillary Service Prices plus reactive services revenue of $3,350/MW-year; and

(ix) for generation-backed Demand Resource, the net energy and ancillary services revenue estimate shall be zero dollars.

Beginning with the Delivery Year that commences June 1, 2022, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall review the default gross cost of new entry values. Such review may include, without limitation, analyses of the fixed development, construction, operation, and maintenance costs for such resource types. Based on the results of such review, PJM shall propose either to modify or retain the default gross cost of new entry values stated in the table above and the default gross cost of new entry value for Energy Efficiency Resources. The Office of the Interconnection shall post publicly and solicit stakeholder comment regarding the proposal. If, as a result of this process, changes to the default gross cost of new entry values are proposed, the Office of the Interconnection shall file such proposed modifications with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

New Entry Capacity Resource with State Subsidy for which there is no default MOPR Floor Offer Price provided in accordance with this section, including hybrid resources, must seek a resource-specific value determined in accordance with the resource-specific MOPR Floor Offer Price process below to participate in an RPM Auction. Failure to obtain a resource-specific MOPR Floor Offer Price will result in the Office of the Interconnection rejecting any Sell Offer based on such resource for the relevant RPM Auction.

(B) Cleared MOPR Floor Offer Prices.

(i) For a Cleared Capacity Resource with State Subsidy, the applicable Cleared MOPR Floor Offer Price shall be, at the election of the Capacity Market Seller, (a) based on the resource-specific MOPR Floor Offer Price , as determined in accordance with Tariff, Attachment DD,
section 5.14(h-1)(3) below, or (b) if available, the default Avoidable Cost Rate for the applicable resource type shown in the table below, as adjusted for Delivery Years subsequent for the 2022/2023 Delivery Year to reflect changes in avoidable costs, net of projected PJM market revenues equal to the resource’s net energy and ancillary service revenues for the resource type, as determined in accordance with subsection (ii) below.

<table>
<thead>
<tr>
<th>Existing Resource Type</th>
<th>Default Gross ACR (2022/2023 ($/MW-day) (Nameplate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuclear - single</td>
<td>$697</td>
</tr>
<tr>
<td>Nuclear - dual</td>
<td>$445</td>
</tr>
<tr>
<td>Coal</td>
<td>$80</td>
</tr>
<tr>
<td>Combined Cycle</td>
<td>$56</td>
</tr>
<tr>
<td>Combustion Turbine</td>
<td>$50</td>
</tr>
<tr>
<td>Solar PV (fixed and tracking)</td>
<td>$40</td>
</tr>
<tr>
<td>Wind Onshore</td>
<td>$83</td>
</tr>
<tr>
<td>Diesel-backed Demand Response</td>
<td>$3</td>
</tr>
<tr>
<td>Load-backed Demand Response</td>
<td>$0</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>$0</td>
</tr>
</tbody>
</table>

The default gross Avoidable Cost Rate values in the table above are expressed in dollars per MW-day in terms of nameplate megawatts. For purposes of submitting a Sell Offer, the default Avoidable Cost Rate values must be net of estimated net energy and ancillary service revenues, and then the difference is ultimately converted to Unforced Capacity (“UCAP”) MW-day, where the UCAP MW-day value will be determined based on: for Delivery Years through the 2022/2023 Delivery Year, the resource-specific EFORd for thermal generation resource types and battery energy storage resource types, resource-specific capacity value factor for solar and wind generation resource types (based on the ratio of Capacity Interconnection Rights to nameplate capacity, appropriately time-weighted for any winter Capacity Interconnection Rights), or the Forecast Pool Requirement for Demand Resources and Energy Efficiency Resources, as applicable to the relevant RPM Auction, and for the 2023/2024 Delivery Year and subsequent Delivery Years, the resource-specific EFORd for thermal generation resource types and on the resource-specific Accredited UCAP value for solar and wind resource types (with appropriate time-weighting for any winter Capacity Interconnection Rights), or the Forecast Pool Requirement for Demand Resources and Energy Efficiency Resources, as applicable to the relevant RPM Auction. The resulting default Cleared MOPR Floor Offer price in UCAP/MW-day terms shall be applied to each MW offered for the Capacity Resource regardless of actual Sell Offer quantity and regardless of whether the Sell Offer is for a Seasonal Capacity Performance Resource.

Commencing with the Base Residual Auction for the 2023/2024 Delivery Year, the Office of the Interconnection shall adjust the default Avoidable Cost Rates in the table above, and post the
adjusted values on its website, by no later than one hundred fifty (150) days prior to the commencement of the offer period for each Base Residual Auction. To determine the adjusted Avoidable Cost Rates, the Office of the Interconnection shall utilize the 10-year average Handy-Whitman Index in order to adjust the Gross ACR values to account for expected inflation. Updated estimates of the net energy and ancillary service revenues shall be determined on a resource-specific basis in accordance with Tariff, Attachment DD, section 6.8(d) and the PJM Manuals.

Beginning with the Delivery Year that commences June 1, 2022, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall review the default Avoidable Cost Rates for Capacity Resources with State Subsidies that have cleared in an RPM Auction for any prior Delivery Year. Such review may include, without limitation, analyses of the avoidable costs of such resource types. Based on the results of such review, PJM shall propose either to modify or retain the default Avoidable Cost Rate values stated in the table above. The Office of the Interconnection shall post publicly and solicit stakeholder comment regarding the proposal. If, as a result of this process, changes to the default Avoidable Cost Rate values are proposed, the Office of the Interconnection shall file such proposed modifications with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

For generation-backed Demand Resources that are not powered by diesel generators, the default Cleared MOPR Floor Offer Price shall be the default Cleared MOPR Floor Offer Price applicable to their technology type. Generation-backed Demand Resources using a technology type for which there is no default MOPR Floor Offer Price provided in accordance with this section must seek a resource-specific value determined in accordance with the resource-specific MOPR Floor Offer Price process in Tariff, Attachment DD, section 5.14(h-1)(3) below to participate in an RPM Auction.

Cleared Capacity Resources with State Subsidy for which there is no default MOPR Floor Offer Price provided in accordance with this section, including hybrid resources, must seek a resource-specific value determined in accordance with the resource-specific MOPR Floor Offer Price process below to participate in an RPM Auction. Failure to obtain a resource-specific MOPR Floor Offer Price will result in the Office of the Interconnection rejecting any Sell Offer based on such resource.

(ii) The net energy and ancillary services revenue is equal to forecasted net revenues which shall be determined in accordance with the applicable resource type net energy and ancillary services revenue determination methodology set forth in Tariff, Attachment DD, section 5.14(h-1)(2)(A)(i) through (ix) and using the subject resource’s operating parameters as determined in accordance with the PJM Manuals based on (a) offers submitted in the Day-ahead Energy Market and Real-time Energy Market over the calendar year preceding the time of the determination for the RPM Auction; (b) the resource-specific operating parameters approved, as applicable, in accordance with Operating Agreement, Schedule 1, section 6.6(b) and Operating Agreement, Schedule 2 (including any Fuel Costs, emissions costs, Maintenance Adders, and Operating Costs); (c) the resource’s EFORD; (d) Forward Hourly LMPs at the generation bus as determined in accordance with Tariff, Attachment DD, section 5.10(a)(v-1)(C)(6); and (e) the resource’s stated annual revenue requirement for reactive services; plus any unit-specific
bilateral contract. In addition, the following resource type-specific parameters shall be considered; (f) for combustion turbine, combined cycle, and coal resource types: the installed capacity rating, ramp rate (which shall be equal to the maximum ramp rate included in the resource’s energy offers over the most recent previous calendar year preceding the determination for the RPM Auction), and the heat rate as determined as the resource’s average heat rate at full load as submitted to the Market Monitoring Unit and the Office of the Interconnection, where for combined cycle resources heat rates will be determined at base load and at peak load (e.g., without duct burners and with duct burners), as applicable; (g) for nuclear resource type: an average equivalent availability factor of all PJM nuclear resources to account for refueling outages; (h) for solar and wind resource types: the resource’s output profiles for the most recent three calendar years, as available; and (i) for battery storage resource type: the nameplate capacity rating (on a MW / MWh basis).

To the extent the resource has not achieved commercial operation, the operating parameters used in the simulation of the net energy and ancillary service revenues will be based on the manufacturer’s specifications and/or from parameters used for other existing, comparable resources, as developed by the Market Monitoring Unit and the Capacity Market Seller, and accepted by the Office of the Interconnection.

A Capacity Market Seller intending to submit a Sell Offer in any RPM Auction for a Cleared Capacity Resource with State Subsidy based on a net energy and ancillary services revenue determination that does not use the foregoing methodology or parameter inputs stated for that resource type shall, at its election, submit a request for a resource-specific MOPR Floor Offer Price for such Capacity Resource pursuant to Tariff, Attachment DD, section 5.14(h-1)(3) below.

(3) Resource-Specific Exception. A Capacity Market Seller intending to submit a Sell Offer in any RPM Auction for a New Entry Capacity Resource with State Subsidy or a Cleared Capacity Resource with State Subsidy below the applicable default MOPR Floor Offer Price may, at its election, submit a request for a resource-specific exception for such Capacity Resource. A Sell Offer below the default MOPR Floor Offer Price, but no lower than the resource-specific MOPR Floor Offer Price, shall be permitted if the Capacity Market Seller obtains approval from the Office of the Interconnection or the Commission, prior to the RPM Auction in which it seeks to submit the Sell Offer. The resource-specific MOPR Floor Offer Price determined under this provision shall be based on the resource-specific EFORd for thermal generation resource types, on the resource-specific Accredited UCAP value for and battery energy storage resource types and for resource-specific capacity value factor for solar and wind generation resource types (based on the ratio of Capacity Interconnection Rights to nameplate capacity, appropriately time-weighted for any winter Capacity Interconnection Rights), or the Forecast Pool Requirement for Demand Resources and Energy Efficiency Resources, as applicable to the relevant RPM Auction and shall be applied to each MW offered by the resource regardless of actual Sell Offer quantity and regardless of whether the Sell Offer is for a Seasonal Capacity Performance Resource. Such Sell Offer is permissible because it is consistent with the competitive, cost-based, fixed, net cost were the resource to rely solely on revenues exclusive of any State Subsidy. All supporting data must be provided for all requests. The following requirements shall apply to requests for such determinations:
(A) The Capacity Market Seller shall submit a written request with all of the required documentation as described below and in the PJM Manuals. For such purpose, the Capacity Market Seller shall submit the resource-specific exception request to the Office of the Interconnection and the Market Monitoring Unit no later than one hundred twenty (120) days prior to the commencement of the offer period for the RPM Auction in which it seeks to submit its Sell Offer. For such purpose, the Office of the Interconnection shall post, by no later than one hundred fifty (150) days prior to the commencement of the offer period for the relevant RPM Auction, a preliminary estimate for the relevant Delivery Year of the default Minimum Floor Offer Prices, determined pursuant to Tariff, Attachment DD, sections 5.14(h-1)(2)(A) and (B). If the final applicable default Minimum Floor Offer Price subsequently established for the relevant Delivery Year is less than the Sell Offer, the Sell Offer shall be permitted and no exception shall be required.

(B) For a resource-specific exception for a New Entry Capacity Resource with State Subsidy, the Capacity Market Seller must include in its request for an exception under this subsection documentation to support the fixed development, construction, operation, and maintenance costs of the Capacity Resource, as well as estimates of offsetting net revenues.

The financial modeling assumptions for calculating Cost of New Entry for Generation Capacity Resources and generation-backed Demand Resources shall be: (i) nominal levelization of gross costs, (ii) asset life of twenty years, (iii) no residual value, (iv) all project costs included with no sunk costs excluded, (v) use first year revenues (which may include revenues from the sale of renewable energy credits for purposes other than state-mandated or state-sponsored programs), and (vi) weighted average cost of capital based on the actual cost of capital for the entity proposing to build the Capacity Resource. Notwithstanding the foregoing, a Capacity Market Seller that seeks to utilize an asset life other than twenty years (but no greater than 35 years) shall provide evidence to support the use of a different asset life, including but not limited to, the asset life term for such resource as utilized in the Capacity Market Seller’s financial accounting (e.g., independently audited financial statements), or project financing documents for the resource or evidence of actual costs or financing assumptions of recent comparable projects to the extent the seller has not executed project financing for the resource (e.g., independent project engineer opinion or manufacturer’s performance guarantee), or opinions of third-party experts regarding the reasonableness of the financing assumptions used for the project itself or in comparable projects. Capacity Market Sellers may also rely on evidence presented in federal filings, such as its FERC Form No. 1 or an SEC Form 10-K, to demonstrate an asset life other than 20 years of similar asset projects.

Supporting documentation for project costs may include, as applicable and available, a complete project description; environmental permits; vendor quotes for plant or equipment; evidence of actual costs of recent comparable projects; bases for electric and gas interconnection costs and any cost contingencies; bases and support for property taxes, insurance, operations and maintenance (“O&M”) contractor costs, and other fixed O&M and administrative or general costs; financing documents for construction-period and permanent financing or evidence of recent debt costs of the seller for comparable investments; and the bases and support for the claimed capitalization ratio, rate of return, cost-recovery period, inflation rate, or other parameters used in financial modeling. In addition to the certification, signed by an officer of the
Capacity Market Seller, the request must include a certification that the claimed costs accurately reflect, in all material respects, the seller’s reasonably expected costs of new entry and that the request satisfies all standards for a resource-specific exception hereunder. The request also shall identify all revenue sources (exclusive of any State Subsidies) relied upon in the Sell Offer to offset the claimed fixed costs, including, without limitation, long-term power supply contracts, tolling agreements, or tariffs on file with state regulatory agencies, and shall demonstrate that such offsetting revenues are consistent, over a reasonable time period identified by the Capacity Market Seller, with the standard prescribed above. In making such demonstration, the Capacity Market Seller may rely upon revenues projected by well-defined, forward-looking dispatch models designed to generally follow the rules and processes of PJM’s energy and ancillary services market. Such models must utilize publicly available forward prices for electricity and fuel in the PJM Region. Any modifications made to the forward electricity and fuel prices must similarly use publicly available data. Alternative forward prices for fuel may be used if accompanied by contractual evidence showing the applicability of the alternative fuel price. Where forward fuel markets are not available, publicly available estimates of future fuel prices may be used. The model shall also contain estimates of, variable operation and maintenance expenses, which may include Maintenance Adders, and emissions allowance prices. Documentation for net revenues also must include, as available and applicable, plant performance and capability information, including heat rate, start-up times and costs, forced outage rates, planned outage schedules, maintenance cycle, fuel costs and other variable operations and maintenance expenses, capacity factors, and ancillary service capabilities. Any evaluation of net revenues should be consistent with Operating Agreement, Schedule 2, including, but not limited to, consideration of Fuel Costs, Maintenance Adders and Operating Costs, as applicable.

In the alternative, the Capacity Market Seller may request that the Market Monitoring Unit, subject to acceptance by the Office of Interconnection, produce a resource-specific Energy & Ancillary Services Offset value for such resource using the Forward Hourly LMPs, Forward Hourly Ancillary Service Prices and either Forward Daily Natural Gas Prices for combustion turbines and combined cycle resources, or forecasted fuel prices for other resource types, plus plant parameters and capability information specific to the dispatch of the resource, as outlined above. In addition to the documentation identified herein and in the PJM Manuals, the Capacity Market Seller shall provide any additional supporting information reasonably requested by the Office of the Interconnection or the Market Monitoring Unit to evaluate the Sell Offer. Requests for additional documentation will not extend the deadline by which the Office of the Interconnection or the Market Monitoring Unit must provide their determinations of the Minimum Offer Price Rule exception request.

The default assumptions for calculating resource-specific Cost of New Entry for Energy Efficiency Resources shall be based on, as supported by documentation provided by the Capacity Market Seller: the nominal-levelized annual cost to implement the Energy Efficiency program or to install the Energy Efficiency measure reflective of the useful life of the implemented Energy Efficiency equipment, and the offsetting savings associated with avoided wholesale energy costs and other claimed savings provided by implementing the Energy Efficiency program or installing the Energy Efficiency measure.
The default assumptions for calculating resource-specific Cost of New Entry for load-backed Demand Resources shall be based on, as supported by documentation provided by the Capacity Market Seller, program costs required for the resource to meet the capacity obligations of a Demand Resource, including all fixed operating and maintenance cost and weighted average cost of capital based on the actual cost of capital for the entity proposing to develop the Demand Resource.

For generation-backed Demand Resources, the determination of a resource-specific MOPR Floor Offer Price shall consider all costs associated with the generation unit supporting the Demand Resource, and demand charge management benefits at the retail level (as supported by documentation at the end-use customer level) may also be considered as an additional offset to such costs. Supporting documentation (at the end-use customer level) may include, but is not limited to, historic end-use customer bills and associated analysis that identifies the annual retail avoided cost from the operation of such generation unit.

(C) For a Resource-Specific Exception for a Cleared Capacity Resource with State Subsidy that is a generation resource, the Capacity Market Seller shall submit a Sell Offer consistent with the unit-specific Market Seller Offer Cap process pursuant to Tariff, Attachment DD, section 6.8; except that the 10% uncertainty adder may not be included in the “Adjustment Factor.” In addition and notwithstanding the requirements of Tariff, Attachment DD, section 6.8, the Capacity Market Seller shall, at its election, include in its request for an exception under this subsection documentation to support projected energy and ancillary services markets revenues. Such a request shall identify all revenue sources (exclusive of any State Subsidies) relied upon in the Sell Offer to offset the claimed fixed costs, including, without limitation, long-term power supply contracts, tolling agreements, or tariffs on file with state regulatory agencies, and shall demonstrate that such offsetting revenues are consistent, over a reasonable time period identified by the Capacity Market Seller, with the standard prescribed above. In making such demonstration, the Capacity Market Seller may rely upon revenues projected by well-defined, forward-looking dispatch models designed to generally follow the rules and processes of PJM’s energy and ancillary services market. Such models must utilize publicly available forward prices for electricity and fuel in the PJM Region. Any modifications made to the forward electricity and fuel prices must similarly use publicly available data. Alternative forward prices for fuel may be used if accompanied by contractual evidence showing the applicability of the alternative fuel price. Where forward fuel markets are not available, publicly available estimates of future fuel sources may be used. The model shall also contain estimates of variable operation and maintenance expenses, which may include Maintenance Adders, and emissions allowance prices. Documentation for net revenues also must include, as available and applicable, plant performance and capability information, including heat rate, start-up times and costs, forced outage rates, planned outage schedules, maintenance cycle, fuel costs and other variable operations and maintenance expenses, capacity factors, and ancillary service capabilities. Any evaluation of revenues should include, but would not be not limited to, consideration of Fuel Costs, Maintenance Adders and Operating Costs, as applicable, pursuant to Operating Agreement, Schedule 2.

In the alternative, the Capacity Market Seller may request that the Market Monitoring Unit, subject to acceptance by the Office of Interconnection, produce a resource-specific Energy & Ancillary Services Offset value for such resource using the Forward Hourly LMPs, Forward
Hourly Ancillary Service Prices and either Forward Daily Natural Gas Prices for combustion turbines and combined cycle resources, or forecasted fuel prices for other resource types, plus plant parameters and capability information specific to the dispatch of the resource, as outlined above. In addition to the documentation identified herein and in the PJM Manuals, the Capacity Market Seller shall provide any additional supporting information reasonably requested by the Office of the Interconnection or the Market Monitoring Unit to evaluate the Sell Offer. Requests for additional documentation will not extend the deadline by which the Office of the Interconnection or the Market Monitoring Unit must provide their determinations of the Minimum Offer Price Rule exception request.

The resource-specific MOPR Floor Offer Price for a Cleared Capacity Resource with State Subsidy that is a generation-backed Demand Resource will be determined based on all costs associated with the generation unit supporting the Demand Resource, and demand charge management benefits at the retail level (as supported by documentation at the end-use customer level) may also be considered as an additional offset to such costs. Supporting documentation (at the end-use customer level) may include but is not limited to, historic end-use customer bills and associated analysis that identifies the annual retail avoided cost from the operation of such generation unit.

(D) A Sell Offer evaluated at the resource-specific exception shall be permitted if the information provided reasonably demonstrates that the Sell Offer’s competitive, cost-based, fixed, net cost of new entry is below the default MOPR Floor Offer Price, based on competitive cost advantages relative to the costs estimated by the default MOPR Floor Offer Price, including, without limitation, competitive cost advantages resulting from the Capacity Market Seller’s business model, financial condition, tax status, access to capital or other similar conditions affecting the applicant’s costs, or based on net revenues that are reasonably demonstrated hereunder to be higher than those estimated by the default MOPR Floor Offer Price. Capacity Market Sellers shall demonstrate that claimed cost advantages or sources of net revenue that are irregular or anomalous, that do not reflect arm’s-length transactions, or that are not in the ordinary course of the Capacity Market Seller’s business are consistent with the standards of this subsection. Failure to adequately support such costs or revenues so as to enable the Office of the Interconnection to make the determination required in this section will result in denial of a resource-specific exception by the Office of the Interconnection.

(E) The Capacity Market Seller must submit a sworn, notarized certification of a duly authorized officer, certifying that the officer has personal knowledge of the resource-specific exception request and that to the best of his/her knowledge and belief: (1) the information supplied to the Market Monitoring Unit and the Office of Interconnection to support its request for an exception is true and correct; (2) the Capacity Market Seller has disclosed all material facts relevant to the request for the exception; and (3) the request satisfies the criteria for the exception.

(F) The Market Monitoring Unit shall review, in an open and transparent manner with the Capacity Market Seller and the Office of the Interconnection, the information and documentation in support of the request and shall provide its findings whether the proposed Sell Offer is acceptable, in accordance with the standards and criteria hereunder, in writing, to the Capacity Market Seller and the Office of the Interconnection by no later than
ninety (90) days prior to the commencement of the offer period for such auction. The Office of
the Interconnection shall also review, in an open and transparent manner, all exception requests
and documentation and shall provide in writing to the Capacity Market Seller, and the Market
Monitoring Unit, its determination whether the requested Sell Offer is acceptable and if not it
shall calculate and provide to such Capacity Market Seller, a minimum Sell Offer based on the
data and documentation received, by no later than sixty-five (65) days prior to the
commencement of the offer period for the relevant RPM Auction. After the Office of the
Interconnection determines with the advice and input of Market Monitor, the acceptable
minimum Sell Offer, the Capacity Market Seller shall notify the Market Monitoring Unit and the
Office of the Interconnection, in writing, of the minimum level of Sell Offer to which it agrees to
commit by no later than sixty (60) days prior to the commencement of the offer period for the
relevant RPM Auction, and in making such determination, the Capacity Market Seller may
consider the applicable default MOPR Floor Offer Price and may select such default value if it is
lower than the resource-specific determination. A Capacity Market Seller that is dissatisfied
with any determination hereunder may seek any remedies available to it from FERC; provided,
however, that the Office of the Interconnection will proceed with administration of the Tariff and
market rules based on the lower of the applicable default MOPR Floor Offer Price and the
resource-specific determination unless and until ordered to do otherwise by FERC.

(4) Competitive Exemption.

(A) A Capacity Resource with State Subsidy may be exempt from the
Minimum Offer Price Rule under this subsection 5.14(h-1) in any RPM Auction if the Capacity
Market Seller certifies to the Office of Interconnection, in accordance with the PJM Manuals,
that the Capacity Market Seller of such Capacity Resource elects to forego receiving any State
Subsidy for the applicable Delivery Year no later than thirty (30) days prior to the
commencement of the offer period for the relevant RPM Auction. Notwithstanding the foregoing,
the competitive exemption is not available to Capacity Resources with State Subsidy that (A) are
owned or offered by Self-Supply Entities unless the Self-Supply Entity certifies, subject to PJM
and Market Monitor review, that the Capacity Resource will not accept a State Subsidy,
including any financial benefit that is the result of being owned by a regulated utility, such that
retail ratepayers are held harmless, (B) are no longer entitled to receive a State Subsidy but are
still considered a Capacity Resource with State Subsidy solely because they have not cleared an
RPM Auction since last receiving a State Subsidy, or (C) are Jointly Owned Cross-Subsidized
Capacity Resources or is the subject of a bilateral transaction (including but not limited to those
reported pursuant to Tariff, Attachment DD, section 4.6) and not all Capacity Market Sellers of
the supporting facility unanimously elect the competitive exemption and certify that no State
Subsidy will be received associated with supporting the resource (unless the underlying Capacity
Resource that is the subject of a bilateral transaction has not received, is not receiving, and is not
entitled to receive any State Subsidy except those that are assigned (i.e., renewable energy
credits) to the off-takers of a bilateral transaction and the Capacity Market Seller of such
Capacity Resource can demonstrate and certify that the Capacity Market Seller’s rights and
obligations of its share of the capacity, energy, and assignable State Subsidy associated with the
underlying Capacity Resource are in pro rata shares). A new Generation Capacity Resource that
is a Capacity Resource with State Subsidy may elect the competitive exemption; however, in
such instance, the applicable MOPR Floor Offer Price will be determined in accordance with the
minimum offer price rules for certain new Generation Capacity Resources as provided in Tariff,
Attachment DD, section 5.14(h), which apply the minimum offer price rule to the new Generation Capacity Resources located in an LDA where a separate VRR Curve is established as provided in Tariff, Attachment DD, section 5.14(h)(4).

(B)(i) The Capacity Market Seller shall not receive a State Subsidy for any part of the relevant Delivery Year in which it elects a competitive exemption or certifies that it is not a Capacity Resource with State Subsidy. In furtherance of this prohibition, if a Capacity Resource that (1) is a New Entry Capacity Resource with State Subsidy that elects the competitive exemption in subsection (4)(A) above and clears an RPM Auction for a given Delivery Year, but prior to the end of the asset life that PJM used to set the applicable default New Entry MOPR Floor Price in the RPM Auction that the New Entry Capacity Resource with State Subsidy first cleared, elects to accept a State Subsidy or (2) is not a Capacity Resource with State Subsidy at the time of the RPM Auction for the Delivery Year for which it first cleared an RPM Auction but prior to the end of the asset life that PJM used to set the applicable default New Entry MOPR Floor Price in the RPM Auction that the Capacity Resource first cleared, receives a State Subsidy, or (3) in the case of Demand Resource, is an end-use customer location MW that receives a State Subsidy and is included in a Demand Resource Registration pursuant to RAA, Schedule 6 to satisfy a Demand Resource commitment that was not designated as a Capacity Resource with State Subsidy at the time it cleared the relevant RPM Auction, then the Capacity Market Seller of that Capacity Resource or end-use customer location MW shall not receive RPM revenues for such resource or end-use customer location MW for any part of that Delivery Year and may not participate in any RPM Auction with such resource or end-use customer location MW, or be eligible to use such resource or end-use customer location MW as replacement capacity starting June 1 of the Delivery Year after the Capacity Market Seller or end-use customer location MW first receives the State Subsidy and continuing for the remainder of the asset life that PJM used to set the applicable default New Entry MOPR Floor Price in the RPM Auction that the Capacity Resource first cleared (20 years, except for battery energy storage, for which such participation restriction shall apply for a period of 15 years). A Jointly Owned Cross-Subsidized Capacity Resource that meets the requirements of either of the two preceding subsections (B)(i)(1) or (2), shall not receive RPM revenues for any part of that Delivery Year and may not participate in any RPM Auction or be eligible to be used as replacement capacity starting June 1 of the Delivery Year and continuing for the number of years specified above, after any joint Capacity Market Seller of the underlying facility first receives the State Subsidy. A Capacity Resource with State Subsidy that is the subject of a bilateral transaction that meets the requirements of either of the two preceding subsections (B)(i)(1) or (2) shall not receive RPM revenues for any part of that Delivery Year and may not participate in any RPM Auction or be eligible to be used as replacement capacity starting June 1 of the Delivery Year and continuing for the number of years specified above if any owner or Capacity Market Seller of the facility receives a State Subsidy. The Capacity Market Seller(s) of any such Capacity Resource or Jointly Owned Cross-Subsidized Capacity Resource shall also return to the Office of the Interconnection any revenues paid to such Capacity Resource associated with their capacity commitment for such Delivery Year and shall retain their RPM commitment and associated obligations for such Delivery Year and for any future Delivery Years in which the resource has already secured a capacity commitment, including any Non-Performance Charges relating to the capacity and remain eligible to collect Performance Payments under this Tariff, Attachment DD, section 10A for the relevant Delivery Year and any subsequent Delivery Years for which it already received an RPM commitment. Notwithstanding the foregoing, Capacity
Resources that lose their eligibility to participate in RPM pursuant to this section remain eligible for commitment in an FRR Capacity Plan.

(ii) If any Capacity Resource that has previously cleared an RPM Auction (1) is a Cleared Capacity Resource with State Subsidy that claims the competitive exemption pursuant to subsection (4)(A) above in an RPM Auction and clears such RPM Auction or (2) was not a Capacity Resource with State Subsidy at the time it cleared an RPM Auction for a given Delivery Year but later becomes entitled to receive a State Subsidy for that Delivery Year, and the Capacity Market Seller subsequently elects to accept a State Subsidy for any part of that Delivery Year, or (3) in the case of Demand Resource, is an end-use customer location that receives a State Subsidy and is included in a Demand Resource Registration pursuant to RAA, Schedule 6 to satisfy a Demand Resource commitment that was not designated as a Capacity Resource with State Subsidy at the time it cleared the relevant RPM Auction, then the Capacity Market Seller of that Capacity Resource or end-use customer location may not receive RPM revenues for such resource or end-use customer location for any part of that Delivery Year, unless it can demonstrate that it would have cleared in the relevant RPM Auction under an offer consistent with the resource-specific exception process outlined above in subsection 5.14(h-1)(3). All Capacity Market Sellers of a Jointly Owned Cross-Subsidized Capacity Resource that meets the requirements of either of the two preceding subsections (B)(ii)(1) or (2) may not receive RPM revenues for any part of that Delivery Year if any joint Capacity Market Seller of the underlying facility accepts a subsidy for that Delivery Year, unless the Capacity Market Seller can demonstrate that the facility would have cleared in the relevant RPM Auction under an offer consistent with the resource-specific exception process outlined above in subsection 5.14(h-1)(3). A Capacity Resource with State Subsidy that is the subject of a bilateral transaction may not receive RPM revenues for any part of that Delivery Year if any owner or Capacity Market Seller of the facility receives a State Subsidy for that Delivery Year, unless the Capacity Market Seller can demonstrate that the facility would have cleared in the relevant RPM Auction under an offer consistent with the resource-specific exception process outlined above in subsection 5.14(h-1)(3), if any owner or Capacity Market Seller of the facility receives a State Subsidy. The Capacity Market Seller(s) of any such Capacity Resources or Jointly Owned Cross-Subsidized Capacity Resource shall return to the Office of the Interconnection any revenues paid to such Capacity Resource associated with their capacity commitment for such Delivery Year and shall retain their RPM commitment and associated obligations for the relevant Delivery Year and remain eligible to collect Performance Payments or to pay Non-Performance Charges, as applicable, pursuant to Tariff, Attachment DD, section 10A.

(iii) Any revenues returned to the Office of the Interconnection pursuant to the preceding subsections (i) and (ii) shall be allocated across all load in the RTO that has not selected the FRR Alternative. Such revenues shall be distributed on a pro-rata basis to such LSEs that were charged a Locational Reliability Charge based on their Daily Unforced Capacity Obligations.

(5) Self-Supply Entity exemption. A Capacity Resource that was owned, or bilaterally contracted, by a Self-Supply Entity on December 19, 2019, shall be exempt from the Minimum Offer Price Rule if such Capacity Resource remains owned or bilaterally contracted by such Self-Supply Entity and satisfies at least one of the criteria specified below:
Renewable Portfolio Standard Exemption. A Capacity Resource with State Subsidy shall be exempt from the Minimum Offer Price Rule if such Capacity Resource (1) receives or is entitled to receive State Subsidies through renewable energy credits or equivalent credits associated with a state-mandated or state-sponsored renewable portfolio standard (“RPS”) program or equivalent program as of December 19, 2019 and (2) satisfies at least one of the following criteria:

(A) has successfully cleared an RPM Auction prior to December 19, 2019;

(B) is the subject of an interconnection construction service agreement, interim interconnection service agreement, interconnection service agreement or wholesale market participation agreement executed by the interconnection customer on or before December 19, 2019; or

(C) is the subject of an unexecuted interconnection construction service agreement, interim interconnection service agreement, interconnection service agreement or wholesale market participation agreement filed by PJM with the Commission on or before December 19, 2019.

Demand Resource and Energy Efficiency Resource Exemption.

(A) A Capacity Resource with State Subsidy that is Demand Resource or an Energy Efficiency Resource shall be exempt from the Minimum Offer Price Rule if such Capacity Resource satisfies at least one of the following criteria:

(i) has successfully cleared an RPM Auction prior to December 19, 2019. For purposes of this subsection (A), individual customer location registrations that participated as Demand Resource and cleared in an RPM Auction prior to December 19, 2019, and were submitted to PJM no later than 45 days prior to the BRA for the 2022/2023 Delivery Year shall be deemed eligible for the Demand Resource and Energy Efficiency Resource Exemption; or
has completed registration on or before December 19, 2019; or

(iii) is supported by a post-installation measurement and verification report for Energy Efficiency Resources approved by PJM on or before December 19, 2019 (calculated for each installation period, Zone and Sub-Zone by using the greater of the latest approved post-installation measurement and verification report prior to December 19, 2019 or the maximum MW cleared for a Delivery Year across all auctions conducted prior to December 19, 2019).

(B) All registered locations that qualify for the Demand Resource and Energy Efficiency Resource exemption shall continue to remain exempt even if the MW of nominated capacity increases between RPM Auctions unless any MW increase in the nominated capacity is due to an investment made for the sole purpose of increasing the curtailment capability of the location in the capacity market. In such case, the MW of increased capability will not be qualified for the Demand Resource and Energy Efficiency Resource exemption.

(8) Capacity Storage Resource Exemption. A Capacity Resource with State Subsidy that is a Capacity Storage Resource shall be exempt from the Minimum Offer Price Rule if such Capacity Storage Resource satisfies at least one of the following criteria:

(A) has successfully cleared an RPM Auction prior to December 19, 2019;

(B) is the subject of an interconnection construction service agreement, interim interconnection service agreement, interconnection service agreement or wholesale market participation agreement executed by the interconnection customer on or before December 19, 2019; or

(C) is the subject of an unexecuted interconnection construction service agreement, interim interconnection service agreement, interconnection service agreement or wholesale market participation agreement filed by PJM with the Commission on or before December 19, 2019.

(9) Procedures and Remedies in Cases of Suspected Fraud or Material Misrepresentation or Omissions in Connection with a Capacity Resource with State Subsidy. In the event the Office of the Interconnection, with advice and input from the Market Monitoring Unit, reasonably believes that a certification of a Capacity Resource’s status contains fraudulent or material misrepresentations or omissions such that the Capacity Market Seller’s Capacity Resource is a Capacity Resource with a State Subsidy (including whether the Capacity Resource is a Jointly Owned Cross-Subsidized Capacity Resource) or does not qualify for a competitive exemption or contains information that is inconsistent with the resource-specific exception, then:

(A) A Capacity Market Seller shall, within five (5) business days upon receipt of the request for additional information, provide any supporting information reasonably requested by the Office of the Interconnection or the Market Monitoring Unit to evaluate whether such Capacity Resource is a Capacity Resource with State Subsidy or whether the
Capacity Market Seller is eligible for the competitive exemption. If the Office of the Interconnection determines that the Capacity Resource’s status as a Capacity Resource with State Subsidy is different from that specified by the Capacity Market Seller or is not eligible for a competitive exemption pursuant to subsection (4) above, the Office of the Interconnection shall notify, in writing, the Capacity Market Seller of such determination by no later than sixty-five (65) days prior to the commencement of the offer period for the relevant RPM Auction. A Capacity Market Seller that is dissatisfied with any determination hereunder may seek any remedies available to it from FERC; provided, however, if the Office of Interconnection determines that the subject resource is a Capacity Resource with State Subsidy or is not eligible for a competitive exemption pursuant to subsection (4) above, such Capacity Resource shall be subject to the Minimum Offer Price Rule, unless and until ordered to do otherwise by FERC.

(B) if the Office of the Interconnection does not provide written notice of suspected fraudulent or material misrepresentation or omission at least sixty-five (65) days before the start of the relevant RPM Auction, then the Office of the Interconnection may file the certification that contains any alleged fraudulent or material misrepresentation or omission with FERC. In such event, if the Office of Interconnection determines that a resource is a Capacity Resource with State Subsidy that is subject to the Minimum Offer Price Rule, the Office of the Interconnection will proceed with administration of the Tariff and market rules on that basis unless and until ordered to do otherwise by FERC. The Office of the Interconnection shall implement any remedies ordered by FERC; and

(C) prior to applying the Minimum Offer Price Rule, the Office of the Interconnection, with advice and input of the Market Monitoring Unit, shall notify the affected Capacity Market Seller and, to the extent practicable, provide the Capacity Market Seller an opportunity to explain the alleged fraudulent or material misrepresentation or omission. Any filing to FERC under this provision shall seek fast track treatment and neither the name nor any identifying characteristics of the Capacity Market Seller or the resource shall be publicly revealed, but otherwise the filing shall be public. The Capacity Market Seller may submit a revised certification for that Capacity Resource for subsequent RPM Auctions, including RPM Auctions held during the pendency of the FERC proceeding. In the event that the Capacity Market Seller is cleared by FERC from such allegations of fraudulent or material misrepresentations or omissions then the certification shall be restored to the extent and in the manner permitted by FERC. The remedies required by this subsection to be requested in any filing to FERC shall not be exclusive of any other remedies or penalties that may be pursued against the Capacity Market Seller.

i) Capacity Export Charges and Credits

(1) Charge

Each Capacity Export Transmission Customer shall incur for each day of each Delivery Year a Capacity Export Charge equal to the Reserved Capacity of Long-Term Firm Transmission Service used for such export (“Export Reserved Capacity”) multiplied by (the Final Zonal Capacity Price for such Delivery Year for the Zone encompassing the interface with the Control Area to which such capacity is exported minus the Final Zonal Capacity Price for such Delivery Year for the Zone in which the resources designated for export are located, but not less than
zero). If more than one Zone forms the interface with such Control Area, then the amount of Reserved Capacity described above shall be apportioned among such Zones for purposes of the above calculation in proportion to the flows from such resource through each such Zone directly to such interface under CETO/CETL analysis conditions, as determined by the Office of the Interconnection using procedures set forth in the PJM Manuals. The amount of the Reserved Capacity that is associated with a fully controllable facility that crosses such interface shall be completely apportioned to the Zone within which such facility terminates.

(2) Credit

To recognize the value of firm Transmission Service held by any such Capacity Export Transmission Customer, such customer assessed a charge under section 5.14(i)(1) above also shall receive a credit, comparable to the Capacity Transfer Rights provided to Load-Serving Entities under Tariff, Attachment DD, section 5.15. Such credit shall be equal to the locational capacity price difference specified in section 5.14(i)(1) above times the Export Customer’s Allocated Share determined as follows:

Export Customer’s Allocated Share equals

\[
\frac{\text{Export Path Import} \times \text{Export Reserved Capacity}}{\text{Export Reserved Capacity} + \text{Daily Unforced Capacity Obligations of all LSEs in such Zone}}
\]

Where:

“Export Path Import” means the megawatts of Unforced Capacity imported into the export interface Zone from the Zone in which the resource designated for export is located.

If more than one Zone forms the interface with such Control Area, then the amount of Export Reserved Capacity shall be apportioned among such Zones for purposes of the above calculation in the same manner as set forth in subsection (i)(1) above.

(3) Distribution of Revenues

Any revenues collected from the Capacity Export Charge with respect to any capacity export for a Delivery Year, less the credit provided in subsection (i)(2) for such Delivery Year, shall be distributed to the Load Serving Entities in the export-interface Zone that were assessed a

Locational Reliability Charge for such Delivery Year, pro rata based on the Daily Unforced Capacity Obligations of such Load-serving Entities in such Zone during such Delivery Year. If more than one Zone forms the interface with such Control Area, then the revenues shall be apportioned among such Zones for purposes of the above calculation in the same manner as set forth in subsection (i)(1) above.

5.14A [Reserved.]

A. This transition provision applies only with respect to Generation Capacity Resources with existing capacity commitments for the 2014/2015, 2015/2016, or 2016/2017 Delivery Years that experience reductions in verified installed capacity available for sale as a direct result of revised generating unit capability verification test procedures effective with the summer 2014 capability tests, as set forth in the PJM Manuals. A Generation Capacity Resource meeting the description of the preceding sentence, and the Capacity Market Seller of such a resource, are hereafter in this section 5.14B referred to as an “Affected Resource” and an “Affected Resource Owner,” respectively.

B. For each of its Affected Resources, an Affected Resource Owner is required to provide documentation to the Office of the Interconnection sufficient to show a reduction in installed capacity value as a direct result of the revised capability test procedures. Upon acceptance by the Office of the Interconnection, the Affected Resource’s installed capacity value will be updated in the eRPM system to reflect the reduction, and the Affected Resource’s Capacity Interconnection Rights value will be updated to reflect the reduction, effective June 1, 2014. The reduction’s impact on the Affected Resource’s existing capacity commitments for the 2014/2015 Delivery Year will be determined in Unforced Capacity terms, using the final EFORd value established by the Office of the Interconnection for the 2014/2015 Delivery Year as applied to the Third Incremental Auction for the 2014/2015 Delivery Year, to convert installed capacity to Unforced Capacity. The reduction’s impact on the Affected Resource’s existing capacity commitments for each of the 2015/2016 and 2016/2017 Delivery Years will be determined in Unforced Capacity terms, using the EFORd value from each Sell Offer in each applicable RPM Auction, applied on a pro-rata basis, to convert installed capacity to Unforced Capacity. The Unforced Capacity impact for each Delivery Year represents the Affected Resource’s capacity commitment shortfall, resulting wholly and directly from the revised capability test procedures, for which the Affected Resource Owner is subject to a Capacity Resource Deficiency Charge for the Delivery Year, as described in Tariff, Attachment DD, section 8, unless the Affected Resource Owner (i) provides replacement Unforced Capacity, as described in Tariff, Attachment DD, section 8.1, prior to the start of the Delivery Year to resolve the Affected Resource’s total capacity commitment shortfall; or (ii) requests relief from Capacity Resource Deficiency Charges that result wholly and directly from the revised capability test procedures by electing the transition mechanism described in this section 5.14B (“Transition Mechanism”).

C. Under the Transition Mechanism, an Affected Resource Owner may elect to have the Unforced Capacity commitments for all of its Affected Resources reduced for the 2014/2015, 2015/2016, or 2016/2017 Delivery Years to eliminate the capacity commitment shortfalls, across all of its Affected Resources, that result wholly and directly from the revised capability test procedures, and for which the Affected Resource Owner otherwise would be subject to Capacity Resource Deficiency Charges for the Delivery Year. In electing this option, the Affected Resource Owner relinquishes RPM Auction Credits associated with the reductions in Unforced Capacity commitments for all of its Affected Resources for the Delivery Year, and Locational Reliability Charges as described in Tariff, Attachment DD, section 5.14(e) of this Attachment DD are adjusted accordingly. Affected Resource Owners wishing to elect the Transition Mechanism for the 2015/2016 Delivery Year must notify the Office of the Interconnection by

D. The Office of the Interconnection will offset the total reduction (across all Affected Resources and Affected Resource Owners) in Unforced Capacity commitments associated with the Transition Mechanism for the 2015/2016 and 2016/2017 Delivery Years by applying corresponding adjustments to the quantity of Buy Bid or Sell Offer activity in the upcoming Incremental Auctions for each of those Delivery Years, as described in Tariff, Attachment DD, sections 5.12(b)(ii) and 5.12(b)(iii).

E. By electing the Transition Mechanism, an Affected Resource Owner may receive relief from applicable Capacity Resource Deficiency Charges for the 2014/2015, 2015/2016, or 2016/2017 Delivery Years, and a Locational UCAP Seller that sells Locational UCAP based on an Affected Resource owned by the Affected Resource Owner may receive relief from applicable Capacity Resource Deficiency Charges for the 2014/2015 Delivery Year, to the extent that the Affected Resource Owner demonstrates, to the satisfaction of the Office of the Interconnection, that an inability to deliver the amount of Unforced Capacity previously committed for the 2014/2015, 2015/2016, or 2016/2017 Delivery Years is due to a reduction in verified installed capacity available for sale as a direct result of revised generating unit capability verification test procedures effective with the summer 2014 capability tests, as set forth in the PJM Manuals; provided, however, that the Affected Resource Owner must provide the Office of the Interconnection with all information deemed necessary by the Office of the Interconnection to assess the merits of the request for relief.

5.14C Demand Response Operational Resource Flexibility Transition Provision for RPM Delivery Years 2015/2016 and 2016/2017

A. This transition provision applies only to Demand Resources for which a Curtailment Service Provider has existing RPM commitments for the 2015/2016 or 2016/2017 Delivery Years (alternatively referred to in this section 5.14C as “Applicable Delivery Years” and each an “Applicable Delivery Year”) that (i) cannot satisfy the 30-minute notification requirement as described in Tariff, Attachment DD-1, section A.2 and the parallel provision of RAA, Schedule 6; (ii) are not excepted from the 30-minute notification requirement as described in Tariff, Attachment DD-1, section A.2 and the parallel provision of RAA, Schedule 6; and (iii) cleared in the Base Residual Auction or First Incremental Auction for the 2015/2016 Delivery Year, or cleared in the Base Residual Auction for the 2016/2017 Delivery Year. A Demand Resource meeting these criteria and the Curtailment Service Provider of such a resource are hereafter in this section 5.14C referred to as an “Affected Demand Resource” and an “Affected Curtailment Service Provider,” respectively.

B. For this section 5.14C to apply to an Affected Demand Resource, the Affected Curtailment Service Provider must notify the Office of the Interconnection in writing, with regard to the following information by the applicable deadline:

i) For each applicable Affected Demand Resource: the number of cleared megawatts of Unforced Capacity for the Applicable Delivery Year by end-use customer site that the Affected Curtailment Service Provider cannot deliver, calculated based on
the most current information available to the Affected Curtailment Service Provider; the end-use customer name; electric distribution company’s account number for the end-use customer; address of end-use customer; type of Demand Resource (i.e., Limited DR, Annual DR, Extended Summer DR); the Zone or sub-Zone in which the end-use customer is located; and, a detailed description of why the end-use customer cannot comply with the 30-minute notification requirement or qualify for one of the exceptions to the 30-minute notification requirement provided in Tariff, Attachment DD-1 section A.2 and the parallel provision of RAA, Schedule 6.

ii) If applicable, a detailed analysis that quantifies the amount of cleared megawatts of Unforced Capacity for the Applicable Delivery Year for prospective customer sales that could not be contracted by the Affected Curtailment Service Provider because of the 30-minute notification requirement provided in Tariff, Attachment DD-1, section A.2 and the parallel provisions of RAA, Schedule 6 that the Affected Curtailment Service Provider cannot deliver, by type of Demand Resource (i.e. Limited DR, Annual DR, Extended Summer DR) and by Zone and sub-Zone, as applicable. The analysis should include the amount of Unforced Capacity expected from prospective customer sales for each Applicable Delivery Year and must include supporting detail to substantiate the difference in reduced sales expectations. The Affected Curtailment Service Provider should maintain records to support its analysis.

1. For the 2015/2016 Delivery Year, the notice shall be provided by no later than seven (7) days prior to the posting by the Office of the Interconnection of planning parameters for the Third Incremental Auction for the 2015/2016 Delivery Year. Such Affected Curtailment Service Provider that utilizes this transition provision may not sell or offer to sell megawatts in the modeled LDA or sub-LDA where an Affected Demand Resource is located in the Third Incremental Auction for the 2015/2016 Delivery Year.

2. For the 2016/2017 Delivery Year, the notice shall be provided by no later than seven (7) days prior to the posting by the Office of the Interconnection of planning parameters for the Second Incremental Auction for the 2016/2017 Delivery Year. Such Affected Curtailment Service Provider that utilizes this transition provision may not sell or offer to sell megawatts in the modeled LDA or sub-LDA where an Affected Demand Resource is located in the Second or Third Incremental Auctions for the 2016/2017 Delivery Year.

3. For the 2016/2017 Delivery Year, the notice shall be provided by no later than seven (7) days prior to the posting by the Office of the Interconnection of planning parameters for the Third Incremental Auction for the 2016/2017 Delivery Year. Such Affected Curtailment Service Provider that utilizes this transition provision must not have sold or offered to sell megawatts in the modeled LDA or sub-LDA where an Affected Demand Resource is located in the Second Incremental Auction for the 2016/2017 Delivery Year, and may not sell or offer to sell megawatts in the modeled LDA or sub-LDA where an Affected Demand Resource is located in the Third Incremental Auction for the 2016/2017 Delivery Year.

C. For the Third Incremental Auction for the 2015/2016 Delivery Year and the First, Second, and Third Incremental Auctions for the 2016/2017 Delivery Year, the Office of the
Interconnection shall publish aggregate information on the undeliverable megawatts declared under this transition provision (hereafter, “non-viable megawatts”), by type of Demand Resource and by Zone or sub-Zone, concurrently with its posting of planning parameters for the applicable Scheduled Incremental Auction. Non-viable megawatts for a Scheduled Incremental Auction for an Applicable Delivery Year represent those megawatts meeting the criteria of subsection A above and declared in accordance with subsection B above. Prior to each Third Incremental Auction for an Applicable Delivery Year, the Office of the Interconnection shall apply adjustments equal to the declared non-viable megawatt quantity to the quantity of Buy Bid or Sell Offer activity in the upcoming Scheduled Incremental Auctions for the Applicable Delivery Year, as described in Tariff, Attachment DD, sections 5.12(b)(ii) and 5.12(b)(iii). Prior to the Second Incremental Auction for the 2016/2017 Delivery Year, the Office of the Interconnection shall adjust the recalculated PJM Region Reliability Requirement and recalculated LDA Reliability Requirements, as described in Tariff, Attachment DD, section 5.4(c), by the applicable quantity of declared non-viable megawatts, and shall update the PJM Region Reliability Requirement and each LDA Reliability Requirement for such Second Incremental Auction only if the combined change of the applicable adjustment and applicable recalculation is greater than or equal to the lesser of (i) 500 megawatts or (ii) one percent of the prior PJM Region Reliability Requirement or one percent of the prior LDA Reliability Requirement, as applicable.

D. Prior to the start of each Applicable Delivery Year, the Office of the Interconnection shall reduce, by type of Demand Resource and by Zone or sub-Zone, the capacity commitment of each Affected Curtailment Service Provider that utilizes this transition provision for the Applicable Delivery Year based on the non-viable megawatts declared by the Affected Curtailment Service Provider under this transition provision. If the Affected Curtailment Service Provider cleared megawatts from multiple Affected Demand Resources of the same type and Zone or sub-Zone, or cleared megawatts in multiple RPM Auctions for the Applicable Delivery Year, the Office of the Interconnection shall allocate the reduction in capacity commitment by type of Demand Resource and by Zone or sub-Zone across the applicable Affected Demand Resources and relevant RPM Auctions. Such allocation shall be performed on a pro-rata basis, based on megawatts cleared by the Affected Demand Resources in the relevant RPM Auctions.

E. For each Applicable Delivery Year, an Affected Curtailment Service Provider that utilizes this transition provision for the Applicable Delivery Year relinquishes an Affected Demand Resource’s RPM Auction Credits for the amount of capacity commitment reduction as determined under subsection D above. Locational Reliability Charges as described in Tariff, Attachment DD, section 5.14(e) are also adjusted accordingly.

5.14D Capacity Performance and Base Capacity Transition Provision for RPM Delivery Years 2016/2017 and 2017/2018

A. This transition provision applies only for procuring Capacity Performance Resources for the 2016/2017 and 2017/2018 Delivery Years.

B. For both the 2016/2017 and 2017/2018 Delivery Years, PJM will hold a Capacity Performance Transition Incremental Auction to procure Capacity Performance Resources.
1. For each Capacity Performance Transition Incremental Auction, the optimization algorithm shall consider:
   - the target quantities of Capacity Performance Resources specified below;
   - the Sell Offers submitted in such auction.

The Office of the Interconnection shall submit a Buy Bid based on the quantity of Capacity Performance Resources specified for that Delivery Year. For the 2016/2017 Delivery Year, the Office of the Interconnection shall submit a Buy Bid, at a price no higher than 0.5 times the Net CONE value for the PJM Region determined for the Base Residual Auction for that Delivery Year, for a quantity of Capacity Performance Resources equal to 60 percent of the updated Reliability Requirement for the PJM Region. For the 2017/2018 Delivery Year, the Office of the Interconnection shall submit a Buy Bid, at a price no higher than 0.6 times the Net CONE value for the PJM Region determined for the Base Residual Auction for that Delivery Year, for a quantity of Capacity Performance Resources equal to 70 percent of the updated Reliability Requirement for the PJM Region.

2. For each Capacity Performance Transition Incremental Auction, the Office of the Interconnection shall calculate a clearing price to be paid for each megawatt-day of Unforced Capacity that clears in such auction. For the 2016/2017 Delivery Year, the Capacity Resource Clearing Price for any Capacity Performance Transition Incremental Auction shall not exceed 0.5 times the Net CONE value for the PJM Region determined for the Base Residual Auction for that Delivery Year. For the 2017/2018 Delivery Year, the Capacity Resource Clearing Price for any Capacity Performance Transition Incremental Auction shall not exceed 0.6 times the Net CONE value for the PJM Region determined for the Base Residual Auction for that Delivery Year.

3. A Capacity Market Seller may offer any Capacity Resource that has not been committed in an FRR Capacity Plan, that qualifies as a Capacity Performance Resource under Tariff, Attachment DD, section 5.5A(a) and that (i) has not cleared an RPM Auction for that Delivery Year; or (ii) has cleared in an RPM Auction for that Delivery Year. A Capacity Market Seller may offer an external Generation Capacity Resource to the extent that such resource: (i) is reasonably expected, by the relevant Delivery Year, to meet all applicable requirements to be treated as equivalent to PJM Region internal generation that is not subject to NERC tagging as an interchange transaction; (ii) has long-term firm transmission service confirmed on the complete transmission path from such resource into PJM; and (iii) 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 Tariff, Attachment DD, section 6.6 to offer their capacity into RPM Auctions.

4. Capacity Resources that already cleared an RPM Auction for a Delivery Year, retain the capacity obligations for that Delivery Year, and clear in a Capacity Performance Transition Incremental Auction for the same Delivery Year shall: (i) receive a payment equal to the Capacity Resource Clearing Price as established in that Capacity Performance Transition Incremental Auction; and (ii) not be eligible to receive a payment for clearing in any prior RPM Auction for that Delivery Year.
D. All Capacity Performance Resources that clear in a Capacity Performance Transition Incremental Auction will be subject to the Non-Performance Charge set forth in Tariff, Attachment DD, section 10A.


A. This transition provision applies only to Demand Resources for which a Curtailment Service Provider has existing RPM commitments for the 2016/2017, 2017/2018, or 2018/2019 Delivery Years (alternatively referred to in this section 5.14E as “Applicable Delivery Years” and each an “Applicable Delivery Year”) that (i) qualified as Legacy Direct Load Control before June 1, 2016 as described in Tariff, Attachment DD-1, section G and the parallel provision of RAA, Schedule 6; (ii) cannot meet the requirements for using statistical sampling for residential non-interval metered customers as described in Tariff, Attachment DD-1, section K and the parallel provision of RAA, Schedule 6; and (iii) cleared in the Base Residual Auction or First Incremental Auction for the 2016/2017 Delivery Year, cleared in the Base Residual Auction for the 2017/2018 Delivery Year, or cleared in the Base Residual Auction for the 2018/2019 Delivery Year. A Demand Resource meeting these criteria and the Curtailment Service Provider of such a resource are hereafter in this section 5.14E referred to as an “Affected Demand Resource” and an “Affected Curtailment Service Provider,” respectively.

B. For this section 5.14E to apply to an Affected Demand Resource, the Affected Curtailment Service Provider must notify the Office of the Interconnection in writing, with regard to the following information, by the applicable deadline:

i) For each applicable Affected Demand Resource: the number of cleared megawatts of Unforced Capacity for the Applicable Delivery Year by end-use customer site that the Affected Curtailment Service Provider cannot deliver, calculated based on the most current information available to the Affected Curtailment Service Provider; electric distribution company’s account number for the end-use customer; address of end-use customer; type of Demand Resource (i.e., Limited DR, Annual DR, Extended Summer DR); the Zone or sub-Zone in which the end-use customer is located; and, a detailed description of why the end-use customer cannot comply with statistical sampling for residential non-interval metered customers requirement as described in Tariff, Attachment DD-1, section K and the parallel provision of RAA, Schedule 6.

ii) If applicable, a detailed analysis that quantifies the amount of cleared megawatts of Unforced Capacity for the Applicable Delivery Year for prospective customer sales that could not be contracted by the Affected Curtailment Service Provider because of the statistical sampling for residential non-interval metered customers requirement as described in Tariff, Attachment DD-1, section K and the parallel provision of RAA, Schedule 6 that the Affected Curtailment Service Provider cannot deliver, by type of Demand Resource (i.e. Limited DR, Annual DR, Extended Summer DR) and by Zone and sub-Zone, as applicable. The analysis should include the amount of Unforced Capacity expected from prospective
customer sales for each Applicable Delivery Year and must include supporting
detail to substantiate the difference in reduced sales expectations. The Affected
Curtailment Service Provider should maintain records to support its analysis.

1. For the 2016/2017 Delivery Year, the notice shall be provided by no later than
seven (7) days prior to the posting by the Office of the Interconnection of planning parameters
for the Second and/or Third Incremental Auction for the 2016/2017 Delivery Year. Such
Affected Curtailment Service Provider that utilizes this transition provision may not sell or offer
to sell megawatts in the matching LDA or sub-LDA where an Affected Demand Resource is
located in the Second or Third Incremental Auction for the 2016/2017 Delivery Year.

2. For the 2017/2018 Delivery Year, the notice shall be provided by no later than
seven (7) days prior to the posting by the Office of the Interconnection of planning parameters
for the First, Second and/or Third Incremental Auction for the 2017/2018 Delivery Year. Such
Affected Curtailment Service Provider that utilizes this transition provision may not sell or offer
to sell megawatts in the matching LDA or sub-LDA where an Affected Demand Resource is
located in the First, Second or Third Incremental Auctions for the 2017/2018 Delivery Year.

3. For the 2018/2019 Delivery Year, the notice shall be provided by no later than
seven (7) days prior to the posting by the Office of the Interconnection of planning parameters
for the First, Second and/or Third Incremental Auction for the 2018/2019 Delivery Year. Such
Affected Curtailment Service Provider that utilizes this transition provision may not sell or offer
to sell megawatts in the matching LDA or sub-LDA where an Affected Demand Resource is
located in the First, Second or Third Incremental Auctions for the 2018/2019 Delivery Year.

C. For the Second and Third Incremental Auction for the 2016/2017 Delivery Year, the
First, Second, and Third Incremental Auctions for the 2017/2018 Delivery Year, and the First,
Second, and Third Incremental Auctions for the 2018/2019 Delivery Year, the Office of the
Interconnection shall publish aggregate information on the undeliverable megawatts declared
under this transition provision (hereafter, “non-viable megawatts”), by type of Demand Resource
and by Zone or sub-Zone, concurrently with its posting of planning parameters for the applicable
Scheduled Incremental Auction. Non-viable megawatts for a Scheduled Incremental Auction for
an Applicable Delivery Year represent those megawatts meeting the criteria of subsection A
above and declared in accordance with subsection B above. Prior to each Scheduled Incremental
Auction for an Applicable Delivery Year, the Office of the Interconnection shall apply
adjustments equal to the declared non-viable megawatt quantity to the quantity of Buy Bid or
Sell Offer activity in the upcoming Scheduled Incremental Auctions for the Applicable Delivery
Year, as described in Tariff, Attachment DD, sections 5.12(b)(ii) and 5.12(b)(iii). Prior to the
Second Incremental Auction for the 2016/2017 Delivery Year, the First and Second Incremental
Auction for the 2017/2018 Delivery Year, and the First and Second Incremental Auction for the
2018/2019 Delivery Year, the Office of the Interconnection shall adjust the recalculated PJM
Region Reliability Requirement and recalculated LDA Reliability Requirements, as described in
Tariff, Attachment DD, section 5.4(c), by the applicable quantity of declared non-viable
megawatts, and shall update the PJM Region Reliability Requirement and each LDA Reliability
Requirement for such Incremental Auction only if the combined change of the applicable
adjustment and applicable recalculation is greater than or equal to the lesser of (i) 500 megawatts
or (ii) one percent of the prior PJM Region Reliability Requirement or one percent of the prior LDA Reliability Requirement, as applicable.

D. Prior to the start of each Applicable Delivery Year, the Office of the Interconnection shall reduce, by type of Demand Resource and by Zone or sub-Zone, the capacity commitment of each Affected Curtailment Service Provider that utilizes this transition provision for the Applicable Delivery Year based on the non-viable megawatts declared by the Affected Curtailment Service Provider under this transition provision. If the Affected Curtailment Service Provider cleared megawatts from multiple Affected Demand Resources of the same type and Zone or sub-Zone, or cleared MWs in multiple RPM Auctions for the Applicable Delivery Year, the Office of the Interconnection shall allocate the reduction in capacity commitment by type of Demand Resource and by Zone or sub-Zone across the applicable Affected Demand Resources and relevant RPM Auctions. Such allocation shall be performed on a pro-rata basis, based on megawatts cleared by the Affected Demand Resources in the relevant RPM Auctions.

E. For each Applicable Delivery Year, an Affected Curtailment Service Provider that utilizes this transition provision for the Applicable Delivery Year relinquishes an Affected Demand Resource’s RPM Auction credits for the amount of capacity commitment reduction as determined under subsection D above. Locational Reliability Charges as described in Tariff, Attachment DD, section 5.14(e) are also adjusted accordingly.
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, or in the PJM Tariff or PJM Operating Agreement if not otherwise defined in this Agreement, 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:

**Accredited UCAP:**

“Accredited UCAP” shall mean the quantity of Unforced Capacity, as denominated in Effective UCAP, that an ELCC Resource is capable of providing in a given Delivery Year.

**Agreement:**

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

**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 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.

**Annual Energy Efficiency Resource:**

“Annual 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 Reliability Assurance Agreement, Schedule 6 and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during the summer and winter periods described in such 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.

**Applicable Regional Entity:**
“Applicable Regional Entity” shall have the same meaning as in the PJM Tariff.

**Base Capacity Demand Resource:**

“Base Capacity Demand Resource” shall mean, for the 2018/2019 and 2019/2020 Delivery Years, a resource that is placed under the direction of the Office of the Interconnection and that will be available June through September of a Delivery Year, and will be available to the Office of the Interconnection for an unlimited number of interruptions during such months, 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 Base Capacity Demand Resource must be available June through September in the corresponding Delivery Year to be offered for sale or self-supplied in an RPM Auction, or included as a Base Capacity Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

**Base Capacity Energy Efficiency Resource:**

“Base Capacity Energy Efficiency Resource” shall mean, for the 2018/2019 and 2019/2020 Delivery Years, a project, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, meeting the requirements of RAA, Schedule 6 and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during the summer peak periods as described in Reliability Assurance Agreement, 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 Base Capacity 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.

**Base Capacity Resource:**

“Base Capacity Resource” shall have the same meaning as in Tariff, Attachment DD.

**Base Residual Auction:**

“Base Residual Auction” shall have the same meaning as in Tariff, Attachment DD.

**Behind The Meter Generation:**

“Behind The Meter Generation” shall refer to 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.
**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.

**Capacity Emergency Transfer Objective (CETO):**

“Capacity Emergency Transfer Objective” or “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 Reliability Assurance Agreement, Schedule 5, Paragraph C.

**Capacity Emergency Transfer Limit (CETL):**

Capacity Emergency Transfer Limit” or “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.

**Capacity Import Limit:**

For any Delivery Year up to and including the 2019/2020 Delivery Year, “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 Transfer 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 pseudo-tied into the PJM Region, 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 Tariff, Attachment DD, section 6.6 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.

**Capacity Only Option:**

“Capacity Only Option” shall mean participation in Emergency Load Response Program or Pre-Emergency Program which allows, pursuant to Tariff, Attachment DD and as applicable, a capacity payment for the ability to reduce load during a pre-emergency or emergency event.

**Capacity Performance Resource:**

“Capacity Performance Resource” shall have the same meaning as in Tariff, Attachment DD.

**Capacity Resources:**
“Capacity Resources” shall mean megawatts of (i) net capacity from Existing Generation Capacity Resources or Planned Generation Capacity Resources meeting the requirements of the Reliability Assurance Agreement, Schedules 9 and Reliability Assurance Agreement, Schedule 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 the Reliability Assurance Agreement, or to satisfy the reliability requirements of the PJM Region, for a Delivery Year; (ii) net capacity from Existing Generation Capacity Resources or Planned Generation Capacity Resources not owned or contracted for by a Party which are accredited to the PJM Region pursuant to the procedures set forth in such Schedules 9 and 10; or (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 the Reliability Assurance Agreement, Schedule 6.

**Capacity Transfer Right:**

“Capacity Transfer Right” shall have the meaning specified in Tariff, Attachment DD.

**Combination Resource:**

“Combination Resource” shall mean a Generation Capacity Resource that has a component that has the characteristics of a Limited Duration Resource combined with (i) a component that has the characteristics of an Unlimited Resource or (ii) a component that has the characteristics of a Variable Resource.

**Compliance Aggregation Area (CAA):**

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

**Consolidated Transmission Owners Agreement, PJM Transmission Owners Agreement or Transmission Owners Agreement:**

“Consolidated Transmission Owners Agreement,” “PJM Transmission Owners Agreement” or “Transmission Owners Agreement” shall mean that certain Consolidated Transmission Owners Agreement, dated as of December 15, 2005, by and among the Transmission Owners and by and between the Transmission Owners and PJM Interconnection, L.L.C. on file with the Commission, as amended from time to time.

**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.

**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 the Reliability Assurance Agreement, Schedule 8 or, as to an FRR Entity, in the Reliability Assurance Agreement, Schedule 8.1.

**Delivery Year:**

“Delivery Year” shall mean a Planning Period for which a Capacity Resource is committed pursuant to the auction procedures specified in Tariff, Attachment DD or pursuant to an FRR Capacity Plan under RAA, Schedule 8.1.

**Demand Resource (DR):**

“Demand Resource” or “DR” shall mean a Limited Demand Resource, Extended Summer Demand Resource, Annual Demand Resource, Base Capacity Demand Resource or Summer-Period Demand Resource with a demonstrated capability to provide a reduction in demand or otherwise control load in accordance with the requirements of RAA, 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.

**Demand Resource Factor or DR Factor:**

“Demand Resource Factor” or “DR Factor” shall mean, for Delivery Years through May 31, 2018, 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 Reliability Assurance Agreement, Schedule 6.

**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 Reliability Assurance Agreement, Schedule 6 and Reliability Assurance Agreement, Schedule 8.1 and the PJM Manuals.

**Demand Resource Registration:**

“Demand Resource Registration” shall mean a registration in the Full Program Option or Capacity Only Option of the Emergency or Pre-Emergency Load Resource Program in accordance with Tariff, Attachment K-Appendix, section 8.

**Demand Resource Sell Offer Plan:**

“Demand Resource Sell Offer Plan” shall mean the plan required by Reliability Assurance Agreement, Schedule 6 and Reliability Assurance Agreement, Schedule 8.1 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.

**Effective Nameplate Capacity:**

“Effective Nameplate Capacity” shall mean (i) for each Variable Resource and Combination Resource, the resource’s Maximum Facility Output; (ii) for each Limited Duration Resource, the sustained level of output that the unit can provide and maintain over a continuous period, whereby the duration of that continuous period matches the characteristic duration of the corresponding ELCC Class, with consideration given to ambient conditions expected to exist at the time of PJM system peak load, to the extent that such conditions impact such resource’s capability.

**Effective UCAP:**

“Effective UCAP” shall mean a unit of measure that represents the capacity product transacted in the Reliability Pricing Model and included in FRR Capacity Plans. One megawatt of Effective UCAP has the same capacity value of one megawatt of Unforced Capacity.

**ELCC Class:**

“ELCC Class” shall mean a defined group of ELCC Resources that share a common set of operational characteristics and for which effective load carrying capability analysis, as set forth in RAA, Schedule 9.1, will establish a unique ELCC Class UCAP and corresponding ELCC Class Rating. ELCC Classes shall be defined in the PJM Manuals. ELCC Classes shall be defined such that the members of each ELCC Class are reasonably homogeneous in character and with respect to impact on system resource adequacy. ELCC Classes shall be defined for Limited Duration Resources of no less than four hours duration, and shall include 4-hour, 6-hour, 8-hour, and 10-hour duration characteristics, with matching duration classes for Combination Resources composed in part of one or more such ELCC Classes. Members of an ELCC Class shall share a common method of calculating the ELCC Resource Performance Adjustment.
provided that the individual ELCC Resource Performance Adjustment values will generally differ among ELCC Resources.

**ELCC Class Rating:**

“ELCC Class Rating” shall mean the rating factor, based on effective load carrying capability analysis, that applies to ELCC Resources that are members of an ELCC Class as part of the calculation of their Accredited UCAP.

**ELCC Class UCAP:**

“ELCC Class UCAP” shall mean the aggregate Effective UCAP all modeled ELCC Resources in a given ELCC Class are capable of providing in a given Delivery Year.

**ELCC Portfolio UCAP:**

“ELCC Portfolio UCAP” shall mean the aggregate Effective UCAP that all modeled ELCC Resources are capable of providing in a given Delivery Year.

**ELCC Resource:**

“ELCC Resource” shall mean a Generation Capacity Resource that is a Variable Resource, a Limited Duration Resource, or a Combination Resource.

**ELCC Resource Performance Adjustment:**

“ELCC Resource Performance Adjustment” shall mean the performance of a specific ELCC Resource relative to the aggregate performance of the ELCC Class to which it belongs as further described in RAA, Schedule 9.1, section E.

**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.

**Electric Distributor:**

“Electric Distributor” shall mean a Member that 1) owns or leases with rights equivalent to ownership of electric distribution facilities that are used to provide electric distribution service to electric load within the PJM Region; or 2) is a generation and transmission cooperative or a joint municipal agency that has a member that owns electric distribution facilities used to provide electric distribution service to electric load within the PJM Region.

**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.

End-Use Customer:

“End-Use Customer” shall mean a Member that is a retail end-user of electricity within the PJM Region. For purposes of Members Committee sector classification, a Member that is a retail end-user that owns generation may qualify as an End-Use customer if: (1) the average physical unforced capacity owned by the Member and its affiliates in the PJM region over the five Planning Periods immediately preceding the relevant Planning Period does not exceed the average PJM capacity obligation for the Member and its affiliates over the same time period; or (2) the average energy produced by the Member and its affiliates within the PJM region over the five Planning Periods immediately preceding the relevant Planning Period does not exceed the average energy consumed by that Member and its affiliates within the PJM region over the same time period. The foregoing notwithstanding, taking retail service may not be sufficient to qualify a Member as an End-Use Customer.

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 RAA, Schedule 6 and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during the periods described in Reliability Assurance Agreement, 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. Annual Energy Efficiency Resources, Base Capacity Energy Efficiency Resources and Summer-Period Energy Efficiency Resources are types of Energy Efficiency Resources.

Exigent Water Storage:

“Exigent Water Storage” shall mean water stored in the pondage or reservoir of a hydropower resource which is not typically available during normal operating conditions (as those conditions are described in the relevant FERC hydropower license), but which can be drawn upon during emergency conditions (as described in the FERC hydropower license), including in order to avoid a load shed. In an effective load carrying capability analysis, exigent storage capability from an upstream hydro facility can be considered relative to a downstream hydro facility by assessing cascading storage and flows.
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.

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. 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.

Extended Summer Demand Resource:

“Extended Summer Demand Resource” shall mean, for Delivery Years through May 31, 2018, and for FRR Capacity Plans Delivery Years through May 31, 2019, 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.

Facilities Study Agreement:

“Facilities Study Agreement” shall have the same meaning as in Tariff, Part VI, section 206.

FERC or Commission:

“FERC” or “Commission” shall mean the Federal Energy Regulatory Commission or any successor federal agency, commission or department exercising jurisdiction over the Tariff, Operating Agreement and Reliability Assurance Agreement.
Firm Point-To-Point Transmission Service:

“Firm Point-To-Point Transmission Service” shall have the meaning specified in the Tariff.

Firm Service Level:

“Firm Service Level” or “FSL” of Price Responsive Demand for the 2022/2023 Delivery Year and subsequent Delivery Years shall mean the level, determined at a PRD Substation level, to which Price Responsive Demand shall be reduced during the Delivery Year when an Emergency Action that triggers a Performance Assessment Interval 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. “Firm Service Level” or “FSL” of Demand Resource shall mean the pre-determined level for which an end-use customer’s load shall be reduced, upon notification from the Curtailment Service Provider’s market operations center or its agent.

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.

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 the Reliability Assurance Agreement, Schedule 8.1.

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 Reliability Assurance Agreement, as approved by the PJM Board pursuant to Reliability Assurance Agreement, Schedule 4.1.

FRR Capacity Plan or FRR Plan:

“FRR Capacity Plan” or “FRR Plan” shall mean a long-term plan for the commitment of Capacity Resources and Price Responsive Demand to satisfy the capacity obligations of a Party that has elected the FRR Alternative, as more fully set forth in the Reliability Assurance Agreement, Schedule 8.1.

FRR Entity:

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

Full Program Option:

“Full Program Option” shall mean participation in Emergency Load Response Program or Pre-Emergency Program which allows, pursuant to Tariff, Attachment DD and as applicable, (i) an energy payment for load reductions during a pre-emergency or emergency event, and (ii) a capacity payment for the ability to reduce load during a pre-emergency or emergency event.

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.

Generation Capacity Resource:

“Generation Capacity Resource” shall mean a Generating Facility, or the contractual right to capacity from a specified Generating Facility, that meets the requirements of RAA, Schedule 9 and RAA, Schedule 10, and, for Generating Facilities that are committed to an FRR Capacity Plan, that meets the requirements of RAA, Schedule 8.1. A Generation Capacity Resource may be an Existing Generation Capacity Resource or a Planned Generation Capacity Resource.

Generation Capacity Resource Provider:

“Generation Capacity Resource Provider” shall mean a Member that owns, or has the contractual authority to control the output of, a Generation Capacity Resource, that has not transferred such authority to another entity.
**Generation Owner:**

“Generation Owner” shall mean a Member that owns or leases with rights equivalent to ownership, or otherwise controls and operates one or more operating generation resources located in the PJM Region. The foregoing notwithstanding, for a planned generation resource to qualify a Member as a Generation Owner, such resource shall have cleared an RPM auction, and for Energy Resources, the resource shall have a FERC-jurisdictional interconnection agreement or wholesale market participation agreement within PJM. Purchasing all or a portion of the output of a generation resource shall not be sufficient to qualify a Member as a Generation Owner. For purposes of Members Committee sector classification, a Member that is primarily a retail end-user of electricity that owns generation may qualify as a Generation Owner if: (1) the generation resource is the subject of a FERC-jurisdictional interconnection agreement or wholesale market participation agreement within PJM; (2) the average physical unforced capacity owned by the Member and its affiliates over the five Planning Periods immediately preceding the relevant Planning Period exceeds the average PJM capacity obligation of the Member and its affiliates over the same time period; and (3) the average energy produced by the Member and its affiliates within PJM over the five Planning Periods immediately preceding the relevant Planning Period exceeds the average energy consumed by the Member and its affiliates within PJM over the same time period.

**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.

**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.

**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.

**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; including those practices required by Federal Power Act Section 215(a)(4).

**Hydropower With Non-Pumped Storage:**

“Hydropower With Non-Pumped Storage” shall mean a hydropower facility that can capture and store incoming stream flow, without use of pumps, in pondage or a reservoir, and the Generation Owner has the ability, within the constraints available in the applicable operating license, to exert material control over the quantity of stored water and output of the facility throughout an Operating Day.

**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.

**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.

**Limited Demand Resource:**
“Limited Demand Resource” shall mean, for Delivery Years through May 31, 2018, and for FRR Capacity Plans Delivery Years through May 31, 2019, 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.

**Limited Duration Resource:**

“Limited Duration Resource” shall mean a Generation Capacity Resource that is not a Variable Resource, that is not a Combination Resource, and that is not capable of running continuously at Maximum Facility Output for 24 hours or longer. A Capacity Storage Resource is a Limited Duration Resource.

**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.

**Locational Reliability Charge:**

“Locational Reliability Charge” shall mean the charge determined pursuant to Operating Agreement, Schedule 8.

**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.

**Maximum Emergency Service Level:**

“Maximum Emergency Service Level” or “MESL” of Price Responsive Demand for the 2017/2018 through the 2021/2022 Delivery Years 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.

**Member:**

“Member” shall have the meaning provided in the Operating Agreement.

**Members Committee:**

“Members Committee” shall mean the committee specified in Operating Agreement, section 8 composed of the representatives of all the Members.

**NERC:**

“NERC” shall mean the North American Electric Reliability Corporation or any successor thereto.

**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.

**Network Resources:**

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

**Network Transmission Service:**

“Network Transmission Service” shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Tariff, Part III or transmission service comparable to such service that is provided to a Load Serving Entity that is also a Transmission Owner.

**Nominal PRD Value:**

“Nominal PRD Value” shall mean, as to any PRD Provider, an adjustment, determined in accordance with Reliability Assurance Agreement, Schedule 6.1, 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.

**Nominated Demand Resource Value:**
“Nominated Demand Resource Value” shall have the meaning specified in Tariff, Attachment DD.

**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.

**Obligation Peak Load:**

“Obligation Peak Load” shall have the meaning specified in Reliability Assurance Agreement, Schedule 8.

**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.

**Operating Agreement of the PJM Interconnection, L.L.C., Operating Agreement or PJM Operating Agreement:**

“Operating Agreement of the PJM Interconnection, L.L.C.,” “Operating Agreement” or “PJM Operating Agreement” shall mean that agreement, dated as of April 1, 1997 and as amended and restated as of June 2, 1997, including all Schedules, Exhibits, Appendices, addenda or supplements hereto, as amended from time to time thereafter, among the Members of the PJM Interconnection, L.L.C., on file with the Commission.

**Operating Day:**

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

**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.

**Ordinary Water Storage:**

“Ordinary Water Storage” shall mean water stored in the pondage or reservoir of a hydropower resource which is typically available during normal operating conditions pursuant to the FERC license governing the operation of the hydropower resource.
Other Supplier:

“Other Supplier” shall mean a Member that: (i) is engaged in buying, selling or transmitting electric energy, capacity, ancillary services, Financial Transmission Rights or other services available under PJM’s governing documents in or through the Interconnection or has a good faith intent to do so, and (ii) is not a Generation Owner, Electric Distributor, Transmission Owner or End-Use Customer.

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.

Party:

“Party” shall mean an entity bound by the terms of the Operating Agreement.

Peak Shaving Adjustment:

“Peak Shaving Adjustment” shall mean a load forecast mechanism that allows load reductions by end-use customers to result in a downward adjustment of the summer load forecast for the associated Zone. Any End-Use Customer identified in an approved peak shaving plan shall not also participate in PJM Markets as Price Responsive Demand, Demand Resource, Base Capacity Demand Resource, Capacity Performance Demand Resource, or Economic Load Response Participant.

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.

Performance Assessment Interval:

“Performance Assessment Interval” shall have the meaning specified in Tariff, Attachment DD.

PJM:

“PJM” shall mean PJM Interconnection, L.L.C., including the Office of the Interconnection as referenced in the PJM Operating Agreement. When such term is being used in the RAA it shall also include the PJM Board.

PJM Board:
“PJM Board” shall mean the Board of Managers of the LLC, acting pursuant to the Operating Agreement, except when such term is being used in Tariff, Attachment M, in which case PJM Board shall mean the Board of Managers of PJM or its designated representative, exclusive of any members of PJM Management.

**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.

**PJM Region:**

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

**PJM Region Installed Reserve Margin:**

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

**PJM Tariff, Tariff, O.A.T.T., OATT or PJM Open Access Transmission Tariff:**

“PJM Tariff,” “Tariff,” “O.A.T.T., “OATT” or “PJM Open Access Transmission Tariff” shall mean that certain PJM Open Access Transmission Tariff, including any schedules, appendices, or exhibits attached thereto, on file with FERC and as amended from time to time thereafter.

**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 Reliability Assurance Agreement, Schedule 6. As set forth in Reliability Assurance Agreement, Schedule 6 and Reliability Assurance Agreement, Schedule 8.1, 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.

**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 Base Residual Auction for such Delivery Year, the Capacity Market Seller must demonstrate that it has a fully executed system impact study agreement (or other documentation which is functionally equivalent to a System Impact Study Agreement under the PJM Tariff) or, for resources which are greater than 20MWs participating in a Base Residual Auction for the 2019/2020 Delivery Year and subsequent Delivery Years, an agreement or other documentation which is functionally equivalent to a Facilities Study Agreement under the PJM Tariff), with the transmission owner to whose transmission facilities or distribution facilities the resource is being directly connected, and, as applicable, the transmission provider. Prior to participating in any Incremental Auction for such Delivery Year, the Capacity Market Seller must demonstrate it has entered into an interconnection agreement, or such other documentation that is functionally equivalent to an Interconnection Service Agreement under the PJM Tariff, with the transmission owner to whose transmission facilities or distribution facilities the resource is being directly connected, and, as 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. Any such 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.

Planned Generation Capacity Resource:

“Planned Generation Capacity Resource” shall mean a Generation Capacity Resource, or additional megawatts to increase the size of a Generation Capacity Resource that is being or has been modified to increase the number of megawatts of available installed capacity thereof, participating in the generation interconnection process under Tariff, Part IV, Subpart A, as applicable, 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 Capacity Plan; (ii) for any such resource seeking to offer into a Base Residual Auction, or for any such resource of 20 MWs or less seeking to offer into a Base Residual Auction, a System Impact Study Agreement (or, for resources for which a System Impact Study Agreement is not required, has such other agreement or documentation that is functionally equivalent to a System Impact Study Agreement) has been executed prior to the Base Residual Auction for such Delivery Year; (iii) for any such resource of more than 20 MWs seeking to offer into a Base Residual Auction for the 2019/2020 Delivery Year and subsequent Delivery Years, a Facilities Study Agreement (or, for resources for which a Facilities Study Agreement is not required, has such other agreement or documentation that is functionally equivalent to a Facility Studies Agreement) has been executed prior to the Base Residual Auction for such Delivery Year; and
(iv) an Interconnection Service Agreement has been executed prior to any Incremental Auction for such Delivery Year in which such resource plans to participate. 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.

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.

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.

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.

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.

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.

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.

**Price Responsive Demand:**

“Price Responsive Demand” or “PRD” shall mean end-use customer load registered by a PRD Provider pursuant to Reliability Assurance Agreement, Schedule 6.1 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 (prior to 2022/2023 Delivery Year) or a Performance Assessment Interval that triggers a PRD performance assessment (effective with 2022/2023 Delivery Year), 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.

**Price Responsive Demand Credit:**

“Price Responsive Demand Credit” shall mean a credit, based on committed Price Responsive Demand, as determined under Reliability Assurance Agreement, Schedule 6.1.

**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 Reliability Assurance Agreement, Schedule 6.1 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.

**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.

**Qualifying Transmission Upgrades:**

“Qualifying Transmission Upgrades” shall have the meaning specified in Tariff, Attachment DD.

**Relevant Electric Retail Regulatory Authority:**

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

Required Approvals:

“Required Approvals” shall mean all of the approvals required for the Operating 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 the Operating Agreement.

Self-Supply:

“Self-Supply” shall have the meaning provided in Tariff, Attachment DD.

Small Commercial Customer:

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

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.

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.

Summer-Period Demand Resource:
Summer-Period Demand Resource shall mean, for the 2020/2021 Delivery Year and subsequent Delivery Years, a resource that is placed under the direction of the Office of the Interconnection, and will be available June through October and the following May of the Delivery Year, 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 between the hours of 10:00AM to 10:00PM Eastern Prevailing Time. The Summer-Period Demand Resource must be available June through October and the following May in the corresponding Delivery Year to be offered for sale in an RPM Auction, or included as a Summer-Period Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

**Summer-Period Energy Efficiency Resource:**

Summer-Period Energy Efficiency Resource shall mean, for the 2020/2021 Delivery Year and subsequent Delivery Years, a project, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, meeting the requirements of Reliability Assurance Agreement, Schedule 6 and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during the summer peak periods as described in Reliability Assurance Agreement, 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 Summer-Period 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.

**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 the Operating 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.

**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 Reliability Assurance Agreement, Schedule 8.1).
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.

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.

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.

Unlimited Resource:

“Unlimited Resource” shall mean a generating unit having the ability to maintain output at a stated capability continuously on a daily basis without interruption. An Unlimited Resource is a Generation Capacity Resource that is not an ELCC Resource.

Variable Resource:

“Variable Resource” shall mean a Generation Capacity Resource with output that can vary as a function of its energy source, such as wind, solar, run of river hydroelectric power without storage, and landfill gas units without an alternate fuel source. All Intermittent Resources are Variable Resources, with the exception of Hydropower with Non-Pumped Storage.

Winter Peak Load (or WPL):

“Winter Peak Load” or “WPL” shall mean the average of the Demand Resource customer’s specific peak hourly load between hours ending 7:00 EPT through 21:00 EPT on the PJM defined 5 coincident peak days from December through February two Delivery Years prior the Delivery Year for which the registration is submitted. Notwithstanding, if the average use between hours ending 7:00 EPT through 21:00 EPT on a winter 5 coincident peak day is below 35% of the average hours ending 7:00 EPT through 21:00 EPT over all five of such peak days, then up to two such days and corresponding peak demand values may be excluded from the
calculation. Upon approval by the Office of the Interconnection, a Curtailment Service Provider may provide alternative data to calculate Winter Peak Load, as outlined in the PJM Manuals, when there is insufficient hourly load data for the two Delivery Years prior to the relevant Delivery Year or if more than two days meet the exclusion criteria described above.

**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.

**Zone or Zonal:**

“Zone” or “Zonal” shall refer to an area within the PJM Region, as set forth in Tariff, Attachment J and RAA, 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 located outside the PJM Region that is served from such Zone under Tariff, Attachment H-A.

**Zonal Winter Weather Adjustment Factor (ZWWAF):**

“Zonal Winter Weather Adjustment Factor” or “ZWWAF” shall mean the PJM zonal winter weather normalized coincident peak divided by PJM zonal average of 5 coincident peak loads in December through February.
A. Such rules and procedures as may be required to determine and demonstrate the capability of Generation Capacity Resources for the purposes of meeting a Load Serving Entity’s obligations under the Agreement shall be developed by the Office of the Interconnection and maintained in the PJM Manuals.

B. The rules and procedures for determining and demonstrating the capability of generating units to serve load in the PJM Region shall be consistent with achieving uniformity for planning, operating, accounting and reporting purposes.

C. The rules and procedures shall recognize the difference in types of generating units and the relative ability of units to maintain output at stated capability over a specified period of time. Factors affecting such ability include, but are not limited to, fuel availability, stream flow and/or reservoir storage for hydro units, energy storage capability for Energy Storage Resources, energy source variability and intermittency, mechanical limitations, and system operating policies. For this purpose, the basis for determining and demonstrating the capability of a particular generating unit is dependent upon the category (of the three generating unit types listed below) that describes the unit’s attributes shall be as described in RAA, Schedule 9.1.

i. For generating units having the ability to maintain output at stated capability continuously on a daily basis without interruption, the capability of the generating unit is based on the level of output that the unit can provide under the site conditions expected to exist at the time of PJM system peak load where such conditions include, but are not limited to, ambient air temperature, humidity, barometric pressure, intake water temperature, and cooling system performance. Generating units with the ability to operate continuously across all hours of an operating day without interruption if needed include, but are not limited to, nuclear and fossil-fired steam units, combined cycle units, combustion turbine units, reciprocating engine units, and fuel cell units.

ii. Generating units with limited energy capability include, but are not limited to, Energy Storage Resources that receive energy from the grid and store the energy for later injection to the grid (e.g., pumped storage hydro units, compressed air energy storage units, flywheel energy storage units and battery storage units) and hydroelectric generating units with reservoir storage capability. The capability of generating units with limited energy capability is based on the sustained level of output that the unit can provide and maintain over a continuous ten-hour period with consideration given to conditions expected to exist at the time of PJM system peak load to the extent that such conditions impact such capability.
iii. Generating units with output that varies as a function of an energy source that is non-continuous and cannot be directly controlled are unable to provide a stated level of output on demand and are unable to maintain a stated level of output for any specified period of time include, but are not limited to, wind units, solar units, run-of-river hydroelectric units (without reservoir storage capability) and landfill gas units (without alternate fuel capability). The capability of such generating units is based on the level of output that the unit is expected to be reliably producing as a function of its energy source at the time of system peak loads. Specifically, the capability of a wind or a solar generating unit is determined by the unit’s average hourly MW output during 368 summer period hours defined by hours ending 15, 16, 17 and 18 of each day of the months of June, July and August.

C. Provisions for Unlimited Resources

For Unlimited Resources, the capability of the generating unit is based on the level of output that the unit can provide under the site conditions expected to exist at the time of PJM system peak load where such conditions include, but are not limited to, ambient air temperature, humidity, barometric pressure, intake water temperature, and cooling system performance. Generating units with the ability to operate continuously across all hours of an Operating Day without interruption if needed include, but are not limited to, nuclear and fossil-fired steam units, combined cycle units, combustion turbine units, reciprocating engine units, and fuel cell units.

D. Provisions for ELCC Resources

The Office of the Interconnection shall determine the capability of ELCC Resources to meet a Load Serving Entity’s obligations under the Agreement using an effective load carrying capability analysis, as set forth in RAA, Schedule 9.1, with additional implementation details provided in the PJM Manuals.
A. Overview of Effective Load Carrying Capability Analysis

The inputs of the effective load carrying capability analysis include:

- Historical weather and load data;
- Historical output of existing Variable Resources;
- Estimates of putative historical output for planned Variable Resources;
- Forced outage patterns for Unlimited Resources;
- Resource deployment forecast; and
- Modeling parameters for Limited Duration Resources and Combination Resources.

The outputs of the effective load carrying capability analysis include:

- The ELCC Portfolio UCAP, in MW;
- ELCC Class UCAP values, in MW; and
- ELCC Class Rating values, in percent.

B. Calculation of ELCC Portfolio UCAP

The effective load carrying capability analysis shall identify a scenario in which the aggregate installed capacity “X” of a group of Unlimited Resources with no outages yields the same annual loss of load expectation as the one produced by the scenario with all ELCC Resources that are expected to offer in a given RPM Auction, or otherwise provide capacity, in the Delivery Year being analyzed. The ELCC Portfolio UCAP shall be the value “X”.

C. Allocation from ELCC Portfolio UCAP to ELCC Class UCAP

The ELCC Portfolio UCAP shall be allocated, as specified in the PJM Manuals, to each ELCC Class UCAP according to:

(1) The reliability value of the subject ELCC Class evaluated in the absence of other ELCC Classes, minus

(2) A quantity that is proportional to the product of:

   (a) The difference between the reliability value of the subject ELCC Class when evaluated in the presence of the entire portfolio of ELCC Classes and the reliability value of the subject ELCC Class when evaluated in the absence of the other ELCC Classes, and
The difference between the total reliability value of all the ELCC Classes in the model when evaluated jointly and the sum of the reliability values determined individually for each ELCC Class by evaluating the subject ELCC Class in the absence of other ELCC Classes.

The foregoing is subject to adjustment in accordance with RAA, Schedule 9.1, section J, such that the aggregate of all ELCC Class UCAP values is equal to the ELCC Portfolio UCAP.

D. Calculation of ELCC Class Rating

(1) The ELCC Class Rating of Variable Resources and Limited Duration Resources shall be the ratio of the applicable ELCC Class UCAP to the aggregate Effective Nameplate Capacity of the modeled ELCC Resources of that ELCC Class that are expected to offer in a given RPM Auction, or otherwise provide capacity, in the Delivery Year being analyzed.

(2) For Combination Resources, there shall be an ELCC Class Rating for each component.

   (i) For a Combination Resource with a Limited Duration Resource component and a Variable Resource component, the Limited Duration Resource component ELCC Class Rating shall be equal to the quotient of (1) the Combination Resource ELCC Class UCAP minus the product of the Variable Resource ELCC Class Rating and the aggregate Effective Nameplate Capacity of all the Variable Resource components within the subject Combination Resource class divided by (2) the aggregate equivalent Effective Nameplate Capacity of all the Limited Duration Resource components within the subject Combination Resource class, and the Variable Resource component ELCC Class Rating shall be equal to the ELCC Class Rating for the ELCC Class to which the Variable Resource component would belong if it were not a component of the Combination Resource.

   (ii) For a Combination Resource with a Limited Duration Resource component and an Unlimited Resource component, the Limited Duration Resource component ELCC Class Rating shall be equal to the ELCC Class Rating for the ELCC Class to which the Limited Duration Resource component would belong if it were not a component of the Combination Resource, and the Unlimited Resource component would not have an ELCC Class Rating.

E. Calculation of Accredited UCAP and ELCC Resource Performance Adjustment

(1) (a) For Variable Resources and Limited Duration Resources, Accredited UCAP values shall be equal to the product of:
(i) the Effective Nameplate Capacity;
(ii) the applicable ELCC Class Rating; and
(iii) the ELCC Resource Performance Adjustment.

(b) For Combination Resources, Accredited UCAP values shall be equal to the sum of the Accredited UCAP of each component, but not to exceed the Maximum Facility Output of the resource, where:

(i) The value for a Variable Resource component shall be determined in accordance with subsection (a) above.

(ii) The value for a Limited Duration Resource component shall be equal to the product of:

(A) the Effective Nameplate Capacity determined for the Limited Duration Resource component;

(B) \( \text{[one minus the EFORd for the Limited Duration Resource component]} \); and

(C) the applicable Limited Duration Resource component ELCC Class Rating as determined in Section D(2)(i).

(iii) The value for an Unlimited Resource component shall be equal to the product of the installed capacity of the Unlimited Resource component and \( \text{[one minus the EFORd for the Unlimited Resource component]} \).

(iv) The Accredited UCAP for Hydropower With Non-Pumped Storage, and for each member of an ELCC Class whose members are so distinct from one another that a single ELCC Class Rating fails to capture their physical characteristics, shall be based on a resource-specific effective load carrying capability analysis based on the resource’s unique parameters.

(2) The ELCC Resource Performance Adjustment shall be calculated according to the following methods, as further detailed in the PJM Manuals:

(a) For a Variable Resource: based on a metric consisting of the average of (1) actual output during the 200 highest coincident peak load hours over the preceding ten years, regardless of the years in which they occur, and (2) actual output during the 200 highest coincident peak putative net load hours over the preceding ten years, regardless of the years in which they occur, where putative net load is actual load minus the putative hourly output of Variable Resources based on the resource mix of the target year. For Planned Resources or resources less than 10 years old, estimated hypothetical historical output will be used to develop this metric. For a given resource or component, the
Performance Adjustment shall equal the ratio of such metric to the average (weighted by the Effective Nameplate Capacity) of such metrics for all units in the applicable Variable Resource ELCC Class.

(b) For Limited Duration Resources: based on EFORd.

(c) For Combination Resources with only an Unlimited Resource component and a Limited Duration Resource component: based on EFORd.

(d) For Combination Resources with a Variable Resource component (except for Hydropower With Non-Pumped Storage): (1) based on the direct metered or estimated output of the Variable Resource component, which is then assessed according to the methodology described in subsection (a) above for Variable Resources and in accordance with the PJM Manuals; and (2) based on the EFORd that is applicable to the Limited Duration Resource component.

(e) For Hydropower With Non-Pumped Storage and other Combination Resources that do not fall into the above categories: based on EFORd.

F. Installed Capacity of ELCC Resources

Rules and procedures for technically determining and demonstrating the installed capacity of ELCC Resources shall be developed by the Office of the Interconnection and maintained in the PJM Manuals. The installed capacity of a Limited Duration Resource is based on the sustained level of output that the unit can provide and maintain over a continuous period, whereby the duration of that period matches the characteristic duration of the corresponding ELCC Class, with consideration given to ambient conditions expected to exist at the time of PJM system peak load, as described in the PJM Manuals. The installed capacity of a Combination Resource (other than Hydropower With Non-Pumped Storage) is based on the lesser of the Maximum Facility Output or the sum of the equivalent Effective Nameplate Capacity values of the resource’s constituent components considered on a stand-alone basis.

G. Details of the Effective Load Carrying Capability Methodology

The effective load carrying capability analysis shall compare expected hourly load levels (based on historical weather) with the expected hourly output of the expected future resource mix in order to identify the relative resource adequacy value of the portfolio of all ELCC Classes, as well of each individual ELCC Class, compared to a group of Unlimited Resources with no outages. In performing this analysis, the model inputs shall be scaled to meet the annual loss of load expectation of the Office of the Interconnection. The effective load carrying capability analysis shall compare hourly values for: (i) expected load based on historical weather; (ii) expected Variable Resource output; and (iii) expected output of Limited Duration Resources and of Combination Resources as described below. These expected quantities are based on actual
values for load and actual and putative values for Variable Resource output (standalone or as a component of Combination Resources) after June 1, 2012 (inclusive) through the most recent Delivery Year for which complete data exist. For resources that have not existed each year since June 1, 2012, putative output is an estimate of the hourly output that resource would have produced in a historical hour if that resource had existed in that hour. This putative output estimate is developed based on historical weather data consistent with the particular site conditions for each such resource in accordance with the PJM Manuals.

The effective load carrying capability analysis shall simulate forced outages of Unlimited Resources based on actual historical data, and shall simulate the output of Limited Duration Resources and Combination Resources based on their Office of the Interconnection-validated parameters, including the putative output of the Variable Resource component of Combination Resources, as described above. Forced outages of Limited Duration Resources and Combination Resources shall not be simulated in the effective load carrying capability analysis.

The quantity of deployed resources studied in the analysis shall be based on resource deployment forecasts and, where applicable, on available information based on Sell Offers submitted in RPM Auctions or Fixed Resource Requirement plans for the applicable Delivery Year.

The ELCC Class UCAP and other results of the effective load carrying capability analysis shall be based on the total Effective UCAP of the ELCC Class as a whole.

The ELCC Class UCAP and corresponding ELCC Class Rating values may increase or decrease from year to year as the expected resource mix and load shape change.

Energy Resources are not included in the effective load carrying capability analysis. Generating units that are expected to only offer or otherwise provide a portion of their Accredited UCAP for that Delivery Year are represented in the analysis in proportion to the expected quantity offered or delivered divided by the Accredited UCAP.

H. Methodology to Simulate Output of Certain Resources in the Effective Load Carrying Capability Model

The effective load carrying capability analysis shall simulate the output of Limited Duration Resources and Combination Resources based on their physical parameters, including limited storage capability, and shall simulate the deployment of Demand Resources. The analysis shall simulate output from the subject Limited Duration Resources and Combination Resources in hours in which all output from Unlimited Resources and available output from Variable Resources is insufficient to meet load. The output of the subject Limited Duration Resources and Combination Resources shall be simulated on an hour-by-hour basis in proportion to their Effective Nameplate Capacity without foresight to future hours. The simulated deployment of Demand Resources shall be such that there is adequate Primary Reserves provided by economic resources, if sufficient simulated Demand Resources are available. Primary Reserves shall be
assigned to generation resources in order to maximize simulated reliability, provided that assignments to Limited Duration Resources and Combination Resources shall be pro rata according to their Effective Nameplate Capacity. Primary Reserves shall be exhausted prior to identifying a loss of load event in the analysis. Energy Storage Resource charging is during hours with sufficient margin, including between daily peaks if necessary.

I. Administration of Effective Load Carrying Capability Analysis

The Office of the Interconnection shall post final ELCC Class UCAP and ELCC Class Rating values at least once per year in a report that also includes appropriate details regarding methodology and inputs. The Office of the Interconnection shall post this report and shall communicate ELCC Resource Performance Adjustment values to applicable Generation Capacity Resource Providers no later than five months prior to the start of the target Delivery Year, as described in the PJM Manuals. Starting with the 2023/2024 Delivery Year, Accredited UCAP values for the applicable Delivery Year shall establish the maximum Unforced Capacity that an ELCC Resource can physically provide or offer to provide in the applicable Delivery Year.

The Office of the Interconnection shall also post preliminary ELCC Class Rating values for nine subsequent Delivery Years. For any Delivery Year for which a final ELCC Class Rating has not been posted and a preliminary ELCC Class Rating has been posted, the Accredited UCAP of an ELCC Resource for such Delivery Year shall be based on the most recent preliminary ELCC Class Rating value for that Delivery Year, together with the most recently calculated ELCC Resource Performance Adjustment value for that ELCC Resource. Except to the extent specified above or otherwise specified, the preliminary ELCC Class Rating values for future years are non-binding and are only for indicative purposes. A Generation Capacity Resource Provider can offer or provide capacity from an ELCC Resource that is not subject to a capacity market must offer obligation (as specified in Tariff, Attachment DD, Section 6.6) at a level less than the Accredited UCAP for such resource.

In order to facilitate the effective load carrying capability analysis, the Generation Capacity Resource Provider of each ELCC Resource must submit to the Office of the Interconnection the required information as specified in the PJM Manuals by no later than six months prior to an RPM Auction in which the ELCC Resource intends to submit a Sell Offer or otherwise commit to provide capacity, except for Delivery Years prior to the 2026/2027 Delivery Year such required information must be provided to the Office of the Interconnection in accordance with the PJM Manuals. The required information may include relevant physical parameters, relevant historical data such as weather data and actual or estimated historical energy output, and documentation supporting such parameters and historical data. The relevant physical parameters are those that are incorporated into the effective load carrying capability analysis. The parameters required for Hydropower With Non-Pumped Storage shall include Ordinary Water
Storage and any applicable Exigent Water Storage. Submitted parameters must indicate the expected duration for which any submitted physical parameters are valid.

The Office of the Interconnection shall evaluate, validate, and approve the foregoing information in accordance with the process set forth in the PJM Manuals. In evaluating the validity of submitted information, the Office of the Interconnection may assess the consistency of such information with observed conditions. If the Office of the Interconnection observes that the information provided by the Generation Capacity Resource Provider of the ELCC Resource is inconsistent with observed conditions, the Office of the Interconnection will coordinate with the Generation Capacity Resource Provider of the ELCC Resource to understand the information and observed conditions before making a determination regarding the validity of the applicable parameters. The Office of the Interconnection may engage the services of a consultant with technical expertise to evaluate the foregoing information.

After the Office of the Interconnection has completed its evaluation of the foregoing information, the Office of the Interconnection shall notify the Generation Capacity Resource Provider in writing whether the submitted information is considered invalid by no later than September 1 following the submission of the information. The Office of the Interconnection’s determination on the validity of the foregoing information shall continue for the applicable Delivery Year and, if requested, for such longer period as the Office of the Interconnection may determine is supported by the data.

In the event that the Office of the Interconnection is unable to validate any of the required information, physical parameters, supporting documentation, or other related information submitted by the Generation Capacity Resource Provider of an ELCC Resource, then the Office of the Interconnection shall calculate Accredited UCAP values for that ELCC Resource based only on the validated information. Such ELCC Resource shall not be permitted to offer or otherwise provide capacity above such Accredited UCAP values until the Office of the Interconnection determines new Accredited UCAP values for such resource.

Generation Capacity Resource Providers of ELCC Resources that are hydropower plants with water storage must provide documentation to support the physical parameters provided for expected load carrying capability analysis modeling, as specified in the PJM Manuals. This documentation must: (a) support the plant’s physical capabilities; (b) demonstrate that the parameters do not violate any federal, state, river basin, or other applicable authority operating limitations of the plant; and (c) demonstrate full authorization from FERC, any river basin commissions, and any other applicable authorities to meet those capabilities.

J. ELCC Transition Mechanism

(1) A transition mechanism shall be established whereby PJM shall post floor values establishing a lower bound on the ELCC Class Ratings that apply to ELCC Resources in the
determination of each ELCC Resource’s Accredited UCAP. This transition mechanism can be
evaluated at any time and shall be evaluated in conjunction with a quadrennial periodic review of
the shape of the Variable Resource Requirement Curve, as described in Tariff, Attachment DD,
section 5.10, no later than the end of 2026. Such evaluation shall include an assessment of the
efficacy and appropriateness of the transition mechanism and shall make recommendations as to
whether some or all aspects of the transition mechanism should be reconsidered through a
stakeholder process. The already-established floor values and associated term duration for each
cohort should apply for their entire term, as described below, regardless of the outcome of such
evaluation, except as described in subsection (3)(f) below.

For purposes of implementing this transition mechanism, ELCC Resources shall be organized
into annual cohorts. Each cohort shall share an associated table of floor values on the ELCC
Class Ratings spanning the duration described below. Floor values shall be calculated using
effective load carrying capability analysis for future years, applying a resource mix that reflects
more conservative ELCC Class Ratings than expected, as set forth in subsection (3)(d) below.
Floor values shall be posted on an annual cycle, each posting of which shall include floor values
for no more than ten calendar years in the future.

Tables of floor values will apply for the Delivery Years as specified below. For new ELCC
Resources, the ELCC Class Rating floor values contemplated by this RAA, Schedule 9.1, section
J shall apply upon:

(a) completion of one of the following milestones in the New Services Queue: (i)
execution of an Interconnection Service Agreement by the Interconnection Customer, or
equivalent, for the ELCC Resource; (ii) execution of a Wholesale Market Participation
Agreement by the wholesale market participant, or equivalent, for the ELCC Resource; or
(iii) posting credit to submit a Sell Offer into the next Base Residual Auction, pursuant to
the applicable RPM Auction Credit Rate; and

(b) receipt by the Office of the Interconnection of a written attestation, in a form specified
in the PJM Manuals, by the Generation Capacity Resource Provider of the ELCC
Resource affirming the Generation Capacity Resource Provider’s intent to proceed to
provide capacity in the PJM Region. Such attestation shall be provided to the Office of
the Interconnection after reaching one of the milestones identified in subsection (a)
above.

(2) Cohorts

(a) 2021 Cohort. A table of floor values for Delivery Years 2021/22 through 2033/34
shall apply to ELCC Resources that on or before December 31, 2021 are Existing
Generation Capacity Resources or satisfy the requirements of RAA, Schedule 9.1, section
J(1)(a) and (b) above. A table of preliminary ELCC Class Rating floor values for
Delivery Years 2021/2022 through 2030/2031 shall be posted within six months of this
Schedule 9.1 becoming effective but no later than December 31, 2021; preliminary floor values for Delivery Years 2031/2032, 2032/2033, and 2033/2034 shall be posted on or before December 31 of 2022, 2023, and 2024, respectively.

(b) **2022 Cohort.** A table of floor values for Delivery Years 2022/23 through 2034/35 shall apply to ELCC Resources that meet the requirements in RAA, Schedule 9.1, section J(1)(a) and (b) above on or after January 1, 2022 and on or before December 31, 2022. Preliminary floor values for Delivery Years 2022/2023 through 2031/2032 shall be posted on or before December 31, 2021; preliminary floor values for Delivery Years 2032/2033, 2033/2034, and 2034/2035 shall be posted on or before December 31 of 2022, 2023, and 2024, respectively.

(c) **2023 Cohorts and later.** For each of the thirteen consecutive Delivery Years beginning with the Delivery Year that starts in the calendar year in which an ELCC Resource meets the requirements in RAA, Schedule 9.1, section J(1)(a) and (b) above, a set of ELCC Class Rating floor values shall apply to such ELCC Resources. Preliminary floor values for the first ten Delivery Years in the table shall be posted on or before December 31 prior to the first Delivery Year to which a floor value applies; preliminary floor values for Delivery Years eleven, twelve, and thirteen shall be posted on or before December 31 of each of the immediately following three calendar years, respectively. This timing is reflected in the below table, where “X” is the year in which the ELCC Resource meets the requirements in RAA, Schedule 9.1, section J(1)(a) and (b) above.

<table>
<thead>
<tr>
<th>Calendar Year In which Floor Values Are Posted for Cohort “X”</th>
<th>Target Delivery Year</th>
<th>ELCC Class Rating Floor for Cohort X</th>
</tr>
</thead>
<tbody>
<tr>
<td>X-1</td>
<td>X/X+1</td>
<td>Value I</td>
</tr>
<tr>
<td>X-1</td>
<td>X+1/X+2</td>
<td>Value II</td>
</tr>
<tr>
<td>X-1</td>
<td>X+2/X+3</td>
<td>Value III</td>
</tr>
<tr>
<td>X-1</td>
<td>X+3/X+4</td>
<td>Value IV</td>
</tr>
<tr>
<td>X-1</td>
<td>X+4/X+5</td>
<td>Value V</td>
</tr>
<tr>
<td>X-1</td>
<td>X+5/X+6</td>
<td>Value VI</td>
</tr>
<tr>
<td>X-1</td>
<td>X+6/X+7</td>
<td>Value VII</td>
</tr>
<tr>
<td>X-1</td>
<td>X+7/X+8</td>
<td>Value VIII</td>
</tr>
<tr>
<td>X-1</td>
<td>X+8/X+9</td>
<td>Value IX</td>
</tr>
<tr>
<td>X-1</td>
<td>X+9/X+10</td>
<td>Value X</td>
</tr>
<tr>
<td>X</td>
<td>X+10/X+11</td>
<td>Value XI</td>
</tr>
<tr>
<td>X+1</td>
<td>X+11/X+12</td>
<td>Value XII</td>
</tr>
<tr>
<td>X+2</td>
<td>X+12/X+13</td>
<td>Value XIII</td>
</tr>
</tbody>
</table>
Preliminary floor values shall be finalized within 120 days of posting. Upon posting the preliminary floor values, the Office of the Interconnection shall conduct a retrospective review to determine if any potential errors occurred in its implementation of this section J, whereby the potential error, if verified, could have a material impact on the posted preliminary floor values. In the event the Office of the Interconnection discovers such a potential error within 60 days of posting such preliminary floor value, the Office of the Interconnection will notify Market Participants of the existence of the potential error as soon as possible, but in no event later than 60 days after posting the applicable preliminary floor value. Within 45 days of identifying a potential error in a preliminary floor value, the Office of the Interconnection shall consult with Market Participants, and provide all available supporting documentation (such documentation shall not contain market sensitive or confidential information), prior to determining whether to modify an initially posted preliminary floor value. If the Office of the Interconnection determines it is necessary to modify an initially posted preliminary floor value, it shall notify Market Participants of its intent to do so and post such notification on its website by no later than 45 days following the notification of a discovery of a potential error in the preliminary floor value. The Office of the Interconnection shall post on its website the corrected floor value by no later than 120 days following the initial posting of the preliminary floor value. Should any of the above deadlines pass without the associated action on the part of the Office of the Interconnection, the originally posted floor values will be considered final.

To the extent an ELCC Resource satisfies the requirements of RAA, Schedule 9.1, section J(1)(a) and (b) above on or after the January 1 following the posting of the preliminary floor value applicable to that ELCC Resource, and within 60 days of such posting, and the Office of the Interconnection identifies a potential error with respect to that floor value, the Generation Capacity Resource Provider may elect for the ELCC Resource to be included in the cohort for the prior calendar year. Any election to be included in the cohort for the prior calendar year must be provided in writing to the Office of the Interconnection within 10 days after the Office of the Interconnection consults with Market Participants regarding the potential error.

(3) General Rules for ELCC Class Rating Floor Values

(a) In a given annual posting cycle, for floor values that are ten years in the future and therefore have not previously been posted, the same floor value shall be posted for use across all cohorts of an ELCC Class for a given Delivery Year for which such floor will be applicable.

(b) For a given resource, at the end of the term of applicability of the original set of ten floor values, as extended with three additional floor values, the rules in place at that time
for determining Accredited UCAP (or otherwise determining the amount of Unforced Capacity that such resource is eligible to offer or provide) will apply.

(c) The ELCC Class Rating used to determine the Accredited UCAP of an ELCC Resource is the greater of the applicable floor value or the most recently posted final or preliminary ELCC Class Rating for the target Delivery Year.

(d) The ELCC Class Rating floor values for each ELCC Class shall be calculated using the same form of effective load carrying capability analysis used for calculating ELCC Class Ratings for future years, except that the forecasted resource mix used for calculating the ELCC Class Ratings (the “expected forecast”) shall be adjusted for the calculation of the floor value for each ELCC Class (the “floor forecast”) in order to reflect a more conservative ELCC Class Rating value. Each ELCC Class shall have a unique floor forecast that accounts for the interaction among ELCC Classes, both the given subject ELCC Class and the other ELCC Classes, through adjusting (up or down) the rate of deployment expected for each ELCC Class. The floor forecast for a given ELCC Class of Variable Resources or Limited Duration Resources shall be developed according to the following method:

(i) Any expected increase in deployment of ELCC Resources in the given subject class in each year shall be accelerated in an exponential fashion such that the increase in deployment after 10 years shall be twice the value in the expected forecast.

(ii) For ELCC Resources in ELCC Classes other than the given subject ELCC Class that show a complementary interaction with the given subject class in the effective load carrying capability analysis, where a complementary interaction occurs in the case that the increase in deployment of the complementary class tends to increase the ELCC Class Rating of the subject class, any expected increase in deployment in a complementary ELCC Class shall be decelerated in an exponential fashion such that the increase in deployment after ten years shall be half the value in the expected forecast; any expected decrease in deployment in a complementary ELCC Class shall be accelerated in an exponential fashion such that the decrease in deployment after ten years shall be twice the value in the expected forecast.

(iii) For ELCC Resources in ELCC Classes showing an antagonistic interaction with the given subject class in the effective load carrying capability analysis, where an antagonistic interaction occurs in the case that the increase in deployment of the antagonistic class tends to decrease the ELCC Class Rating of the subject class, any expected increase in deployment in an antagonistic class shall be accelerated in an exponential fashion such that the increase in deployment
after ten years shall be twice the value in the expected forecast; any expected decrease in deployment in an antagonistic class shall be decelerated in an exponential fashion such that the decrease in deployment after ten years shall be half the value in the expected forecast.

For Combination Resources, the applicable floor values will be determined in accordance with a procedure set forth in the PJM Manuals that appropriately reflects and merges the floor values determined for the distinct components of the Combination Resource in a manner consistent with the methodology above.

However, for Hydropower With Non-Pumped Storage, the applicable floor values will be determined, using the foregoing method, on a resource-specific basis and not on an ELCC Class basis.

(e) The ELCC Class Rating used to determine an Accredited UCAP shall not be below the applicable floor value. ELCC Classes shall be organized into groups for the purpose of sharing the risk that a final or preliminary ELCC Class Rating for a Delivery Year is lower than the corresponding ELCC Class Rating in any table of floor values for such Delivery Year. In that event,

(i) for ELCC Resources with a final or preliminary ELCC Class Rating below the applicable floor value, the Accredited UCAP shall be determined using the ELCC Resource’s ELCC Resource Performance Adjustment, in accordance with the methods set forth in RAA, Schedule 9.1, section E, and the applicable ELCC Class Rating floor value;

(ii) for ELCC Resources with a final or preliminary ELCC Class Rating above the applicable floor value, the Accredited UCAP shall be determined using the ELCC Resource’s ELCC Resource Performance Adjustment, in accordance with the methods set forth in RAA, Schedule 9.1, section E, and the ELCC Class Rating, which is determined in accordance with the methodology set forth in RAA, Schedule 9.1, section D, except that (1) the value used in place of ELCC Class UCAP is equal to [the sum of the ELCC Class UCAP for each ELCC Class of the subject group minus the sum of the Accredited UCAP of the ELCC Resources that are accredited based on floor values], which in turn is allocated to each ELCC Class in accordance with the methodology specified in the PJM Manuals that is consistent with the allocation methodology of RAA, Schedule 9.1, section C for allocating the ELCC Portfolio UCAP among the ELCC Classes, then further adjusted by a factor based on ELCC Resource Performance Adjustment values such that the total Accredited UCAP of all resources of each class does not exceed the ELCC Class UCAP and (2) the relevant aggregate Effective Nameplate Capacity shall be the sum of the Effective Nameplate Capacity of the members of
the ELCC Class that are accredited based on a final or preliminary ELCC Class Rating above the applicable floor value.

Provided, however, if the aggregate ELCC Class UCAP of the entire group is less than the aggregate Accredited UCAP of the ELCC Resources of the group that are accredited based on floor values, then the ELCC Class Rating for ELCC Resources with a final or preliminary ELCC Class Rating above the applicable floor value shall be determined in accordance with the methodology set forth in RAA, Schedule 9.1, section D, except that (3) the value used in place of ELCC Class UCAP is equal to [the ELCC Portfolio UCAP minus the aggregate Accredited UCAP of the resources of the group that are accredited based on floor values] which in turn is allocated to each ELCC Class in accordance with the methodology specified in the PJM Manuals that is consistent with the allocation methodology of RAA, Schedule 9.1, section C for allocating the ELCC Portfolio UCAP among the ELCC Classes, then further adjusted by a factor based on ELCC Resource Performance Adjustment values such that the total Accredited UCAP of all resources of each class does not exceed the ELCC Class UCAP, and (4) the relevant aggregate Effective Nameplate Capacity shall be the sum of the Effective Nameplate Capacity of the members of the ELCC Class that are accredited based on a final or preliminary ELCC Class Rating above the applicable floor value.

ELCC Class groups shall be defined in the PJM Manuals. The groups shall be defined in accordance with the following principles: (1) each group shall be composed of ELCC Classes that shall share relevant physical characteristics; and (2) each group is broad enough to include a significant fraction of the ELCC Portfolio UCAP, with consideration given to ELCC Classes that are expected to increase in deployment over the ten-year term of the effective load carrying capability analysis.

(f) While recognizing the general principle that the floor values already issued for a specific resource generally would not be changed, the limited circumstances under which the posted final floor values could be changed include: (i) the Office of the Interconnection no longer performs the effective load carrying capability analysis set forth in this RAA, Schedule 9.1; (ii) the Office of the Interconnection no longer determines Accredited UCAP prior to conducting an RPM Auction; (iii) the Office of the Interconnection redefines an ELCC Class, in which case the floors for a given resource whose class has been redefined will be adjusted based on a ratio of the aggregate performance of the newly defined class of which it is a member relative to the aggregate performance of the previously defined class of which it had been a member; or (iv) the aggregate Accredited UCAP values of all modeled ELCC Resources calculated using the
applicable floor values are higher than the ELCC Portfolio UCAP, in which case the applicable floor values will be reduced by the same proportion such that the aggregate Accredited UCAP values equal the ELCC Portfolio UCAP.

Nothing in RAA, Schedule 9.1 is intended to constrain the authority of the PJM Board in any way. The Office of the Interconnection and the PJM Board retain all of their filing rights, including the right to file with FERC as needed to: (iii) change the effective load carrying capability constructs and the effective load carrying capability analysis; (iv) change the methodology specified in this section J for calculating floors that are to be posted in the future; and (v) cease the posting of new floor values. None of the foregoing shall provide a basis for a new transition period or any other form of compensation to a Generation Capacity Resource Provider.

(g) The applicable table of floor values will continue to apply even if an ELCC Resource offers less than their Accredited UCAP.

(h) For purposes of determining floor values in this section J, uprates to individual ELCC Resources are treated as if each uprate is a separate ELCC Resource. The total Accredited UCAP of an ELCC Resource, including all uprates, shall be the sum of the respective Accredited UCAP values.

(i) The floor value applicable to an ELCC Resource is not transferable to a different ELCC Resource.
Attachment B

PJM Open Access Transmission Tariff
and PJM Reliability Assurance Agreement

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

(Clean Format)
ATTACHMENT DD

Reliability Pricing Model

References to section numbers in this Attachment DD refer to sections of this Attachment DD, unless otherwise specified.
5.6 Sell Offers

Sell Offers shall be submitted or withdrawn via the internet site designated by the Office of the Interconnection, under the procedures and time schedule set forth in the PJM Manuals.

5.6.1 Specifications

A Sell Offer shall state quantities in increments of 0.1 megawatts and shall specify, as appropriate:

a) Identification of the Generation Capacity Resource, Demand Resource, Capacity Storage Resource or Energy Efficiency Resource on which such Sell Offer is based;

b) Minimum and maximum megawatt quantity of installed capacity that the Capacity Market Seller is willing to offer (notwithstanding such specification, the product offered shall be Unforced Capacity), or designate as Self-Supply, from a Generation Capacity Resource;

i) Price, in dollars and cents per megawatt-day, that will be accepted by the Capacity Market Seller for the megawatt quantity of Unforced Capacity offered from such Generation Capacity Resource.

ii) The Sell Offer may take the form of offer segments with varying price-quantity pairs for varying output levels from the underlying resource, but may not take the form of an offer curve with nonzero slope.

c) EFORd of each Generation Capacity Resource offered.

i) If a Capacity Market Seller is offering such resource in a Base Residual Auction, First Incremental Auction, Second Incremental Auction, or Conditional Incremental Auction occurring before the Third Incremental Auction, the Capacity Market Seller shall specify the EFORd to apply to the offer.

ii) If a Capacity Market Seller is committing the resource as Self-Supply, the Capacity Market Seller shall specify the EFORd to apply to the commitment.

iii) The EFORd applied to the Third Incremental Auction will be the final EFORd established by the Office of the Interconnection six (6) months prior to the Delivery Year, based on the actual EFORd in the PJM Region during the 12-month period ending September 30 that last precedes such Delivery Year.

d) The Nominated Demand Resource Value for each Demand Resource offered and the Nominated Energy Efficiency Value for each Energy Efficiency Resource offered. The Office of the Interconnection shall, in both cases, convert such value to an Unforced Capacity basis by multiplying such value by the DR Factor (for Delivery Years through May 31, 2018) times the Forecast Pool Requirement. Demand Resources shall specify the LDA in which the Demand Resource is located, including the location of such resource within any Zone that includes more than one LDA as identified on RAA, Schedule 10.1.
e) For Delivery Years through May 31, 2018, a Demand Resource with the potential to qualify as two or more of a Limited Demand Resource, Extended Summer Demand Resource or Annual Demand Resource may submit separate but coupled Sell Offers for each Demand Resource type for which it qualifies at different prices and the auction clearing algorithm will select the Sell Offer that yields the least-cost solution. For such coupled Demand Resource offers, the offer price of an Annual Demand Resource offer must be at least $.01 per MW-day greater than the offer price of a coupled Extended Summer Demand Resource offer and the offer price of a Extended Summer Demand Resource offer must be at least $.01 per MW-day greater than the offer price of a coupled Limited Demand Resource offer.

f) For a Qualifying Transmission Upgrade, the Sell Offer shall identify such upgrade, and the Office of the Interconnection shall determine and certify the increase in CETL provided by such upgrade. The Capacity Market Seller may offer the upgrade with an associated increase in CETL to an LDA in accordance with such certification, including an offer price that will be accepted by the Capacity Market Seller, stated in dollars and cents per megawatt-day as a price difference between a Capacity Resource located outside such an LDA and a Capacity Resource located inside such LDA; and the increase in CETL into such LDA to be provided by such Qualifying Transmission Upgrade, as certified by the Office of the Interconnection.

g) For the 2018/2019 and 2019/2020 Delivery Years, each Capacity Market Seller owning or controlling a resource that qualifies as both a Base Capacity Resource and a Capacity Performance Resource may submit separate but coupled Sell Offers for such resource as a Base Capacity Resource and as a Capacity Performance Resource, at different prices, and the auction clearing algorithm will select the Sell Offer that yields the least-cost solution. Submission of a coupled Base Capacity Resource Sell Offer shall be mandatory for any Capacity Performance Resource Sell Offer that exceeds a Sell Offer Price equal to the applicable Net Cost of New Entry times the Balancing Ratio as provided for in Tariff, Attachment DD, section 6.4. For such coupled Sell Offers, the offer price of a Capacity Performance Resource offer must be at least $.01 per MW-day greater than the offer price of a coupled Base Capacity Resource offer.

(h) A Capacity Market Seller that owns or controls one or more Capacity Storage Resources, Intermittent Resources, Demand Resources, or Energy Efficiency Resources may submit a Sell Offer as a Capacity Performance Resource in a MW quantity consistent with their average expected output during peak-hour periods but for ELCC Resources, for the 2023/2024 Delivery Year and subsequent Delivery Years, such MW quantity shall not to exceed the Accredited UCAP of the resource. Alternatively, a Capacity Market Seller that owns or controls one or more Capacity Storage Resources, Intermittent Resources, Demand Resources, Energy Efficiency Resources, or Environmentally-Limited Resources may submit a Sell Offer which represents the aggregated Unforced Capacity value of such resources, where such Sell Offer shall be considered to be located in the smallest modeled LDA common to the aggregated resources. Such aggregated resources shall be owned by or under contract to the Capacity Market Seller, including all such resources obtained through bilateral contract and reported to the Office of the Interconnection in accordance with the Office of the Interconnection’s rules related to its Capacity Exchange tools. If any of the commercially aggregated resources in such Sell Offer are subject to the Minimum Floor Offer Price pursuant to Tariff, Attachment DD, sections 5.14(h) and 5.14(h-1), the Capacity Market Seller that owns or controls such resources may submit a
Sell Offer with a Minimum Floor Offer Price of no lower than the time and MW-weighted average of the applicable MOPR Floor Offer Prices (zero if not applicable) of the aggregated resources in such Sell Offer.

(i) For the 2020/2021 Delivery Year and subsequent Delivery Years, a Capacity Market Seller that owns or controls a resource that qualifies as a Summer-Period Capacity Performance Resource may submit a Sell Offer as a Capacity Performance Resource in a MW quantity consistent with the average expected output of such resource during peak-hour periods, and may submit a separate Sell Offer as a Summer-Period Capacity Performance Resource in a MW quantity consistent with the average expected output of such resource during summer peak-hour periods, provided the total Sell Offer MW quantity submitted as both a Capacity Performance Resource and a Summer-Period Capacity Performance Resource does not exceed the Unforced Capacity value of the resource. For the 2020/2021 Delivery Year and subsequent Delivery Years, a Capacity Market Seller that owns or controls a resource that qualifies as a Winter-Period Capacity Performance Resource may submit a Sell Offer as a Capacity Performance Resource in a MW quantity consistent with the average expected output of such resource during peak-hour periods, and may submit a separate Sell Offer as a Winter-Period Capacity Performance Resource in a MW quantity consistent with the average expected output of such resource during winter peak-hour periods, provided the total Sell Offer MW quantity submitted as both a Capacity Performance Resource and a Winter-Period Capacity Performance Resource does not exceed the Unforced Capacity value of the resource. Each segment of a Seasonal Capacity Performance Resource Sell Offer must be submitted as a flexible Sell Offer segment with the minimum MW quantity offered set to zero.

5.6.2 Compliance with PJM Credit Policy

Capacity Market Sellers shall comply with the provisions of the PJM Credit Policy as set forth in Tariff, Attachment Q, including the provisions specific to the Reliability Pricing Model, prior to submission of Sell Offers in any Reliability Pricing Model Auction. A Capacity Market Seller desiring to submit a Credit-Limited Offer shall specify in its Sell Offer the maximum auction credit requirement, in dollars, and the maximum amount of Unforced Capacity, in megawatts, applicable to its Sell Offer.

5.6.3 [reserved]

5.6.4 Qualifying Transmission Upgrades

A Qualifying Transmission Upgrade may not be the subject of any Sell Offer in a Base Residual Auction unless it has been approved by the Office of the Interconnection, including certification of the increase in Import Capability to be provided by such Qualifying Transmission Upgrade, no later than 45 days prior to such Base Residual Auction. No such approval shall be granted unless, at a minimum, a Facilities Study Agreement has been executed with respect to such upgrade, and such upgrade conforms to all applicable standards of the Regional Transmission Expansion Plan process.

5.6.5 Market-based Sell Offers
Subject to section 6, a Market Seller authorized by FERC to sell electric generating capacity at market-based prices, or that is not required to have such authorization, may submit Sell Offers that specify market-based prices in any Base Residual Auction or Incremental Auction.

5.6.6 Availability of Capacity Resources for Sale

(a) The Office of the Interconnection shall determine the quantity of megawatts of available installed capacity that each Capacity Market Seller must offer in any RPM Auction pursuant to Tariff, Attachment DD, section 6.6, through verification of the availability of megawatts of installed capacity from: (i) all Generation Capacity Resources owned by or under contract to the Capacity Market Seller, including all Generation Capacity Resources obtained through bilateral contract; (ii) the results of prior Reliability Pricing Model Auctions, if any, for such Delivery Year (including consideration of any restriction imposed as a consequence of a prior failure to offer); and (iii) such other information as may be available to the Office of the Interconnection. The Office of the Interconnection shall reject Sell Offers or portions of Sell Offers for Capacity Resources in excess of the quantity of installed capacity from such Capacity Market Seller’s Capacity Resource that it determines to be available for sale.

(b) The Office of the Interconnection shall determine the quantity of installed capacity available for sale in a Base Residual Auction or Incremental Auction as of the beginning of the period during which Buy Bids and Sell Offers are accepted for such auction, as applicable, in accordance with the time schedule set forth in the PJM Manuals. Removal of a resource from Capacity Resource status shall not be reflected in the determination of available installed capacity unless the associated unit-specific bilateral transaction is approved, the designation of such resource (or portion thereof) as a network resource for the external load is demonstrated to the Office of the Interconnection, or equivalent evidence of a firm external sale is provided prior to the deadline established therefor. The determination of available installed capacity shall also take into account, as they apply in proportion to the share of each resource owned or controlled by a Capacity Market Seller, any approved capacity modifications, and existing capacity commitments established in a prior RPM Auction, an FRR Capacity Plan, Locational UCAP transactions and/or replacement capacity transactions under this Tariff, Attachment DD. To enable the Office of the Interconnection to make this determination, no bilateral transactions for Capacity Resources applicable to the period covered by an auction will be processed from the beginning of the period for submission of Sell Offers and Buy Bids, as appropriate, for that auction until completion of the clearing determination for such auction. Processing of such bilateral transactions will reconvene once clearing for that auction is completed. A Generation Capacity Resource located in the PJM Region shall not be removed from Capacity Resource status to the extent the resource is committed to service of PJM loads as a result of an RPM Auction, FRR Capacity Plan, Locational UCAP transaction and/or by designation as a replacement resource under this Tariff, Attachment DD.

(c) In order for a bilateral transaction for the purchase and sale of a Capacity Resource to be processed by the Office of the Interconnection, both parties to the transaction must notify the Office of the Interconnection of the transfer of the Capacity Resource from the seller to the buyer in accordance with procedures established by the Office of the Interconnection and set forth in the PJM Manuals. If a material change with respect to any of the prerequisites for the application of Tariff, Attachment DD, section 5.6.6 to the Generation Capacity Resource
occurs, the Capacity Resource Owner shall immediately notify the Market Monitoring Unit and the Office of the Interconnection.
5.10 Auction Clearing Requirements

The Office of the Interconnection shall clear each Base Residual Auction and Incremental Auction for a Delivery Year in accordance with the following:

a) Variable Resource Requirement Curve

The Office of the Interconnection shall determine Variable Resource Requirement Curves for the PJM Region and for such Locational Deliverability Areas as determined appropriate in accordance with subsection (a)(iii) for such Delivery Year to establish the level of Capacity Resources that will provide an acceptable level of reliability consistent with the Reliability Principles and Standards. It is recognized that the variable resource requirement reflected in the Variable Resource Requirement Curve can result in an optimized auction clearing in which the level of Capacity Resources committed for a Delivery Year exceeds the PJM Region Reliability Requirement (for Delivery Years through May 31, 2018, less the Short-Term Resource Procurement Target) or Locational Deliverability Area Reliability Requirement (for Delivery Year through May 31, 2018, less the Short-Term Resource Procurement Target for the Zones associated with such LDA) for such Delivery Year. For any auction, the Updated Forecast Peak Load, and Short-Term Resource Procurement Target applicable to such auction, shall be used, and Price Responsive Demand from any applicable approved PRD Plan, including any associated PRD Reservation Prices, shall be reflected in the derivation of the Variable Resource Requirement Curves, in accordance with the methodology specified in the PJM Manuals.

i) Methodology to Establish the Variable Resource Requirement Curve

Prior to the Base Residual Auction, in accordance with the schedule in the PJM Manuals, the Office of the Interconnection shall establish the Variable Resource Requirement Curve for the PJM Region as follows:

- Each Variable Resource Requirement Curve shall be plotted on a graph on which Unforced Capacity is on the x-axis and price is on the y-axis;

- For the 2015/2016, 2016/2017, and 2017/2018 Delivery Years, the Variable Resource Requirement Curve for the PJM Region shall be plotted by combining (i) a horizontal line from the y-axis to point (1), (ii) a straight line connecting points (1) and (2), (iii) a straight line connecting points (2) and (3), and (iv) a vertical line from point (3) to the x-axis, where:

  - For point (1), price equals: \{the greater of \[the Cost of New Entry\] or \[1.5 \times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)\]} divided by (one minus the pool-wide average EFORd) and Unforced Capacity equals: \{the PJM Region Reliability Requirement multiplied by (100% plus the approved PJM Region Installed Reserve Margin ("IRM")% minus 3%) divided by (100% plus IRM%)\}, and for Delivery Years
through May 31, 2018, minus the Short-Term Resource Procurement Target;

- For point (2), price equals: (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset) divided by (one minus the pool-wide average EFORd) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by (100% plus IRM% plus 1%) divided by (100% plus IRM%)], and for Delivery Years through May 31, 2018, minus the Short-Term Resource Procurement Target; and

- For point (3), price equals: [0.2 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)] divided by (one minus the pool-wide average EFORd) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by (100% plus IRM% plus 5%) divided by (100% plus IRM%)], and for Delivery Years through May 31, 2018, minus the Short-Term Resource Procurement Target;

- For the 2018/2019 Delivery Year and subsequent Delivery Years through and including the Delivery Year commencing June 1, 2021, the Variable Resource Requirement Curve for the PJM Region shall be plotted by combining (i) a horizontal line from the y-axis to point (1), (ii) a straight line connecting points (1) and (2), and (iii) a straight line connecting points (2) and (3), where:

  - For point (1), price equals: {the greater of [the Cost of New Entry] or [1.5 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)]} divided by (one minus the pool-wide average EFORd) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by (100% plus the approved PJM Region Installed Reserve Margin (“IRM”)% minus 0.2%) divided by (100% plus IRM%)];

  - For point (2), price equals: [0.75 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)] divided by (one minus the pool-wide average EFORd) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by (100% plus IRM% plus 2.9%) divided by (100% plus IRM%)]; and

  - For point (3), price equals zero and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by (100% plus IRM% plus 8.8%) divided by (100% plus IRM%)].

- For the 2022/2023 Delivery Year and subsequent Delivery Years, the Variable Resource Requirement Curve for the PJM Region shall be plotted
by combining (i) a horizontal line from the y-axis to point (1), (ii) a straight line connecting points (1) and (2), and (iii) a straight line connecting points (2) and (3), where:

- For point (1), price equals: \( \frac{\text{the greater of [the Cost of New Entry] or [1.5 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)]}}{1 - \text{pool-wide average EFORd}} \) and Unforced Capacity equals: \( \frac{\text{the PJM Region Reliability Requirement multiplied by (100\% \text{ plus the approved PJM Region Installed Reserve Margin ("IRM")\% minus 1.2\%})}}{100\% \text{ plus IRM\%}} \);

- For point (2), price equals: \( \frac{\text{0.75 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)}}{1 - \text{pool-wide average EFORd}} \) and Unforced Capacity equals: \( \frac{\text{the PJM Region Reliability Requirement multiplied by (100\% \text{ plus IRM\% plus 1.9\%})}}{100\% \text{ plus IRM\%}} \); and

- For point (3), price equals zero and Unforced Capacity equals: \( \frac{\text{the PJM Region Reliability Requirement multiplied by (100\% \text{ plus IRM\% plus 7.8\%})}}{100\% \text{ plus IRM\%}} \).

ii) For any Delivery Year, the Office of the Interconnection shall establish a separate Variable Resource Requirement Curve for each LDA for which:

A. the Capacity Emergency Transfer Limit is less than 1.15 times the Capacity Emergency Transfer Objective, as determined by the Office of the Interconnection in accordance with NERC and Applicable Regional Entity guidelines; or

B. such LDA had a Locational Price Adder in any one or more of the three immediately preceding Base Residual Auctions; or

C. such LDA is determined in a preliminary analysis by the Office of the Interconnection to be likely to have a Locational Price Adder, based on historic offer price levels; provided however that for the Base Residual Auction conducted for the Delivery Year commencing on June 1, 2012, the Eastern Mid-Atlantic Region ("EMAR"), Southwest Mid-Atlantic Region ("SWMAR"), and Mid-Atlantic Region ("MAR") LDAs shall employ separate Variable Resource Requirement Curves regardless of the outcome of the above three tests; and provided further that the Office of the Interconnection may establish a separate Variable Resource Requirement Curve for an LDA not otherwise qualifying under the above three tests if it finds that such is required to achieve an acceptable level of reliability consistent with the Reliability
Principles and Standards, in which case the Office of the Interconnection shall post such finding, such LDA, and such Variable Resource Requirement Curve on its internet site no later than the March 31 last preceding the Base Residual Auction for such Delivery Year. The same process as set forth in subsection (a)(i) shall be used to establish the Variable Resource Requirement Curve for any such LDA, except that the Locational Deliverability Area Reliability Requirement for such LDA shall be substituted for the PJM Region Reliability Requirement and, for Delivery Years through May 31, 2018, the LDA Short-Term Resource Procurement Target shall be substituted for the PJM Region Short-Term Resource Procurement Target. For purposes of calculating the Capacity Emergency Transfer Limit under this section, all generation resources located in the PJM Region that are, or that qualify to become, Capacity Resources, shall be modeled at their full capacity rating, regardless of the amount of capacity cleared from such resource for the immediately preceding Delivery Year.

For each such LDA, for the 2018/2019 Delivery Year and subsequent Delivery Years, the Office of the Interconnection shall (a) determine the Net Cost of New Entry for each Zone in such LDA, with such Net Cost of New Entry equal to the applicable Cost of New Entry value for such Zone minus the Net Energy and Ancillary Services Revenue Offset value for such Zone, and (b) compute the average of the Net Cost of New Entry values of all such Zones to determine the Net Cost of New Entry for such LDA. The Net Cost of New Entry for use in an LDA in any Incremental Auction for the 2015/2016, 2016/2017, and 2017/2018 Delivery Years shall be the Net Cost of New Entry used for such LDA in the Base Residual Auction for such Delivery Year.


Beginning with the Delivery Year that commences June 1, 2018, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall perform a review of the shape of the Variable Resource Requirement Curve, as established by the requirements of the foregoing subsection. Such analysis shall be based on simulation of market conditions to quantify the ability of the market to invest in new Capacity Resources and to meet the applicable reliability requirements on a probabilistic basis. Based on the results of such review, PJM shall prepare a recommendation to either modify or retain the existing Variable Resource Requirement Curve shape. The Office of the Interconnection shall post the recommendation and shall review the recommendation through the stakeholder process to solicit stakeholder input. If a modification of the Variable Resource Requirement Curve shape is recommended, the following process shall be followed:

A) If the Office of the Interconnection determines that the Variable Resource Requirement Curve shape should be modified, Staff of
the Office of the Interconnection shall propose a new Variable Resource Requirement Curve shape on or before May 15, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

B) The PJM Members shall review the proposed modification to the Variable Resource Requirement Curve shape.

C) The PJM Members shall either vote to (i) endorse the proposed modification, (ii) propose alternate modifications or (iii) recommend no modification, by August 31, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

D) The PJM Board of Managers shall consider a proposed modification to the Variable Resource Requirement Curve shape, and the Office of the Interconnection shall file any approved modified Variable Resource Requirement Curve shape with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

iv) Cost of New Entry

A) For the Incremental Auctions for the 2019/2020, 2020/2021, and 2021/2022 Delivery Years, the Cost of New Entry for the PJM Region and for each LDA shall be the respective value used in the Base Residual Auction for such Delivery Year and LDA. For the Delivery Year commencing on June 1, 2022, and continuing thereafter unless and until changed pursuant to subsection (B) below, the Cost of New Entry for the PJM Region shall be the average of the Cost of New Entry for each CONE Area listed in this section as adjusted pursuant to subsection (a)(iv)(B).

<table>
<thead>
<tr>
<th>Geographic Location Within the PJM Region Encompassing These Zones</th>
<th>Cost of New Entry in $/MW-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>PS, JCP&amp;L, AE, PECO, DPL, RECO (“CONE Area 1”)</td>
<td>108,000</td>
</tr>
<tr>
<td>BGE, PEPCO (“CONE Area 2”)</td>
<td>109,700</td>
</tr>
<tr>
<td>AEP, Dayton, ComEd, APS, DQL, ATSI, DEOK, EKPC, Dominion, OVEC (“CONE Area 3”)</td>
<td>105,500</td>
</tr>
<tr>
<td>PPL, MetEd, Penelec (“CONE Area 4”)</td>
<td>105,500</td>
</tr>
</tbody>
</table>
B) Beginning with the 2023/2024 Delivery Year, the CONE for each CONE Area shall be adjusted to reflect changes in generating plant construction costs based on changes in the Applicable United States Bureau of Labor Statistics ("BLS") Composite Index, and then adjusted further by a factor of 1.022 to reflect the annual decline in bonus depreciation scheduled under federal corporate tax law, in accordance with the following:

(1) The Applicable BLS Composite Index for any Delivery Year and CONE Area shall be the most recently published twelve-month change, at the time CONE values are required to be posted for the Base Residual Auction for such Delivery Year, in a composite of the BLS Quarterly Census of Employment and Wages for Utility System Construction (weighted 20%), the BLS Producer Price Index for Construction Materials and Components (weighted 55%), and the BLS Producer Price Index Turbines and Turbine Generator Sets (weighted 25%), as each such index is further specified for each CONE Area in the PJM Manuals.

(2) The CONE in a CONE Area shall be adjusted prior to the Base Residual Auction for each Delivery Year by applying the Applicable BLS Composite Index for such CONE Area to the Benchmark CONE for such CONE Area, and then multiplying the result by 1.022.

(3) The Benchmark CONE for a CONE Area shall be the CONE used for such CONE Area in the Base Residual Auction for the prior Delivery Year (provided, however that the Gross CONE values stated in subsection (a)(iv)(A) above shall be the Benchmark CONE values for the 2022/2023 Delivery Year to which the Applicable BLS Composite Index shall be applied to determine the CONE for subsequent Delivery Years), and then multiplying the result by 1.022.

(4) Notwithstanding the foregoing, CONE values for any CONE Area for any Delivery Year shall be subject to amendment pursuant to appropriate filings with FERC under the Federal Power Act, including, without limitation, any filings resulting from the process described in section 5.10(a)(vi)(C) or any filing to establish new or revised CONE Areas.

v) Net Energy and Ancillary Services Revenue Offset up to the 2021/2022 Delivery Year:

A) The Office of the Interconnection shall determine the Net Energy and Ancillary Services Revenue Offset each year for the PJM Region as (A) the annual average of the revenues that would have been received by the Reference Resource from the PJM energy markets during a period of three consecutive calendar years preceding the time of the determination, based on (1) the heat rate and other characteristics of such Reference Resource; (2) fuel prices reported during such period at an appropriate pricing point...
for the PJM Region with a fuel transmission adder appropriate for such region, as set forth in the PJM Manuals, assumed variable operation and maintenance expenses for such resource of $6.93 per MWh, and actual PJM hourly average Locational Marginal Prices recorded in the PJM Region during such period; and (3) an assumption that the Reference Resource would be dispatched for both the Day-Ahead and Real-Time Energy Markets on a Peak-Hour Dispatch basis; plus (B) ancillary service revenues of $2,199 per MW-year.

B) The Office of the Interconnection also shall determine a Net Energy and Ancillary Service Revenue Offset each year for each Zone, using the same procedures and methods as set forth in the previous subsection; provided, however, that: (1) the average hourly LMPs for such Zone shall be used in place of the PJM Region average hourly LMPs; (2) if such Zone was not integrated into the PJM Region for the entire applicable period, then the offset shall be calculated using only those whole calendar years during which the Zone was integrated; and (3) a posted fuel pricing point in such Zone, if available, and (if such pricing point is not available in such Zone) a fuel transmission adder appropriate to such Zone from an appropriate PJM Region pricing point shall be used for each such Zone.

v-1) Net Energy and Ancillary Services Revenue Offset for the 2022/2023 Delivery and subsequent Delivery Years:

A) The Office of the Interconnection shall determine the Net Energy and Ancillary Services Revenue Offset each year for the PJM Region as (1) the average of the net energy and ancillary services revenues that the Reference Resource is projected to receive from the PJM energy and ancillary service markets for the applicable Delivery Year from three separate simulations, with each such simulation using forward prices shaped using historical data from one of the three consecutive calendar years preceding the time of the determination for the RPM Auction to take account of year-to-year variability in such hourly shapes. Each net energy and ancillary services revenue simulation is based on (a) the heat rate and other characteristics of such Reference Resource such as assumed variable operation and maintenance expenses of $1.95 per MWh and $11,732/start, and emissions costs; (b) Forward Hourly LMPs for the PJM Region; (c) Forward Hourly Ancillary Services Prices, (d) Forward Daily Natural Gas Prices at an appropriate pricing point for the PJM Region with a fuel transmission adder appropriate for such region, as set forth in the PJM Manuals; and (e) an assumption that the Reference Resource
would be dispatched on a Projected EAS Dispatch basis; plus (2) reactive service revenues of $2,199 per MW-year.

B) The Office of the Interconnection also shall determine a Net Energy and Ancillary Service Revenue Offset each year for each Zone, using the same procedures and methods as set forth in the previous subsection; provided, however, that: (1) the Forward Hourly LMPs for such Zone shall be used in place of the Forward Hourly LMP for the PJM Region; (2) if such Zone was not integrated into the PJM Region for the entire three calendar years preceding the time of the determination for the RPM Auction, then simulations shall rely on only those whole calendar years during which the Zone was integrated; and (3) Forward Daily Natural Gas Prices for the fuel pricing point mapped to such Zone.

C) “Forward Hourly LMPs” shall be determined as follows:

(1) Identify the liquid hub to which each Zone is mapped, as specified in the PJM Manuals.

(2) For each liquid hub, calculate the average day-ahead on-peak and day-ahead off-peak energy prices for each month during the Delivery Year over the most recent thirty trading days as of 180 days prior to the Base Residual Auction. For each of the remaining steps, the historical prices used herein shall be taken from the most recent three calendar years preceding the time of the determination for the RPM Auction:

(3) Determine and add monthly basis differentials between the hub and each of its mapped Zones to the forward monthly day-ahead on-peak and off-peak energy prices for the hub. This differential is developed using the prices for the Planning Period closest in time to the Delivery Year from the most recent long-term Financial Transmission Rights auction conducted prior to the Base Residual Auction. The difference between the annual long-term Financial Transmission Rights auction prices for the Zone and the hub are converted to monthly values by adding, for each month of the year, the difference between (a) the historical monthly average day-ahead congestion price differentials between the Zone and relevant hub and (b) the historical annual average day-ahead congestion price differentials between the Zone and hub. This step is only used when developing forward prices for locations other than the liquid hubs;
(4) Determine and add marginal loss differentials to the forward monthly day-ahead on-peak and off-peak energy prices for the hub. For each month of the year, calculate the marginal loss differential, which is the average of the difference between the loss components of the historical on peak or off peak day-ahead LMPs for the Zone and relevant hub in that month across the three year period scaled by the ratio of (a) the forward monthly average on-peak or off-peak day-ahead LMP at such hub to (b) the average of the historical on-peak or off-peak day-ahead LMPs for such hub in that month across the three year period. This step is only used when developing forward prices for locations other than the liquid hubs;

(5) Shape the forward monthly day-ahead on-peak and off-peak prices to (a) forward hourly day-ahead LMPs using historic hourly day-ahead LMP shapes for the Zone and (b) forward hourly real-time LMPs using historic hourly real-time LMP shapes for the Zone. The historic hourly shapes are based on the ratio of the historic day-ahead or real-time LMP for the Zone for each given hour in a monthly on-peak or off-peak period to the average of the historic day-ahead or real-time LMP for the Zone for all hours in such monthly on-peak or off-peak period. The historical prices used in this step shall be taken from one of each of the most recent three calendar years preceding the time of the determination for the RPM Auction;

(6) For unit-specific energy and ancillary service offset calculations, determine and apply basis differentials from the Zone to the generation bus to the forward day-ahead and real-time hourly LMPs for the Zone. The differential for each hour of the year is developed using the difference between the historical DA or RT LMP for the generation bus and the historical DA or RT LMP for the Zone in which the generation bus is located for that same hour; and

(7) Develop the Forward Hourly LMPs for the PJM Region pricing point. Calculate the load-weighted average of the monthly on-peak and off-peak Zonal LMPs developed in step (4) above, using the historical average load within each monthly on-peak or off-peak period. The load-weighted average monthly on-peak or off-peak Zonal LMPs are then shaped to forward hourly day-ahead and real-time LMPs using the same procedure as defined in step (5) above, except using historical LMPs for the PJM Region pricing point.
D) **Forward Hourly Ancillary Services Prices** shall include prices for Synchronized Reserve, Non-Synchronized Reserve, Secondary Reserve and Regulation and shall be determined as follows. The historical prices used herein shall be taken from one of each of the most recent three calendar years preceding the time of the determination for the RPM Auction:

1. For Synchronized Reserve, the forward day-ahead and real-time market clearing prices for the Reserve Zone for each hour of the Delivery Year shall be equal to the historical real-time Synchronized Reserve Market Clearing Price for the Reserve Zone for the corresponding hour of the year.

2. For Non-Synchronized Reserve, the forward day-ahead and real-time market clearing prices for the Reserve Zone for each hour of the Delivery Year shall be equal to the historical real-time Non-Synchronized Reserve Market Clearing Price for the Reserve Zone for the corresponding hour of the year.

3. For Secondary Reserve, the forward day-ahead and real-time Secondary Reserve market clearing price shall be $0.00/MWh for all hours.

4. For Regulation, the forward real-time Regulation market clearing price shall be calculated by multiplying the historical real-time hourly Regulation market clearing price for each hour of the Delivery Year by the ratio of the real-time Forward Hourly LMP at an appropriate pricing point, as defined in the PJM manuals, to the historic hourly real-time LMP at such pricing point for the corresponding hour of the year; and

E) **Forward Daily Natural Gas Prices** shall be determined as follows:

1. Map each Zone to the appropriate natural gas hub in the PJM Region, as listed in the PJM Manuals;

2. Map each natural gas hub lacking sufficient liquidity to the liquid hub to which it has the highest historic price correlation;

3. For each sufficiently liquid natural gas hub, calculate the simple average natural gas monthly settlement prices over
the most recent thirty trading days as of 180 days prior to the Base Residual Auction;

(4) Calculate the forward monthly prices for each illiquid hub by scaling the forward monthly price of the mapped liquid hub by the average ratio of historical monthly prices at the insufficiently liquid hub to the historical monthly prices at the sufficiently liquid over the most recent three calendar years preceding the time of determination for the RPM Auction;

(5) Shape the forward monthly prices for each hub to Forward Daily Natural Gas Prices using historic daily natural gas price shapes for the hub. The historic daily shapes are based on the ratio of the historic price for the hub for each given day in a month to the average of the historic prices for the hub for all days in such month. The daily prices are then assigned to each hour starting 10am Eastern Prevailing Time each day. The historical prices used in this step shall be taken from one of each of the most recent three calendar years preceding the time of the determination for the RPM Auction.

vi) Process for Establishing Parameters of Variable Resource Requirement Curve

A) The parameters of the Variable Resource Requirement Curve will be established prior to the conduct of the Base Residual Auction for a Delivery Year and will be used for such Base Residual Auction.

B) The Office of the Interconnection shall determine the PJM Region Reliability Requirement and the Locational Deliverability Area Reliability Requirement for each Locational Deliverability Area for which a Variable Resource Requirement Curve has been established for such Base Residual Auction on or before February 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values will be applied, in accordance with the Reliability Assurance Agreement.

C) Beginning with the Delivery Year that commences June 1, 2018, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall review the calculation of the Cost of New Entry for each CONE Area.

1) If the Office of the Interconnection determines that the Cost of New Entry values should be modified, the Staff of the
Office of the Interconnection shall propose new Cost of New Entry values on or before May 15, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

2) The PJM Members shall review the proposed values.

3) The PJM Members shall either vote to (i) endorse the proposed values, (ii) propose alternate values or (iii) recommend no modification, by August 31, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

4) The PJM Board of Managers shall consider Cost of New Entry values, and the Office of the Interconnection shall file any approved modified Cost of New Entry values with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

D) Beginning with the Delivery Year that commences June 1, 2018, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall review the methodology set forth in this Attachment for determining the Net Energy and Ancillary Services Revenue Offset for the PJM Region and for each Zone.

1) If the Office of the Interconnection determines that the Net Energy and Ancillary Services Revenue Offset methodology should be modified, Staff of the Office of the Interconnection shall propose a new Net Energy and Ancillary Services Revenue Offset methodology on or before May 15, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new methodology would be applied.

2) The PJM Members shall review the proposed methodology.

3) The PJM Members shall either vote to (i) endorse the proposed methodology, (ii) propose an alternate methodology or (iii) recommend no modification, by August 31, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new methodology would be applied.

4) The PJM Board of Managers shall consider the Net Revenue Offset methodology, and the Office of the
Interconnection shall file any approved modified Net Energy and Ancillary Services Revenue Offset values with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

vii) In conjunction with a review of the Variable Resource Requirement Curve shape that commences no later than December 31, 2026, the Office of the Interconnection shall review the ELCC transition mechanism set forth in RAA, Schedule 9.1, section J. Based on the results of such review, PJM shall prepare a recommendation to either modify or retain the existing ELCC transition mechanism. The Office of the Interconnection shall post the recommendation and shall review the recommendation through the stakeholder process to solicit stakeholder input.

b) Locational Requirements

The Office of Interconnection shall establish locational requirements prior to the Base Residual Auction to quantify the amount of Unforced Capacity that must be committed in each Locational Deliverability Area, in accordance with the Reliability Assurance Agreement.

c) Resource Requirements and Constraints

Prior to the Base Residual Auction and each Incremental Auction for the Delivery Years starting on June 1, 2014 and ending May 31, 2017, the Office of the Interconnection shall establish the Minimum Annual Resource Requirement and the Minimum Extended Summer Resource Requirement for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) above to establish a separate VRR Curve for such Delivery Year. Prior to the Base Residual Auction and Incremental Auctions for the 2017/2018 Delivery Year, the Office of the Interconnection shall establish the Limited Resource Constraints and the Sub-Annual Resource Constraints for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) above to establish a separate VRR Curve for such Delivery Year. Prior to the Base Residual Auction and Incremental Auctions for 2018/2019 and 2019/2020 Delivery Years, the Office of the Interconnection shall establish the Base Capacity Demand Resource Constraints and the Base Capacity Resource Constraints for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) above to establish a separate VRR Curve for such Delivery Year.

d) Preliminary PJM Region Peak Load Forecast for the Delivery Year

The Office of the Interconnection shall establish the Preliminary PJM Region Load Forecast for the Delivery Year in accordance with the PJM Manuals by February 1, prior to the conduct of the Base Residual Auction for such Delivery Year.

e) Updated PJM Region Peak Load Forecasts for Incremental Auctions
The Office of the Interconnection shall establish the updated PJM Region Peak Load Forecast for a Delivery Year in accordance with the PJM Manuals by February 1, prior to the conduct of the First, Second, and Third Incremental Auction for such Delivery Year.
5.14 Clearing Prices and Charges

a) Capacity Resource Clearing Prices

For each Base Residual Auction and Incremental Auction, the Office of the Interconnection shall calculate a clearing price to be paid for each megawatt-day of Unforced Capacity that clears in such auction. The Capacity Resource Clearing Price for each LDA will be the marginal value of system capacity for the PJM Region, without considering locational constraints, adjusted as necessary by any applicable Locational Price Adders, Annual Resource Price Adders, Extended Summer Resource Price Adders, Limited Resource Price Decrements, Sub-Annual Resource Price Decrements, Base Capacity Demand Resource Price Decrements, and Base Capacity Resource Price Decrements, all as determined by the Office of the Interconnection based on the optimization algorithm. If a Capacity Resource is located in more than one Locational Deliverability Area, it shall be paid the highest Locational Price Adder in any applicable LDA in which the Sell Offer for such Capacity Resource cleared. The Annual Resource Price Adder is applicable for Annual Resources only. The Extended Summer Resource Price Adder is applicable for Annual Resources and Extended Summer Demand Resources.

The Locational Price Adder applicable to each cleared Seasonal Capacity Performance Resource is determined during the post-processing of the RPM Auction results consistent with the manner in which the auction clearing algorithm recognizes the contribution of Seasonal Capacity Performance Resource Sell Offers in satisfying an LDA’s reliability requirement. For each LDA with a positive Locational Price Adder with respect to the immediate higher level LDA, starting with the lowest level constrained LDAs and moving up, PJM determines the quantity of equally matched Summer-Period Capacity Performance Resources and Winter-Period Capacity Performance Resources located and cleared within that LDA. Up to this quantity, the cleared Summer-Period Capacity Performance Resources and Winter-Period Capacity Performance Resources with the lowest Sell Offer prices will be compensated using the highest Locational Price Adder applicable to such LDA; and any remaining Seasonal Capacity Performance Resources cleared within the LDA are effectively moved to the next higher level constrained LDA, where they are considered in a similar manner for compensation.

b) Resource Make-Whole Payments

If a Sell Offer specifies a minimum block, and only a portion of such block is needed to clear the market in a Base Residual or Incremental Auction, the MW portion of such Sell Offer needed to clear the market shall clear, and such Sell Offer shall set the marginal value of system capacity. In addition, the Capacity Market Seller shall receive a Resource Make-Whole Payment equal to the Capacity Resource Clearing Price in such auction times the difference between the Sell Offer's minimum block MW quantity and the Sell Offer's cleared MW quantity. If the Sell Offer price of a cleared Seasonal Capacity Performance Resource exceeds the applicable Capacity Resource Clearing Price, the Capacity Market Seller shall receive a Resource Make-Whole Payment equal to the difference between the Sell Offer price and Capacity Resource Clearing Price in such RPM Auction. The cost for any such Resource Make-Whole Payments required in a Base Residual Auction or Incremental Auction for adjustment of prior capacity commitments shall be collected pro rata from all LSEs in the LDA in which such payments were made, based on their Daily Unforced Capacity Obligations. The cost for any such Resource Make-Whole
Payments required in an Incremental Auction for capacity replacement shall be collected from all Capacity Market Buyers in the LDA in which such payments were made, on a pro-rata basis based on the MWs purchased in such auction.

c) New Entry Price Adjustment

A Capacity Market Seller that submits a Sell Offer based on a Planned Generation Capacity Resource that clears in the BRA for a Delivery Year may, at its election, submit Sell Offers with a New Entry Price Adjustment in the BRAs for the two immediately succeeding Delivery Years if:

1. Such Capacity Market Seller provides notice of such election at the time it submits its Sell Offer for such resource in the BRA for the first Delivery Year for which such resource is eligible to be considered a Planned Generation Capacity Resource. When the Capacity Market Seller provides notice of such election, it must specify whether its Sell Offer is contingent upon qualifying for the New Entry Price Adjustment. The Office of the Interconnection shall not clear such contingent Sell Offer if it does not qualify for the New Entry Price Adjustment.

2. All or any part of a Sell Offer from the Planned Generation Capacity Resource submitted in accordance with section 5.14(c)(1) is the marginal Sell Offer that sets the Capacity Resource Clearing Price for the LDA.

3. Acceptance of all or any part of a Sell Offer that meets the conditions in section 5.14(c)(1)-(2) in the BRA increases the total Unforced Capacity committed in the BRA for the LDA in which such Resource will be located from a megawatt quantity below the LDA Reliability Requirement, minus the Short Term Resource Procurement Target, to a megawatt quantity at or above a megawatt quantity at the price-quantity point on the VRR Curve at which the price is 0.40 times the applicable Net CONE divided by (one minus the pool-wide average EFORd).

4. Such Capacity Market Seller submits Sell Offers in the BRA for the two immediately succeeding Delivery Years for the entire Unforced Capacity of such Generation Capacity Resource committed in the first BRA under section 5.14(c)(1)-(2) equal to the lesser of: A) the price in such seller’s Sell Offer for the BRA in which such resource qualified as a Planned Generation Capacity Resource that satisfies the conditions in section 5.14(c)(1)-(3); or B) 0.90 times the Net CONE applicable in the first BRA in which such Planned Generation Capacity Resource meeting the conditions in section 5.14(c)(1)-(3) cleared, on an Unforced Capacity basis, for such LDA.

5. If the Sell Offer is submitted consistent with section 5.14(c)(1)-(4) the foregoing conditions, then:

   (i) in the first Delivery Year, the Resource sets the Capacity Resource Clearing Price for the LDA and all cleared resources in the LDA receive the Capacity Resource Clearing Price set by the Sell Offer as the marginal
offer, in accordance with Tariff, Attachment DD, section 5.12(a) and section 5.14(a) above.

(ii) in either of the subsequent two BRAs, if any part of the Sell Offer from the Resource clears, it shall receive the Capacity Resource Clearing Price for such LDA for its cleared capacity and for any additional minimum block quantity pursuant to section 5.14(b) above; or

(iii) if the Resource does not clear, it shall be deemed resubmitted at the highest price per MW-day at which the megawatt quantity of Unforced Capacity of such Resource that cleared the first-year BRA will clear the subsequent-year BRA pursuant to the optimization algorithm described in Tariff, Attachment DD, section 5.12(a), and

(iv) the resource with its Sell Offer submitted shall clear and shall be committed to the PJM Region in the amount cleared, plus any additional minimum-block quantity from its Sell Offer for such Delivery Year, but such additional amount shall be no greater than the portion of a minimum-block quantity, if any, from its first-year Sell Offer satisfying section 5.14(c)(1)-(3) above that is entitled to compensation pursuant to section 5.14(b) above; and

(v) the Capacity Resource Clearing Price, and the resources cleared, shall be re-determined to reflect the resubmitted Sell Offer. In such case, the Resource for which the Sell Offer is submitted pursuant to section 5.14(c)(1)-(4) above shall be paid for the entire committed quantity at the Sell Offer price that it initially submitted in such subsequent BRA. The difference between such Sell Offer price and the Capacity Resource Clearing Price (as well as any difference between the cleared quantity and the committed quantity), will be treated as a Resource Make-Whole Payment in accordance with section 5.14(b) above. Other capacity resources that clear the BRA in such LDA receive the Capacity Resource Clearing Price as determined in section 5.14(a) above.

6. The failure to submit a Sell Offer consistent with section 5.14(c)(i)-(iii) above in the BRA for Delivery Year 3 shall not retroactively revoke the New Entry Price Adjustment for Delivery Year 2. However, the failure to submit a Sell Offer consistent with section 5.14(c)(4) above in the BRA for Delivery Year 2 shall make the resource ineligible for the New Entry Pricing Adjustment for Delivery Years 2 and 3.

7. For each Delivery Year that the foregoing conditions are satisfied, the Office of the Interconnection shall maintain and employ in the auction clearing for such LDA a separate VRR Curve, notwithstanding the outcome of the test referenced in Tariff, Attachment DD, section 5.10(a)(ii).

8. On or before August 1, 2012, PJM shall file with FERC under FPA section 205, as determined necessary by PJM following a stakeholder process, tariff changes to
establish a long-term auction process as a not unduly discriminatory means to provide adequate long-term revenue assurances to support new entry, as a supplement to or replacement of this New Entry Price Adjustment.

d) Qualifying Transmission Upgrade Payments

A Capacity Market Seller that submitted a Sell Offer based on a Qualifying Transmission Upgrade that clears in the Base Residual Auction shall receive a payment equal to the Capacity Resource Clearing Price, including any Locational Price Adder, of the LDA into which the Qualifying Transmission Upgrade is to increase Capacity Emergency Transfer Limit, less the Capacity Resource Clearing Price, including any Locational Price Adder, of the LDA from which the upgrade was to provide such increased CETL, multiplied by the megawatt quantity of increased CETL cleared from such Sell Offer. Such payments shall be reflected in the Locational Price Adder determined as part of the Final Zonal Capacity Price for the Zone associated with such LDAs, and shall be funded through a reduction in the Capacity Transfer Rights allocated to Load-Serving Entities under Tariff, Attachment DD, section 5.15, as set forth in that section. PJMSettlement shall be the Counterparty to any cleared capacity transaction resulting from a Sell Offer based on a Qualifying Transmission Upgrade.

e) Locational Reliability Charge

In accordance with the Reliability Assurance Agreement, each LSE shall incur a Locational Reliability Charge (subject to certain offsets and other adjustments as described in Tariff, Attachment DD, section 5.14B, Tariff, Attachment DD, section 5.14C, Tariff, Attachment DD, section 5.14D, Tariff, Attachment DD, section 5.14E and Tariff, Attachment DD, section 5.15) equal to such LSE’s Daily Unforced Capacity Obligation in a Zone during such Delivery Year multiplied by the applicable Final Zonal Capacity Price in such Zone. PJMSettlement shall be the Counterparty to the LSEs’ obligations to pay, and payments of, Locational Reliability Charges.

f) The Office of the Interconnection shall determine Zonal Capacity Prices in accordance with the following, based on the optimization algorithm:

i) The Office of the Interconnection shall calculate and post the Preliminary Zonal Capacity Prices for each Delivery Year following the Base Residual Auction for such Delivery Year. The Preliminary Zonal Capacity Price for each Zone shall be the sum of: 1) the marginal value of system capacity for the PJM Region, without considering locational constraints; 2) the Locational Price Adder, if any, for the LDA in which such Zone is located; provided however, that 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; 3) an adjustment, if required, to account for adders paid to Annual Resources and Extended Summer Demand Resources in the LDA for which the zone is located; 4) an adjustment, if required, to account for Resource Make-Whole Payments; and (5) an adjustment, if required to provide sufficient revenue for payment of any PRD Credits, all as determined in accordance with the optimization algorithm.
ii) The Office of the Interconnection shall calculate and post the Adjusted Zonal Capacity Price following each Incremental Auction. The Adjusted Zonal Capacity Price for each Zone shall equal the sum of: (1) the average marginal value of system capacity weighted by the Unforced Capacity cleared in all auctions previously conducted for such Delivery Year (excluding any Unforced Capacity cleared as replacement capacity); (2) the average Locational Price Adder weighted by the Unforced Capacity cleared in all auctions previously conducted for such Delivery Year (excluding any Unforced Capacity cleared as replacement capacity); (3) an adjustment, if required, to account for adders paid to Annual Resources and Extended Summer Demand Resources for all auctions previously conducted for such Delivery Year (excluding any Unforced Capacity cleared as replacement capacity); (4) an adjustment, if required, to account for Resource Make-Whole Payments for all actions previously conducted (excluding any Resource Make-Whole Payments to be charged to the buyers of replacement capacity); and (5) an adjustment, if required to provide sufficient revenue for payment of any PRD Credits. The Adjusted Zonal Capacity Price may decrease if Unforced Capacity is decommitted or the Resource Clearing Price decreases in an Incremental Auction.

iii) The Office of the Interconnection shall calculate and post the Final Zonal Capacity Price for each Delivery Year after the final auction is held for such Delivery Year, as set forth above. The Final Zonal Capacity Price for each Zone shall equal the Adjusted Zonal Capacity Price, as further adjusted to reflect any decreases in the Nominated Demand Resource Value of any existing Demand Resource cleared in the Base Residual Auction and Second Incremental Auction.

g) Resource Substitution Charge

Each Capacity Market Buyer in an Incremental Auction securing replacement capacity shall pay a Resource Substitution Charge equal to the Capacity Resource Clearing Price resulting from such auction multiplied by the megawatt quantity of Unforced Capacity purchased by such Market Buyer in such auction.

h) Minimum Offer Price Rule for Certain New Generation Capacity Resources that are not Capacity Resources with State Subsidy

(1) For purposes of this section, the Net Asset Class Costs of New Entry shall be asset-class estimates of competitive, cost-based nominal levelized Cost of New Entry, net of energy and ancillary service revenues. Determination of the gross Cost of New Entry component of the Net Asset Class Cost of New Entry shall be consistent with the methodology used to determine the Cost of New Entry set forth in Tariff, Attachment DD, section 5.10(a)(iv)(A) of this Attachment. This section only applies to new Generation Capacity Resources that do not receive or are not entitled to receive a State Subsidy, meaning that such resources are not Capacity Resources with State Subsidy. To the extent a new Generation Capacity Resource is a Capacity Resource with State Subsidy, then the provisions in Tariff, Attachment DD, section 5.14(h-1) apply.

The gross Cost of New Entry component of Net Asset Class Cost of New Entry shall be, for purposes of the 2018/2019 Delivery Year and subsequent Delivery Years, the values indicated in the table below for each CONE Area for a combustion turbine generator (“CT”), and
a combined cycle generator (“CC”) respectively, and shall be adjusted for subsequent Delivery Years in accordance with subsection (h)(2) below. For purposes of Incremental Auctions for the 2015/2016, 2016/2017 and 2017/2018 Delivery Years, the MOPR Floor Offer Price shall be the same as that used in the Base Residual Auction for such Delivery Year. The estimated energy and ancillary service revenues for each type of plant shall be determined as described in subsection (h)(3) below. Notwithstanding the foregoing, the Net Asset Class Cost of New Entry shall be zero for: (i) Sell Offers based on nuclear, coal or Integrated Gasification Combined Cycle facilities; or (ii) Sell Offers based on hydroelectric, wind, or solar facilities.

<table>
<thead>
<tr>
<th></th>
<th>CONE Area 1</th>
<th>CONE Area 2</th>
<th>CONE Area 3</th>
<th>CONE Area 4</th>
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<tr>
<td>CT $/MW-yr</td>
<td>132,200</td>
<td>130,300</td>
<td>128,990</td>
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<tr>
<td>CC $/MW-yr</td>
<td>185,700</td>
<td>176,000</td>
<td>172,600</td>
<td>179,400</td>
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</table>

(2) Beginning with the Delivery Year that begins on June 1, 2019, the gross Cost of New Entry component of the Net Asset Class Cost of New Entry shall be adjusted to reflect changes in generating plant construction costs in the same manner as set forth for the cost of new entry in Tariff, Attachment DD, section 5.10(a)(iv)(B), provided, however, that the Applicable BLS Composite Index used for CC plants shall be calculated from the three indices referenced in that section but weighted 25% for the wages index, 60% for the construction materials index, and 15% for the turbines index, and provided further that nothing herein shall preclude the Office of the Interconnection from filing to change the Net Asset Class Cost of New Entry for any Delivery Year pursuant to appropriate filings with FERC under the Federal Power Act.

(3) For the 2021/2022 Delivery Year, for purposes of this provision, the net energy and ancillary services revenue estimate for a combustion turbine generator shall be that determined by Tariff, Attachment DD, section 5.10(a)(v)(A), provided that the energy revenue estimate for each CONE Area shall be based on the Zone within such CONE Area that has the highest energy revenue estimate calculated under the methodology in that subsection. The net energy and ancillary services revenue estimate for a combined cycle generator shall be determined in the same manner as that prescribed for a combustion turbine generator in the previous sentence, except that the heat rate assumed for the combined cycle resource shall be 6.722 MMbtu/Mwh, the variable operations and maintenance expenses for such resource shall be $3.23 per MWh, the Peak-Hour Dispatch scenario for both the Day-Ahead and Real-Time Energy Markets shall be modified to dispatch the CC resource continuously during the full peak-hour period, as described in Peak-Hour Dispatch, for each such period that the resource is economic (using the test set forth in such definition), rather than only during the four-hour blocks within such period that such resource is economic, and the ancillary service revenues shall be $3198 per MW-year.

For the 2022/2023 Delivery Year and subsequent Delivery Years, for purposes of this provision, the net energy and ancillary services revenue estimate for a combustion turbine generator shall be that determined by Tariff, Attachment DD, section 5.10(a)(v-1)(A), provided that the energy and ancillary services revenue estimate for each CONE Area shall be based on the Zone within such CONE Area that has the highest energy revenue estimate calculated under the methodology in that subsection. The net energy and ancillary services revenue estimate for a combined cycle generator shall be determined in the same manner as that prescribed for a combustion turbine generator in the previous sentence, except that the heat rate assumed for the
combined cycle resource shall be 6.501 MMbtu/MWh, the variable operations and maintenance expenses for such resource shall be $2.11 per MWh, a 10% adder will not be included in the energy offer, and the reactive service revenues shall be $3,350 per MW-year.

(4) Any Sell Offer that is based on either (i) or (ii), and (iii):

i) a Generation Capacity Resource located in the PJM Region that is submitted in an RPM Auction for a Delivery Year unless a Sell Offer based on that resource has cleared an RPM Auction for that or any prior Delivery Year, or until a Sell Offer based on that resource clears an RPM auction for that or any subsequent Delivery Year; or

ii) a Generation Capacity Resource located outside the PJM Region (where such Sell Offer is based solely on such resource) that requires sufficient transmission investment for delivery to the PJM Region to indicate a long-term commitment to providing capacity to the PJM Region, unless a Sell Offer based on that resource has cleared an RPM Auction for that or any prior Delivery Year, or until a Sell offer based on that resource clears an RPM Auction for that or any subsequent Delivery Year;

iii) in any LDA for which a separate VRR Curve is established for use in the Base Residual Auction for the Delivery Year relevant to the RPM Auction in which such offer is submitted, and that is less than 90 percent of the applicable Net Asset Class Cost of New Entry or, if there is no applicable Net Asset Class Cost of New Entry, less than 70 percent of the Net Asset Class Cost of New Entry for a combustion turbine generator as provided in subsection (h)(1) above shall be set to equal 90 percent of the applicable Net Asset Class Cost of New Entry (or set equal to 70 percent of such cost for a combustion turbine, where there is no otherwise applicable net asset class figure), unless the Capacity Market Seller obtains the prior determination from the Office of the Interconnection described in subsection (5) hereof. This provision applies to Sell Offers submitted in Incremental Auctions conducted after December 19, 2011, provided that the Net Asset Class Cost of New Entry values for any such Incremental Auctions for the 2012-13 or 2013-14 Delivery Years shall be the Net Asset Class Cost of New Entry values posted by the Office of the Interconnection for the Base Residual Auction for the 2014-15 Delivery Year.

(5) Unit-Specific Exception. A Sell Offer meeting the criteria in subsection (4) shall be permitted and shall not be re-set to the price level specified in that subsection if the Capacity Market Seller obtains a determination from the Office of the Interconnection or the Commission, prior to the RPM Auction in which it seeks to submit the Sell Offer, that such Sell Offer is permissible because it is consistent with the competitive, cost-based, fixed, net cost of new entry were the resource to rely solely on revenues from PJM-administered markets. The following process and requirements shall apply to requests for such determinations:

i) The Capacity Market Seller may request such a determination by no later than one hundred twenty (120) days prior to the commencement of the offer period for the RPM Auction in which it seeks to submit its Sell Offer, by submitting simultaneously to the Office of the Interconnection and the Market Monitoring Unit a written request with all of the
required documentation as described below and in the PJM Manuals. For such purpose, the Office of the Interconnection shall post, by no later than one hundred fifty (150) days prior to the commencement of the offer period for the relevant RPM Auction, a preliminary estimate for the relevant Delivery Year of the minimum offer level expected to be established under subsection (4). If the minimum offer level subsequently established for the relevant Delivery Year is less than the Sell Offer, the Sell Offer shall be permitted and no exception shall be required.

ii) As more fully set forth in the PJM Manuals, the Capacity Market Seller must include in its request for an exception under this subsection documentation to support the fixed development, construction, operation, and maintenance costs of the planned generation resource, as well as estimates of offsetting net revenues, or, sufficient data for the Office of the Interconnection and the Market Monitoring Unit to produce an estimate. Estimates of costs or revenues shall be supported at a level of detail comparable to the cost and revenue estimates used to support the Net Asset Class Cost of New Entry established under this section 5.14(h). As more fully set forth in the PJM Manuals, supporting documentation for project costs may include, as applicable and available, a complete project description; environmental permits; vendor quotes for plant or equipment; evidence of actual costs of recent comparable projects; bases for electric and gas interconnection costs and any cost contingencies; bases and support for property taxes, insurance, operations and maintenance (“O&M”) contractor costs, and other fixed O&M and administrative or general costs; financing documents for construction–period and permanent financing or evidence of recent debt costs of the seller for comparable investments; and the bases and support for the claimed capitalization ratio, rate of return, cost-recovery period, inflation rate, or other parameters used in financial modeling. Such documentation also shall identify and support any sunk costs that the Capacity Market Seller has reflected as a reduction to its Sell Offer. The request shall include a certification, signed by an officer of the Capacity Market Seller, that the claimed costs accurately reflect, in all material respects, the seller’s reasonably expected costs of new entry and that the request satisfies all standards for an exception hereunder.

The request also shall identify all revenue sources relied upon in the Sell Offer to offset the claimed fixed costs, including, without limitation, long-term power supply contracts, tolling agreements, or tariffs on file with state regulatory agencies, and shall demonstrate that such offsetting revenues are consistent, over a reasonable time period identified by the Capacity Market Seller, with the standard prescribed above.

For the 2021/2022 Delivery Year, in making such demonstration, the Capacity Market Seller may rely upon forecasts of competitive electricity prices in the PJM Region based on well defined models that include fully documented estimates of future fuel prices, variable operation and maintenance expenses, energy demand, emissions allowance prices, and expected environmental or energy policies that affect the seller’s forecast of electricity prices in such region, employing input data from sources readily available to the public. Documentation for net revenues also may include, as available and applicable, plant performance and capability information, including heat rate, start-up times and costs, forced outage rates, planned outage schedules, maintenance cycle, fuel costs and other variable operations and maintenance expenses, and ancillary service capabilities. In addition to the documentation identified herein and in the PJM Manuals, the Capacity Market Seller shall provide any additional supporting information reasonably requested by the Office of the Interconnection or the Market Monitoring
Unit to evaluate the Sell Offer. Requests for additional documentation will not extend the
deadline by which the Office of the Interconnection or the Market Monitoring Unit must provide
their determinations of the Minimum Offer Price Rule exception request.

For the 2022/2023 Delivery Year and subsequent Delivery Years, in making such
demonstration, the Capacity Market Seller may rely upon revenues projected by well defined,
forward-looking dispatch models, designed to generally follow the rules and processes of PJM’s
energy and ancillary services markets. Such models must utilize publicly available forward
prices for electricity and fuel in the PJM Region. Any modifications made to the forward
electricity and fuel prices must similarly use publicly available data. Alternative forward prices
for fuel may be used if accompanied by contractual evidence showing the applicability of the
alternative fuel price. Where forward fuel markets are not available, publicly available estimates
of future fuel prices may be used. The model shall also contain estimates of variable operation
and maintenance costs, which may include Maintenance Adders, and emissions allowance prices.
Documentation for net revenues also must include, as available and applicable, plant
performance and capability information, including heat rate, start-up times and costs, forced
outage rates, planned outage schedules, maintenance cycle, fuel costs and other variable
operations and maintenance expenses, capacity factors and ancillary service capabilities.

In the alternative, the Capacity Market Seller may request that the Market
Monitoring Unit, subject to acceptance by the Office of Interconnection, produce a resource-
specific Energy & Ancillary Services Offset value for such resource using the Forward Hourly
LMPs, Forward Hourly Ancillary Service Prices, and either Forward Daily Natural Gas Prices
for combustion turbines and combined cycle resources, or forecasted fuel prices for other
resource types, and plant parameters and capability information specific to the dispatch of the
resource, as outlined above. In addition to the documentation identified herein and in the PJM
Manuals, the Capacity Market Seller shall provide any additional supporting information
reasonably requested by the Office of the Interconnection or the Market Monitoring Unit to
evaluate the Sell Offer. Requests for additional documentation will not extend the deadline by
which the Office of the Interconnection or the Market Monitoring Unit must provide their
determinations of the Minimum Offer Price Rule exception request.

iii) A Sell Offer evaluated hereunder shall be permitted if the
information provided reasonably demonstrates that the Sell Offer’s competitive, cost-based,
fixed, net cost of new entry is below the minimum offer level prescribed by subsection (4), based
on competitive cost advantages relative to the costs estimated for subsection (4), including,
without limitation, competitive cost advantages resulting from the Capacity Market Seller’s
business model, financial condition, tax status, access to capital or other similar conditions
affecting the applicant’s costs, or based on net revenues that are reasonably demonstrated
hereunder to be higher than estimated for subsection (4). Capacity Market Sellers shall be asked
to demonstrate that claimed cost advantages or sources of net revenue that are irregular or
anomalous, that do not reflect arm’s-length transactions, or that are not in the ordinary course of
the Capacity Market Seller’s business are consistent with the standards of this subsection.
Failure to adequately support such costs or revenues so as to enable the Office of the
Interconnection to make the determination required in this section will result in denial of an
exception hereunder by the Office of the Interconnection.
iv) The Market Monitoring Unit shall review the information and documentation in support of the request and shall provide its findings whether the proposed Sell Offer is acceptable, in accordance with the standards and criteria hereunder, in writing, to the Capacity Market Seller and the Office of the Interconnection by no later than ninety (90) days prior to the commencement of the offer period for such auction. The Office of the Interconnection shall also review all exception requests and documentation and shall provide in writing to the Capacity Market Seller, and the Market Monitoring Unit, its determination whether the requested Sell Offer is acceptable and if not it shall calculate and provide to such Capacity Market Seller, a minimum Sell Offer based on the data and documentation received, by no later than sixty-five (65) days prior to the commencement of the offer period for the relevant RPM Auction. If the Office of the Interconnection determines that the requested Sell Offer is acceptable, the Capacity Market Seller shall notify the Market Monitoring Unit and the Office of the Interconnection, in writing, of the minimum level of Sell Offer to which it agrees to commit by no later than sixty (60) days prior to the commencement of the offer period for the relevant RPM Auction.

h-1) Minimum Offer Price Rule for Capacity Resources with State Subsidy

(1) General Rule. Any Sell Offer based on either a New Entry Capacity Resource with State Subsidy or a Cleared Capacity Resource with a State Subsidy submitted in any RPM Auction shall have an offer price no lower than the applicable MOPR Floor Offer Price, unless the Capacity Market Seller qualifies for an exemption with respect to such Capacity Resource with a State Subsidy prior to the submission of such offer.

(A) Effect of Exemption. To the extent a Sell Offer in any RPM Auction is based on a Capacity Resource with State Subsidy that qualifies for any of the exemptions defined in Tariff, Attachment DD, sections 5.14(h-1)(4)-(8), the Sell Offer for such resource shall not be limited by the MOPR Floor Offer Price, unless otherwise specified.

(B) Effect of Exception. To the extent a Sell Offer in any RPM Auction for any Delivery Year is based on a Capacity Resource with State Subsidy for which the Capacity Market Seller obtains, prior to the submission of such offer, a resource-specific exception, such offer may include an offer price below the default MOPR Floor Offer Price applicable to such resource type, but no lower than the resource-specific MOPR Floor Offer Price determined in such exception process.

(C) Process for Establishing a Capacity Resource with a State Subsidy.

(i) By no later than one hundred and twenty (120) days prior to the commencement of the offer period of any RPM Auction conducted for the 2022/2023 Delivery Year and all subsequent Delivery Years, each Capacity Market Seller must certify to the Office of Interconnection, in accordance with the PJM Manuals, whether or not each Capacity Resource (other than Demand Resource and Energy Efficiency Resource) that the Capacity Market Seller intends to offer into the RPM Auction qualifies as a Capacity Resource with a State Subsidy (including by way of Jointly Owned Cross-Subsidized Capacity Resource) and identify (with specificity) any State Subsidy. Capacity Market Sellers that intend to offer a Demand Resource or an Energy Efficiency Resource into the RPM Auction shall certify to the
Office of Interconnection, in accordance with the PJM Manuals, whether or not such Demand Resource or Energy Efficiency Resource qualifies as a Capacity Resource with a State Subsidy no later than thirty (30) days prior to the commencement of the offer period of any RPM Auction conducted for the 2022/2023 Delivery Year and all subsequent Delivery Years. All Capacity Market Sellers shall be responsible for each certification irrespective of any guidance developed by the Office of the Interconnection and the Market Monitoring Unit. A Capacity Resource shall be deemed a Capacity Resource with State Subsidy if the Capacity Market Seller fails to timely certify whether or not a Capacity Resource is entitled to a State Subsidy unless the Capacity Market Seller receives a waiver from the Commission. Notwithstanding, if a Capacity Market Seller submits a timely resource-specific exception pursuant to Tariff, Attachment DD, section 5.14(h-1)(3) for the relevant Delivery Year, and PJM approves the resource-specific MOPR Floor Offer Price, then the Capacity Market Seller may use such floor price regardless of whether it timely certified whether or not the resource is a Capacity Resource with State Subsidy.

(ii) The requirements in subsection (i) above do not apply to Capacity Resources for which the Market Seller designated whether or not it is subject to a State Subsidy and the associated subsidies to which the Capacity Resource is entitled in a prior Delivery Year, unless there has been a change in the set of those State Subsidy(ies), or for those which are eligible for the Demand Resource or Energy Efficiency exemption, Capacity Storage Resource exemption, Self-Supply Entity exemption, or the Renewable Portfolio Standard exemption.

(iii) Once a Capacity Market Seller has certified a Capacity Resource as a Capacity Resource with a State Subsidy, the status of such Capacity Resource will remain unchanged unless and until the Capacity Market Seller (or a subsequent Capacity Market Seller) that owns or controls such Capacity Resource provides a certification of a change in such status, the Office of the Interconnection removes such status, or by FERC order. All Capacity Market Sellers shall have an ongoing obligation to certify to the Office of Interconnection and the Market Monitoring Unit a Capacity Resource’s material change in status as a Capacity Resource with State Subsidy within 30 days of such material change, unless such material change occurs within 30 days of the commencement of the offer period of any RPM Auction for the 2022/2023 Delivery Year and all subsequent Delivery Years, in which case the Market Seller must notify PJM no later than 5 days prior to the commencement of the offer period of any RPM Auction for the 2022/2023 Delivery Year and all subsequent Delivery Years. Nothing in this provision shall supersede the requirement for all Capacity Market Sellers to certify to the Office of Interconnection whether its resource meets the criteria of a Capacity Resource with State Subsidy pursuant to Tariff, Attachment DD, section 5.14(h-1)(1)(C)(i).

(2) Minimum Offer Price Rule. Any Sell Offer for a New Entry Capacity Resource with State Subsidy or a Cleared Capacity Resource with State Subsidy that does not qualify for any of the exemptions, as defined in Tariff, Attachment DD, sections 5.14(h-1)(4)-(8), shall have an offer price no lower than the applicable MOPR Floor Offer Price, unless the applicable MOPR Floor Offer Price is higher than the applicable Market Seller Offer Cap, in which circumstance the Capacity Resource with State Subsidy must seek a resource-specific value determined in accordance with the resource-specific MOPR Floor Offer Price process to participate in an RPM Auction.
(A) New Entry MOPR Floor Offer Price. For a New Entry Capacity Resource with State Subsidy the applicable MOPR Floor Offer Price, based on the net cost of new entry for each resource type, shall be, at the election of the Capacity Market Seller, (i) the resource-specific value determined in accordance with the resource-specific MOPR Floor Offer Price process in Tariff, Attachment DD, section 5.14(h-1)(3) below or (ii) if applicable, the default New Entry MOPR Floor Offer Price for the applicable resource based on the gross cost of new entry values shown in the table below, as adjusted for Delivery Years subsequent to the 2022/2023 Delivery Year, net of estimated net energy and ancillary service revenues for the resource type and Zone in which the resource is located.

<table>
<thead>
<tr>
<th>Resource Type</th>
<th>Gross Cost of New Entry (2022/2023 $/ MW-day) (Nameplate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuclear</td>
<td>$2,000</td>
</tr>
<tr>
<td>Coal</td>
<td>$1,068</td>
</tr>
<tr>
<td>Combined Cycle</td>
<td>$320</td>
</tr>
<tr>
<td>Combustion Turbine</td>
<td>$294</td>
</tr>
<tr>
<td>Fixed Solar PV</td>
<td>$271</td>
</tr>
<tr>
<td>Tracking Solar PV</td>
<td>$290</td>
</tr>
<tr>
<td>Onshore Wind</td>
<td>$420</td>
</tr>
<tr>
<td>Offshore Wind</td>
<td>$1,155</td>
</tr>
<tr>
<td>Battery Energy Storage</td>
<td>$532</td>
</tr>
<tr>
<td>Diesel Backed Demand Resource</td>
<td>$254</td>
</tr>
</tbody>
</table>

The gross cost of new entry values in the table above are expressed in dollars per MW-day in terms of nameplate megawatts. For purposes of submitting a Sell Offer, the gross cost of new entry values must be converted to a net cost of new entry by subtracting the estimated net energy and ancillary service revenues, as determined below, from the gross cost of new entry. However, the resultant net cost of new entry of the battery energy storage resource type in the table above must be multiplied by 2.5. The net cost of new entry based on nameplate capacity is then converted to Unforced Capacity (“UCAP”) MW-day. For Delivery Years through the 2022/2023 Delivery Year, to determine the applicable UCAP MW-day value, the net cost of new entry is adjusted as follows: for thermal generation resource types and battery energy storage resource types, the applicable class average EFORd; for wind and solar generation resource types, the applicable class average capacity value factor; or for Demand Resources and Energy Efficiency Resources, the Forecast Pool Requirement, as applicable to the relevant RPM Auction. For the 2023/2024 Delivery Year and subsequent Delivery Years, to determine the applicable UCAP MW-day value, the net cost of new entry is adjusted as follows: for thermal generation resource types, the applicable class average EFORd; for battery storage, wind, and solar resource types, the applicable ELCC Class Rating; or for Demand Resources and Energy Efficiency Resources, the Forecast Pool Requirement, as applicable to the relevant RPM Auction. The resulting default New Entry MOPR Floor Offer price in UCAP/MW-day terms shall be applied to each MW offered for the Capacity Resource regardless of the actual Sell Offer quantity and regardless of whether the Sell Offer is for a Seasonal Capacity Performance Resource.
The default New Entry MOPR Floor Offer Price for load-backed Demand Resources (i.e., the MW portion of Demand Resources that is not supported by generation) shall be separately determined for each Locational Deliverability Area as the MW-weighted average offer price of load-backed Demand Resources from the most recent three Base Residual Auctions, where the MW weighting shall be determined based on the portion of each Sell Offer for a load-backed portion of the Demand Resource that is supported by end-use customer locations on the registrations used in the pre-registration process for such Base Residual Auctions, as described in the PJM Manuals.

For generation-backed Demand Resources that are not powered by diesel generators, the default New Entry MOPR Floor Offer Price shall be the default New Entry MOPR Floor Offer Price applicable to their technology type. Generation-backed Demand Resources using a technology type for which there is no default MOPR Floor Offer Price provided in accordance with this section must seek a resource-specific value determined in accordance with the resource-specific MOPR Floor Offer Price process in Tariff, Attachment DD, section 5.14(h-1)(3) below to participate in an RPM Auction.

The default gross cost of new entry for Energy Efficiency Resources shall be $644/ICAP MW-Day, which shall be offset by projected wholesale energy savings, as well as transmission and distribution savings of $95/ICAP MW-Day, to determine the default New Entry MOPR Floor Offer Price (Net Cost of New Entry), where the projected wholesale energy savings are determined utilizing the cost and performance data of relevant programs offered by representative energy efficiency programs with sufficiently detailed publicly available data. The wholesale energy savings, in $/ICAP MW-day, shall be calculated prior to each RPM Auction and be equal to the average annual energy savings of 6,221 MWh/ICAP MW times the weighted average of the annual real-time Forward Hourly LMPs of the Zones of the representative energy efficiency programs, where the weighting is developed from the annual energy savings in the relevant Zones, divided by 365.

Commencing with the Base Residual Auction for the 2023/2024 Delivery Year, the Office of the Interconnection shall adjust the default gross costs of new entry in the table above and for load-backed Demand Resources, and post the preliminary estimates of the adjusted applicable default New Entry MOPR Floor Offer Prices on its website, by no later than one hundred fifty (150) days prior to the commencement of the offer period for each Base Residual Auction. To determine the adjusted applicable default New Entry MOPR Floor Offer Prices for all resource types except for load-backed Demand Resources and Energy Efficiency Resources, the Office of the Interconnection shall adjust the gross costs of new entry utilizing, for combustion turbine and combined cycle resource types, the same Applicable BLS Composite Index applied for such Delivery Year to adjust the CONE value used to determine the Variable Resource Requirement Curve, in accordance with Tariff, Attachment DD, section 5.10(a)(iv), and for all other resource types, the “BLS Producer Price Index Turbines and Turbine Generator Sets” component of the Applicable BLS Composite Index used to determine the Variable Resource Requirement Curve shall be replaced with the “BLS Producer Price Index Final Demand, Goods Less Food & Energy, Private Capital Equipment” when adjusting the gross costs of new entry. The resultant value shall then be then adjusted further by a factor of 1.022 for nuclear, coal, combustion turbine, combine cycle, and generation-backed Demand Resource types or 1.01 for solar, wind,
and storage resource types to reflect the annual decline in bonus depreciation scheduled under federal corporate tax law. Updated estimates of the net energy and ancillary service revenues for each default resource type and applicable Zone, which shall include, but are not limited to, consideration of Fuel Costs, Maintenance Adders and Operating Costs, as applicable, pursuant to Operating Agreement, Schedule 2 shall then be subtracted from the adjusted gross costs of new entry to determine the adjusted New Entry MOPR Floor Offer Price. The net energy and ancillary services revenue shall be the average of the net energy and ancillary service revenues that the resource is projected to receive from the PJM energy and ancillary service markets for the applicable Delivery Year from three separate simulations, with each such simulation using forward prices shaped using historical data from one of each of the three consecutive calendar years preceding the time of the determination for the RPM Auction to take account of year-to-year variability in such hourly shapes. Each net energy and ancillary services revenue simulation shall be conducted in accordance with the following and the PJM Manuals:

(i) for nuclear resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined by the gross energy market revenue determined by the product of [average annual day-ahead Forward Hourly LMPs for such Zone, times 8,760 hours times the annual average equivalent availability factor of all PJM nuclear resources] minus the total annual cost to produce energy determined by the product of [8,760 hours times the annual average equivalent availability factor of all PJM nuclear resources times $9.02/MWh for a single unit plant or $7.66/MWh for a multi-unit plant] where these hourly cost rates include fuel costs and variable operation and maintenance expenses, inclusive of Maintenance Adder costs, plus reactive services revenue of $3,350/MW-year;

(ii) for coal resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined by the Projected EAS Dispatch of a 650 MW coal unit (with heat rate of 8,638 BTU/kWh and variable operations and maintenance variable operation and maintenance expenses, inclusive of Maintenance Adder costs, of $9.50/MWh) using day-ahead and real-time Forward Hourly LMPs for such Zone and Forward Hourly Ancillary Service Prices, and daily forecasted coal prices, as set forth in the PJM Manuals, plus reactive services revenue of $3,350/MW-year;

(iii) for combustion turbine resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined in a manner consistent with the methodology described in Tariff, Attachment DD, section 5.10(a)(v-1)(B) for the Reference Resource combustion turbine.

(iv) for combined cycle resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined in the same manner as that prescribed for a combustion turbine resource type, except that the heat rate assumed for the combined cycle resource shall be 6,501 BTU/kwh, the variable operations and maintenance expenses for such resource, inclusive of Maintenance Adder costs, shall be $2.11/MWh, plus reactive services revenue of $3,350/MW-year.

(v) for solar PV resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined using a solar resource model that provides the average MW output level, expressed as a percentage of nameplate rating, by hour of day (for each of the 24-hours of a day) and by calendar month (for each of the twelve months of a year). The annual net energy market revenues are determined by multiplying the solar output level of each hour by the real-time Forward Hourly LMP for such Zone and applicable to such hour with this product summed across all of the hours of an annual period, plus reactive services revenue of
$3,350/MW-year. Two separate solar resource models are used, one model for a fixed panel resource and a second model for a tracking panel resource;

(vi) for onshore wind resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined using a wind resource model that provides the average MW output level, expressed as a percentage of nameplate rating, by hour of day (for each of the 24-hours of a day) and by calendar month (for each of the twelve months of a year). The annual energy market revenues are determined by multiplying the wind output level of each hour by the real-time Forward Hourly LMP for such Zone applicable to such hour with this product summed across all of the hours of an annual period, plus reactive services revenue of $3,350/MW-year;

(vii) for offshore wind resource type, the net energy and ancillary services revenue estimate for each Zone shall be determined by the gross energy market revenue equal to the product of [the average annual real-time Forward Hourly LMP for such Zone times 8,760 hours times an assumed annual capacity factor of 45%], plus reactive services revenue of $3,350/MW-year;

(viii) for Capacity Storage Resource, the net energy and ancillary services revenue estimate shall be estimated by the Projected EAS Dispatch of a 1 MW, 4MWh resource, with an 85% roundtrip efficiency, and assumed to be dispatched between 95% and 5% state of charge against day-ahead and real-time Forward Hourly LMPs for such Zone and Forward Hourly Ancillary Service Prices plus reactive services revenue of $3,350/MW-year; and

(ix) for generation-backed Demand Resource, the net energy and ancillary services revenue estimate shall be zero dollars.

**Beginning with the Delivery Year that commences June 1, 2022, and continuing no later than for every fourth Delivery Year thereafter,** the Office of the Interconnection shall review the default gross cost of new entry values. Such review may include, without limitation, analyses of the fixed development, construction, operation, and maintenance costs for such resource types. Based on the results of such review, PJM shall propose either to modify or retain the default gross cost of new entry values stated in the table above and the default gross cost of new entry value for Energy Efficiency Resources. The Office of the Interconnection shall post publicly and solicit stakeholder comment regarding the proposal. If, as a result of this process, changes to the default gross cost of new entry values are proposed, the Office of the Interconnection shall file such proposed modifications with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

**New Entry Capacity Resource with State Subsidy for which there is no default MOPR Floor Offer Price provided in accordance with this section, including hybrid resources, must seek a resource-specific value determined in accordance with the resource-specific MOPR Floor Offer Price process below to participate in an RPM Auction. Failure to obtain a resource-specific MOPR Floor Offer Price will result in the Office of the Interconnection rejecting any Sell Offer based on such resource for the relevant RPM Auction.**

**B Cleared MOPR Floor Offer Prices.**

(i) For a Cleared Capacity Resource with State Subsidy, the applicable Cleared MOPR Floor Offer Price shall be, at the election of the Capacity Market Seller, (a) based on the resource-specific MOPR Floor Offer Price, as determined in accordance with Tariff, Attachment DD,
section 5.14(h-1)(3) below, or (b) if available, the default Avoidable Cost Rate for the applicable resource type shown in the table below, as adjusted for Delivery Years subsequent for the 2022/2023 Delivery Year to reflect changes in avoidable costs, net of projected PJM market revenues equal to the resource’s net energy and ancillary service revenues for the resource type, as determined in accordance with subsection (ii) below.

<table>
<thead>
<tr>
<th>Existing Resource Type</th>
<th>Default Gross ACR (2022/2023 ($/MW-day) (Nameplate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuclear - single</td>
<td>$697</td>
</tr>
<tr>
<td>Nuclear - dual</td>
<td>$445</td>
</tr>
<tr>
<td>Coal</td>
<td>$80</td>
</tr>
<tr>
<td>Combined Cycle</td>
<td>$56</td>
</tr>
<tr>
<td>Combustion Turbine</td>
<td>$50</td>
</tr>
<tr>
<td>Solar PV (fixed and tracking)</td>
<td>$40</td>
</tr>
<tr>
<td>Wind Onshore</td>
<td>$83</td>
</tr>
<tr>
<td>Diesel-backed Demand Response</td>
<td>$3</td>
</tr>
<tr>
<td>Load-backed Demand Response</td>
<td>$0</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>$0</td>
</tr>
</tbody>
</table>

The default gross Avoidable Cost Rate values in the table above are expressed in dollars per MW-day in terms of nameplate megawatts. For purposes of submitting a Sell Offer, the default Avoidable Cost Rate values must be net of estimated net energy and ancillary service revenues, and then the difference is ultimately converted to Unforced Capacity (“UCAP”) MW-day, where the UCAP MW-day value will be determined based on: for Delivery Years through the 2022/2023 Delivery Year, the resource-specific EFORd for thermal generation resource types, resource-specific capacity value factor for solar and wind generation resource types (based on the ratio of Capacity Interconnection Rights to nameplate capacity, appropriately time-weighted for any winter Capacity Interconnection Rights), or the Forecast Pool Requirement for Demand Resources and Energy Efficiency Resources, as applicable to the relevant RPM Auction, and for the 2023/2024 Delivery Year and subsequent Delivery Years, the resource-specific EFORd for thermal generation resource types and on the resource-specific Accredited UCAP value for solar and wind resource types (with appropriate time-weighting for any winter Capacity Interconnection Rights), or the Forecast Pool Requirement for Demand Resources and Energy Efficiency Resources, as applicable to the relevant RPM Auction. The resulting default Cleared MOPR Floor Offer price in UCAP/MW-day terms shall be applied to each MW offered for the Capacity Resource regardless of actual Sell Offer quantity and regardless of whether the Sell Offer is for a Seasonal Capacity Performance Resource.

Commencing with the Base Residual Auction for the 2023/2024 Delivery Year, the Office of the Interconnection shall adjust the default Avoidable Cost Rates in the table above, and post the adjusted values on its website, by no later than one hundred fifty (150) days prior to the
commencement of the offer period for each Base Residual Auction. To determine the adjusted Avoidable Cost Rates, the Office of the Interconnection shall utilize the 10-year average Handy-Whitman Index in order to adjust the Gross ACR values to account for expected inflation. Updated estimates of the net energy and ancillary service revenues shall be determined on a resource-specific basis in accordance with Tariff, Attachment DD, section 6.8(d) and the PJM Manuals.

Beginning with the Delivery Year that commences June 1, 2022, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall review the default Avoidable Cost Rates for Capacity Resources with State Subsidies that have cleared in an RPM Auction for any prior Delivery Year. Such review may include, without limitation, analyses of the avoidable costs of such resource types. Based on the results of such review, PJM shall propose either to modify or retain the default Avoidable Cost Rate values stated in the table above. The Office of the Interconnection shall post publicly and solicit stakeholder comment regarding the proposal. If, as a result of this process, changes to the default Avoidable Cost Rate values are proposed, the Office of the Interconnection shall file such proposed modifications with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

For generation-backed Demand Resources that are not powered by diesel generators, the default Cleared MOPR Floor Offer Price shall be the default Cleared MOPR Floor Offer Price applicable to their technology type. Generation-backed Demand Resources using a technology type for which there is no default MOPR Floor Offer Price provided in accordance with this section must seek a resource-specific value determined in accordance with the resource-specific MOPR Floor Offer Price process in Tariff, Attachment DD, section 5.14(h-1)(3) below to participate in an RPM Auction.

Cleared Capacity Resources with State Subsidy for which there is no default MOPR Floor Offer Price provided in accordance with this section, including hybrid resources, must seek a resource-specific value determined in accordance with the resource-specific MOPR Floor Offer Price process below to participate in an RPM Auction. Failure to obtain a resource-specific MOPR Floor Offer Price will result in the Office of the Interconnection rejecting any Sell Offer based on such resource.

(ii) The net energy and ancillary services revenue is equal to forecasted net revenues which shall be determined in accordance with the applicable resource type net energy and ancillary services revenue determination methodology set forth in Tariff, Attachment DD, section 5.14(h-1)(2)(A)(i) through (ix) and using the subject resource’s operating parameters as determined in accordance with the PJM Manuals based on (a) offers submitted in the Day-ahead Energy Market and Real-time Energy Market over the calendar year preceding the time of the determination for the RPM Auction; (b) the resource-specific operating parameters approved, as applicable, in accordance with Operating Agreement, Schedule 1, section 6.6(b) and Operating Agreement, Schedule 2 (including any Fuel Costs, emissions costs, Maintenance Adders, and Operating Costs); (c) the resource’s EFORD; (d) Forward Hourly LMPs at the generation bus as determined in accordance with Tariff, Attachment DD, section 5.10(a)(v-1)(C)(6); and (e) the resource’s stated annual revenue requirement for reactive services; plus any unit-specific bilateral contract. In addition, the following resource type-specific parameters shall be
considered; (f) for combustion turbine, combined cycle, and coal resource types: the installed capacity rating, ramp rate (which shall be equal to the maximum ramp rate included in the resource’s energy offers over the most recent previous calendar year preceding the determination for the RPM Auction), and the heat rate as determined as the resource’s average heat rate at full load as submitted to the Market Monitoring Unit and the Office of the Interconnection, where for combined cycle resources heat rates will be determined at base load and at peak load (e.g., without duct burners and with duct burners), as applicable; (g) for nuclear resource type: an average equivalent availability factor of all PJM nuclear resources to account for refueling outages; (h) for solar and wind resource types: the resource’s output profiles for the most recent three calendar years, as available; and (i) for battery storage resource type: the nameplate capacity rating (on a MW / MWh basis).

To the extent the resource has not achieved commercial operation, the operating parameters used in the simulation of the net energy and ancillary service revenues will be based on the manufacturer’s specifications and/or from parameters used for other existing, comparable resources, as developed by the Market Monitoring Unit and the Capacity Market Seller, and accepted by the Office of the Interconnection.

A Capacity Market Seller intending to submit a Sell Offer in any RPM Auction for a Cleared Capacity Resource with State Subsidy based on a net energy and ancillary services revenue determination that does not use the foregoing methodology or parameter inputs stated for that resource type shall, at its election, submit a request for a resource-specific MOPR Floor Offer Price for such Capacity Resource pursuant to Tariff, Attachment DD, section 5.14(h-1)(3) below.

(3) Resource-Specific Exception. A Capacity Market Seller intending to submit a Sell Offer in any RPM Auction for a New Entry Capacity Resource with State Subsidy or a Cleared Capacity Resource with State Subsidy below the applicable default MOPR Floor Offer Price may, at its election, submit a request for a resource-specific exception for such Capacity Resource. A Sell Offer below the default MOPR Floor Offer Price, but no lower than the resource-specific MOPR Floor Offer Price, shall be permitted if the Capacity Market Seller obtains approval from the Office of the Interconnection or the Commission, prior to the RPM Auction in which it seeks to submit the Sell Offer. The resource-specific MOPR Floor Offer Price determined under this provision shall be based on the resource-specific EFORd for thermal generation resource types, on the resource-specific Accredited UCAP value for battery energy storage resource types and for solar and wind generation resource types (appropriately time-weighted for any winter Capacity Interconnection Rights), or the Forecast Pool Requirement for Demand Resources and Energy Efficiency Resources, as applicable to the relevant RPM Auction and shall be applied to each MW offered by the resource regardless of actual Sell Offer quantity and regardless of whether the Sell Offer is for a Seasonal Capacity Performance Resource. Such Sell Offer is permissible because it is consistent with the competitive, cost-based, fixed, net cost were the resource to rely solely on revenues exclusive of any State Subsidy. All supporting data must be provided for all requests. The following requirements shall apply to requests for such determinations:

(A) The Capacity Market Seller shall submit a written request with all of the required documentation as described below and in the PJM Manuals. For such purpose, the Capacity Market Seller shall submit the resource-specific exception request to the Office of
the Interconnection and the Market Monitoring Unit no later than one hundred twenty (120) days prior to the commencement of the offer period for the RPM Auction in which it seeks to submit its Sell Offer. For such purpose, the Office of the Interconnection shall post, by no later than one hundred fifty (150) days prior to the commencement of the offer period for the relevant RPM Auction, a preliminary estimate for the relevant Delivery Year of the default Minimum Floor Offer Prices, determined pursuant to Tariff, Attachment DD, sections 5.14(h-1)(2)(A) and (B). If the final applicable default Minimum Floor Offer Price subsequently established for the relevant Delivery Year is less than the Sell Offer, the Sell Offer shall be permitted and no exception shall be required.

(B) For a resource-specific exception for a New Entry Capacity Resource with State Subsidy, the Capacity Market Seller must include in its request for an exception under this subsection documentation to support the fixed development, construction, operation, and maintenance costs of the Capacity Resource, as well as estimates of offsetting net revenues.

The financial modeling assumptions for calculating Cost of New Entry for Generation Capacity Resources and generation-backed Demand Resources shall be: (i) nominal levelization of gross costs, (ii) asset life of twenty years, (iii) no residual value, (iv) all project costs included with no sunk costs excluded, (v) use first year revenues (which may include revenues from the sale of renewable energy credits for purposes other than state-mandated or state-sponsored programs), and (vi) weighted average cost of capital based on the actual cost of capital for the entity proposing to build the Capacity Resource. Notwithstanding the foregoing, a Capacity Market Seller that seeks to utilize an asset life other than twenty years (but no greater than 35 years) shall provide evidence to support the use of a different asset life, including but not limited to, the asset life term for such resource as utilized in the Capacity Market Seller’s financial accounting (e.g., independently audited financial statements), or project financing documents for the resource or evidence of actual costs or financing assumptions of recent comparable projects to the extent the seller has not executed project financing for the resource (e.g., independent project engineer opinion or manufacturer’s performance guarantee), or opinions of third-party experts regarding the reasonableness of the financing assumptions used for the project itself or in comparable projects. Capacity Market Sellers may also rely on evidence presented in federal filings, such as its FERC Form No. 1 or an SEC Form 10-K, to demonstrate an asset life other than 20 years of similar asset projects.

Supporting documentation for project costs may include, as applicable and available, a complete project description; environmental permits; vendor quotes for plant or equipment; evidence of actual costs of recent comparable projects; bases for electric and gas interconnection costs and any cost contingencies; bases and support for property taxes, insurance, operations and maintenance (“O&M”) contractor costs, and other fixed O&M and administrative or general costs; financing documents for construction-period and permanent financing or evidence of recent debt costs of the seller for comparable investments; and the bases and support for the claimed capitalization ratio, rate of return, cost-recovery period, inflation rate, or other parameters used in financial modeling. In addition to the certification, signed by an officer of the Capacity Market Seller, the request must include a certification that the claimed costs accurately reflect, in all material respects, the seller’s reasonably expected costs of new entry and that the request satisfies all standards for a resource-specific exception hereunder. The request also shall
identify all revenue sources (exclusive of any State Subsidies) relied upon in the Sell Offer to offset the claimed fixed costs, including, without limitation, long-term power supply contracts, tolling agreements, or tariffs on file with state regulatory agencies, and shall demonstrate that such offsetting revenues are consistent, over a reasonable time period identified by the Capacity Market Seller, with the standard prescribed above. In making such demonstration, the Capacity Market Seller may rely upon revenues projected by well-defined, forward-looking dispatch models designed to generally follow the rules and processes of PJM’s energy and ancillary services market. Such models must utilize publicly available forward prices for electricity and fuel in the PJM Region. Any modifications made to the forward electricity and fuel prices must similarly use publicly available data. Alternative forward prices for fuel may be used if accompanied by contractual evidence showing the applicability of the alternative fuel price. Where forward fuel markets are not available, publicly available estimates of future fuel prices may be used. The model shall also contain estimates of, variable operation and maintenance expenses, which may include Maintenance Adders, and emissions allowance prices. Documentation for net revenues also must include, as available and applicable, plant performance and capability information, including heat rate, start-up times and costs, forced outage rates, planned outage schedules, maintenance cycle, fuel costs and other variable operations and maintenance expenses, capacity factors, and ancillary service capabilities. Any evaluation of net revenues should be consistent with Operating Agreement, Schedule 2, including, but not limited to, consideration of Fuel Costs, Maintenance Adders and Operating Costs, as applicable.

In the alternative, the Capacity Market Seller may request that the Market Monitoring Unit, subject to acceptance by the Office of Interconnection, produce a resource-specific Energy & Ancillary Services Offset value for such resource using the Forward Hourly LMPs, Forward Hourly Ancillary Service Prices and either Forward Daily Natural Gas Prices for combustion turbines and combined cycle resources, or forecasted fuel prices for other resource types, plus plant parameters and capability information specific to the dispatch of the resource, as outlined above. In addition to the documentation identified herein and in the PJM Manuals, the Capacity Market Seller shall provide any additional supporting information reasonably requested by the Office of the Interconnection or the Market Monitoring Unit to evaluate the Sell Offer. Requests for additional documentation will not extend the deadline by which the Office of the Interconnection or the Market Monitoring Unit must provide their determinations of the Minimum Offer Price Rule exception request.

The default assumptions for calculating resource-specific Cost of New Entry for Energy Efficiency Resources shall be based on, as supported by documentation provided by the Capacity Market Seller: the nominal-levelized annual cost to implement the Energy Efficiency program or to install the Energy Efficiency measure reflective of the useful life of the implemented Energy Efficiency equipment, and the offsetting savings associated with avoided wholesale energy costs and other claimed savings provided by implementing the Energy Efficiency program or installing the Energy Efficiency measure.

The default assumptions for calculating resource-specific Cost of New Entry for load-backed Demand Resources shall be based on, as supported by documentation provided by the Capacity Market Seller, program costs required for the resource to meet the capacity obligations of a Demand Resource, including all fixed operating and maintenance cost and weighted average cost
of capital based on the actual cost of capital for the entity proposing to develop the Demand Resource.

For generation-backed Demand Resources, the determination of a resource-specific MOPR Floor Offer Price shall consider all costs associated with the generation unit supporting the Demand Resource, and demand charge management benefits at the retail level (as supported by documentation at the end-use customer level) may also be considered as an additional offset to such costs. Supporting documentation (at the end-use customer level) may include, but is not limited to, historic end-use customer bills and associated analysis that identifies the annual retail avoided cost from the operation of such generation unit.

(C) For a Resource-Specific Exception for a Cleared Capacity Resource with State Subsidy that is a generation resource, the Capacity Market Seller shall submit a Sell Offer consistent with the unit-specific Market Seller Offer Cap process pursuant to Tariff, Attachment DD, section 6.8; except that the 10% uncertainty adder may not be included in the “Adjustment Factor.” In addition and notwithstanding the requirements of Tariff, Attachment DD, section 6.8, the Capacity Market Seller shall, at its election, include in its request for an exception under this subsection documentation to support projected energy and ancillary services markets revenues. Such a request shall identify all revenue sources (exclusive of any State Subsidies) relied upon in the Sell Offer to offset the claimed fixed costs, including, without limitation, long-term power supply contracts, tolling agreements, or tariffs on file with state regulatory agencies, and shall demonstrate that such offsetting revenues are consistent, over a reasonable time period identified by the Capacity Market Seller, with the standard prescribed above. In making such demonstration, the Capacity Market Seller may rely upon revenues projected by well-defined, forward-looking dispatch models designed to generally follow the rules and processes of PJM’s energy and ancillary services market. Such models must utilize publicly available forward prices for electricity and fuel in the PJM Region. Any modifications made to the forward electricity and fuel prices must similarly use publicly available data. Alternative forward prices for fuel may be used if accompanied by contractual evidence showing the applicability of the alternative fuel price. Where forward fuel markets are not available, publicly available estimates of future fuel sources may be used. The model shall also contain estimates of variable operation and maintenance expenses, which may include Maintenance Adders, and emissions allowance prices. Documentation for net revenues also must include, as available and applicable, plant performance and capability information, including heat rate, start-up times and costs, forced outage rates, planned outage schedules, maintenance cycle, fuel costs and other variable operations and maintenance expenses, capacity factors, and ancillary service capabilities. Any evaluation of revenues should include, but would not be not limited to, consideration of Fuel Costs, Maintenance Adders and Operating Costs, as applicable, pursuant to Operating Agreement, Schedule 2.

In the alternative, the Capacity Market Seller may request that the Market Monitoring Unit, subject to acceptance by the Office of Interconnection, produce a resource-specific Energy & Ancillary Services Offset value for such resource using the Forward Hourly LMPs, Forward Hourly Ancillary Service Prices and either Forward Daily Natural Gas Prices for combustion turbines and combined cycle resources, or forecasted fuel prices for other resource types, plus plant parameters and capability information specific to the dispatch of the resource, as outlined above. In addition to the documentation identified herein and in the PJM Manuals, the Capacity
Market Seller shall provide any additional supporting information reasonably requested by the Office of the Interconnection or the Market Monitoring Unit to evaluate the Sell Offer. Requests for additional documentation will not extend the deadline by which the Office of the Interconnection or the Market Monitoring Unit must provide their determinations of the Minimum Offer Price Rule exception request.

The resource-specific MOPR Floor Offer Price for a Cleared Capacity Resource with State Subsidy that is a generation-backed Demand Resource will be determined based on all costs associated with the generation unit supporting the Demand Resource, and demand charge management benefits at the retail level (as supported by documentation at the end-use customer level) may also be considered as an additional offset to such costs. Supporting documentation (at the end-use customer level) may include but is not limited to, historic end-use customer bills and associated analysis that identifies the annual retail avoided cost from the operation of such generation unit.

(D) A Sell Offer evaluated at the resource-specific exception shall be permitted if the information provided reasonably demonstrates that the Sell Offer’s competitive, cost-based, fixed, net cost of new entry is below the default MOPR Floor Offer Price, based on competitive cost advantages relative to the costs estimated by the default MOPR Floor Offer Price, including, without limitation, competitive cost advantages resulting from the Capacity Market Seller’s business model, financial condition, tax status, access to capital or other similar conditions affecting the applicant’s costs, or based on net revenues that are reasonably demonstrated hereunder to be higher than those estimated by the default MOPR Floor Offer Price. Capacity Market Sellers shall demonstrate that claimed cost advantages or sources of net revenue that are irregular or anomalous, that do not reflect arm’s-length transactions, or that are not in the ordinary course of the Capacity Market Seller’s business are consistent with the standards of this subsection. Failure to adequately support such costs or revenues so as to enable the Office of the Interconnection to make the determination required in this section will result in denial of a resource-specific exception by the Office of the Interconnection.

(E) The Capacity Market Seller must submit a sworn, notarized certification of a duly authorized officer, certifying that the officer has personal knowledge of the resource-specific exception request and that to the best of his/her knowledge and belief: (1) the information supplied to the Market Monitoring Unit and the Office of Interconnection to support its request for an exception is true and correct; (2) the Capacity Market Seller has disclosed all material facts relevant to the request for the exception; and (3) the request satisfies the criteria for the exception.

(F) The Market Monitoring Unit shall review, in an open and transparent manner with the Capacity Market Seller and the Office of the Interconnection, the information and documentation in support of the request and shall provide its findings whether the proposed Sell Offer is acceptable, in accordance with the standards and criteria hereunder, in writing, to the Capacity Market Seller and the Office of the Interconnection by no later than ninety (90) days prior to the commencement of the offer period for such auction. The Office of the Interconnection shall also review, in an open and transparent manner, all exception requests and documentation and shall provide in writing to the Capacity Market Seller, and the Market Monitoring Unit, its determination whether the requested Sell Offer is acceptable and if not it
shall calculate and provide to such Capacity Market Seller, a minimum Sell Offer based on the data and documentation received, by no later than sixty-five (65) days prior to the commencement of the offer period for the relevant RPM Auction. After the Office of the Interconnection determines with the advice and input of Market Monitor, the acceptable minimum Sell Offer, the Capacity Market Seller shall notify the Market Monitoring Unit and the Office of the Interconnection, in writing, of the minimum level of Sell Offer to which it agrees to commit by no later than sixty (60) days prior to the commencement of the offer period for the relevant RPM Auction, and in making such determination, the Capacity Market Seller may consider the applicable default MOPR Floor Offer Price and may select such default value if it is lower than the resource-specific determination. A Capacity Market Seller that is dissatisfied with any determination hereunder may seek any remedies available to it from FERC; provided, however, that the Office of the Interconnection will proceed with administration of the Tariff and market rules based on the lower of the applicable default MOPR Floor Offer Price and the resource-specific determination unless and until ordered to do otherwise by FERC.

(4) Competitive Exemption.

(A) A Capacity Resource with State Subsidy may be exempt from the Minimum Offer Price Rule under this subsection 5.14(h-1) in any RPM Auction if the Capacity Market Seller certifies to the Office of Interconnection, in accordance with the PJM Manuals, that the Capacity Market Seller of such Capacity Resource elects to forego receiving any State Subsidy for the applicable Delivery Year no later than thirty (30) days prior to the commencement of the offer period for the relevant RPM Auction. Notwithstanding the foregoing, the competitive exemption is not available to Capacity Resources with State Subsidy that (A) are owned or offered by Self-Supply Entities unless the Self-Supply Entity certifies, subject to PJM and Market Monitor review, that the Capacity Resource will not accept a State Subsidy, including any financial benefit that is the result of being owned by a regulated utility, such that retail ratepayers are held harmless, (B) are no longer entitled to receive a State Subsidy but are still considered a Capacity Resource with State Subsidy solely because they have not cleared an RPM Auction since last receiving a State Subsidy, or (C) are Jointly Owned Cross-Subsidized Capacity Resources or is the subject of a bilateral transaction (including but not limited to those reported pursuant to Tariff, Attachment DD, section 4.6) and not all Capacity Market Sellers of the supporting facility unanimously elect the competitive exemption and certify that no State Subsidy will be received associated with supporting the resource (unless the underlying Capacity Resource that is the subject of a bilateral transaction has not received, is not receiving, and is not entitled to receive any State Subsidy except those that are assigned (i.e., renewable energy credits) to the off-takers of a bilateral transaction and the Capacity Market Seller of such Capacity Resource can demonstrate and certify that the Capacity Market Seller’s rights and obligations of its share of the capacity, energy, and assignable State Subsidy associated with the underlying Capacity Resource are in pro rata shares). A new Generation Capacity Resource that is a Capacity Resource with State Subsidy may elect the competitive exemption; however, in such instance, the applicable MOPR Floor Offer Price will be determined in accordance with the minimum offer price rules for certain new Generation Capacity Resources as provided in Tariff, Attachment DD, section 5.14(h), which apply the minimum offer price rule to the new Generation Capacity Resources located in an LDA where a separate VRR Curve is established as provided in Tariff, Attachment DD, section 5.14(h)(4).
(B) (i) The Capacity Market Seller shall not receive a State Subsidy for any part of the relevant Delivery Year in which it elects a competitive exemption or certifies that it is not a Capacity Resource with State Subsidy. In furtherance of this prohibition, if a Capacity Resource that (1) is a New Entry Capacity Resource with State Subsidy that elects the competitive exemption in subsection (4)(A) above and clears an RPM Auction for a given Delivery Year, but prior to the end of the asset life that PJM used to set the applicable default New Entry MOPR Floor Price in the RPM Auction that the New Entry Capacity Resource with State Subsidy first cleared, elects to accept a State Subsidy or (2) is not a Capacity Resource with State Subsidy at the time of the RPM Auction for the Delivery Year for which it first cleared an RPM Auction but prior to the end of the asset life that PJM used to set the applicable default New Entry MOPR Floor Price in the RPM Auction that the Capacity Resource first cleared, receives a State Subsidy, or (3) in the case of Demand Resource, is an end-use customer location MW that receives a State Subsidy and is included in a Demand Resource Registration pursuant to RAA, Schedule 6 to satisfy a Demand Resource commitment that was not designated as a Capacity Resource with State Subsidy at the time it cleared the relevant RPM Auction, then the Capacity Market Seller of that Capacity Resource or end-use customer location MW shall not receive RPM revenues for such resource or end-use customer location MW for any part of that Delivery Year and may not participate in any RPM Auction with such resource or end-use customer location MW, or be eligible to use such resource or end-use customer location MW as replacement capacity starting June 1 of the Delivery Year after the Capacity Market Seller or end-use customer location MW first receives the State Subsidy and continuing for the remainder of the asset life that PJM used to set the applicable default New Entry MOPR Floor Price in the RPM Auction that the Capacity Resource first cleared (20 years, except for battery energy storage, for which such participation restriction shall apply for a period of 15 years). A Jointly Owned Cross-Subsidized Capacity Resource that meets the requirements of either of the two preceding subsections (B)(i)(1) or (2), shall not receive RPM revenues for any part of that Delivery Year and may not participate in any RPM Auction or be eligible to be used as replacement capacity starting June 1 of the Delivery Year and continuing for the number of years specified above, after any joint Capacity Market Seller of the underlying facility first receives the State Subsidy. A Capacity Resource with State Subsidy that is the subject of a bilateral transaction that meets the requirements of either of the two preceding subsections (B)(i)(1) or (2) shall not receive RPM revenues for any part of that Delivery Year and may not participate in any RPM Auction or be eligible to be used as replacement capacity starting June 1 of the Delivery Year and continuing for the number of years specified above if any owner or Capacity Market Seller of the facility receives a State Subsidy. The Capacity Market Seller(s) of any such Capacity Resource or Jointly Owned Cross-Subsidized Capacity Resource shall also return to the Office of the Interconnection any revenues paid to such Capacity Resource associated with their capacity commitment for such Delivery Year and shall retain their RPM commitment and associated obligations for such Delivery Year and for any future Delivery Years in which the resource has already secured a capacity commitment, including any Non-Performance Charges relating to the capacity and remain eligible to collect Performance Payments under this Tariff, Attachment DD, section 10A for the relevant Delivery Year and any subsequent Delivery Years for which it already received an RPM commitment. Notwithstanding the foregoing, Capacity Resources that lose their eligibility to participate in RPM pursuant to this section remain eligible for commitment in an FRR Capacity Plan.
(ii) If any Capacity Resource that has previously cleared an RPM Auction (1) is a Cleared Capacity Resource with State Subsidy that claims the competitive exemption pursuant to subsection (4)(A) above in an RPM Auction and clears such RPM Auction or (2) was not a Capacity Resource with State Subsidy at the time it cleared an RPM Auction for a given Delivery Year but later becomes entitled to receive a State Subsidy for that Delivery Year, and the Capacity Market Seller subsequently elects to accept a State Subsidy for any part of that Delivery Year, or (3) in the case of Demand Resource, is an end-use customer location that receives a State Subsidy and is included in a Demand Resource Registration pursuant to RAA, Schedule 6 to satisfy a Demand Resource commitment that was not designated as a Capacity Resource with State Subsidy at the time it cleared the relevant RPM Auction, then the Capacity Market Seller of that Capacity Resource or end-use customer location may not receive RPM revenues for such resource or end-use customer location for any part of that Delivery Year, unless it can demonstrate that it would have cleared in the relevant RPM Auction under an offer consistent with the resource-specific exception process outlined above in subsection 5.14(h-1)(3). All Capacity Market Sellers of a Jointly Owned Cross-Subsidized Capacity Resource that meets the requirements of either of the two preceding subsections (B)(ii)(1) or (2) may not receive RPM revenues for any part of that Delivery Year if any joint Capacity Market Seller of the underlying facility accepts a subsidy for that Delivery Year, unless the Capacity Market Seller can demonstrate that the facility would have cleared in the relevant RPM Auction under an offer consistent with the resource-specific exception process outlined above in subsection 5.14(h-1)(3). A Capacity Resource with State Subsidy that is the subject of a bilateral transaction may not receive RPM revenues for any part of that Delivery Year if any owner or Capacity Market Seller of the underlying facility receives a State Subsidy for that Delivery Year, unless the Capacity Market Seller can demonstrate that the facility would have cleared in the relevant RPM Auction under an offer consistent with the resource-specific exception process outlined above in subsection 5.14(h-1)(3). Any owner or Capacity Market Seller of the facility receives a State Subsidy. The Capacity Market Seller(s) of any such Capacity Resources or Jointly Owned Cross-Subsidized Capacity Resource shall return to the Office of the Interconnection any revenues paid to such Capacity Resource associated with their capacity commitment for such Delivery Year and shall retain their RPM commitment and associated obligations for the relevant Delivery Year and remain eligible to collect Performance Payments or to pay Non-Performance Charges, as applicable, pursuant to Tariff, Attachment DD, section 10A.

(iii) Any revenues returned to the Office of the Interconnection pursuant to the preceding subsections (i) and (ii) shall be allocated across all load in the RTO that has not selected the FRR Alternative. Such revenues shall be distributed on a pro-rata basis to such LSEs that were charged a Locational Reliability Charge based on their Daily Unforced Capacity Obligations.

(5) Self-Supply Entity exemption. A Capacity Resource that was owned, or bilaterally contracted, by a Self-Supply Entity on December 19, 2019, shall be exempt from the Minimum Offer Price Rule if such Capacity Resource remains owned or bilaterally contracted by such Self-Supply Entity and satisfies at least one of the criteria specified below:

(A) has successfully cleared an RPM Auction prior to December 19, 2019;
(B) is the subject of an interconnection construction service agreement, interim interconnection service agreement, interconnection service agreement or wholesale market participation agreement executed by the interconnection customer on or before December 19, 2019; or

(C) is the subject of an unexecuted interconnection construction service agreement, interim interconnection service agreement, interconnection service agreement or wholesale market participation agreement filed by PJM with the Commission on or before December 19, 2019.

(6) Renewable Portfolio Standard Exemption. A Capacity Resource with State Subsidy shall be exempt from the Minimum Offer Price Rule if such Capacity Resource (1) receives or is entitled to receive State Subsidies through renewable energy credits or equivalent credits associated with a state-mandated or state-sponsored renewable portfolio standard (“RPS”) program or equivalent program as of December 19, 2019 and (2) satisfies at least one of the following criteria:

(A) has successfully cleared an RPM Auction prior to December 19, 2019;

(B) is the subject of an interconnection construction service agreement, interim interconnection service agreement, interconnection service agreement or wholesale market participation agreement executed by the interconnection customer on or before December 19, 2019; or

(C) is the subject of an unexecuted interconnection construction service agreement, interim interconnection service agreement, interconnection service agreement or wholesale market participation agreement filed by PJM with the Commission on or before December 19, 2019.


(A) A Capacity Resource with State Subsidy that is Demand Resource or an Energy Efficiency Resource shall be exempt from the Minimum Offer Price Rule if such Capacity Resource satisfies at least one of the following criteria:

(i) has successfully cleared an RPM Auction prior to December 19, 2019. For purposes of this subsection (A), individual customer location registrations that participated as Demand Resource and cleared in an RPM Auction prior to December 19, 2019, and were submitted to PJM no later than 45 days prior to the BRA for the 2022/2023 Delivery Year shall be deemed eligible for the Demand Resource and Energy Efficiency Resource Exemption; or

(ii) has completed registration on or before December 19, 2019; or
(iii) is supported by a post-installation measurement and verification report for Energy Efficiency Resources approved by PJM on or before December 19, 2019 (calculated for each installation period, Zone and Sub-Zone by using the greater of the latest approved post-installation measurement and verification report prior to December 19, 2019 or the maximum MW cleared for a Delivery Year across all auctions conducted prior to December 19, 2019).

(B) All registered locations that qualify for the Demand Resource and Energy Efficiency Resource exemption shall continue to remain exempt even if the MW of nominated capacity increases between RPM Auctions unless any MW increase in the nominated capacity is due to an investment made for the sole purpose of increasing the curtailment capability of the location in the capacity market. In such case, the MW of increased capability will not be qualified for the Demand Resource and Energy Efficiency Resource exemption.

(8) Capacity Storage Resource Exemption. A Capacity Resource with State Subsidy that is a Capacity Storage Resource shall be exempt from the Minimum Offer Price Rule if such Capacity Storage Resource satisfies at least one of the following criteria:

(A) has successfully cleared an RPM Auction prior to December 19, 2019;

(B) is the subject of an interconnection construction service agreement, interim interconnection service agreement, interconnection service agreement or wholesale market participation agreement executed by the interconnection customer on or before December 19, 2019; or

(C) is the subject of an unexecuted interconnection construction service agreement, interim interconnection service agreement, interconnection service agreement or wholesale market participation agreement filed by PJM with the Commission on or before December 19, 2019.

(9) Procedures and Remedies in Cases of Suspected Fraud or Material Misrepresentation or Omissions in Connection with a Capacity Resource with State Subsidy. In the event the Office of the Interconnection, with advice and input from the Market Monitoring Unit, reasonably believes that a certification of a Capacity Resource’s status contains fraudulent or material misrepresentations or omissions such that the Capacity Market Seller’s Capacity Resource is a Capacity Resource with a State Subsidy (including whether the Capacity Resource is a Jointly Owned Cross-Subsidized Capacity Resource) or does not qualify for a competitive exemption or contains information that is inconsistent with the resource-specific exception, then:

(A) A Capacity Market Seller shall, within five (5) business days upon receipt of the request for additional information, provide any supporting information reasonably requested by the Office of the Interconnection or the Market Monitoring Unit to evaluate whether such Capacity Resource is a Capacity Resource with State Subsidy or whether the Capacity Market Seller is eligible for the competitive exemption. If the Office of the Interconnection determines that the Capacity Resource’s status as a Capacity Resource with State Subsidy is different from that specified by the Capacity Market Seller or is not eligible for a
competitive exemption pursuant to subsection (4) above, the Office of the Interconnection shall notify, in writing, the Capacity Market Seller of such determination by no later than sixty-five (65) days prior to the commencement of the offer period for the relevant RPM Auction. A Capacity Market Seller that is dissatisfied with any determination hereunder may seek any remedies available to it from FERC; provided, however, if the Office of Interconnection determines that the subject resource is a Capacity Resource with State Subsidy or is not eligible for a competitive exemption pursuant to subsection (4) above, such Capacity Resource shall be subject to the Minimum Offer Price Rule, unless and until ordered to do otherwise by FERC.

(B) if the Office of the Interconnection does not provide written notice of suspected fraudulent or material misrepresentation or omission at least sixty-five (65) days before the start of the relevant RPM Auction, then the Office of the Interconnection may file the certification that contains any alleged fraudulent or material misrepresentation or omission with FERC. In such event, if the Office of Interconnection determines that a resource is a Capacity Resource with State Subsidy that is subject to the Minimum Offer Price Rule, the Office of the Interconnection will proceed with administration of the Tariff and market rules on that basis unless and until ordered to do otherwise by FERC. The Office of the Interconnection shall implement any remedies ordered by FERC; and

(C) prior to applying the Minimum Offer Price Rule, the Office of the Interconnection, with advice and input of the Market Monitoring Unit, shall notify the affected Capacity Market Seller and, to the extent practicable, provide the Capacity Market Seller an opportunity to explain the alleged fraudulent or material misrepresentation or omission. Any filing to FERC under this provision shall seek fast track treatment and neither the name nor any identifying characteristics of the Capacity Market Seller or the resource shall be publicly revealed, but otherwise the filing shall be public. The Capacity Market Seller may submit a revised certification for that Capacity Resource for subsequent RPM Auctions, including RPM Auctions held during the pendency of the FERC proceeding. In the event that the Capacity Market Seller is cleared by FERC from such allegations of fraudulent or material misrepresentations or omissions then the certification shall be restored to the extent and in the manner permitted by FERC. The remedies required by this subsection to be requested in any filing to FERC shall not be exclusive of any other remedies or penalties that may be pursued against the Capacity Market Seller.

i) Capacity Export Charges and Credits

(1) Charge

Each Capacity Export Transmission Customer shall incur for each day of each Delivery Year a Capacity Export Charge equal to the Reserved Capacity of Long-Term Firm Transmission Service used for such export (“Export Reserved Capacity”) multiplied by (the Final Zonal Capacity Price for such Delivery Year for the Zone encompassing the interface with the Control Area to which such capacity is exported minus the Final Zonal Capacity Price for such Delivery Year for the Zone in which the resources designated for export are located, but not less than zero). If more than one Zone forms the interface with such Control Area, then the amount of Reserved Capacity described above shall be apportioned among such Zones for purposes of the above calculation in proportion to the flows from such resource through each such Zone directly
to such interface under CETO/CETL analysis conditions, as determined by the Office of the Interconnection using procedures set forth in the PJM Manuals. The amount of the Reserved Capacity that is associated with a fully controllable facility that crosses such interface shall be completely apportioned to the Zone within which such facility terminates.

(2) Credit

To recognize the value of firm Transmission Service held by any such Capacity Export Transmission Customer, such customer assessed a charge under section 5.14(i)(1) above also shall receive a credit, comparable to the Capacity Transfer Rights provided to Load-Serving Entities under Tariff, Attachment DD, section 5.15. Such credit shall be equal to the locational capacity price difference specified in section 5.14(i)(1) above times the Export Customer's Allocated Share determined as follows:

Export Customer’s Allocated Share equals

\[
\frac{(\text{Export Path Import} \times \text{Export Reserved Capacity})}{(\text{Export Reserved Capacity} + \text{Daily Unforced Capacity Obligations of all LSEs in such Zone})}.
\]

Where:

“Export Path Import” means the megawatts of Unforced Capacity imported into the export interface Zone from the Zone in which the resource designated for export is located.

If more than one Zone forms the interface with such Control Area, then the amount of Export Reserved Capacity shall be apportioned among such Zones for purposes of the above calculation in the same manner as set forth in subsection (i)(1) above.

(3) Distribution of Revenues

Any revenues collected from the Capacity Export Charge with respect to any capacity export for a Delivery Year, less the credit provided in subsection (i)(2) for such Delivery Year, shall be distributed to the Load Serving Entities in the export-interface Zone that were assessed a Locational Reliability Charge for such Delivery Year, pro rata based on the Daily Unforced Capacity Obligations of such Load-serving Entities in such Zone during such Delivery Year. If more than one Zone forms the interface with such Control Area, then the revenues shall be apportioned among such Zones for purposes of the above calculation in the same manner as set forth in subsection (i)(1) above.

5.14A [Reserved.]

A. This transition provision applies only with respect to Generation Capacity Resources with existing capacity commitments for the 2014/2015, 2015/2016, or 2016/2017 Delivery Years that experience reductions in verified installed capacity available for sale as a direct result of revised generating unit capability verification test procedures effective with the summer 2014 capability tests, as set forth in the PJM Manuals. A Generation Capacity Resource meeting the description of the preceding sentence, and the Capacity Market Seller of such a resource, are hereafter in this section 5.14B referred to as an “Affected Resource” and an “Affected Resource Owner,” respectively.

B. For each of its Affected Resources, an Affected Resource Owner is required to provide documentation to the Office of the Interconnection sufficient to show a reduction in installed capacity value as a direct result of the revised capability test procedures. Upon acceptance by the Office of the Interconnection, the Affected Resource’s installed capacity value will be updated in the eRPM system to reflect the reduction, and the Affected Resource’s Capacity Interconnection Rights value will be updated to reflect the reduction, effective June 1, 2014. The reduction’s impact on the Affected Resource’s existing capacity commitments for the 2014/2015 Delivery Year will be determined in Unforced Capacity terms, using the final EFORd value established by the Office of the Interconnection for the 2014/2015 Delivery Year as applied to the Third Incremental Auction for the 2014/2015 Delivery Year, to convert installed capacity to Unforced Capacity. The reduction’s impact on the Affected Resource’s existing capacity commitments for each of the 2015/2016 and 2016/2017 Delivery Years will be determined in Unforced Capacity terms, using the EFORd value from each Sell Offer in each applicable RPM Auction, applied on a pro-rata basis, to convert installed capacity to Unforced Capacity. The Unforced Capacity impact for each Delivery Year represents the Affected Resource’s capacity commitment shortfall, resulting wholly and directly from the revised capability test procedures, for which the Affected Resource Owner is subject to a Capacity Resource Deficiency Charge for the Delivery Year, as described in Tariff, Attachment DD, section 8, unless the Affected Resource Owner (i) provides replacement Unforced Capacity, as described in Tariff, Attachment DD, section 8.1, prior to the start of the Delivery Year to resolve the Affected Resource’s total capacity commitment shortfall; or (ii) requests relief from Capacity Resource Deficiency Charges that result wholly and directly from the revised capability test procedures by electing the transition mechanism described in this section 5.14B (“Transition Mechanism”).

C. Under the Transition Mechanism, an Affected Resource Owner may elect to have the Unforced Capacity commitments for all of its Affected Resources reduced for the 2014/2015, 2015/2016, or 2016/2017 Delivery Years to eliminate the capacity commitment shortfalls, across all of its Affected Resources, that result wholly and directly from the revised capability test procedures, and for which the Affected Resource Owner otherwise would be subject to Capacity Resource Deficiency Charges for the Delivery Year. In electing this option, the Affected Resource Owner relinquishes RPM Auction Credits associated with the reductions in Unforced Capacity commitments for all of its Affected Resources for the Delivery Year, and Locational Reliability Charges as described in Tariff, Attachment DD, section 5.14(e) of this Attachment DD are adjusted accordingly. Affected Resource Owners wishing to elect the Transition Mechanism for the 2015/2016 Delivery Year must notify the Office of the Interconnection by May 30, 2014. Affected Resource Owners wishing to elect the Transition Mechanism for the 2016/2017 Delivery Year must notify the Office of the Interconnection by July 25, 2014.
D. The Office of the Interconnection will offset the total reduction (across all Affected Resources and Affected Resource Owners) in Unforced Capacity commitments associated with the Transition Mechanism for the 2015/2016 and 2016/2017 Delivery Years by applying corresponding adjustments to the quantity of Buy Bid or Sell Offer activity in the upcoming Incremental Auctions for each of those Delivery Years, as described in Tariff, Attachment DD, sections 5.12(b)(ii) and 5.12(b)(iii).

E. By electing the Transition Mechanism, an Affected Resource Owner may receive relief from applicable Capacity Resource Deficiency Charges for the 2014/2015, 2015/2016, or 2016/2017 Delivery Years, and a Locational UCAP Seller that sells Locational UCAP based on an Affected Resource owned by the Affected Resource Owner may receive relief from applicable Capacity Resource Deficiency Charges for the 2014/2015 Delivery Year, to the extent that the Affected Resource Owner demonstrates, to the satisfaction of the Office of the Interconnection, that an inability to deliver the amount of Unforced Capacity previously committed for the 2014/2015, 2015/2016, or 2016/2017 Delivery Years is due to a reduction in verified installed capacity available for sale as a direct result of revised generating unit capability verification test procedures effective with the summer 2014 capability tests, as set forth in the PJM Manuals; provided, however, that the Affected Resource Owner must provide the Office of the Interconnection with all information deemed necessary by the Office of the Interconnection to assess the merits of the request for relief.

5.14C Demand Response Operational Resource Flexibility Transition Provision for RPM Delivery Years 2015/2016 and 2016/2017

A. This transition provision applies only to Demand Resources for which a Curtailment Service Provider has existing RPM commitments for the 2015/2016 or 2016/2017 Delivery Years (alternatively referred to in this section 5.14C as “Applicable Delivery Years” and each an “Applicable Delivery Year”) that (i) cannot satisfy the 30-minute notification requirement as described in Tariff, Attachment DD-1, section A.2 and the parallel provision of RAA, Schedule 6; (ii) are not excepted from the 30-minute notification requirement as described in Tariff, Attachment DD-1, section A.2 and the parallel provision of RAA, Schedule 6; and (iii) cleared in the Base Residual Auction or First Incremental Auction for the 2015/2016 Delivery Year, or cleared in the Base Residual Auction for the 2016/2017 Delivery Year. A Demand Resource meeting these criteria and the Curtailment Service Provider of such a resource are hereafter in this section 5.14C referred to as an “Affected Demand Resource” and an “Affected Curtailment Service Provider,” respectively.

B. For this section 5.14C to apply to an Affected Demand Resource, the Affected Curtailment Service Provider must notify the Office of the Interconnection in writing, with regard to the following information by the applicable deadline:

   i) For each applicable Affected Demand Resource: the number of cleared megawatts of Unforced Capacity for the Applicable Delivery Year by end-use customer site that the Affected Curtailment Service Provider cannot deliver, calculated based on the most current information available to the Affected Curtailment Service Provider; the end-use customer name; electric distribution company’s account number for the end-use customer; address of end-use customer; type of Demand
Resource (i.e., Limited DR, Annual DR, Extended Summer DR); the Zone or sub-Zone in which the end-use customer is located; and, a detailed description of why the end-use customer cannot comply with the 30-minute notification requirement or qualify for one of the exceptions to the 30-minute notification requirement provided in Tariff, Attachment DD-1 section A.2 and the parallel provision of RAA, Schedule 6.

ii) If applicable, a detailed analysis that quantifies the amount of cleared megawatts of Unforced Capacity for the Applicable Delivery Year for prospective customer sales that could not be contracted by the Affected Curtailment Service Provider because of the 30-minute notification requirement provided in Tariff, Attachment DD-1, section A.2 and the parallel provisions of RAA, Schedule 6 that the Affected Curtailment Service Provider cannot deliver, by type of Demand Resource (i.e. Limited DR, Annual DR, Extended Summer DR) and by Zone and sub-Zone, as applicable. The analysis should include the amount of Unforced Capacity expected from prospective customer sales for each Applicable Delivery Year and must include supporting detail to substantiate the difference in reduced sales expectations. The Affected Curtailment Service Provider should maintain records to support its analysis.

1. For the 2015/2016 Delivery Year, the notice shall be provided by no later than seven (7) days prior to the posting by the Office of the Interconnection of planning parameters for the Third Incremental Auction for the 2015/2016 Delivery Year. Such Affected Curtailment Service Provider that utilizes this transition provision may not sell or offer to sell megawatts in the modeled LDA or sub-LDA where an Affected Demand Resource is located in the Third Incremental Auction for the 2015/2016 Delivery Year.

2. For the 2016/2017 Delivery Year, the notice shall be provided by no later than seven (7) days prior to the posting by the Office of the Interconnection of planning parameters for the Second Incremental Auction for the 2016/2017 Delivery Year. Such Affected Curtailment Service Provider that utilizes this transition provision may not sell or offer to sell megawatts in the modeled LDA or sub-LDA where an Affected Demand Resource is located in the Second or Third Incremental Auctions for the 2016/2017 Delivery Year.

3. For the 2016/2017 Delivery Year, the notice shall be provided by no later than seven (7) days prior to the posting by the Office of the Interconnection of planning parameters for the Third Incremental Auction for the 2016/2017 Delivery Year. Such Affected Curtailment Service Provider that utilizes this transition provision must not have sold or offered to sell megawatts in the modeled LDA or sub-LDA where an Affected Demand Resource is located in the Second Incremental Auction for the 2016/2017 Delivery Year, and may not sell or offer to sell megawatts in the modeled LDA or sub-LDA where an Affected Demand Resource is located in the Third Incremental Auction for the 2016/2017 Delivery Year.

C. For the Third Incremental Auction for the 2015/2016 Delivery Year and the First, Second, and Third Incremental Auctions for the 2016/2017 Delivery Year, the Office of the Interconnection shall publish aggregate information on the undeliverable megawatts declared under this transition provision (hereafter, “non-viable megawatts”), by type of Demand Resource and by Zone or sub-Zone, concurrently with its posting of planning parameters for the applicable
Scheduled Incremental Auction. Non-viable megawatts for a Scheduled Incremental Auction for an Applicable Delivery Year represent those megawatts meeting the criteria of subsection A above and declared in accordance with subsection B above. Prior to each Third Incremental Auction for an Applicable Delivery Year, the Office of the Interconnection shall apply adjustments equal to the declared non-viable megawatt quantity to the quantity of Buy Bid or Sell Offer activity in the upcoming Scheduled Incremental Auctions for the Applicable Delivery Year, as described in Tariff, Attachment DD, sections 5.12(b)(ii) and 5.12(b)(iii). Prior to the Second Incremental Auction for the 2016/2017 Delivery Year, the Office of the Interconnection shall adjust the recalculated PJM Region Reliability Requirement and recalculated LDA Reliability Requirements, as described in Tariff, Attachment DD, section 5.4(c), by the applicable quantity of declared non-viable megawatts, and shall update the PJM Region Reliability Requirement and each LDA Reliability Requirement for such Second Incremental Auction only if the combined change of the applicable adjustment and applicable recalculation is greater than or equal to the lessor of (i) 500 megawatts or (ii) one percent of the prior PJM Region Reliability Requirement or one percent of the prior LDA Reliability Requirement, as applicable.

D. Prior to the start of each Applicable Delivery Year, the Office of the Interconnection shall reduce, by type of Demand Resource and by Zone or sub-Zone, the capacity commitment of each Affected Curtailment Service Provider that utilizes this transition provision for the Applicable Delivery Year based on the non-viable megawatts declared by the Affected Curtailment Service Provider under this transition provision. If the Affected Curtailment Service Provider cleared megawatts from multiple Affected Demand Resources of the same type and Zone or sub-Zone, or cleared megawatts in multiple RPM Auctions for the Applicable Delivery Year, the Office of the Interconnection shall allocate the reduction in capacity commitment by type of Demand Resource and by Zone or sub-Zone across the applicable Affected Demand Resources and relevant RPM Auctions. Such allocation shall be performed on a pro-rata basis, based on megawatts cleared by the Affected Demand Resources in the relevant RPM Auctions.

E. For each Applicable Delivery Year, an Affected Curtailment Service Provider that utilizes this transition provision for the Applicable Delivery Year relinquishes an Affected Demand Resource’s RPM Auction Credits for the amount of capacity commitment reduction as determined under subsection D above. Locational Reliability Charges as described in Tariff, Attachment DD, section 5.14(e) are also adjusted accordingly.

5.14D Capacity Performance and Base Capacity Transition Provision for RPM Delivery Years 2016/2017 and 2017/2018

A. This transition provision applies only for procuring Capacity Performance Resources for the 2016/2017 and 2017/2018 Delivery Years.

B. For both the 2016/2017 and 2017/2018 Delivery Years, PJM will hold a Capacity Performance Transition Incremental Auction to procure Capacity Performance Resources.

1. For each Capacity Performance Transition Incremental Auction, the optimization algorithm shall consider:
the target quantities of Capacity Performance Resources specified below;

- the Sell Offers submitted in such auction.

The Office of the Interconnection shall submit a Buy Bid based on the quantity of Capacity Performance Resources specified for that Delivery Year. For the 2016/2017 Delivery Year, the Office of the Interconnection shall submit a Buy Bid, at a price no higher than 0.5 times the Net CONE value for the PJM Region determined for the Base Residual Auction for that Delivery Year, for a quantity of Capacity Performance Resources equal to 60 percent of the updated Reliability Requirement for the PJM Region. For the 2017/2018 Delivery Year, the Office of the Interconnection shall submit a Buy Bid, at a price no higher than 0.6 times the Net CONE value for the PJM Region determined for the Base Residual Auction for that Delivery Year, for a quantity of Capacity Performance Resources equal to 70 percent of the updated Reliability Requirement for the PJM Region.

2. For each Capacity Performance Transition Incremental Auction, the Office of the Interconnection shall calculate a clearing price to be paid for each megawatt-day of Unforced Capacity that clears in such auction. For the 2016/2017 Delivery Year, the Capacity Resource Clearing Price for any Capacity Performance Transition Incremental Auction shall not exceed 0.5 times the Net CONE value for the PJM Region determined for the Base Residual Auction for that Delivery Year. For the 2017/2018 Delivery Year, the Capacity Resource Clearing Price for any Capacity Performance Transition Incremental Auction shall not exceed 0.6 times the Net CONE value for the PJM Region determined for the Base Residual Auction for that Delivery Year.

3. A Capacity Market Seller may offer any Capacity Resource that has not been committed in an FRR Capacity Plan, that qualifies as a Capacity Performance Resource under Tariff, Attachment DD, section 5.5A(a) and that (i) has not cleared an RPM Auction for that Delivery Year; or (ii) has cleared in an RPM Auction for that Delivery Year. A Capacity Market Seller may offer an external Generation Capacity Resource to the extent that such resource: (i) is reasonably expected, by the relevant Delivery Year, to meet all applicable requirements to be treated as equivalent to PJM Region internal generation that is not subject to NERC tagging as an interchange transaction; (ii) has long-term firm transmission service confirmed on the complete transmission path from such resource into PJM; and (iii) 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 Tariff, Attachment DD, section 6.6 to offer their capacity into RPM Auctions.

4. Capacity Resources that already cleared an RPM Auction for a Delivery Year, retain the capacity obligations for that Delivery Year, and clear in a Capacity Performance Transition Incremental Auction for the same Delivery Year shall: (i) receive a payment equal to the Capacity Resource Clearing Price as established in that Capacity Performance Transition Incremental Auction; and (ii) not be eligible to receive a payment for clearing in any prior RPM Auction for that Delivery Year.

D. All Capacity Performance Resources that clear in a Capacity Performance Transition Incremental Auction will be subject to the Non-Performance Charge set forth in Tariff,

A. This transition provision applies only to Demand Resources for which a Curtailment Service Provider has existing RPM commitments for the 2016/2017, 2017/2018, or 2018/2019 Delivery Years (alternatively referred to in this section 5.14E as “Applicable Delivery Years” and each an “Applicable Delivery Year”) that (i) qualified as Legacy Direct Load Control before June 1, 2016 as described in Tariff, Attachment DD-1, section G and the parallel provision of RAA, Schedule 6; (ii) cannot meet the requirements for using statistical sampling for residential non-interval metered customers as described in Tariff, Attachment DD-1, section K and the parallel provision of RAA, Schedule 6; and (iii) cleared in the Base Residual Auction or First Incremental Auction for the 2016/2017 Delivery Year, cleared in the Base Residual Auction for the 2017/2018 Delivery Year, or cleared in the Base Residual Auction for the 2018/2019 Delivery Year. A Demand Resource meeting these criteria and the Curtailment Service Provider of such a resource are hereafter in this section 5.14E referred to as an “Affected Demand Resource” and an “Affected Curtailment Service Provider,” respectively.

B. For this section 5.14E to apply to an Affected Demand Resource, the Affected Curtailment Service Provider must notify the Office of the Interconnection in writing, with regard to the following information, by the applicable deadline:

i) For each applicable Affected Demand Resource: the number of cleared megawatts of Unforced Capacity for the Applicable Delivery Year by end-use customer site that the Affected Curtailment Service Provider cannot deliver, calculated based on the most current information available to the Affected Curtailment Service Provider; electric distribution company’s account number for the end-use customer; address of end-use customer; type of Demand Resource (i.e., Limited DR, Annual DR, Extended Summer DR); the Zone or sub-Zone in which the end-use customer is located; and, a detailed description of why the end-use customer cannot comply with statistical sampling for residential non-interval metered customers requirement as described in Tariff, Attachment DD-1, section K and the parallel provision of RAA, Schedule 6.

ii) If applicable, a detailed analysis that quantifies the amount of cleared megawatts of Unforced Capacity for the Applicable Delivery Year for prospective customer sales that could not be contracted by the Affected Curtailment Service Provider because of the statistical sampling for residential non-interval metered customers requirement as described in Tariff, Attachment DD-1, section K and the parallel provision of RAA, Schedule 6 that the Affected Curtailment Service Provider cannot deliver, by type of Demand Resource (i.e. Limited DR, Annual DR, Extended Summer DR) and by Zone and sub-Zone, as applicable. The analysis should include the amount of Unforced Capacity expected from prospective customer sales for each Applicable Delivery Year and must include supporting detail to substantiate the difference in reduced sales expectations. The Affected Curtailment Service Provider should maintain records to support its analysis.
1. For the 2016/2017 Delivery Year, the notice shall be provided by no later than seven (7) days prior to the posting by the Office of the Interconnection of planning parameters for the Second and/or Third Incremental Auction for the 2016/2017 Delivery Year. Such Affected Curtailment Service Provider that utilizes this transition provision may not sell or offer to sell megawatts in the matching LDA or sub-LDA where an Affected Demand Resource is located in the Second or Third Incremental Auction for the 2016/2017 Delivery Year.

2. For the 2017/2018 Delivery Year, the notice shall be provided by no later than seven (7) days prior to the posting by the Office of the Interconnection of planning parameters for the First, Second and/or Third Incremental Auction for the 2017/2018 Delivery Year. Such Affected Curtailment Service Provider that utilizes this transition provision may not sell or offer to sell megawatts in the matching LDA or sub-LDA where an Affected Demand Resource is located in the First, Second or Third Incremental Auctions for the 2017/2018 Delivery Year.

3. For the 2018/2019 Delivery Year, the notice shall be provided by no later than seven (7) days prior to the posting by the Office of the Interconnection of planning parameters for the First, Second and/or Third Incremental Auction for the 2018/2019 Delivery Year. Such Affected Curtailment Service Provider that utilizes this transition provision may not sell or offer to sell megawatts in the matching LDA or sub-LDA where an Affected Demand Resource is located in the First, Second or Third Incremental Auctions for the 2018/2019 Delivery Year.

C. For the Second and Third Incremental Auction for the 2016/2017 Delivery Year, the First, Second, and Third Incremental Auctions for the 2017/2018 Delivery Year, and the First, Second, and Third Incremental Auctions for the 2018/2019 Delivery Year, the Office of the Interconnection shall publish aggregate information on the undeliverable megawatts declared under this transition provision (hereafter, “non-viable megawatts”), by type of Demand Resource and by Zone or sub-Zone, concurrently with its posting of planning parameters for the applicable Scheduled Incremental Auction. Non-viable megawatts for a Scheduled Incremental Auction for an Applicable Delivery Year represent those megawatts meeting the criteria of subsection A above and declared in accordance with subsection B above. Prior to each Scheduled Incremental Auction for an Applicable Delivery Year, the Office of the Interconnection shall apply adjustments equal to the declared non-viable megawatt quantity to the quantity of Buy Bid or Sell Offer activity in the upcoming Scheduled Incremental Auctions for the Applicable Delivery Year, as described in Tariff, Attachment DD, sections 5.12(b)(ii) and 5.12(b)(iii). Prior to the Second Incremental Auction for the 2016/2017 Delivery Year, the First and Second Incremental Auction for the 2017/2018 Delivery Year, and the First and Second Incremental Auction for the 2018/2019 Delivery Year, the Office of the Interconnection shall adjust the recalculated PJM Region Reliability Requirement and recalculated LDA Reliability Requirements, as described in Tariff, Attachment DD, section 5.4(c), by the applicable quantity of declared non-viable megawatts, and shall update the PJM Region Reliability Requirement and each LDA Reliability Requirement for such Incremental Auction only if the combined change of the applicable adjustment and applicable recalculation is greater than or equal to the lesser of (i) 500 megawatts or (ii) one percent of the prior PJM Region Reliability Requirement or one percent of the prior LDA Reliability Requirement, as applicable.
D. Prior to the start of each Applicable Delivery Year, the Office of the Interconnection shall reduce, by type of Demand Resource and by Zone or sub-Zone, the capacity commitment of each Affected Curtailment Service Provider that utilizes this transition provision for the Applicable Delivery Year based on the non-viable megawatts declared by the Affected Curtailment Service Provider under this transition provision. If the Affected Curtailment Service Provider cleared megawatts from multiple Affected Demand Resources of the same type and Zone or sub-Zone, or cleared MWs in multiple RPM Auctions for the Applicable Delivery Year, the Office of the Interconnection shall allocate the reduction in capacity commitment by type of Demand Resource and by Zone or sub-Zone across the applicable Affected Demand Resources and relevant RPM Auctions. Such allocation shall be performed on a pro-rata basis, based on megawatts cleared by the Affected Demand Resources in the relevant RPM Auctions.

E. For each Applicable Delivery Year, an Affected Curtailment Service Provider that utilizes this transition provision for the Applicable Delivery Year relinquishes an Affected Demand Resource’s RPM Auction credits for the amount of capacity commitment reduction as determined under subsection D above. Locational Reliability Charges as described in Tariff, Attachment DD, section 5.14(e) are also adjusted accordingly.
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, or in the PJM Tariff or PJM Operating Agreement if not otherwise defined in this Agreement, 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:

Accredited UCAP:

“Accredited UCAP” shall mean the quantity of Unforced Capacity, as denominated in Effective UCAP, that an ELCC Resource is capable of providing in a given Delivery Year.

Agreement:

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

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 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.

Annual Energy Efficiency Resource:

“Annual 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 Reliability Assurance Agreement, Schedule 6 and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during the summer and winter periods described in such 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.

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

**Base Capacity Demand Resource:**

“Base Capacity Demand Resource” shall mean, for the 2018/2019 and 2019/2020 Delivery Years, a resource that is placed under the direction of the Office of the Interconnection and that will be available June through September of a Delivery Year, and will be available to the Office of the Interconnection for an unlimited number of interruptions during such months, 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 Base Capacity Demand Resource must be available June through September in the corresponding Delivery Year to be offered for sale or self-supplied in an RPM Auction, or included as a Base Capacity Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

**Base Capacity Energy Efficiency Resource:**

“Base Capacity Energy Efficiency Resource” shall mean, for the 2018/2019 and 2019/2020 Delivery Years, a project, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, meeting the requirements of RAA, Schedule 6 and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during the summer peak periods as described in Reliability Assurance Agreement, 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 Base Capacity 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.

**Base Capacity Resource:**

“Base Capacity Resource” shall have the same meaning as in Tariff, Attachment DD.

**Base Residual Auction:**

“Base Residual Auction” shall have the same meaning as in Tariff, Attachment DD.

**Behind The Meter Generation:**

“Behind The Meter Generation” shall refer to 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.
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.

Capacity Emergency Transfer Objective (CETO):

“Capacity Emergency Transfer Objective” or “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 Reliability Assurance Agreement, Schedule 5, Paragraph C.

Capacity Emergency Transfer Limit (CETL):

Capacity Emergency Transfer Limit” or “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.

Capacity Import Limit:

For any Delivery Year up to and including the 2019/2020 Delivery Year, “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 Transfer 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 pseudo-tied into the PJM Region, 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 Tariff, Attachment DD, section 6.6 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.

Capacity Only Option:

“Capacity Only Option” shall mean participation in Emergency Load Response Program or Pre-Emergency Program which allows, pursuant to Tariff, Attachment DD and as applicable, a capacity payment for the ability to reduce load during a pre-emergency or emergency event.

Capacity Performance Resource:

“Capacity Performance Resource” shall have the same meaning as in Tariff, Attachment DD.

Capacity Resources:
“Capacity Resources” shall mean megawatts of (i) net capacity from Existing Generation Capacity Resources or Planned Generation Capacity Resources meeting the requirements of the Reliability Assurance Agreement, Schedules 9 and Reliability Assurance Agreement, Schedule 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 the Reliability Assurance Agreement, or to satisfy the reliability requirements of the PJM Region, for a Delivery Year; (ii) net capacity from Existing Generation Capacity Resources or Planned Generation Capacity Resources not owned or contracted for by a Party which are accredited to the PJM Region pursuant to the procedures set forth in such Schedules 9 and 10; or (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 the Reliability Assurance Agreement, Schedule 6.

**Capacity Transfer Right:**

“Capacity Transfer Right” shall have the meaning specified in Tariff, Attachment DD.

**Combination Resource:**

“Combination Resource” shall mean a Generation Capacity Resource that has a component that has the characteristics of a Limited Duration Resource combined with (i) a component that has the characteristics of an Unlimited Resource or (ii) a component that has the characteristics of a Variable Resource.

**Compliance Aggregation Area (CAA):**

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

**Consolidated Transmission Owners Agreement, PJM Transmission Owners Agreement or Transmission Owners Agreement:**

“Consolidated Transmission Owners Agreement,” “PJM Transmission Owners Agreement” or “Transmission Owners Agreement” shall mean that certain Consolidated Transmission Owners Agreement, dated as of December 15, 2005, by and among the Transmission Owners and by and between the Transmission Owners and PJM Interconnection, L.L.C. on file with the Commission, as amended from time to time.

**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.

**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 the Reliability Assurance Agreement, Schedule 8 or, as to an FRR Entity, in the Reliability Assurance Agreement, Schedule 8.1.

**Delivery Year:**

“Delivery Year” shall mean a Planning Period for which a Capacity Resource is committed pursuant to the auction procedures specified in Tariff, Attachment DD or pursuant to an FRR Capacity Plan under RAA, Schedule 8.1.

**Demand Resource (DR):**

“Demand Resource” or “DR” shall mean a Limited Demand Resource, Extended Summer Demand Resource, Annual Demand Resource, Base Capacity Demand Resource or Summer-Period Demand Resource with a demonstrated capability to provide a reduction in demand or otherwise control load in accordance with the requirements of RAA, 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.

**Demand Resource Factor or DR Factor:**

“Demand Resource Factor” or “DR Factor” shall mean, for Delivery Years through May 31, 2018, 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 Reliability Assurance Agreement, Schedule 6.

**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 Reliability Assurance Agreement, Schedule 6 and Reliability Assurance Agreement, Schedule 8.1 and the PJM Manuals.

**Demand Resource Registration:**

“Demand Resource Registration” shall mean a registration in the Full Program Option or Capacity Only Option of the Emergency or Pre-Emergency Load Resource Program in accordance with Tariff, Attachment K-Appendix, section 8.

**Demand Resource Sell Offer Plan:**

“Demand Resource Sell Offer Plan” shall mean the plan required by Reliability Assurance Agreement, Schedule 6 and Reliability Assurance Agreement, Schedule 8.1 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.

**Effective Nameplate Capacity:**

“Effective Nameplate Capacity” shall mean (i) for each Variable Resource and Combination Resource, the resource’s Maximum Facility Output; (ii) for each Limited Duration Resource, the sustained level of output that the unit can provide and maintain over a continuous period, whereby the duration of that continuous period matches the characteristic duration of the corresponding ELCC Class, with consideration given to ambient conditions expected to exist at the time of PJM system peak load, to the extent that such conditions impact such resource’s capability.

**Effective UCAP:**

“Effective UCAP” shall mean a unit of measure that represents the capacity product transacted in the Reliability Pricing Model and included in FRR Capacity Plans. One megawatt of Effective UCAP has the same capacity value of one megawatt of Unforced Capacity.

**ELCC Class:**

“ELCC Class” shall mean a defined group of ELCC Resources that share a common set of operational characteristics and for which effective load carrying capability analysis, as set forth in RAA, Schedule 9.1, will establish a unique ELCC Class UCAP and corresponding ELCC Class Rating. ELCC Classes shall be defined in the PJM Manuals. ELCC Classes shall be defined such that the members of each ELCC Class are reasonably homogeneous in character and with respect to impact on system resource adequacy. ELCC Classes shall be defined for Limited Duration Resources of no less than four hours duration, and shall include 4-hour, 6-hour, 8-hour, and 10-hour duration characteristics, with matching duration classes for Combination Resources composed in part of one or more such ELCC Classes. Members of an ELCC Class shall share a common method of calculating the ELCC Resource Performance Adjustment,
provided that the individual ELCC Resource Performance Adjustment values will generally differ among ELCC Resources.

**ELCC Class Rating:**

“ELCC Class Rating” shall mean the rating factor, based on effective load carrying capability analysis, that applies to ELCC Resources that are members of an ELCC Class as part of the calculation of their Accredited UCAP.

**ELCC Class UCAP:**

“ELCC Class UCAP” shall mean the aggregate Effective UCAP all modeled ELCC Resources in a given ELCC Class are capable of providing in a given Delivery Year.

**ELCC Portfolio UCAP:**

“ELCC Portfolio UCAP” shall mean the aggregate Effective UCAP that all modeled ELCC Resources are capable of providing in a given Delivery Year.

**ELCC Resource:**

“ELCC Resource” shall mean a Generation Capacity Resource that is a Variable Resource, a Limited Duration Resource, or a Combination Resource.

**ELCC Resource Performance Adjustment:**

“ELCC Resource Performance Adjustment” shall mean the performance of a specific ELCC Resource relative to the aggregate performance of the ELCC Class to which it belongs as further described in RAA, Schedule 9.1, section E.

**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.

**Electric Distributor:**

“Electric Distributor” shall mean a Member that 1) owns or leases with rights equivalent to ownership of electric distribution facilities that are used to provide electric distribution service to electric load within the PJM Region; or 2) is a generation and transmission cooperative or a joint municipal agency that has a member that owns electric distribution facilities used to provide electric distribution service to electric load within the PJM Region.

**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.

End-Use Customer:

“End-Use Customer” shall mean a Member that is a retail end-user of electricity within the PJM Region. For purposes of Members Committee sector classification, a Member that is a retail end-user that owns generation may qualify as an End-Use customer if: (1) the average physical unforced capacity owned by the Member and its affiliates in the PJM region over the five Planning Periods immediately preceding the relevant Planning Period does not exceed the average PJM capacity obligation for the Member and its affiliates over the same time period; or (2) the average energy produced by the Member and its affiliates within the PJM region over the five Planning Periods immediately preceding the relevant Planning Period does not exceed the average energy consumed by that Member and its affiliates within the PJM region over the same time period. The foregoing notwithstanding, taking retail service may not be sufficient to qualify a Member as an End-Use Customer.

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 RAA, Schedule 6 and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during the periods described in Reliability Assurance Agreement, 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. Annual Energy Efficiency Resources, Base Capacity Energy Efficiency Resources and Summer-Period Energy Efficiency Resources are types of Energy Efficiency Resources.

Exigent Water Storage:

“Exigent Water Storage” shall mean water stored in the pondage or reservoir of a hydropower resource which is not typically available during normal operating conditions (as those conditions are described in the relevant FERC hydropower license), but which can be drawn upon during emergency conditions (as described in the FERC hydropower license), including in order to avoid a load shed. In an effective load carrying capability analysis, exigent storage capability from an upstream hydro facility can be considered relative to a downstream hydro facility by assessing cascading storage and flows.
**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.

**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. 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.

**Extended Summer Demand Resource:**

“Extended Summer Demand Resource” shall mean, for Delivery Years through May 31, 2018, and for FRR Capacity Plans Delivery Years through May 31, 2019, 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.

**Facilities Study Agreement:**

“Facilities Study Agreement” shall have the same meaning as in Tariff, Part VI, section 206.

**FERC or Commission:**

“FERC” or “Commission” shall mean the Federal Energy Regulatory Commission or any successor federal agency, commission or department exercising jurisdiction over the Tariff, Operating Agreement and Reliability Assurance Agreement.
**Firm Point-To-Point Transmission Service:**

“Firm Point-To-Point Transmission Service” shall have the meaning specified in the Tariff.

**Firm Service Level:**

“Firm Service Level” or “FSL” of Price Responsive Demand for the 2022/2023 Delivery Year and subsequent Delivery Years shall mean the level, determined at a PRD Substation level, to which Price Responsive Demand shall be reduced during the Delivery Year when an Emergency Action that triggers a Performance Assessment Interval 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. “Firm Service Level” or “FSL” of Demand Resource shall mean the pre-determined level for which an end-use customer’s load shall be reduced, upon notification from the Curtailment Service Provider’s market operations center or its agent.

**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.

**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 the Reliability Assurance Agreement, Schedule 8.1.

**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 Reliability Assurance Agreement, as approved by the PJM Board pursuant to Reliability Assurance Agreement, Schedule 4.1.

**FRR Capacity Plan or FRR Plan:**

“FRR Capacity Plan” or “FRR Plan” shall mean a long-term plan for the commitment of Capacity Resources and Price Responsive Demand to satisfy the capacity obligations of a Party that has elected the FRR Alternative, as more fully set forth in the Reliability Assurance Agreement, Schedule 8.1.

**FRR Entity:**

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

Full Program Option:

“Full Program Option” shall mean participation in Emergency Load Response Program or Pre-Emergency Program which allows, pursuant to Tariff, Attachment DD and as applicable, (i) an energy payment for load reductions during a pre-emergency or emergency event, and (ii) a capacity payment for the ability to reduce load during a pre-emergency or emergency event.

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.

Generation Capacity Resource:

“Generation Capacity Resource” shall mean a Generating Facility, or the contractual right to capacity from a specified Generating Facility, that meets the requirements of RAA, Schedule 9 and RAA, Schedule 10, and, for Generating Facilities that are committed to an FRR Capacity Plan, that meets the requirements of RAA, Schedule 8.1. A Generation Capacity Resource may be an Existing Generation Capacity Resource or a Planned Generation Capacity Resource.

Generation Capacity Resource Provider:

“Generation Capacity Resource Provider” shall mean a Member that owns, or has the contractual authority to control the output of, a Generation Capacity Resource, that has not transferred such authority to another entity.
**Generation Owner:**

“Generation Owner” shall mean a Member that owns or leases with rights equivalent to ownership, or otherwise controls and operates one or more operating generation resources located in the PJM Region. The foregoing notwithstanding, for a planned generation resource to qualify a Member as a Generation Owner, such resource shall have cleared an RPM auction, and for Energy Resources, the resource shall have a FERC-jurisdictional interconnection agreement or wholesale market participation agreement within PJM. Purchasing all or a portion of the output of a generation resource shall not be sufficient to qualify a Member as a Generation Owner. For purposes of Members Committee sector classification, a Member that is primarily a retail end-user of electricity that owns generation may qualify as a Generation Owner if: (1) the generation resource is the subject of a FERC-jurisdictional interconnection agreement or wholesale market participation agreement within PJM; (2) the average physical unforced capacity owned by the Member and its affiliates over the five Planning Periods immediately preceding the relevant Planning Period exceeds the average PJM capacity obligation of the Member and its affiliates over the same time period; and (3) the average energy produced by the Member and its affiliates within PJM over the five Planning Periods immediately preceding the relevant Planning Period exceeds the average energy consumed by the Member and its affiliates within PJM over the same time period.

**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.

**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.

**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.

**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; including those practices required by Federal Power Act Section 215(a)(4).

**Hydropower With Non-Pumped Storage:**

“Hydropower With Non-Pumped Storage” shall mean a hydropower facility that can capture and store incoming stream flow, without use of pumps, in pondage or a reservoir, and the Generation Owner has the ability, within the constraints available in the applicable operating license, to exert material control over the quantity of stored water and output of the facility throughout an Operating Day.

**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.

**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.

**Limited Demand Resource:**
“Limited Demand Resource” shall mean, for Delivery Years through May 31, 2018, and for FRR Capacity Plans Delivery Years through May 31, 2019, 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.

**Limited Duration Resource:**

“Limited Duration Resource” shall mean a Generation Capacity Resource that is not a Variable Resource, that is not a Combination Resource, and that is not capable of running continuously at Maximum Facility Output for 24 hours or longer. A Capacity Storage Resource is a Limited Duration Resource.

**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.

**Locational Reliability Charge:**

“Locational Reliability Charge” shall mean the charge determined pursuant to Operating Agreement, Schedule 8.

**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.

**Maximum Emergency Service Level:**

“Maximum Emergency Service Level” or “MESL” of Price Responsive Demand for the 2017/2018 through the 2021/2022 Delivery Years 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.

**Member:**

“Member” shall have the meaning provided in the Operating Agreement.

**Members Committee:**

“Members Committee” shall mean the committee specified in Operating Agreement, section 8 composed of the representatives of all the Members.

**NERC:**

“NERC” shall mean the North American Electric Reliability Corporation or any successor thereto.

**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.

**Network Resources:**

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

**Network Transmission Service:**

“Network Transmission Service” shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Tariff, Part III or transmission service comparable to such service that is provided to a Load Serving Entity that is also a Transmission Owner.

**Nominal PRD Value:**

“Nominal PRD Value” shall mean, as to any PRD Provider, an adjustment, determined in accordance with Reliability Assurance Agreement, Schedule 6.1, 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.

**Nominated Demand Resource Value:**
“Nominated Demand Resource Value” shall have the meaning specified in Tariff, Attachment DD.

**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.

**Obligation Peak Load:**

“Obligation Peak Load” shall have the meaning specified in Reliability Assurance Agreement, Schedule 8.

**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.

**Operating Agreement of the PJM Interconnection, L.L.C., Operating Agreement or PJM Operating Agreement:**

“Operating Agreement of the PJM Interconnection, L.L.C.,” “Operating Agreement” or “PJM Operating Agreement” shall mean that agreement, dated as of April 1, 1997 and as amended and restated as of June 2, 1997, including all Schedules, Exhibits, Appendices, addenda or supplements hereto, as amended from time to time thereafter, among the Members of the PJM Interconnection, L.L.C, on file with the Commission.

**Operating Day:**

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

**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.

**Ordinary Water Storage:**

“Ordinary Water Storage” shall mean water stored in the pondage or reservoir of a hydropower resource which is typically available during normal operating conditions pursuant to the FERC license governing the operation of the hydropower resource.
Other Supplier:

“Other Supplier” shall mean a Member that: (i) is engaged in buying, selling or transmitting electric energy, capacity, ancillary services, Financial Transmission Rights or other services available under PJM’s governing documents in or through the Interconnection or has a good faith intent to do so, and (ii) is not a Generation Owner, Electric Distributor, Transmission Owner or End-Use Customer.

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.

Party:

“Party” shall mean an entity bound by the terms of the Operating Agreement.

Peak Shaving Adjustment:

“Peak Shaving Adjustment” shall mean a load forecast mechanism that allows load reductions by end-use customers to result in a downward adjustment of the summer load forecast for the associated Zone. Any End-Use Customer identified in an approved peak shaving plan shall not also participate in PJM Markets as Price Responsive Demand, Demand Resource, Base Capacity Demand Resource, Capacity Performance Demand Resource, or Economic Load Response Participant.

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.

Performance Assessment Interval:

“Performance Assessment Interval” shall have the meaning specified in Tariff, Attachment DD.

PJM:

“PJM” shall mean PJM Interconnection, L.L.C., including the Office of the Interconnection as referenced in the PJM Operating Agreement. When such term is being used in the RAA it shall also include the PJM Board.

PJM Board:
“PJM Board” shall mean the Board of Managers of the LLC, acting pursuant to the Operating Agreement, except when such term is being used in Tariff, Attachment M, in which case PJM Board shall mean the Board of Managers of PJM or its designated representative, exclusive of any members of PJM Management.

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.

PJM Region:

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

PJM Region Installed Reserve Margin:

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

PJM Tariff, Tariff, O.A.T.T., OATT or PJM Open Access Transmission Tariff:

“PJM Tariff,” “Tariff,” “O.A.T.T., “OATT” or “PJM Open Access Transmission Tariff” shall mean that certain PJM Open Access Transmission Tariff, including any schedules, appendices, or exhibits attached thereto, on file with FERC and as amended from time to time thereafter.

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 Reliability Assurance Agreement, Schedule 6. As set forth in Reliability Assurance Agreement, Schedule 6 and Reliability Assurance Agreement, Schedule 8.1, 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.

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 Base Residual Auction for such Delivery Year, the Capacity Market Seller must demonstrate that it has a fully executed system impact study agreement (or other documentation which is functionally equivalent to a System Impact Study Agreement under the PJM Tariff) or, for resources which are greater than 20MWs participating in a Base Residual Auction for the 2019/2020 Delivery Year and subsequent Delivery Years, an agreement or other documentation which is functionally equivalent to a Facilities Study Agreement under the PJM Tariff), with the transmission owner to whose transmission facilities or distribution facilities the resource is being directly connected, and, as applicable, the transmission provider. Prior to participating in any Incremental Auction for such Delivery Year, the Capacity Market Seller must demonstrate it has entered into an interconnection agreement, or such other documentation that is functionally equivalent to an Interconnection Service Agreement under the PJM Tariff, with the transmission owner to whose transmission facilities or distribution facilities the resource is being directly connected, and, as 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. Any such 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.

**Planned Generation Capacity Resource:**

“Planned Generation Capacity Resource” shall mean a Generation Capacity Resource, or additional megawatts to increase the size of a Generation Capacity Resource that is being or has been modified to increase the number of megawatts of available installed capacity thereof, participating in the generation interconnection process under Tariff, Part IV, Subpart A, as applicable, 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 Capacity Plan; (ii) for any such resource seeking to offer into a Base Residual Auction, or for any such resource of 20 MWs or less seeking to offer into a Base Residual Auction, a System Impact Study Agreement (or, for resources for which a System Impact Study Agreement is not required, has such other agreement or documentation that is functionally equivalent to a System Impact Study Agreement) has been executed prior to the Base Residual Auction for such Delivery Year; (iii) for any such resource of more than 20 MWs seeking to offer into a Base Residual Auction for the 2019/2020 Delivery Year and subsequent Delivery Years, a Facilities Study Agreement (or, for resources for which a Facilities Study Agreement is not required, has such other agreement or documentation that is functionally equivalent to a Facility Studies Agreement) has been executed prior to the Base Residual Auction for such Delivery Year; and
(iv) an Interconnection Service Agreement has been executed prior to any Incremental Auction for such Delivery Year in which such resource plans to participate. 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.

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.

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.

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.

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.

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.

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.

**Price Responsive Demand:**

“Price Responsive Demand” or “PRD” shall mean end-use customer load registered by a PRD Provider pursuant to Reliability Assurance Agreement, Schedule 6.1 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 (prior to 2022/2023 Delivery Year) or a Performance Assessment Interval that triggers a PRD performance assessment (effective with 2022/2023 Delivery Year), 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.

**Price Responsive Demand Credit:**

“Price Responsive Demand Credit” shall mean a credit, based on committed Price Responsive Demand, as determined under Reliability Assurance Agreement, Schedule 6.1.

**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 Reliability Assurance Agreement, Schedule 6.1 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.

**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.

**Qualifying Transmission Upgrades:**

“Qualifying Transmission Upgrades” shall have the meaning specified in Tariff, Attachment DD.

**Relevant Electric Retail Regulatory Authority:**

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

Required Approvals:

“Required Approvals” shall mean all of the approvals required for the Operating 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 the Operating Agreement.

Self-Supply:

“Self-Supply” shall have the meaning provided in Tariff, Attachment DD.

Small Commercial Customer:

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

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.

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.

Summer-Period Demand Resource:
Summer-Period Demand Resource shall mean, for the 2020/2021 Delivery Year and subsequent Delivery Years, a resource that is placed under the direction of the Office of the Interconnection, and will be available June through October and the following May of the Delivery Year, 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 between the hours of 10:00AM to 10:00PM Eastern Prevailing Time. The Summer-Period Demand Resource must be available June through October and the following May in the corresponding Delivery Year to be offered for sale in an RPM Auction, or included as a Summer-Period Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

Summer-Period Energy Efficiency Resource:

Summer-Period Energy Efficiency Resource shall mean, for the 2020/2021 Delivery Year and subsequent Delivery Years, a project, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, meeting the requirements of Reliability Assurance Agreement, Schedule 6 and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during the summer peak periods as described in Reliability Assurance Agreement, 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 Summer-Period 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.

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 the Operating 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.

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 Reliability Assurance Agreement, Schedule 8.1).
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.

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.

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.

Unlimited Resource:

“Unlimited Resource” shall mean a generating unit having the ability to maintain output at a stated capability continuously on a daily basis without interruption. An Unlimited Resource is a Generation Capacity Resource that is not an ELCC Resource.

Variable Resource:

“Variable Resource” shall mean a Generation Capacity Resource with output that can vary as a function of its energy source, such as wind, solar, run of river hydroelectric power without storage, and landfill gas units without an alternate fuel source. All Intermittent Resources are Variable Resources, with the exception of Hydropower with Non-Pumped Storage.

Winter Peak Load (or WPL):

“Winter Peak Load” or “WPL” shall mean the average of the Demand Resource customer’s specific peak hourly load between hours ending 7:00 EPT through 21:00 EPT on the PJM defined 5 coincident peak days from December through February two Delivery Years prior the Delivery Year for which the registration is submitted. Notwithstanding, if the average use between hours ending 7:00 EPT through 21:00 EPT on a winter 5 coincident peak day is below 35% of the average hours ending 7:00 EPT through 21:00 EPT over all five of such peak days, then up to two such days and corresponding peak demand values may be excluded from the
calculation. Upon approval by the Office of the Interconnection, a Curtailment Service Provider may provide alternative data to calculate Winter Peak Load, as outlined in the PJM Manuals, when there is insufficient hourly load data for the two Delivery Years prior to the relevant Delivery Year or if more than two days meet the exclusion criteria described above.

**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.

**Zone or Zonal:**

“Zone” or “Zonal” shall refer to an area within the PJM Region, as set forth in Tariff, Attachment J and RAA, 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 located outside the PJM Region that is served from such Zone under Tariff, Attachment H-A.

**Zonal Winter Weather Adjustment Factor (ZWWAF):**

“Zonal Winter Weather Adjustment Factor” or “ZWWAF” shall mean the PJM zonal winter weather normalized coincident peak divided by PJM zonal average of 5 coincident peak loads in December through February.
SCHEDULE 9
PROCEDURES FOR
ESTABLISHING THE CAPABILITY OF GENERATION CAPACITY RESOURCES

A. Such rules and procedures as may be required to determine and demonstrate the capability of Generation Capacity Resources for the purposes of meeting a Load Serving Entity’s obligations under the Agreement shall be developed by the Office of the Interconnection and maintained in the PJM Manuals.

B. The rules and procedures shall recognize the difference in the relative ability of units to maintain output at stated capability over a specified period of time. Factors affecting such ability include, but are not limited to, fuel availability, stream flow and/or reservoir storage for hydro units, energy storage capability for Energy Storage Resources, energy source variability and intermittency, mechanical limitations, and system operating policies. For this purpose, the basis for determining and demonstrating the capability of a particular generating unit shall be as described in RAA, Schedule 9.1.

C. Provisions for Unlimited Resources

For Unlimited Resources, the capability of the generating unit is based on the level of output that the unit can provide under the site conditions expected to exist at the time of PJM system peak load where such conditions include, but are not limited to, ambient air temperature, humidity, barometric pressure, intake water temperature, and cooling system performance. Generating units with the ability to operate continuously across all hours of an Operating Day without interruption if needed include, but are not limited to, nuclear and fossil-fired steam units, combined cycle units, combustion turbine units, reciprocating engine units, and fuel cell units.

D. Provisions for ELCC Resources

The Office of the Interconnection shall determine the capability of ELCC Resources to meet a Load Serving Entity’s obligations under the Agreement using an effective load carrying capability analysis, as set forth in RAA, Schedule 9.1, with additional implementation details provided in the PJM Manuals.
SCHEDULE 9.1: EFFECTIVE LOAD CARRYING CAPABILITY ANALYSIS

A. Overview of Effective Load Carrying Capability Analysis

The inputs of the effective load carrying capability analysis include:

- Historical weather and load data;
- Historical output of existing Variable Resources;
- Estimates of putative historical output for planned Variable Resources;
- Forced outage patterns for Unlimited Resources;
- Resource deployment forecast; and
- Modeling parameters for Limited Duration Resources and Combination Resources.

The outputs of the effective load carrying capability analysis include:

- The ELCC Portfolio UCAP, in MW;
- ELCC Class UCAP values, in MW; and
- ELCC Class Rating values, in percent.

B. Calculation of ELCC Portfolio UCAP

The effective load carrying capability analysis shall identify a scenario in which the aggregate installed capacity “X” of a group of Unlimited Resources with no outages yields the same annual loss of load expectation as the one produced by the scenario with all ELCC Resources that are expected to offer in a given RPM Auction, or otherwise provide capacity, in the Delivery Year being analyzed. The ELCC Portfolio UCAP shall be the value “X”.

C. Allocation from ELCC Portfolio UCAP to ELCC Class UCAP

The ELCC Portfolio UCAP shall be allocated, as specified in the PJM Manuals, to each ELCC Class UCAP according to:

1. The reliability value of the subject ELCC Class evaluated in the absence of other ELCC Classes, minus

2. A quantity that is proportional to the product of:

   (a) The difference between the reliability value of the subject ELCC Class when evaluated in the presence of the entire portfolio of ELCC Classes and the reliability value of the subject ELCC Class when evaluated in the absence of the other ELCC Classes, and
The difference between the total reliability value of all the ELCC Classes in the model when evaluated jointly and the sum of the reliability values determined individually for each ELCC Class by evaluating the subject ELCC Class in the absence of other ELCC Classes.

The foregoing is subject to adjustment in accordance with RAA, Schedule 9.1, section J, such that the aggregate of all ELCC Class UCAP values is equal to the ELCC Portfolio UCAP.

D. Calculation of ELCC Class Rating

(1) The ELCC Class Rating of Variable Resources and Limited Duration Resources shall be the ratio of the applicable ELCC Class UCAP to the aggregate Effective Nameplate Capacity of the modeled ELCC Resources of that ELCC Class that are expected to offer in a given RPM Auction, or otherwise provide capacity, in the Delivery Year being analyzed.

(2) For Combination Resources, there shall be an ELCC Class Rating for each component.

   (i) For a Combination Resource with a Limited Duration Resource component and a Variable Resource component, the Limited Duration Resource component ELCC Class Rating shall be equal to the quotient of (1) the Combination Resource ELCC Class UCAP minus the [product of the Variable Resource ELCC Class Rating and the aggregate Effective Nameplate Capacity of all the Variable Resource components within the subject Combination Resource class] divided by (2) the aggregate equivalent Effective Nameplate Capacity of all the Limited Duration Resource components within the subject Combination Resource class, and the Variable Resource component ELCC Class Rating shall be equal to the ELCC Class Rating for the ELCC Class to which the Variable Resource component would belong if it were not a component of the Combination Resource.

   (ii) For a Combination Resource with a Limited Duration Resource component and an Unlimited Resource component, the Limited Duration Resource component ELCC Class Rating shall be equal to the ELCC Class Rating for the ELCC Class to which the Limited Duration Resource component would belong if it were not a component of the Combination Resource, and the Unlimited Resource component would not have an ELCC Class Rating.

E. Calculation of Accredited UCAP and ELCC Resource Performance Adjustment

(1) (a) For Variable Resources and Limited Duration Resources, Accredited UCAP values shall be equal to the product of:
(i) the Effective Nameplate Capacity;
(ii) the applicable ELCC Class Rating; and
(iii) the ELCC Resource Performance Adjustment.

(b) For Combination Resources, Accredited UCAP values shall be equal to the sum of the Accredited UCAP of each component, but not to exceed the Maximum Facility Output of the resource, where:

(i) The value for a Variable Resource component shall be determined in accordance with subsection (a) above.

(ii) The value for a Limited Duration Resource component shall be equal to the product of:

(A) the Effective Nameplate Capacity determined for the Limited Duration Resource component;

(B) [one minus the EFORd for the Limited Duration Resource component]; and

(C) the applicable Limited Duration Resource component ELCC Class Rating as determined in Section D(2)(i).

(iii) The value for an Unlimited Resource component shall be equal to the product of the installed capacity of the Unlimited Resource component and [one minus the EFORd for the Unlimited Resource component].

(iv) The Accredited UCAP for Hydropower With Non-Pumped Storage, and for each member of an ELCC Class whose members are so distinct from one another that a single ELCC Class Rating fails to capture their physical characteristics, shall be based on a resource-specific effective load carrying capability analysis based on the resource’s unique parameters.

(2) The ELCC Resource Performance Adjustment shall be calculated according to the following methods, as further detailed in the PJM Manuals:

(a) For a Variable Resource: based on a metric consisting of the average of (1) actual output during the 200 highest coincident peak load hours over the preceding ten years, regardless of the years in which they occur, and (2) actual output during the 200 highest coincident peak putative net load hours over the preceding ten years, regardless of the years in which they occur, where putative net load is actual load minus the putative hourly output of Variable Resources based on the resource mix of the target year. For Planned Resources or resources less than 10 years old, estimated hypothetical historical output will be used to develop this metric. For a given resource or component, the
Performance Adjustment shall equal the ratio of such metric to the average (weighted by the Effective Nameplate Capacity) of such metrics for all units in the applicable Variable Resource ELCC Class.

(b) For Limited Duration Resources: based on EFORd.
(c) For Combination Resources with only an Unlimited Resource component and a Limited Duration Resource component: based on EFORd.
(d) For Combination Resources with a Variable Resource component (except for Hydropower With Non-Pumped Storage): (1) based on the direct metered or estimated output of the Variable Resource component, which is then assessed according to the methodology described in subsection (a) above for Variable Resources and in accordance with the PJM Manuals; and (2) based on the EFORd that is applicable to the Limited Duration Resource component.
(e) For Hydropower With Non-Pumped Storage and other Combination Resources that do not fall into the above categories: based on EFORd.

F. **Installed Capacity of ELCC Resources**

Rules and procedures for technically determining and demonstrating the installed capacity of ELCC Resources shall be developed by the Office of the Interconnection and maintained in the PJM Manuals. The installed capacity of a Limited Duration Resource is based on the sustained level of output that the unit can provide and maintain over a continuous period, whereby the duration of that period matches the characteristic duration of the corresponding ELCC Class, with consideration given to ambient conditions expected to exist at the time of PJM system peak load, as described in the PJM Manuals. The installed capacity of a Combination Resource (other than Hydropower With Non-Pumped Storage) is based on the lesser of the Maximum Facility Output or the sum of the equivalent Effective Nameplate Capacity values of the resource’s constituent components considered on a stand-alone basis.

G. **Details of the Effective Load Carrying Capability Methodology**

The effective load carrying capability analysis shall compare expected hourly load levels (based on historical weather) with the expected hourly output of the expected future resource mix in order to identify the relative resource adequacy value of the portfolio of all ELCC Classes, as well as each individual ELCC Class, compared to a group of Unlimited Resources with no outages. In performing this analysis, the model inputs shall be scaled to meet the annual loss of load expectation of the Office of the Interconnection. The effective load carrying capability analysis shall compare hourly values for: (i) expected load based on historical weather; (ii) expected Variable Resource output; and (iii) expected output of Limited Duration Resources and of Combination Resources as described below. These expected quantities are based on actual
values for load and actual and putative values for Variable Resource output (standalone or as a component of Combination Resources) after June 1, 2012 (inclusive) through the most recent Delivery Year for which complete data exist. For resources that have not existed each year since June 1, 2012, putative output is an estimate of the hourly output that resource would have produced in a historical hour if that resource had existed in that hour. This putative output estimate is developed based on historical weather data consistent with the particular site conditions for each such resource in accordance with the PJM Manuals.

The effective load carrying capability analysis shall simulate forced outages of Unlimited Resources based on actual historical data, and shall simulate the output of Limited Duration Resources and Combination Resources based on their Office of the Interconnection-validated parameters, including the putative output of the Variable Resource component of Combination Resources, as described above. Forced outages of Limited Duration Resources and Combination Resources shall not be simulated in the effective load carrying capability analysis.

The quantity of deployed resources studied in the analysis shall be based on resource deployment forecasts and, where applicable, on available information based on Sell Offers submitted in RPM Auctions or Fixed Resource Requirement plans for the applicable Delivery Year.

The ELCC Class UCAP and other results of the effective load carrying capability analysis shall be based on the total Effective UCAP of the ELCC Class as a whole.

The ELCC Class UCAP and corresponding ELCC Class Rating values may increase or decrease from year to year as the expected resource mix and load shape change.

Energy Resources are not included in the effective load carrying capability analysis. Generating units that are expected to only offer or otherwise provide a portion of their Accredited UCAP for that Delivery Year are represented in the analysis in proportion to the expected quantity offered or delivered divided by the Accredited UCAP.

H. Methodology to Simulate Output of Certain Resources in the Effective Load Carrying Capability Model

The effective load carrying capability analysis shall simulate the output of Limited Duration Resources and Combination Resources based on their physical parameters, including limited storage capability, and shall simulate the deployment of Demand Resources. The analysis shall simulate output from the subject Limited Duration Resources and Combination Resources in hours in which all output from Unlimited Resources and available output from Variable Resources is insufficient to meet load. The output of the subject Limited Duration Resources and Combination Resources shall be simulated on an hour-by-hour basis in proportion to their Effective Nameplate Capacity without foresight to future hours. The simulated deployment of Demand Resources shall be such that there is adequate Primary Reserves provided by economic resources, if sufficient simulated Demand Resources are available. Primary Reserves shall be
assigned to generation resources in order to maximize simulated reliability, provided that assignments to Limited Duration Resources and Combination Resources shall be pro rata according to their Effective Nameplate Capacity. Primary Reserves shall be exhausted prior to identifying a loss of load event in the analysis. Energy Storage Resource charging is during hours with sufficient margin, including between daily peaks if necessary.

I. **Administration of Effective Load Carrying Capability Analysis**

The Office of the Interconnection shall post final ELCC Class UCAP and ELCC Class Rating values at least once per year in a report that also includes appropriate details regarding methodology and inputs. The Office of the Interconnection shall post this report and shall communicate ELCC Resource Performance Adjustment values to applicable Generation Capacity Resource Providers no later than five months prior to the start of the target Delivery Year, as described in the PJM Manuals. Starting with the 2023/2024 Delivery Year, Accredited UCAP values for the applicable Delivery Year shall establish the maximum Unforced Capacity that an ELCC Resource can physically provide or offer to provide in the applicable Delivery Year.

The Office of the Interconnection shall also post preliminary ELCC Class Rating values for nine subsequent Delivery Years. For any Delivery Year for which a final ELCC Class Rating has not been posted and a preliminary ELCC Class Rating has been posted, the Accredited UCAP of an ELCC Resource for such Delivery Year shall be based on the most recent preliminary ELCC Class Rating value for that Delivery Year, together with the most recently calculated ELCC Resource Performance Adjustment value for that ELCC Resource. Except to the extent specified above or otherwise specified, the preliminary ELCC Class Rating values for future years are non-binding and are only for indicative purposes. A Generation Capacity Resource Provider can offer or provide capacity from an ELCC Resource that is not subject to a capacity market must offer obligation (as specified in Tariff, Attachment DD, Section 6.6) at a level less than the Accredited UCAP for such resource.

In order to facilitate the effective load carrying capability analysis, the Generation Capacity Resource Provider of each ELCC Resource must submit to the Office of the Interconnection the required information as specified in the PJM Manuals by no later than six months prior to an RPM Auction in which the ELCC Resource intends to submit a Sell Offer or otherwise commit to provide capacity, except for Delivery Years prior to the 2026/2027 Delivery Year such required information must be provided to the Office of the Interconnection in accordance with the PJM Manuals. The required information may include relevant physical parameters, relevant historical data such as weather data and actual or estimated historical energy output, and documentation supporting such parameters and historical data. The relevant physical parameters are those that are incorporated into the effective load carrying capability analysis. The parameters required for Hydropower With Non-Pumped Storage shall include Ordinary Water
Storage and any applicable Exigent Water Storage. Submitted parameters must indicate the expected duration for which any submitted physical parameters are valid.

The Office of the Interconnection shall evaluate, validate, and approve the foregoing information in accordance with the process set forth in the PJM Manuals. In evaluating the validity of submitted information, the Office of the Interconnection may assess the consistency of such information with observed conditions. If the Office of the Interconnection observes that the information provided by the Generation Capacity Resource Provider of the ELCC Resource is inconsistent with observed conditions, the Office of the Interconnection will coordinate with the Generation Capacity Resource Provider of the ELCC Resource to understand the information and observed conditions before making a determination regarding the validity of the applicable parameters. The Office of the Interconnection may engage the services of a consultant with technical expertise to evaluate the foregoing information.

After the Office of the Interconnection has completed its evaluation of the foregoing information, the Office of the Interconnection shall notify the Generation Capacity Resource Provider in writing whether the submitted information is considered invalid by no later than September 1 following the submission of the information. The Office of the Interconnection’s determination on the validity of the foregoing information shall continue for the applicable Delivery Year and, if requested, for such longer period as the Office of the Interconnection may determine is supported by the data.

In the event that the Office of the Interconnection is unable to validate any of the required information, physical parameters, supporting documentation, or other related information submitted by the Generation Capacity Resource Provider of an ELCC Resource, then the Office of the Interconnection shall calculate Accredited UCAP values for that ELCC Resource based only on the validated information. Such ELCC Resource shall not be permitted to offer or otherwise provide capacity above such Accredited UCAP values until the Office of the Interconnection determines new Accredited UCAP values for such resource.

Generation Capacity Resource Providers of ELCC Resources that are hydropower plants with water storage must provide documentation to support the physical parameters provided for expected load carrying capability analysis modeling, as specified in the PJM Manuals. This documentation must: (a) support the plant’s physical capabilities; (b) demonstrate that the parameters do not violate any federal, state, river basin, or other applicable authority operating limitations of the plant; and (c) demonstrate full authorization from FERC, any river basin commissions, and any other applicable authorities to meet those capabilities.

J. ELCC Transition Mechanism

(1) A transition mechanism shall be established whereby PJM shall post floor values establishing a lower bound on the ELCC Class Ratings that apply to ELCC Resources in the
determination of each ELCC Resource’s Accredited UCAP. This transition mechanism can be evaluated at any time and shall be evaluated in conjunction with a quadrennial periodic review of the shape of the Variable Resource Requirement Curve, as described in Tariff, Attachment DD, section 5.10, no later than the end of 2026. Such evaluation shall include an assessment of the efficacy and appropriateness of the transition mechanism and shall make recommendations as to whether some or all aspects of the transition mechanism should be reconsidered through a stakeholder process. The already-established floor values and associated term duration for each cohort should apply for their entire term, as described below, regardless of the outcome of such evaluation, except as described in subsection (3)(f) below.

For purposes of implementing this transition mechanism, ELCC Resources shall be organized into annual cohorts. Each cohort shall share an associated table of floor values on the ELCC Class Ratings spanning the duration described below. Floor values shall be calculated using effective load carrying capability analysis for future years, applying a resource mix that reflects more conservative ELCC Class Ratings than expected, as set forth in subsection (3)(d) below. Floor values shall be posted on an annual cycle, each posting of which shall include floor values for no more than ten calendar years in the future.

Tables of floor values will apply for the Delivery Years as specified below. For new ELCC Resources, the ELCC Class Rating floor values contemplated by this RAA, Schedule 9.1, section J shall apply upon:

(a) completion of one of the following milestones in the New Services Queue: (i) execution of an Interconnection Service Agreement by the Interconnection Customer, or equivalent, for the ELCC Resource; (ii) execution of a Wholesale Market Participation Agreement by the wholesale market participant, or equivalent, for the ELCC Resource; or (iii) posting credit to submit a Sell Offer into the next Base Residual Auction, pursuant to the applicable RPM Auction Credit Rate; and

(b) receipt by the Office of the Interconnection of a written attestation, in a form specified in the PJM Manuals, by the Generation Capacity Resource Provider of the ELCC Resource affirming the Generation Capacity Resource Provider’s intent to proceed to provide capacity in the PJM Region. Such attestation shall be provided to the Office of the Interconnection after reaching one of the milestones identified in subsection (a) above.

(2) Cohorts

(a) 2021 Cohort. A table of floor values for Delivery Years 2021/22 through 2033/34 shall apply to ELCC Resources that on or before December 31, 2021 are Existing Generation Capacity Resources or satisfy the requirements of RAA, Schedule 9.1, section J(1)(a) and (b) above. A table of preliminary ELCC Class Rating floor values for Delivery Years 2021/2022 through 2030/2031 shall be posted within six months of this
Schedule 9.1 becoming effective but no later than December 31, 2021; preliminary floor values for Delivery Years 2031/2032, 2032/2033, and 2033/2034 shall be posted on or before December 31 of 2022, 2023, and 2024, respectively.

(b) **2022 Cohort.** A table of floor values for Delivery Years 2022/23 through 2034/35 shall apply to ELCC Resources that meet the requirements in RAA, Schedule 9.1, section J(1)(a) and (b) above on or after January 1, 2022 and on or before December 31, 2022. Preliminary floor values for Delivery Years 2022/2023 through 2031/2032 shall be posted on or before December 31, 2021; preliminary floor values for Delivery Years 2032/2033, 2033/2034, and 2034/2035 shall be posted on or before December 31 of 2022, 2023, and 2024, respectively.

(c) **2023 Cohorts and later.** For each of the thirteen consecutive Delivery Years beginning with the Delivery Year that starts in the calendar year in which an ELCC Resource meets the requirements in RAA, Schedule 9.1, section J(1)(a) and (b) above, a set of ELCC Class Rating floor values shall apply to such ELCC Resource. Preliminary floor values for the first ten Delivery Years in the table shall be posted on or before December 31 prior to the first Delivery Year to which a floor value applies; preliminary floor values for Delivery Years eleven, twelve, and thirteen shall be posted on or before December 31 of each of the immediately following three calendar years, respectively. This timing is reflected in the below table, where “X” is the year in which the ELCC Resource meets the requirements in RAA, Schedule 9.1, section J(1)(a) and (b) above.

<table>
<thead>
<tr>
<th>Calendar Year In which Floor Values Are Posted for Cohort “X”</th>
<th>Target Delivery Year</th>
<th>ELCC Class Rating Floor for Cohort X</th>
</tr>
</thead>
<tbody>
<tr>
<td>X-1</td>
<td>X/X+1</td>
<td>Value I</td>
</tr>
<tr>
<td>X-1</td>
<td>X+1/X+2</td>
<td>Value II</td>
</tr>
<tr>
<td>X-1</td>
<td>X+2/X+3</td>
<td>Value III</td>
</tr>
<tr>
<td>X-1</td>
<td>X+3/X+4</td>
<td>Value IV</td>
</tr>
<tr>
<td>X-1</td>
<td>X+4/X+5</td>
<td>Value V</td>
</tr>
<tr>
<td>X-1</td>
<td>X+5/X+6</td>
<td>Value VI</td>
</tr>
<tr>
<td>X-1</td>
<td>X+6/X+7</td>
<td>Value VII</td>
</tr>
<tr>
<td>X-1</td>
<td>X+7/X+8</td>
<td>Value VIII</td>
</tr>
<tr>
<td>X-1</td>
<td>X+8/X+9</td>
<td>Value IX</td>
</tr>
<tr>
<td>X-1</td>
<td>X+9/X+10</td>
<td>Value X</td>
</tr>
<tr>
<td>X</td>
<td>X+10/X+11</td>
<td>Value XI</td>
</tr>
<tr>
<td>X+1</td>
<td>X+11/X+12</td>
<td>Value XII</td>
</tr>
<tr>
<td>X+2</td>
<td>X+12/X+13</td>
<td>Value XIII</td>
</tr>
</tbody>
</table>
Preliminary floor values shall be finalized within 120 days of posting. Upon posting the preliminary floor values, the Office of the Interconnection shall conduct a retrospective review to determine if any potential errors occurred in its implementation of this section J, whereby the potential error, if verified, could have a material impact on the posted preliminary floor values. In the event the Office of the Interconnection discovers such a potential error within 60 days of posting such preliminary floor value, the Office of the Interconnection will notify Market Participants of the existence of the potential error as soon as possible, but in no event later than 60 days after posting the applicable preliminary floor value. Within 45 days of identifying a potential error in a preliminary floor value, the Office of the Interconnection shall consult with Market Participants, and provide all available supporting documentation (such documentation shall not contain market sensitive or confidential information), prior to determining whether to modify an initially posted preliminary floor value. If the Office of the Interconnection determines it is necessary to modify an initially posted preliminary floor value, it shall notify Market Participants of its intent to do so and post such notification on its website by no later than 45 days following the notification of a discovery of a potential error in the preliminary floor value. The Office of the Interconnection shall post on its website the corrected floor value by no later than 120 days following the initial posting of the preliminary floor value. Should any of the above deadlines pass without the associated action on the part of the Office of the Interconnection, the originally posted floor values will be considered final.

To the extent an ELCC Resource satisfies the requirements of RAA, Schedule 9.1, section J(1)(a) and (b) above on or after the January 1 following the posting of the preliminary floor value applicable to that ELCC Resource, and within 60 days of such posting, and the Office of the Interconnection identifies a potential error with respect to that floor value, the Generation Capacity Resource Provider may elect for the ELCC Resource to be included in the cohort for the prior calendar year. Any election to be included in the cohort for the prior calendar year must be provided in writing to the Office of the Interconnection within 10 days after the Office of the Interconnection consults with Market Participants regarding the potential error.

(3) General Rules for ELCC Class Rating Floor Values

(a) In a given annual posting cycle, for floor values that are ten years in the future and therefore have not previously been posted, the same floor value shall be posted for use across all cohorts of an ELCC Class for a given Delivery Year for which such floor will be applicable.

(b) For a given resource, at the end of the term of applicability of the original set of ten floor values, as extended with three additional floor values, the rules in place at that time
for determining Accredited UCAP (or otherwise determining the amount of Unforced Capacity that such resource is eligible to offer or provide) will apply.

(c) The ELCC Class Rating used to determine the Accredited UCAP of an ELCC Resource is the greater of the applicable floor value or the most recently posted final or preliminary ELCC Class Rating for the target Delivery Year.

(d) The ELCC Class Rating floor values for each ELCC Class shall be calculated using the same form of effective load carrying capability analysis used for calculating ELCC Class Ratings for future years, except that the forecasted resource mix used for calculating the ELCC Class Ratings (the “expected forecast”) shall be adjusted for the calculation of the floor value for each ELCC Class (the “floor forecast”) in order to reflect a more conservative ELCC Class Rating value. Each ELCC Class shall have a unique floor forecast that accounts for the interaction among ELCC Classes, both the given subject ELCC Class and the other ELCC Classes, through adjusting (up or down) the rate of deployment expected for each ELCC Class. The floor forecast for a given ELCC Class of Variable Resources or Limited Duration Resources shall be developed according to the following method:

(i) Any expected increase in deployment of ELCC Resources in the given subject class in each year shall be accelerated in an exponential fashion such that the increase in deployment after 10 years shall be twice the value in the expected forecast.

(ii) For ELCC Resources in ELCC Classes other than the given subject ELCC Class that show a complementary interaction with the given subject class in the effective load carrying capability analysis, where a complementary interaction occurs in the case that the increase in deployment of the complementary class tends to increase the ELCC Class Rating of the subject class, any expected increase in deployment in a complementary ELCC Class shall be decelerated in an exponential fashion such that the increase in deployment after ten years shall be half the value in the expected forecast; any expected decrease in deployment in a complementary ELCC Class shall be accelerated in an exponential fashion such that the decrease in deployment after ten years shall be twice the value in the expected forecast.

(iii) For ELCC Resources in ELCC Classes showing an antagonistic interaction with the given subject class in the effective load carrying capability analysis, where an antagonistic interaction occurs in the case that the increase in deployment of the antagonistic class tends to decrease the ELCC Class Rating of the subject class, any expected increase in deployment in an antagonistic class shall be accelerated in an exponential fashion such that the increase in deployment
after ten years shall be twice the value in the expected forecast; any expected
decrease in deployment in an antagonistic class shall be decelerated in an
exponential fashion such that the decrease in deployment after ten years shall be
half the value in the expected forecast.

For Combination Resources, the applicable floor values will be determined in accordance
with a procedure set forth in the PJM Manuals that appropriately reflects and merges the
floor values determined for the distinct components of the Combination Resource in a
manner consistent with the methodology above.

However, for Hydropower With Non-Pumped Storage, the applicable floor values will be
determined, using the foregoing method, on a resource-specific basis and not on an
ELCC Class basis.

(e) The ELCC Class Rating used to determine an Accredited UCAP shall not be below
the applicable floor value. ELCC Classes shall be organized into groups for the purpose
of sharing the risk that a final or preliminary ELCC Class Rating for a Delivery Year is
lower than the corresponding ELCC Class Rating in any table of floor values for such
Delivery Year. In that event,

(i) for ELCC Resources with a final or preliminary ELCC Class Rating below the
applicable floor value, the Accredited UCAP shall be determined using the ELCC
Resource’s ELCC Resource Performance Adjustment, in accordance with the
methods set forth in RAA, Schedule 9.1, section E, and the applicable ELCC
Class Rating floor value;

(ii) for ELCC Resources with a final or preliminary ELCC Class Rating above the
applicable floor value, the Accredited UCAP shall be determined using the ELCC
Resource’s ELCC Resource Performance Adjustment, in accordance with the
methods set forth in RAA, Schedule 9.1, section E, and the ELCC Class Rating,
which is determined in accordance with the methodology set forth in RAA,
Schedule 9.1, section D, except that (1) the value used in place of ELCC Class
UCAP is equal to [the sum of the ELCC Class UCAP for each ELCC Class of the
subject group minus the sum of the Accredited UCAP of the ELCC Resources
that are accredited based on floor values], which in turn is allocated to each ELCC
Class in accordance with the methodology specified in the PJM Manuals that is
consistent with the allocation methodology of RAA, Schedule 9.1, section C for
allocating the ELCC Portfolio UCAP among the ELCC Classes, then further
adjusted by a factor based on ELCC Resource Performance Adjustment values
such that the total Accredited UCAP of all resources of each class does not exceed
the ELCC Class UCAP and (2) the relevant aggregate Effective Nameplate
Capacity shall be the sum of the Effective Nameplate Capacity of the members of
the ELCC Class that are accredited based on a final or preliminary ELCC Class Rating above the applicable floor value.

Provided, however, if the aggregate ELCC Class UCAP of the entire group is less than the aggregate Accredited UCAP of the ELCC Resources of the group that are accredited based on floor values, then the ELCC Class Rating for ELCC Resources with a final or preliminary ELCC Class Rating above the applicable floor value shall be determined in accordance with the methodology set forth in RAA, Schedule 9.1, section D, except that (3) the value used in place of ELCC Class UCAP is equal to [the ELCC Portfolio UCAP minus the aggregate Accredited UCAP of the resources of the group that are accredited based on floor values] which in turn is allocated to each ELCC Class in accordance with the methodology specified in the PJM Manuals that is consistent with the allocation methodology of RAA, Schedule 9.1, section C for allocating the ELCC Portfolio UCAP among the ELCC Classes, then further adjusted by a factor based on ELCC Resource Performance Adjustment values such that the total Accredited UCAP of all resources of each class does not exceed the ELCC Class UCAP, and (4) the relevant aggregate Effective Nameplate Capacity shall be the sum of the Effective Nameplate Capacity of the members of the ELCC Class that are accredited based on a final or preliminary ELCC Class Rating above the applicable floor value.

ELCC Class groups shall be defined in the PJM Manuals. The groups shall be defined in accordance with the following principles: (1) each group shall be composed of ELCC Classes that shall share relevant physical characteristics; and (2) each group is broad enough to include a significant fraction of the ELCC Portfolio UCAP, with consideration given to ELCC Classes that are expected to increase in deployment over the ten-year term of the effective load carrying capability analysis.

(f) While recognizing the general principle that the floor values already issued for a specific resource generally would not be changed, the limited circumstances under which the posted final floor values could be changed include: (i) the Office of the Interconnection no longer performs the effective load carrying capability analysis set forth in this RAA, Schedule 9.1; (ii) the Office of the Interconnection no longer determines Accredited UCAP prior to conducting an RPM Auction; (iii) the Office of the Interconnection redefines an ELCC Class, in which case the floors for a given resource whose class has been redefined will be adjusted based on a ratio of the aggregate performance of the newly defined class of which it is a member relative to the aggregate performance of the previously defined class of which it had been a member; or (iv) the aggregate Accredited UCAP values of all modeled ELCC Resources calculated using the
applicable floor values are higher than the ELCC Portfolio UCAP, in which case the applicable floor values will be reduced by the same proportion such that the aggregate Accredited UCAP values equal the ELCC Portfolio UCAP.

Nothing in RAA, Schedule 9.1 is intended to constrain the authority of the PJM Board in any way. The Office of the Interconnection and the PJM Board retain all of their filing rights, including the right to file with FERC as needed to: (iii) change the effective load carrying capability constructs and the effective load carrying capability analysis; (iv) change the methodology specified in this section J for calculating floors that are to be posted in the future; and (v) cease the posting of new floor values. None of the foregoing shall provide a basis for a new transition period or any other form of compensation to a Generation Capacity Resource Provider.

(g) The applicable table of floor values will continue to apply even if an ELCC Resource offers less than their Accredited UCAP.

(h) For purposes of determining floor values in this section J, uprates to individual ELCC Resources are treated as if each uprate is a separate ELCC Resource. The total Accredited UCAP of an ELCC Resource, including all uprates, shall be the sum of the respective Accredited UCAP values.

(i) The floor value applicable to an ELCC Resource is not transferable to a different ELCC Resource.