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December 8, 2010

Honorable Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E., Room 1A  
Washington, D.C. 20426

**Re: PJM Interconnection, L.L.C., Docket No. EL08-47-005  
Order No. 714 Electronic Tariff Compliance Filing Docket No. ER11-2310-000**

Dear Secretary Bose:

In compliance with the Federal Energy Regulatory Commission's ("Commission") directives in Order No. 714<sup>1</sup> and the Filing Procedures For Electronically Filed Tariffs, Rate Schedules and Jurisdictional Agreements,<sup>2</sup> PJM Interconnection, L.L.C. ("PJM") submits this eTariff compliance filing, in electronic tariff filing format, to import previously submitted and approved revisions to Schedule 1 ("Schedule 1") of the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement") and the parallel provisions of Attachment K - Appendix of the PJM Open Access Transmission Tariff ("Tariff"),<sup>3</sup> and revisions to Schedule 2 of the Operating Agreement ("Schedule 2").

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<sup>1</sup> *Electronic Tariff Filings*, Order No. 714, III FERC Stats. & Regs. ¶ 31,276 (2008) ("Order No. 714").

<sup>2</sup> See *Notice of Posting Regarding Filing Procedures for Electronically Filed Tariffs* (May 21, 2010) and *Filing Procedures for Electronically Filed Tariffs, Rate Schedules and Jurisdictional Agreements*, Docket No. RM01-5-000 ("May 21 eTariff Procedures Notice").

<sup>3</sup> The referenced provisions are found in Schedule 1 of the Operating Agreement and the parallel provisions of Attachment K - Appendix of the Tariff. All further references in this transmittal letter to

## **I. BACKGROUND**

In Order No. 714, the Commission directed that regulated utilities with tariff revisions that are pending at the time the utility filed its baseline electronic tariff should not file the pending or suspended tariff sections as part of the baseline tariff filing. Rather, regulated utilities were directed to re-file the pending tariff provisions as a compliance filing through the eTariff portal, in electronic tariff filing format, for inclusion in the database after the pending revisions have been accepted by the Commission.<sup>4</sup> PJM filed the referenced revisions on April 22, 2010. PJM submitted its baseline electronic tariff in Docket No. ER10-2710-000 on September 17, 2010.<sup>5</sup> The Commission approved PJM's proposed revisions in its October 25, 2010 Order on Compliance Filing in Docket No. EL08-47-005.<sup>6</sup> Because the October 25<sup>th</sup> Order was issued after PJM submitted its baseline electronic tariff in Docket No. ER10-2710-000, PJM submits this compliance filing as required by Order No. 714.

## **II. DESCRIPTION OF ELECTRONIC TARIFF COMPLIANCE FILING**

The accepted revisions to the Tariff and Operating Agreement were proposed in compliance with the Commission's March 23, 2010 Order on Compliance Filing in that docket<sup>7</sup> and incorporated provisions to allow for the recoverability of opportunity costs

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referenced sections in Schedule 1 and Attachment K – Appendix shall only be made to the Operating Agreement provisions, without reference to the parallel Tariff provisions.

<sup>4</sup> Order No. 714 at P 96.

<sup>5</sup> PJM submitted amendments to the baseline electronic tariff filing on September 23, 2010, in Docket No. ER10-2710-001.

<sup>6</sup> *PJM Interconnection, L.L.C.*, 133 FERC ¶ 61,081 (2010) (“October 25<sup>th</sup> Order”).

<sup>7</sup> *PJM Interconnection, L.L.C.*, 130 FERC ¶ 61,230 (2010) (“March 23<sup>rd</sup> Order”).

for energy and environmental limitations<sup>8</sup> and “provide a mechanism by which opportunity costs can be included in mitigated bids in order to eliminate the need to evaluate the opportunity cost of resources on a case-by-case basis” as required by the Commission.<sup>9</sup> PJM’s proposed, accepted revisions to Schedule 1 of the Operating Agreement incorporated a new defined term – Energy Market Opportunity Cost, added clarifying language to accurately reflect what information must be provided to PJM by Market Participants to support their offers, and specified that opportunity costs for energy and environmentally-limited resources may be recovered. With the issuance of the October 25<sup>th</sup> Order, the Commission accepted PJM’s filing in its entirety, with the June 21, 2010 effective date requested by PJM.

### **III. EFFECTIVE DATE**

When PJM filed the referenced revisions on April 22, 2010 in Docket No. EL08-47-005, it requested a June 21, 2010 effective date which was sixty (60) days after the filing. PJM did not request a retroactive effective date for the proposed, approved revisions. The Commission accepted PJM’s proposed revision, and granted the June 21, 2010 requested effective date, but did not issue its order approving the proposed revisions until October 25, 2010. The effect of the Commission’s order was the imposition of a retroactive effective date for PJM’s approved Operating Agreement and Tariff revisions.

It was never PJM’s intention to request a retroactive effective date because imposing a retroactive effective date would require PJM to re-clear the markets for the

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<sup>8</sup> *PJM Interconnection, L.L.C.*, 127 FERC ¶ 61,188 (2009) (“May 28<sup>th</sup> Order”) at P 7; *see also* March 23<sup>rd</sup> Order at P 4; February 19<sup>th</sup> Order at P 42.

<sup>9</sup> March 23<sup>rd</sup> Order at P 22.

four month period of time from June 21, 2010 to October 25, 2010. This would entail PJM hypothetically re-dispatching resources based on new bids that incorporate Energy Market Opportunity Costs, which bids speculate how generators would have theoretically bid their resources that might now be called on, but which weren't called on when resources were originally dispatched and the markets were originally cleared.

Furthermore, Market Participants would also have to re-calculate their offers based on their costs in effect on the dates from June 21, 2010 to October 25, 2010 based on data available on those dates and the number of the unit's run hours available on those dates. In other words, it would be an exceptional burden on the generation owners who might be subject to these limitations to have to re-calculate their offers, and on PJM to re-clear the Real-time Energy Markets, Day-ahead Energy Markets and Ancillary Services Markets and re-calculate balancing Operating Reserve make-whole payments for the 128 days in question.

Further, when the order was received on October 25, 2010, it was after the noon deadline for the submission of bids on that day in the Day-ahead Energy Market held for the October 26, 2010 operating day. Thus, the earliest effective date that can be imposed without having to re-calculate offers, re-run the PJM markets and re-calculate balancing Operating Reserve make-whole payments is October 26, 2010.

Accordingly, PJM requests that the Commission waive the requirement to submit "sheet-based" tariff sheets dating back to June 21, 2010 and permit a later effective date of October 26, 2010, consistent with the Commission's May 21 eTariff Procedures Notice wherein the Commission explained that the requirement could be waived for submitting tariff provisions governing periods earlier than the baseline filing as part of

the transmittal letter or as a separate attachment “unless the company and its customers have waived the need to file tariff provisions for earlier periods.”<sup>10</sup>

PJM requests an effective date of October 26, 2010, the first day after the issuance of the Commission’s order in Docket No. EL08-47-005.

#### **IV. DOCUMENTS ENCLOSED**

PJM provides with this transmittal letter, in electronic tariff filing format as required by Order No. 714, clean and marked copies of Sections 1.3.2B and 1.10.1A(d) of Attachment K – Appendix of the Tariff, as well as Sections 1.3.2B and 1.10.1A(d) of Schedule 1, and Schedule 2 of the Operating Agreement.

#### **V. CORRESPONDENCE AND COMMUNICATIONS**

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#### **VI. SERVICE**

PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. Electronic service is permitted as of November 3, 2008, under the Commission’s

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<sup>10</sup> May 21 eTariff Procedures Notice at 3.

regulations<sup>11</sup> pursuant to Order No. 714<sup>12</sup> and the Commission's Notice of Effectiveness of Regulations issued on October 28, 2008, in Docket No. RM01-5-000. In compliance with these regulations, PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: <http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx> with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region<sup>13</sup> alerting them that this filing has been made by PJM today and is available by following such link. PJM is also serving electronic copies of this filing on all persons listed on the Commission's official service list for these proceedings.

Respectfully submitted,

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<sup>11</sup> See 18 CFR §§ 35.2, 154.2, 154.208 and 341.2

<sup>12</sup> Federal Energy Regulatory Commission, Order No. 714, 124 FERC ¶ 61,270

<sup>13</sup> PJM already maintains, updates and regularly uses e-mail lists for all PJM members and affected commissions.

# Marked Sections

### **1.3 Definitions.**

#### **1.3.1 Acceleration Request.**

“Acceleration Request” shall mean a request pursuant to section 1.9.4A of this Schedule to accelerate or reschedule a transmission outage scheduled pursuant to sections 1.9.2 or 1.9.4.

#### **1.3.1A Auction Revenue Rights.**

“Auction Revenue Rights” or “ARRs” shall mean the right to receive the revenue from the Financial Transmission Right auction, as further described in Section 7.4 of this Schedule.

##### **1.3.1A.001 Batch Load Demand Resource.**

“Batch Load Demand Resource” shall mean a Demand Resource that has a cyclical production process such that at most times during the process it is consuming energy, but at consistent regular intervals, ordinarily for periods of less than ten minutes, it reduces its consumption of energy for its production processes to minimal or zero megawatts.

##### **1.3.1A.01 Curtailment Service Provider.**

“Curtailment Service Provider” or “CSP” shall mean a Member or a Special Member, which action on behalf of itself or one or more other Members or non-Members, participates in the PJM Interchange Energy Market by causing a reduction in demand.

#### **1.3.1B Auction Revenue Rights Credits.**

“Auction Revenue Rights Credits” shall mean the allocated share of total FTR auction revenues or costs credited to each holder of Auction Revenue Rights, calculated and allocated as specified in Section 7.4.3 of this Schedule.

##### **1.3.1B.01 Congestion Price.**

“Congestion Price” shall mean the congestion component of the Locational Marginal Price, which is the effect on transmission congestion costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource, based on the effect of increased generation from or consumption by the resource on transmission line loadings, calculated as specified in Section 2 of Schedule 1 of this Agreement.

##### **1.3.1B.02 Day-ahead Congestion Price.**

“Day-ahead Congestion Price” shall mean the Congestion Price resulting from the Day-ahead Energy Market.

#### **1.3.1C Day-ahead Energy Market.**



“Day-ahead Energy Market” shall mean the schedule of commitments for the purchase or sale of energy and payment of Transmission Congestion Charges developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.

**1.3.1C.01 Day-ahead Loss Price.**

“Day-ahead Loss Price” shall mean the Loss Price resulting from the Day-ahead Energy Market.

**1.3.1D Day-ahead Prices.**

“Day-ahead Prices” shall mean the Locational Marginal Prices resulting from the Day-ahead Energy Market.

**1.3.1D.01 Day-ahead Scheduling Reserves.**

“Day-ahead Scheduling Reserves” shall mean thirty-minute reserves as defined by the Reliability First Corporation and SERC.

**1.3.1D.02 Day-ahead Scheduling Reserves Requirement.**

“Day-ahead Scheduling Reserves Requirement” shall mean the thirty-minute reserve requirement for the PJM Region established consistent with Reliability First Corporation and SERC reliability standards, or those of any additional and/or successor regional reliability organization(s) that are responsible for establishing reliability requirements for the PJM Region, plus any additional thirty-minute reserves scheduled in response to an RTO-wide Hot or Cold Weather Alert or other reasons for conservative operations.

**1.3.1D.03 Day-ahead Scheduling Reserves Resources.**

“Day-ahead Scheduling Reserves Resources” shall mean synchronized and non-synchronized generation resources and Demand Resources electrically located within the PJM Region that are capable of providing Day-ahead Scheduling Reserves.

**1.3.1D.04 Day-ahead Scheduling Reserves Market.**

“Day-ahead Scheduling Reserves Market” shall mean the schedule of commitments for the purchase or sale of Day-ahead Scheduling Reserves developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.

**1.3.1D.05 Day-ahead System Energy Price.**

“Day-ahead System Energy Price” shall mean the System Energy Price resulting from the Day-ahead Energy Market.

### **1.3.1E Decrement Bid.**

“Decrement Bid” shall mean a bid to purchase energy at a specified location in the Day-ahead Energy Market. An accepted Decrement Bid results in scheduled load at the specified location in the Day-ahead Energy Market.

#### **1.3.1E.01 Demand Resource.**

“Demand Resource” shall mean a resource with the capability to provide a reduction in demand.

### **1.3.1F Dispatch Rate.**

“Dispatch Rate” shall mean the control signal, expressed in dollars per megawatt-hour, calculated and transmitted continuously and dynamically to direct the output level of all generation resources dispatched by the Office of the Interconnection in accordance with the Offer Data.

### **1.3.1G Energy Storage Resource.**

“Energy Storage Resource” shall mean flywheel or battery storage facility solely used for short term storage and injection of energy at a later time to participate in the PJM energy and/or Ancillary Services markets as a Market Seller.

### **1.3.2 Equivalent Load.**

“Equivalent Load” shall mean the sum of a Market Participant’s net system requirements to serve its customer load in the PJM Region, if any, plus its net bilateral transactions.

#### **1.3.2A Economic Load Response Participant.**

“Economic Load Response Participant” shall mean a Member or Special Member that qualifies under Section 1.5A of this Schedule to participate in the PJM Interchange Energy Market through reductions in demand.

##### ***1.3.2A.01 Economic Minimum.***

*“Economic Minimum” shall mean the lowest incremental MW output level a unit can achieve while following economic dispatch.*

#### **1.3.2B Energy Market Opportunity Cost.**

“Energy Market Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of available run hours due to limitations imposed on the unit by Applicable Laws and Regulations (as defined in PJM Tariff), and (b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Energy Market Opportunity Cost therefore is

the value associated with a specific generating unit's lost opportunity to produce energy during a higher valued period of time occurring within the same compliance period, which compliance period is determined by the applicable regulatory authority and is reflected in the rules set forth in PJM Manual 15. Energy Market Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.

### **1.3.3 External Market Buyer.**

“External Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for consumption by end-users outside the PJM Region, or for load in the PJM Region that is not served by Network Transmission Service.

### **1.3.4 External Resource.**

“External Resource” shall mean a generation resource located outside the metered boundaries of the PJM Region.

### **1.3.5 Financial Transmission Right.**

“Financial Transmission Right” or “FTR” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2 of this Schedule.

### **1.3.5A Financial Transmission Right Obligation.**

“Financial Transmission Right Obligation” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(b) of this Schedule.

### **1.3.5B Financial Transmission Right Option.**

“Financial Transmission Right Option” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(c) of this Schedule.

### **1.3.6 Generating Market Buyer.**

“Generating Market Buyer” shall mean an Internal Market Buyer that is a Load Serving Entity that owns or has contractual rights to the output of generation resources capable of serving the Market Buyer's load in the PJM Region, or of selling energy or related services in the PJM Interchange Energy Market or elsewhere.

### **1.3.7 Generator Forced Outage.**

“Generator Forced Outage” shall mean an immediate reduction in output or capacity or removal from service, in whole or in part, of a generating unit by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the facility, as specified in the relevant portions of the PJM Manuals. A reduction in output or

removal from service of a generating unit in response to changes in market conditions shall not constitute a Generator Forced Outage.

### **1.3.8 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 necessary repairs on specific components of the facility, if removal of the facility meets the guidelines specified in the PJM Manuals.

### **1.3.9 Generator Planned Outage.**

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

#### **1.3.9A Increment Bid.**

“Increment Bid” shall mean an offer to sell energy at a specified location in the Day-ahead Energy Market. An accepted Increment Bid results in scheduled generation at the specified location in the Day-ahead Energy Market.

#### **1.3.9B Interface Pricing Point**

“Interface Pricing Point” shall have the meaning specified in section 2.6A.

### **1.3.10 Internal Market Buyer.**

“Internal Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for ultimate consumption by end-users inside the PJM Region that are served by Network Transmission Service.

### **1.3.11 Inadvertent Interchange.**

“Inadvertent Interchange” shall mean the difference between net actual energy flow and net scheduled energy flow into or out of the individual Control Areas operated by PJM.

#### **1.3.11.01 Load Management.**

“Load Management” shall mean either a Demand Resource (“DR”) or an Interruptible Load for Reliability (“ILR”) resource, both as defined in the Reliability Assurance Agreement.

#### **1.3.11A Load Reduction Event.**

“Load Reduction Event” shall mean a reduction in demand by a Member or Special Member for the purpose of participating in the PJM Interchange Energy Market.

### **1.3.11B Loss Price.**

“Loss Price” shall mean the loss component of the Locational Marginal Price, which is the effect on transmission loss costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource based on the effect of increased generation from or consumption by the resource on transmission losses, calculated as specified in Section 2 of Schedule 1 of this Agreement.

### **1.3.12 Market Operations Center.**

“Market Operations Center” shall mean the equipment, facilities and personnel used by or on behalf of a Market Participant to communicate and coordinate with the Office of the Interconnection in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

### **1.3.12A Maximum Emergency.**

“Maximum Emergency” shall mean the designation of all or part of the output of a generating unit for which the designated output levels may require extraordinary procedures and therefore are available to the Office of the Interconnection only when the Office of the Interconnection declares a Maximum Generation Emergency and requests generation designated as Maximum Emergency to run. The Office of the Interconnection shall post on the PJM website the aggregate amount of megawatts that are classified as Maximum Emergency.

### **1.3.13 Maximum Generation Emergency.**

“Maximum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection to address either a generation or transmission emergency in which the Office of the Interconnection anticipates requesting one or more Generation Capacity Resources, or Non-Retail Behind The Meter Generation resources to operate at its maximum net or gross electrical power output, subject to the equipment stress limits for such Generation Capacity Resource or Non-Retail Behind The Meter resource in order to manage, alleviate, or end the Emergency.

### **1.3.14 Minimum Generation Emergency.**

“Minimum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection in which the Office of the Interconnection anticipates requesting one or more generating resources to operate at or below Normal Minimum Generation, in order to manage, alleviate, or end the Emergency.

### **1.3.14A NERC Interchange Distribution Calculator.**

“NERC Interchange Distribution Calculator” shall mean the NERC mechanism that is in effect and being used to calculate the distribution of energy, over specific transmission interfaces, from energy transactions.

### **1.3.15 Network Resource.**

“Network Resource” shall have the meaning specified in the PJM Tariff.

### **1.3.16 Network Service User.**

“Network Service User” shall mean an entity using Network Transmission Service.

### **1.3.17 Network Transmission Service.**

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

### **1.3.18 Normal Maximum Generation.**

“Normal Maximum Generation” shall mean the highest output level of a generating resource under normal operating conditions.

### **1.3.19 Normal Minimum Generation.**

“Normal Minimum Generation” shall mean the lowest output level of a generating resource under normal operating conditions.

### **1.3.20 Offer Data.**

“Offer Data” shall mean the scheduling, operations planning, dispatch, new resource, and other data and information necessary to schedule and dispatch generation resources and Demand Resource(s) for the provision of energy and other services and the maintenance of the reliability and security of the transmission system in the PJM Region, and specified for submission to the PJM Interchange Energy Market for such purposes by the Office of the Interconnection.

### **1.3.21 Office of the Interconnection Control Center.**

“Office of the Interconnection Control Center” shall mean the equipment, facilities and personnel used by the Office of the Interconnection to coordinate and direct the operation of the PJM Region and to administer the PJM Interchange Energy Market, including facilities and equipment used to communicate and coordinate with the Market Participants in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

### **1.3.21A On-Site Generators.**

“On-Site Generators” shall mean generation facilities (including Behind The Meter Generation) that (i) are not Capacity Resources, (ii) are not injecting into the grid, (iii) are either synchronized or non-synchronized to the Transmission System, and (iv) can be used to reduce demand for the purpose of participating in the PJM Interchange Energy Market.

### **1.3.22 Operating Day.**

“Operating Day” shall mean the daily 24 hour period beginning at midnight for which transactions on the PJM Interchange Energy Market are scheduled.

### **1.3.23 Operating Margin.**

“Operating Margin” shall mean the incremental adjustments, measured in megawatts, required in PJM Region operations in order to accommodate, on a first contingency basis, an operating contingency in the PJM Region resulting from operations in an interconnected Control Area. Such adjustments may result in constraints causing Transmission Congestion Charges, or may result in Ancillary Services charges pursuant to the PJM Tariff.

### **1.3.24 Operating Margin Customer.**

“Operating Margin Customer” shall mean a Control Area purchasing Operating Margin pursuant to an agreement between such other Control Area and the LLC.

### **1.3.25 PJM Interchange.**

“PJM Interchange” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds, or is exceeded by, the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller; or (e) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (f) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

### **1.3.26 PJM Interchange Export.**

“PJM Interchange Export” shall mean the following, as determined in accordance with Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load is exceeded by the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup sales; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller.

### **1.3.27 PJM Interchange Import.**

“PJM Interchange Import” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds the sum of the hourly outputs of its

operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup purchases; or (c) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (d) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

### **1.3.28 PJM Open Access Same-time Information System.**

“PJM Open Access Same-time Information System” shall mean the electronic communication system for the collection and dissemination of information about transmission services in the PJM Region, established and operated by the Office of the Interconnection in accordance with FERC standards and requirements.

### **1.3.28A Planning Period Quarter.**

“Planning Period Quarter” shall mean any of the following three month periods in the Planning Period: June, July and August; September, October and November; December, January and February; or, March, April and May.

### **1.3.28B Planning Period Balance.**

“Planning Period Balance” shall mean the entire period of time remaining in the Planning Period following the month that a monthly auction is conducted.

### **1.3.29 Point-to-Point Transmission Service.**

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

### **1.3.30 Ramping Capability.**

“Ramping Capability” shall mean the sustained rate of change of generator output, in megawatts per minute.

#### **1.3.30.01 Real-time Congestion Price.**

“Real-time Congestion Price” shall mean the Congestion Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

#### **1.3.30.02 Real-time Loss Price.**

“Real-time Loss Price” shall mean the Loss Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

### **1.3.30A Real-time Prices.**



“Real-time Prices” shall mean the Locational Marginal Prices resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

### **1.3.30B Real-time Energy Market.**

“Real-time Energy Market” shall mean the purchase or sale of energy and payment of Transmission Congestion Charges for quantity deviations from the Day-ahead Energy Market in the Operating Day.

#### **1.3.30B.01 Real-time System Energy Price.**

“Real-time System Energy Price” shall mean the System Energy Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

### **1.3.31 Regulation.**

“Regulation” shall mean the capability of a specific generation resource or Demand Resource with appropriate telecommunications, control and response capability to increase or decrease its output or adjust load in response to a regulating control signal, in accordance with the specifications in the PJM Manuals.

#### **1.3.31.01 Residual Auction Revenue Rights.**

“Residual Auction Revenue Rights” shall mean incremental stage 1 Auction Revenue Rights created within a Planning Period by an increase in transmission system capability or a change in any other relevant factor that was not modeled pursuant to section 7.5 of Schedule 1 of this Agreement in compliance with section 7.4.2 (h) of Schedule 1 of this Agreement, and, if modeled, would have increased the amount of stage 1 Auction Revenue Rights allocated pursuant to section 7.4.2 of Schedule 1 of this Agreement; provided that, the foregoing notwithstanding, Residual Auction Revenue Rights shall exclude: 1) Incremental Auction Revenue Rights allocated pursuant to Part VI of the Tariff; and 2) Auction Revenue Rights allocated to entities that are assigned cost responsibility pursuant to Schedule 6 of this Agreement for transmission upgrades that create such rights.

#### **1.3.31.02 Special Member.**

“Special Member” shall mean an entity that satisfies the requirements of Section 1.5A.02 of this Schedule or the special membership provisions established under the Emergency Load Response Program.

#### **1.3.31A [RESERVED]**

#### **1.3.31B [RESERVED]**

### **1.3.32 Spot Market Backup.**

“Spot Market Backup” shall mean the purchase of energy from, or the delivery of energy to, the PJM Interchange Energy Market in quantities sufficient to complete the delivery or receipt obligations of a bilateral contract that has been curtailed or interrupted for any reason.

### **1.3.33 Spot Market Energy.**

“Spot Market Energy” shall mean energy bought or sold by Market Participants through the PJM Interchange Energy Market at System Energy Prices determined as specified in Section 2 of this Schedule.

#### **1.3.33A State Estimator.**

“State Estimator” shall mean the computer model of power flows specified in Section 2.3 of this Schedule.

#### **1.3.33B Station Power.**

“Station Power” shall mean energy used for operating the electric equipment on the site of a generation facility located in the PJM Region or for the heating, lighting, air-conditioning and office equipment needs of buildings on the site of such a generation facility that are used in the operation, maintenance, or repair of the facility. Station Power does not include any energy (i) used to power synchronous condensers; (ii) used for pumping at a pumped storage facility; (iii) used for charging an Energy Storage Resource; or (iv) used in association with restoration or black start service.

##### **1.3.33B.01 Synchronized Reserve.**

“Synchronized Reserve” shall mean the reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes from the request of the Office of the Interconnection dispatcher, and is provided by equipment that is electrically synchronized to the Transmission System.

##### **1.3.33B.02 Synchronized Reserve Event.**

“Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources and/or Demand Resources able, assigned or self-scheduled, to provide Synchronized Reserve within ten minutes, to increase the energy output or reduce load by the amount of assigned or self-schedule Synchronized Reserve capability.

##### **1.3.33B.03 System Energy Price.**

“System Energy Price” shall mean the energy component of the Locational Marginal Price, which is the price at which the Market Seller has offered to supply an additional increment of energy from a resource, calculated as specified in Section 2 of Schedule 1 of this Agreement.

#### **1.3.33C Target Allocation.**

“Target Allocation” shall mean the allocation of Transmission Congestion Credits as set forth in Section 5.2.3 of this Schedule or the allocation of Auction Revenue Rights Credits as set forth in Section 7.4.3 of this Schedule.

**1.3.34 Transmission Congestion Charge.**

“Transmission Congestion Charge” shall mean a charge attributable to the increased cost of energy delivered at a given load bus when the transmission system serving that load bus is operating under constrained conditions, or as necessary to provide energy for third-party transmission losses in accordance with Section 9.3, which shall be calculated and allocated as specified in Section 5.1 of this Schedule.

**1.3.35 Transmission Congestion Credit.**

“Transmission Congestion Credit” shall mean the allocated share of total Transmission Congestion Charges credited to each holder of Financial Transmission Rights, calculated and allocated as specified in Section 5.2 of this Schedule.

**1.3.36 Transmission Customer.**

“Transmission Customer” shall mean an entity using Point-to-Point Transmission Service.

**1.3.37 Transmission Forced Outage.**

“Transmission Forced Outage” shall mean an immediate removal from service of a transmission facility by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the transmission facility, as specified in the relevant portions of the PJM Manuals. A removal from service of a transmission facility at the request of the Office of the Interconnection to improve transmission capability shall not constitute a Forced Transmission Outage.

**1.3.37A Transmission Loading Relief.**

“Transmission Loading Relief” shall mean NERC’s procedures for preventing operating security limit violations, as implemented by PJM as the security coordinator responsible for maintaining transmission security for the PJM Region.

**1.3.37B Transmission Loading Relief Customer.**

“Transmission Loading Relief Customer” shall mean an entity that, in accordance with Section 1.10.6A, has elected to pay Transmission Congestion Charges during Transmission Loading Relief in order to continue energy schedules over contract paths outside the PJM Region that are increasing the cost of energy in the PJM Region.

**1.3.37C Transmission Loss Charge.**

“Transmission Loss Charge” shall mean the charges to each Market Participant, Network Customer, or Transmission Customer for the cost of energy lost in the transmission of electricity from a generation resource to load as specified in Section 5 of this Schedule.

**1.3.38 Transmission Planned Outage.**

“Transmission Planned Outage” shall mean any transmission outage scheduled in advance for a pre-determined duration and which meets the notification requirements for such outages specified in this Agreement or the PJM Manuals.

**1.3.39 Zonal Base Load.**

“Zonal Base Load” shall mean the lowest daily zonal peak load from the twelve month period ending October 21 of the calendar year immediately preceding the calendar year in which an annual Auction Revenue Right allocation is conducted, increased by the projected load growth rate for the relevant Zone.

## **1.10 Scheduling.**

### **1.10.1 General.**

(a) The Office of the Interconnection shall administer scheduling processes to implement a Day-ahead Energy Market and a Real-time Energy Market.

(b) The Day-ahead Energy Market shall enable Market Participants to purchase and sell energy through the PJM Interchange Energy Market at Day-ahead Prices and enable Transmission Customers to reserve transmission service with Transmission Congestion Charges and Transmission Loss Charges based on locational differences in Day-ahead Prices. Up-To Congestion transactions submitted in the Day-ahead Energy Market shall not require transmission service and Transmission Customers shall not reserve transmission service for such transactions. Market Participants whose purchases and sales, and Transmission Customers whose transmission uses are scheduled in the Day-ahead Energy Market, shall be obligated to purchase or sell energy, or pay Transmission Congestion Charges and Transmission Loss Charges, at the applicable Day-ahead Prices for the amounts scheduled.

(c) In the Real-time Energy Market, Market Participants that deviate from the amounts of energy purchases or sales, or Transmission Customers that deviate from the transmission uses, scheduled in the Day-ahead Energy Market shall be obligated to purchase or sell energy, or pay Transmission Congestion Charges and Transmission Loss Charges, for the amount of the deviations at the applicable Real-time Prices or price differences, unless otherwise specified by this Schedule.

(d) The following scheduling procedures and principles shall govern the commitment of resources to the Day-ahead Energy Market and the Real-time Energy Market over a period extending from one week to one hour prior to the real-time dispatch. Scheduling encompasses the day-ahead and hourly scheduling process, through which the Office of the Interconnection determines the Day-ahead Energy Market and determines, based on changing forecasts of conditions and actions by Market Participants and system constraints, a plan to serve the hourly energy and reserve requirements of the Internal Market Buyers and the purchase requests of the External Market Buyers in the least costly manner, subject to maintaining the reliability of the PJM Region. Scheduling shall be conducted as specified below, subject to the following condition. If the Office of the Interconnection's forecast for the next seven days projects a likelihood of Emergency conditions, the Office of the Interconnection may commit, for all or part of such seven day period, to the use of generation resources with notification or start-up times greater than one day as necessary in order to alleviate or mitigate such Emergency, in accordance with the Market Sellers' offers for such units for such periods and the specifications in the PJM Manuals.

#### **1.10.1A Day-Ahead Energy Market Scheduling.**

The following actions shall occur not later than 12:00 noon on the day before the Operating Day for which transactions are being scheduled, or such other deadline as may be specified by the

Office of the Interconnection in order to comply with the practical requirements and the economic and efficiency objectives of the scheduling process specified in this Schedule.

(a) Each Market Participant may submit to the Office of the Interconnection specifications of the amount and location of its customer loads and/or energy purchases to be included in the Day-ahead Energy Market for each hour of the next Operating Day, such specifications to comply with the requirements set forth in the PJM Manuals. Each Market Buyer shall inform the Office of the Interconnection of the prices, if any, at which it desires not to include its load in the Day-ahead Energy Market rather than pay the Day-ahead Price.

(b) Each Generating Market Buyer shall submit to the Office of the Interconnection: (i) hourly schedules for resource increments, including hydropower units, self-scheduled by the Market Buyer to meet its Equivalent Load; and (ii) the Dispatch Rate at which each such self-scheduled resource will disconnect or reduce output, or confirmation of the Market Buyer's intent not to reduce output.

(c) All Market Participants shall submit to the Office of the Interconnection schedules for any bilateral transactions involving use of generation or Transmission Facilities as specified below, and shall inform the Office of the Interconnection whether the transaction is to be included in the Day-ahead Energy Market. Any Market Participant that elects to include a bilateral transaction in the Day-ahead Energy Market may specify the price (such price not to exceed the maximum price that may be specified in the PJM Manuals), if any, at which it will be wholly or partially curtailed rather than pay Transmission Congestion Charges. The foregoing price specification shall apply to the price difference between the specified bilateral transaction source and sink points in the day-ahead scheduling process only. Any Market Participant that elects not to include its bilateral transaction in the Day-ahead Energy Market shall inform the Office of the Interconnection if the parties to the transaction are not willing to incur Transmission Congestion Charges in the Real-time Energy Market in order to complete any such scheduled bilateral transaction. Scheduling of bilateral transactions shall be conducted in accordance with the specifications in the PJM Manuals and the following requirements:

i) Internal Market Buyers shall submit schedules for all bilateral purchases for delivery within the PJM Region, whether from generation resources inside or outside the PJM Region;

ii) Market Sellers shall submit schedules for bilateral sales to entities outside the PJM Region from generation within the PJM Region that is not dynamically scheduled to such entities pursuant to Section 1.12; and

iii) In addition to the foregoing schedules for bilateral transactions, Market Participants shall submit confirmations of each scheduled bilateral transaction from each other party to the transaction in addition to the party submitting the schedule, or the adjacent Control Area.

(d) Market Sellers wishing to sell into the Day-ahead Energy Market shall submit offers for the supply of energy (including energy from hydropower units), demand reductions,

Regulation, Operating Reserves or other services for the following Operating Day. Offers shall be submitted to the Office of the Interconnection in the form specified by the Office of the Interconnection and shall contain the information specified in the Office of the Interconnection's Offer Data specification, this Section 1.10.1A(d), Schedule 2 ~~to this~~ of the Operating Agreement, and the PJM Manuals, as applicable. Market Sellers owning or controlling the output of a Generation Capacity Resource that was committed in an FRR Capacity Plan, self-supplied, offered and cleared in a Base Residual Auction or Incremental Auction, or designated as replacement capacity, as specified in Attachment DD of the PJM Tariff, and that has not been rendered unavailable by a Generator Planned Outage, a Generator Maintenance Outage, or a Generator Forced Outage shall submit offers for the available capacity of such Generation Capacity Resource, including any portion that is self-scheduled by the Generating Market Buyer. The submission of offers for resource increments that have not cleared in a Base Residual Auction or an Incremental Auction, were not committed in an FRR Capacity Plan, and were not designated as replacement capacity under Attachment DD of the PJM Tariff shall be optional, but any such offers must contain the information specified in the Office of the Interconnection's Offer Data specification, this Section 1.10.1A(d), Schedule 2 of the Operating Agreement, and PJM Manuals, as applicable. Energy offered from generation resources that have not cleared a Base Residual Auction or an Incremental Auction, were not committed in an FRR Capacity Plan, and were not designated as replacement capacity under Attachment DD of the PJM Tariff shall not be supplied from resources that are included in or otherwise committed to supply the Operating Reserves of a Control Area outside the PJM Region. The foregoing offers:

- i) Shall specify the Generation Capacity Resource or Demand Resource and energy or demand reduction amount, respectively, for each hour in the offer period, and the minimum run time for generation resources and minimum down time for Demand Resources;
- ii) Shall specify the amounts and prices for the entire Operating Day for each resource component offered by the Market Seller to the Office of the Interconnection;
- iii) If based on energy from a specific generating unit, may specify start-up and no-load fees equal to the specification of such fees for such unit on file with the Office of the Interconnection, if based on reductions in demand from a Demand Resource may specify shutdown costs;
- iv) Shall set forth any special conditions upon which the Market Seller proposes to supply a resource increment, including any curtailment rate specified in a bilateral contract for the output of the resource, or any cancellation fees;
- v) May include a schedule of offers for prices and operating data contingent on acceptance by the deadline specified in this Schedule, with a second schedule applicable if accepted after the foregoing deadline;
- vi) Shall constitute an offer to submit the resource increment to the Office of the Interconnection for scheduling and dispatch in accordance with the terms of the offer,

which offer shall remain open through the Operating Day for which the offer is submitted;

vii) Shall be final as to the price or prices at which the Market Seller proposes to supply energy or other services to the PJM Interchange Energy Market, such price or prices being guaranteed by the Market Seller for the period extending through the end of the following Operating Day; and

viii) Shall not exceed an energy offer price of \$1,000/megawatt-hour.

(e) A Market Seller that wishes to make a resource available to sell Regulation service shall submit an offer for Regulation that shall specify the megawatt of Regulation being offered, which must equal or exceed 0.5 megawatts, the Regulation Zone for which such regulation is offered, the price of the offer in dollars per MWh, and such other information specified by the Office of the Interconnection as may be necessary to evaluate the offer and the resource's opportunity costs. The price of the offer shall not exceed \$100 per MWh in the case of Regulation offered for all Regulation Zones. In addition to any market-based offer for Regulation, the Market Seller also shall submit a cost-based offer. A cost-based offer must be in the form specified in the PJM Manuals and consist of the following components as well as any other components specified in the PJM Manuals:

i. The costs (in \$/MW) of the fuel cost increase due to the heat rate increase resulting from operating a unit at lower megawatt output incurred from the provision of Regulation;

ii. The cost increase (in \$/MW) in variable operating and maintenance costs resulting from operating the unit at lower megawatt output incurred from the provision of Regulation; and

iii. An adder of up to \$12.00 per megawatt of Regulation provided.

Qualified Regulation capability must satisfy the verification tests specified in the PJM Manuals.

(f) Each Market Seller owning or controlling the output of a Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative shall submit a forecast of the availability of each such Generation Capacity Resource for the next seven days. A Market Seller (i) may submit a non-binding forecast of the price at which it expects to offer a generation resource increment to the Office of the Interconnection over the next seven days, and (ii) shall submit a binding offer for energy, along with start-up and no-load fees, if any, for the next seven days or part thereof, for any generation resource with minimum notification or start-up requirement greater than 24 hours.

(g) Each offer by a Market Seller of a Generation Capacity Resource shall remain in effect for subsequent Operating Days until superseded or canceled.



(h) The Office of the Interconnection shall post on the PJM Open Access Same-time Information System the total hourly loads scheduled in the Day-ahead Energy Market, as well as, its estimate of the combined hourly load of the Market Buyers for the next four days, and peak load forecasts for an additional three days.

(i) Except for Economic Load Response Participants, all Market Participants may submit Increment Bids and/or Decrement Bids that apply to the Day-ahead Energy Market only. Such bids must comply with the requirements set forth in the PJM Manuals and must specify amount, location and price, if any, at which the Market Participant desires to purchase or sell energy in the Day-ahead Energy Market. The Office of the Interconnection may require that a market participant shall not submit in excess of 3000 bid/offer segments in the Day-ahead Energy Market, when the Office of the Interconnection determines that such limit is required to avoid or mitigate significant system performance problems related to bid/offer volume. Notice of the need to impose such limit shall be provided prior to 10:00 a.m. EPT on the day that the Day-ahead Energy Market will clear. For purposes of this provision, a bid/offer segment is each pairing of price and megawatt quantity submitted as part of an Increment Bid or Decrement Bid.

(j) A Market Seller that wishes to make a generation resource or Demand Resource available to sell Synchronized Reserve shall submit an offer for Synchronized Reserve that shall specify the megawatts of Synchronized Reserve being offered, which must equal or exceed 0.5 megawatts, the price of the offer in dollars per megawatt hour, and such other information specified by the Office of Interconnection as may be necessary to evaluate the offer and the energy used by the generation resource to provide the Synchronized Reserve and the generation resource's unit specific opportunity costs. The price of the offer shall not exceed the variable operating and maintenance costs for providing Synchronized Reserve plus seven dollars and fifty cents.

(k) An Economic Load Response Participant that wishes to participate in the Day-ahead Energy Market by reducing demand shall submit an offer to reduce demand to the Office of the Interconnection. The offer must equal or exceed 0.1 megawatts, and the offer shall specify: (i) the amount of the offered curtailment in minimum increments of .1 megawatts; (ii) the Day-ahead Locational Marginal Price above which the end-use customer will reduce load; and (iii) at the Economic Load Response Participant's option, start-up costs associated with reducing load, including direct labor and equipment costs, opportunity costs, and/or a minimum of number of contiguous hours for which the load reduction must be committed. Economic Load Response Participants submitting offers to reduce demand in the Day-ahead Energy Market may establish an incremental offer curve, provided that such offer curve shall be limited to ten price pairs (in MWs).

(l) Market Sellers owning or controlling the output of a Demand Resource that was committed in an FRR Capacity Plan, self-supplied or offered and cleared in the Base Residual Auction or one of the Incremental Auctions, or owning or controlling the output of an ILR resource which was certified as specified in Attachment DD of the PJM Tariff, may submit demand reduction bids for the available load reduction capability of the Demand Resource or ILR resource. The submission of demand reduction bids for resource increments that have not cleared in the Base Residual Auction or in one of the Incremental Auctions, or for ILR resources

that were not certified, or were not committed in an FRR Capacity Plan, shall be optional, but any such bids must contain the information specified in the PJM Economic Load Response Program to be included in such bids. A Demand Resource that was committed in an FRR Capacity plan, self-supplied or offered and cleared in a Base Residual Auction or an Incremental Auction may submit a demand reduction bid in the Day-ahead Energy Market as specified in the Economic Load Response Program, provided however, that in the event of an Emergency, PJM shall require Demand Resources and ILR resources to reduce load notwithstanding that the Zonal LMP at the time such Emergency is declared is below the price identified in the demand reduction bid.

(m) Market Sellers that wish to make Day-ahead Scheduling Reserves Resources available to sell Day-ahead Scheduling Reserves shall submit offers, each of which must equal or exceed 0.5 megawatts, in the Day-ahead Scheduling Reserves Market specifying: 1) the price of the offer in dollars per megawatt hour; and 2) such other information specified by the Office of the Interconnection as may be necessary to determine any relevant opportunity costs for the resource(s). The foregoing notwithstanding, to qualify to submit offers pursuant to this section, the Day-ahead Scheduling Reserves Resources shall submit energy offers in the Day-ahead Energy Market including start-up and shut-down costs for generation resource and Demand Resources, respectively, and all generation resources that are capable of providing Day-ahead Scheduling Reserves that a particular resource can provide that service. The MW quantity of Day-Ahead Scheduling Reserves that a particular resource can provide in a given hour will be determined based on the energy Offer Data submitted in the Day-ahead Energy Market, as detailed in the PJM Manuals.

### **1.10.2 Pool-Scheduled Resources.**

Pool-scheduled resources are those resources for which Market Participants submitted offers to sell energy in the Day-ahead Energy Market and offers to reduce demand in the Day-ahead Energy Market, which the Office of the Interconnection scheduled in the Day-ahead Energy Market as well as generators committed by the Office of the Interconnection subsequent to the Day-ahead Energy Market. Such resources shall be committed to provide energy in the real-time dispatch unless the schedules for such units are revised pursuant to Sections 1.10.9 or 1.11. Pool-scheduled resources shall be governed by the following principles and procedures.

(a) Pool-scheduled resources shall be selected by the Office of the Interconnection on the basis of the prices offered for energy and demand reductions and related services, start-up, no-load and cancellation fees, and the specified operating characteristics, offered by Market Sellers to the Office of the Interconnection by the offer deadline specified in Section 1.10.1A.

(b) A resource that is scheduled by a Market Participant to support a bilateral sale, or that is self-scheduled by a Generating Market Buyer, shall not be selected by the Office of the Interconnection as a pool-scheduled resource except in an Emergency.

(c) Market Sellers offering energy from hydropower or other facilities with fuel or environmental limitations may submit data to the Office of the Interconnection that is sufficient

to enable the Office of the Interconnection to determine the available operating hours of such facilities.

(d) The Market Seller of a resource selected as a pool-scheduled resource shall receive payments or credits for energy, demand reductions or related services, or for start-up and no-load fees, from the Office of the Interconnection on behalf of the Market Buyers in accordance with Section 3 of this Schedule 1. Alternatively, the Market Seller shall receive, in lieu of start-up and no-load fees, its actual costs incurred, if any, up to a cap of the resource's start-up cost, if the Office of the Interconnection cancels its selection of the resource as a pool-scheduled resource and so notifies the Market Seller before the resource is synchronized.

(e) Market Participants shall make available their pool-scheduled resources to the Office of the Interconnection for coordinated operation to supply the Operating Reserves needs of the applicable Control Zone.

(f) Economic Load Response Participants offering to reduce demand shall specify: (i) the amount of the offered curtailment, which offer must equal or exceed 0.1 megawatts, in minimum increments of .1 megawatts; (ii) the real-time Locational Marginal Price above which the end-use customer will reduce load; and (iii) at the Economic Load Response Participant's option, shut-down costs associated with reducing load, including direct labor and equipment costs, opportunity costs, and/or a minimum number of contiguous hours for which the load reduction must be committed. Economic Load Response Participants submitting offers to reduce demand in the Real-time Energy Market may establish an incremental offer curve, provided that such offer curve shall be limited to ten price pairs (in MWs). Economic Load Response Participants offering to reduce demand shall also indicate the hours that the demand reduction is not available.

### **1.10.3 Self-scheduled Resources.**

Self-scheduled resources shall be governed by the following principles and procedures.

(a) Each Generating Market Buyer shall use all reasonable efforts, consistent with Good Utility Practice, not to self-schedule resources in excess of its Equivalent Load.

(b) The offered prices of resources that are self-scheduled, or otherwise not following the dispatch orders of the Office of the Interconnection, shall not be considered by the Office of the Interconnection in determining Locational Marginal Prices.

(c) Market Participants shall make available their self-scheduled resources to the Office of the Interconnection for coordinated operation to supply the Operating Reserves needs of the applicable Control Zone, by submitting an offer as to such resources.

(d) A Market Participant self-scheduling a resource in the Day-ahead Energy Market that does not deliver the energy in the Real-time Energy Market, shall replace the energy not delivered with energy from the Real-time Energy Market and shall pay for such energy at the applicable Real-time Price.

#### **1.10.4 Capacity Resources.**

(a) A Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative that is selected as a pool-scheduled resource shall be made available for scheduling and dispatch at the direction of the Office of the Interconnection. Such a Generation Capacity Resource that does not deliver energy as scheduled shall be deemed to have experienced a Generator Forced Outage to the extent of such energy not delivered. A Market Participant offering such Generation Capacity Resource in the Day-ahead Energy Market shall replace the energy not delivered with energy from the Real-time Energy Market and shall pay for such energy at the applicable Real-time Price.

(b) Energy from a Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative that has not been scheduled in the Day-ahead Energy Market may be sold on a bilateral basis by the Market Seller, may be self-scheduled, or may be offered for dispatch during the Operating Day in accordance with the procedures specified in this Schedule. Such a Generation Capacity Resource that has not been scheduled in the Day-ahead Energy Market and that has been sold on a bilateral basis must be made available upon request to the Office of the Interconnection for scheduling and dispatch during the Operating Day if the

Office of the Interconnection declares a Maximum Generation Emergency. Any such resource so scheduled and dispatched shall receive the applicable Real-time Price for energy delivered.

(c) A resource that has been self-scheduled shall not receive payments or credits for start-up or no-load fees.

#### **1.10.5 External Resources.**

(a) External Resources may submit offers to the PJM Interchange Energy Market, in accordance with the day-ahead and real-time scheduling processes specified above. An External Resource selected as a pool-scheduled resource shall be made available for scheduling and dispatch at the direction of the Office of the Interconnection, and except as specified below shall be compensated on the same basis as other pool-scheduled resources. External Resources that are not capable of dynamic dispatch shall, if selected by the Office of the Interconnection on the basis of the Market Seller's Offer Data, be block loaded on an hourly scheduled basis. Market Sellers shall offer External Resources to the PJM Interchange Energy Market on either a resource-specific or an aggregated resource basis. A Market Participant whose pool-scheduled resource does not deliver the energy scheduled in the Day-ahead Energy Market shall replace such energy not delivered as scheduled in the Day-ahead Energy Market with energy from the PJM Real-time Energy Market and shall pay for such energy at the applicable Real-time Price.

(b) Offers for External Resources from an aggregation of two or more generating units shall so indicate, and shall specify, in accordance with the Offer Data requirements specified by the Office of the Interconnection: (i) energy prices; (ii) hours of energy availability;

(iii) a minimum dispatch level; (iv) a maximum dispatch level; and (v) unless such information has previously been made available to the Office of the Interconnection, sufficient information, as specified in the PJM Manuals, to enable the Office of the Interconnection to model the flow into the PJM Region of any energy from the External Resources scheduled in accordance with the Offer Data. If a Market Seller submits more than one offer on an aggregated resource basis, the withdrawal of any such offer shall be deemed a withdrawal of all higher priced offers for the same period.

(c) Offers for External Resources on a resource-specific basis shall specify the resource being offered, along with the information specified in the Offer Data as applicable.

#### **1.10.6 External Market Buyers.**

(a) Deliveries to an External Market Buyer not subject to dynamic dispatch by the Office of the Interconnection shall be delivered on a block loaded basis to the load bus or busses at the electrical boundaries of the PJM Region, or in such area with respect to an External Market Buyer's load within such area not served by Network Service, at which the energy is delivered to or for the External Market Buyer. External Market Buyers shall be charged or credited at either the Day-ahead Prices or Real-time Prices, whichever is applicable, for energy at the foregoing load bus or busses.

(b) An External Market Buyer's hourly schedules for energy purchased from the PJM Interchange Energy Market shall conform to the ramping and other applicable requirements of the interconnection agreement between the PJM Region and the Control Area to which, whether as an intermediate or final point of delivery, the purchased energy will initially be delivered.

(c) The Office of the Interconnection shall curtail deliveries to an External Market Buyer if necessary to maintain appropriate reserve levels for a Control Zone as defined in the PJM Manuals, or to avoid shedding load in such Control Zone.

#### **1.10.6A Transmission Loading Relief Customers.**

(a) An entity that desires to elect to pay Transmission Congestion Charges in order to continue its energy schedules during an Operating Day over contract paths outside the PJM Region in the event that PJM initiates Transmission Loading Relief that otherwise would cause PJM to request security coordinators to curtail such Member's energy schedules shall:

(i) enter its election on OASIS by 12:00 p.m. of the day before the Operating Day, in accordance with procedures established by PJM, which election shall be applicable for the entire Operating Day; and

(ii) if PJM initiates Transmission Loading Relief, provide to PJM, at such time and in accordance with procedures established by PJM, the hourly integrated energy schedules that impacted the PJM Region (as indicated from the NERC Interchange Distribution Calculator) during the Transmission Loading Relief.

(b) If an entity has made the election specified in Section (a), then PJM shall not request security coordinators to curtail such entity's energy transactions, except as may be necessary to respond to Emergencies.

(c) In order to make elections under this Section 1.10.6A, an entity must (i) have met the creditworthiness standards established by the Office of the Interconnection or provided a letter of credit or other form of security acceptable to the Office of the Interconnection, and (ii) have executed either the Agreement, a Service Agreement under the PJM Tariff, or other agreement committing to pay all Transmission Congestion Charges incurred under this Section.

### **1.10.7 Bilateral Transactions.**

Bilateral transactions as to which the parties have notified the Office of the Interconnection by the deadline specified in Section 1.10.1A that they elect not to be included in the Day-ahead Energy Market and that they are not willing to incur Transmission Congestion Charges in the Real-time Energy Market shall be curtailed by the Office of the Interconnection as necessary to reduce or alleviate transmission congestion. Bilateral transactions that were not included in the Day-ahead Energy Market and that are willing to incur congestion charges and bilateral transactions that were accepted in the Day-ahead Energy Market shall continue to be implemented during periods of congestion, except as may be necessary to respond to Emergencies.

### **1.10.8 Office of the Interconnection Responsibilities.**

(a) The Office of the Interconnection shall use its best efforts to determine (i) the least-cost means of satisfying the projected hourly requirements for energy, Operating Reserves, and other ancillary services of the Market Buyers, including the reliability requirements of the PJM Region, of the Day-ahead Energy Market, and (ii) the least-cost means of satisfying the Operating Reserve and other ancillary service requirements for any portion of the load forecast of the Office of the Interconnection for the Operating Day in excess of that scheduled in the Day-ahead Energy Market. In making these determinations, the Office of the Interconnection shall take into account: (i) the Office of the Interconnection's forecasts of PJM Interchange Energy Market and PJM Region energy requirements, giving due consideration to the energy requirement forecasts and purchase requests submitted by Market Buyers; (ii) the offers submitted by Market Sellers; (iii) the availability of limited energy resources; (iv) the capacity, location, and other relevant characteristics of self-scheduled resources; (v) the objectives of each Control Zone for Operating Reserves, as specified in the PJM Manuals; (vi) the requirements of each Regulation Zone for Regulation and other ancillary services, as specified in the PJM Manuals; (vii) the benefits of avoiding or minimizing transmission constraint control operations, as specified in the PJM Manuals; and (viii) such other factors as the Office of the Interconnection reasonably concludes are relevant to the foregoing determination, including, without limitation, transmission constraints on external coordinated flowgates to the extent provided by section 1.7.6. The Office of the Interconnection shall develop a Day-ahead Energy Market based on the foregoing determination, and shall determine the Day-ahead Prices resulting from such schedule. The Office of the Interconnection shall report the planned schedule for a hydropower resource to

the operator of that resource as necessary for plant safety and security, and legal limitations on pond elevations.

(b) Not later than 4:00 p.m. of the day before each Operating Day, or such earlier deadline as may be specified by the Office of the Interconnection in the PJM Manuals, the Office of the Interconnection shall: (i) post the aggregate Day-ahead Energy Market; (ii) post the Day-ahead Prices; and (iii) inform the Market Sellers, Market Buyers, and Economic Load Response Participants of their scheduled injections, withdrawals, and demand reductions respectively.

(c) Following posting of the information specified in Section 1.10.8(b), the Office of the Interconnection shall revise its schedule of generation resources to reflect updated projections of load, conditions affecting electric system operations in the PJM Region, the availability of and constraints on limited energy and other resources, transmission constraints, and other relevant factors. The Office of the Interconnection shall post on the PJM Open Access Same-time Information System at times specified in the PJM Manuals a revised forecast of the location and duration of any expected transmission congestion, and of the range of differences in Locational Marginal Prices between major subareas of the PJM Region expected to result from such transmission congestion.

(d) Market Buyers shall pay and Market Sellers shall be paid for the quantities of energy scheduled in the Day-ahead Energy Market at the Day-ahead Prices. Economic Load Response Participants shall be paid for scheduled demand reductions pursuant to Section 3.3A of this Schedule.

(e) If the Office of the Interconnection discovers an error in prices and/or cleared quantities in the Day-ahead Energy Market, Real-time Energy Market, Ancillary Services Markets or Day Ahead Scheduling Reserve Market after it has posted the results for these markets on its Web site, the Office of the Interconnection shall notify Market Participants of the error as soon as possible after it is found, but in no event later than 12:00 p.m. of the second business day following the Operating Day for the Ancillary Services Markets and Real-time Energy Market, and no later than 5:00 p.m. of the second business day following the initial publication of the results for the Day-ahead Scheduling Reserve Market and Day-ahead Energy Market.

After this initial notification, if the Office of the Interconnection determines it is necessary to post modified results, it shall provide notification of its intent to do so, together with all available supporting documentation, by no later than 5:00 p.m. of the fifth business day following the Operating Day for the Ancillary Services Markets and Real-time Energy Market, and no later than 5:00 p.m. of the fifth business day following the initial publication of the results in the Day-ahead Scheduling Reserve Market and the Day-ahead Energy Market. Thereafter, the Office of the Interconnection must post on its Web site the corrected results by no later than 5:00 p.m. of the tenth calendar day following the Operating Day for the Ancillary Services Markets, Day-ahead Energy Market and Real-time Energy Market, and no later than 5:00 p.m. of the tenth calendar day following the initial publication of the results in the Day-ahead Scheduling Reserve Market. Should any of the above deadlines pass without the associated action on the part of the Office of the Interconnection, the originally posted results will be considered final.

Notwithstanding the foregoing, the deadlines set forth above shall not apply if the referenced market results are under publicly noticed review by the FERC.

### **1.10.9 Hourly Scheduling.**

(a) Following the initial posting by the Office of the Interconnection of the Locational Marginal Prices resulting from the Day-ahead Energy Market, and subject to the right of the Office of the Interconnection to schedule and dispatch pool-scheduled resources and to direct that schedules be changed in an Emergency, a generation rebidding period shall exist from 4:00 p.m. to 6:00 p.m. on the day before each Operating Day. During the rebidding period, Market Participants may submit revisions to generation Offer Data for any generation resource that was not selected as a pool-scheduled resource in the Day-ahead Energy Market. Adjustments to Day-ahead Energy Markets shall be settled at the applicable Real-time Prices, and shall not affect the obligation to pay or receive payment for the quantities of energy scheduled in the Day-ahead Energy Market at the applicable Day-ahead Prices.

(b) A Market Participant may adjust the schedule of a resource under its dispatch control on an hour-to-hour basis beginning at 10:00 p.m. of the day before each Operating Day, provided that the Office of the Interconnection is notified not later than 60 minutes prior to the hour in which the adjustment is to take effect, as follows:

i) A Generating Market Buyer may self-schedule any of its resource increments, including hydropower resources, not previously designated as self-scheduled and not selected as a pool-scheduled resource in the Day-ahead Energy Market;

ii) A Market Participant may request the scheduling of a non-firm bilateral transaction; or

iii) A Market Participant may request the scheduling of deliveries or receipts of Spot Market Energy; or

iv) A Generating Market Buyer may remove from service a resource increment, including a hydropower resource, that it had previously designated as self-scheduled, provided that the Office of the Interconnection shall have the option to schedule energy from any such resource increment that is a Capacity Resource at the price offered in the scheduling process, with no obligation to pay any start-up fee.

(c) With respect to a pool-scheduled resource that is included in the Day-ahead Energy Market, a Market Seller may not change or otherwise modify its offer to sell energy.

(d) An External Market Buyer may refuse delivery of some or all of the energy it requested to purchase in the Day-ahead Energy Market by notifying the Office of the Interconnection of the adjustment in deliveries not later than 60 minutes prior to the hour in which the adjustment is to take effect, but any such adjustment shall not affect the obligation of the External Market Buyer to pay for energy scheduled on its behalf in the Day-ahead Energy Market at the applicable Day-ahead Prices.



(e) For each hour in the Operating Day, as soon as practicable after the deadlines specified in the foregoing subsection of this Section 1.10, the Office of the Interconnection shall provide External Market Buyers and External Market Sellers and parties to bilateral transactions with any revisions to their schedules for the hour.

### **1.3 Definitions.**

#### **1.3.1 Acceleration Request.**

“Acceleration Request” shall mean a request pursuant to section 1.9.4A of this Schedule to accelerate or reschedule a transmission outage scheduled pursuant to sections 1.9.2 or 1.9.4.

#### **1.3.1A Auction Revenue Rights.**

“Auction Revenue Rights” or “ARRs” shall mean the right to receive the revenue from the Financial Transmission Right auction, as further described in Section 7.4 of this Schedule.

##### **1.3.1A.001 Batch Load Demand Resource.**

“Batch Load Demand Resource” shall mean a Demand Resource that has a cyclical production process such that at most times during the process it is consuming energy, but at consistent regular intervals, ordinarily for periods of less than ten minutes, it reduces its consumption of energy for its production processes to minimal or zero megawatts.

#### **1.3.1B Auction Revenue Rights Credits.**

“Auction Revenue Rights Credits” shall mean the allocated share of total FTR auction revenues or costs credited to each holder of Auction Revenue Rights, calculated and allocated as specified in Section 7.4.3 of this Schedule.

##### **1.3.1B.01 Congestion Price.**

“Congestion Price” shall mean the congestion component of the Locational Marginal Price, which is the effect on transmission congestion costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource, based on the effect of increased generation from or consumption by the resource on transmission line loadings, calculated as specified in Section 2 of Schedule 1 of this Agreement.

##### **1.3.1B.02 Curtailment Service Provider.**

“Curtailment Service Provider” or “CSP” shall mean a Member or a Special Member, which action on behalf of itself or one or more other Members or non-Members, participates in the PJM Interchange Energy Market by causing a reduction in demand.

##### **1.3.1B.03 Day-ahead Congestion Price.**

“Day-ahead Congestion Price” shall mean the Congestion Price resulting from the Day-ahead Energy Market.

#### **1.3.1C Day-ahead Energy Market.**

“Day-ahead Energy Market” shall mean the schedule of commitments for the purchase or sale of energy and payment of Transmission Congestion Charges developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.

**1.3.1C.01 Day-ahead Loss Price.**

“Day-ahead Loss Price” shall mean the Loss Price resulting from the Day-ahead Energy Market.

**1.3.1D Day-ahead Prices.**

“Day-ahead Prices” shall mean the Locational Marginal Prices resulting from the Day-ahead Energy Market.

**1.3.1D.01 Day-ahead Scheduling Reserves.**

“Day-ahead Scheduling Reserves” shall mean thirty-minute reserves as defined by the Reliability First Corporation and SERC.

**1.3.1D.02 Day-ahead Scheduling Reserves Requirement.**

“Day-ahead Scheduling Reserves Requirement” shall mean the thirty-minute reserve requirement for the PJM Region established consistent with Reliability First Corporation and SERC reliability standards, or those of any additional and/or successor regional reliability organization(s) that are responsible for establishing reliability requirements for the PJM Region, plus any additional thirty-minute reserves scheduled in response to an RTO-wide Hot or Cold Weather Alert or other reasons for conservative operations.

**1.3.1D.03 Day-ahead Scheduling Reserves Resources.**

“Day-ahead Scheduling Reserves Resources” shall mean synchronized and non-synchronized generation resources and Demand Resources electrically located within the PJM Region that are capable of providing Day-ahead Scheduling Reserves.

**1.3.1D.04 Day-ahead Scheduling Reserves Market.**

“Day-ahead Scheduling Reserves Market” shall mean the schedule of commitments for the purchase or sale of Day-ahead Scheduling Reserves developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.

**1.3.1D.05 Day-ahead System Energy Price.**

“Day-ahead System Energy Price” shall mean the System Energy Price resulting from the Day-ahead Energy Market.

### **1.3.1E Decrement Bid.**

“Decrement Bid” shall mean a bid to purchase energy at a specified location in the Day-ahead Energy Market. An accepted Decrement Bid results in scheduled load at the specified location in the Day-ahead Energy Market.

#### **1.3.1E.01 Demand Resource.**

“Demand Resource” shall mean a resource with the capability to provide a reduction in demand.

### **1.3.1F Dispatch Rate.**

“Dispatch Rate” shall mean the control signal, expressed in dollars per megawatt-hour, calculated and transmitted continuously and dynamically to direct the output level of all generation resources dispatched by the Office of the Interconnection in accordance with the Offer Data.

### **1.3.1G Energy Storage Resource.**

“Energy Storage Resource” shall mean flywheel or battery storage facility solely used for short term storage and injection of energy at a later time to participate in the PJM energy and/or Ancillary Services markets as a Market Seller.

### **1.3.2 Equivalent Load.**

“Equivalent Load” shall mean the sum of a Market Participant’s net system requirements to serve its customer load in the PJM Region, if any, plus its net bilateral transactions.

#### **1.3.2A Economic Load Response Participant.**

“Economic Load Response Participant” shall mean a Member or Special Member that qualifies under Section 1.5A of this Schedule to participate in the PJM Interchange Energy Market through reductions in demand.

##### ***1.3.2A.01 Economic Minimum.***

*“Economic Minimum” shall mean the lowest incremental MW output level a unit can achieve while following economic dispatch.*

#### **1.3.2B Energy Market Opportunity Cost.**

“Energy Market Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of available run hours due to limitations imposed on the unit by Applicable Laws and Regulations (as defined in PJM Tariff), and (b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Energy Market Opportunity Cost therefore is

the value associated with a specific generating unit's lost opportunity to produce energy during a higher valued period of time occurring within the same compliance period, which compliance period is determined by the applicable regulatory authority and is reflected in the rules set forth in PJM Manual 15. Energy Market Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.

### **1.3.3 External Market Buyer.**

“External Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for consumption by end-users outside the PJM Region, or for load in the PJM Region that is not served by Network Transmission Service.

### **1.3.4 External Resource.**

“External Resource” shall mean a generation resource located outside the metered boundaries of the PJM Region.

### **1.3.5 Financial Transmission Right.**

“Financial Transmission Right” or “FTR” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2 of this Schedule.

### **1.3.5A Financial Transmission Right Obligation.**

“Financial Transmission Right Obligation” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(b) of this Schedule.

### **1.3.5B Financial Transmission Right Option.**

“Financial Transmission Right Option” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(c) of this Schedule.

### **1.3.6 Generating Market Buyer.**

“Generating Market Buyer” shall mean an Internal Market Buyer that is a Load Serving Entity that owns or has contractual rights to the output of generation resources capable of serving the Market Buyer's load in the PJM Region, or of selling energy or related services in the PJM Interchange Energy Market or elsewhere.

### **1.3.7 Generator Forced Outage.**

“Generator Forced Outage” shall mean an immediate reduction in output or capacity or removal from service, in whole or in part, of a generating unit by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the facility, as specified in the relevant portions of the PJM Manuals. A reduction in output or

removal from service of a generating unit in response to changes in market conditions shall not constitute a Generator Forced Outage.

### **1.3.8 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 necessary repairs on specific components of the facility, if removal of the facility meets the guidelines specified in the PJM Manuals.

### **1.3.9 Generator Planned Outage.**

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

#### **1.3.9A Increment Bid.**

“Increment Bid” shall mean an offer to sell energy at a specified location in the Day-ahead Energy Market. An accepted Increment Bid results in scheduled generation at the specified location in the Day-ahead Energy Market.

#### **1.3.9B Interface Pricing Point.**

“Interface Pricing Point” shall have the meaning specified in section 2.6A.

### **1.3.10 Internal Market Buyer.**

“Internal Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for ultimate consumption by end-users inside the PJM Region that are served by Network Transmission Service.

### **1.3.11 Inadvertent Interchange.**

“Inadvertent Interchange” shall mean the difference between net actual energy flow and net scheduled energy flow into or out of the individual Control Areas operated by PJM..

#### **1.3.11.01 Load Management.**

“Load Management” shall mean either a Demand Resource (“DR”) or an Interruptible Load for Reliability (“ILR”) resource, both as defined in the Reliability Assurance Agreement.

#### **1.3.11A Load Reduction Event.**

“Load Reduction Event” shall mean a reduction in demand by a Member or Special Member for the purpose of participating in the PJM Interchange Energy Market.

### **1.3.11B Loss Price.**

“Loss Price” shall mean the loss component of the Locational Marginal Price, which is the effect on transmission loss costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource based on the effect of increased generation from or consumption by the resource on transmission losses, calculated as specified in Section 2 of Schedule 1 of this Agreement.

### **1.3.12 Market Operations Center.**

“Market Operations Center” shall mean the equipment, facilities and personnel used by or on behalf of a Market Participant to communicate and coordinate with the Office of the Interconnection in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

### **1.3.12A Maximum Emergency.**

“Maximum Emergency” shall mean the designation of all or part of the output of a generating unit for which the designated output levels may require extraordinary procedures and therefore are available to the Office of the Interconnection only when the Office of the Interconnection declares a Maximum Generation Emergency and requests generation designated as Maximum Emergency to run. The Office of the Interconnection shall post on the PJM website the aggregate amount of megawatts that are classified as Maximum Emergency.

### **1.3.13 Maximum Generation Emergency.**

“Maximum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection to address either a generation or transmission emergency in which the Office of the Interconnection anticipates requesting one or more Generation Capacity Resources, or Non-Retail Behind The Meter Generation resources to operate at its maximum net or gross electrical power output, subject to the equipment stress limits for such Generation Capacity Resource or Non-Retail Behind The Meter resource in order to manage, alleviate, or end the Emergency.

### **1.3.14 Minimum Generation Emergency.**

“Minimum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection in which the Office of the Interconnection anticipates requesting one or more generating resources to operate at or below Normal Minimum Generation, in order to manage, alleviate, or end the Emergency.

### **1.3.14A NERC Interchange Distribution Calculator.**

“NERC Interchange Distribution Calculator” shall mean the NERC mechanism that is in effect and being used to calculate the distribution of energy, over specific transmission interfaces, from energy transactions.

### **1.3.15 Network Resource.**

“Network Resource” shall have the meaning specified in the PJM Tariff.

### **1.3.16 Network Service User.**

“Network Service User” shall mean an entity using Network Transmission Service.

### **1.3.17 Network Transmission Service.**

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

### **1.3.18 Normal Maximum Generation.**

“Normal Maximum Generation” shall mean the highest output level of a generating resource under normal operating conditions.

### **1.3.19 Normal Minimum Generation.**

“Normal Minimum Generation” shall mean the lowest output level of a generating resource under normal operating conditions.

### **1.3.20 Offer Data.**

“Offer Data” shall mean the scheduling, operations planning, dispatch, new resource, and other data and information necessary to schedule and dispatch generation resources and Demand Resource(s) for the provision of energy and other services and the maintenance of the reliability and security of the transmission system in the PJM Region, and specified for submission to the PJM Interchange Energy Market for such purposes by the Office of the Interconnection.

### **1.3.21 Office of the Interconnection Control Center.**

“Office of the Interconnection Control Center” shall mean the equipment, facilities and personnel used by the Office of the Interconnection to coordinate and direct the operation of the PJM Region and to administer the PJM Interchange Energy Market, including facilities and equipment used to communicate and coordinate with the Market Participants in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

### **1.3.21A On-Site Generators.**

“On-Site Generators” shall mean generation facilities (including Behind The Meter Generation) that (i) are not Capacity Resources, (ii) are not injecting into the grid, (iii) are either synchronized or non-synchronized to the Transmission System, and (iv) can be used to reduce demand for the purpose of participating in the PJM Interchange Energy Market.



### **1.3.22 Operating Day.**

“Operating Day” shall mean the daily 24 hour period beginning at midnight for which transactions on the PJM Interchange Energy Market are scheduled.

### **1.3.23 Operating Margin.**

“Operating Margin” shall mean the incremental adjustments, measured in megawatts, required in PJM Region operations in order to accommodate, on a first contingency basis, an operating contingency in the PJM Region resulting from operations in an interconnected Control Area. Such adjustments may result in constraints causing Transmission Congestion Charges, or may result in Ancillary Services charges pursuant to the PJM Tariff.

### **1.3.24 Operating Margin Customer.**

“Operating Margin Customer” shall mean a Control Area purchasing Operating Margin pursuant to an agreement between such other Control Area and the LLC.

### **1.3.25 PJM Interchange.**

“PJM Interchange” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds, or is exceeded by, the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller; or (e) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (f) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

### **1.3.26 PJM Interchange Export.**

“PJM Interchange Export” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load is exceeded by the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup sales; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller.

### **1.3.27 PJM Interchange Import.**

“PJM Interchange Import” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds the sum of the hourly outputs of its

operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup purchases; or (c) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (d) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

### **1.3.28 PJM Open Access Same-time Information System.**

“PJM Open Access Same-time Information System” shall mean the electronic communication system for the collection and dissemination of information about transmission services in the PJM Region, established and operated by the Office of the Interconnection in accordance with FERC standards and requirements.

### **1.3.28A Planning Period Quarter.**

“Planning Period Quarter” shall mean any of the following three month periods in the Planning Period: June, July and August; September, October and November; December, January and February; or March, April and May.

### **1.3.28B Planning Period Balance.**

“Planning Period Balance” shall mean the entire period of time remaining in the Planning Period following the month that a monthly auction is conducted.

### **1.3.29 Point-to-Point Transmission Service.**

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

### **1.3.30 Ramping Capability.**

“Ramping Capability” shall mean the sustained rate of change of generator output, in megawatts per minute.

#### **1.3.30.01 Real-time Congestion Price.**

“Real-time Congestion Price” shall mean the Congestion Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

#### **1.3.30.02 Real-time Loss Price.**

“Real-time Loss Price” shall mean the Loss Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

### **1.3.30A Real-time Prices.**

“Real-time Prices” shall mean the Locational Marginal Prices resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

**1.3.30B Real-time Energy Market.**

“Real-time Energy Market” shall mean the purchase or sale of energy and payment of Transmission Congestion Charges for quantity deviations from the Day-ahead Energy Market in the Operating Day.

**1.3.30B.01 Real-time System Energy Price.**

“Real-time System Energy Price” shall mean the System Energy Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

**1.3.31 Regulation.**

“Regulation” shall mean the capability of a specific generation resource or Demand Resource with appropriate telecommunications, control and response capability to increase or decrease its output or adjust load in response to a regulating control signal, in accordance with the specifications in the PJM Manuals.

**1.3.31.01 Residual Auction Revenue Rights.**

“Residual Auction Revenue Rights” shall mean incremental stage 1 Auction Revenue Rights created within a Planning Period by an increase in transmission system capability or a change in any other relevant factor that was not modeled pursuant to section 7.5 of Schedule 1 of this Agreement in compliance with section 7.4.2(h) of Schedule 1 of this Agreement, and, if modeled, would have increased the amount of stage 1 Auction Revenue Rights allocated pursuant to section 7.4.2 of Schedule 1 of this Agreement; provided that, the foregoing notwithstanding, Residual Auction Revenue Rights shall exclude: 1) Incremental Auction Revenue Rights allocated pursuant to Part VI of the Tariff; and 2) Auction Revenue Rights allocated to entities that are assigned cost responsibility pursuant to Schedule 6 of this Agreement for transmission upgrades that create such rights.

**1.3.31.02 Special Member.**

“Special Member” shall mean an entity that satisfies the requirements of Section 1.5A.02 of this Schedule or the special membership provisions established under the Emergency Load Response Program.

**1.3.31A [Reserved.]**

**1.3.31B [Reserved.]**

**1.3.32 Spot Market Backup.**

“Spot Market Backup” shall mean the purchase of energy from, or the delivery of energy to, the PJM Interchange Energy Market in quantities sufficient to complete the delivery or receipt obligations of a bilateral contract that has been curtailed or interrupted for any reason.

### **1.3.33 Spot Market Energy.**

“Spot Market Energy” shall mean energy bought or sold by Market Participants through the PJM Interchange Energy Market at System Energy Prices determined as specified in Section 2 of this Schedule.

#### **1.3.33A State Estimator.**

“State Estimator” shall mean the computer model of power flows specified in Section 2.3 of this Schedule.

#### **1.3.33B Station Power.**

“Station Power” shall mean energy used for operating the electric equipment on the site of a generation facility located in the PJM Region or for the heating, lighting, air-conditioning and office equipment needs of buildings on the site of such a generation facility that are used in the operation, maintenance, or repair of the facility. Station Power does not include any energy (i) used to power synchronous condensers; (ii) used for pumping at a pumped storage facility; (iii) used for charging an Energy Storage Resource; or (iv) used in association with restoration or black start service.

##### **1.3.33B.01 Synchronized Reserve.**

“Synchronized Reserve” shall mean the reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes from the request of the Office of the Interconnection dispatcher, and is provided by equipment that is electrically synchronized to the Transmission System.

##### **1.3.33B.02 Synchronized Reserve Event.**

“Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources and/or Demand Resources able, assigned or self-scheduled to provide Synchronized Reserve, within ten minutes, to increase the energy output or reduce load by the amount of assigned or self-scheduled Synchronized Reserve capability.

##### **1.3.33B.03 System Energy Price.**

“System Energy Price” shall mean the energy component of the Locational Marginal Price, which is the price at which the Market Seller has offered to supply an additional increment of energy from a resource, calculated as specified in Section 2 of Schedule 1 of this Agreement.

#### **1.3.33C Target Allocation.**

“Target Allocation” shall mean the allocation of Transmission Congestion Credits as set forth in Section 5.2.3 of this Schedule or the allocation of Auction Revenue Rights Credits as set forth in Section 7.4.3 of this Schedule.

**1.3.34 Transmission Congestion Charge.**

“Transmission Congestion Charge” shall mean a charge attributable to the increased cost of energy delivered at a given load bus when the transmission system serving that load bus is operating under constrained conditions, or as necessary to provide energy for third-party transmission losses in accordance with Section 9.3, which shall be calculated and allocated as specified in Section 5.1 of this Schedule.

**1.3.35 Transmission Congestion Credit.**

“Transmission Congestion Credit” shall mean the allocated share of total Transmission Congestion Charges credited to each holder of Financial Transmission Rights, calculated and allocated as specified in Section 5.2 of this Schedule.

**1.3.36 Transmission Customer.**

“Transmission Customer” shall mean an entity using Point-to-Point Transmission Service.

**1.3.37 Transmission Forced Outage.**

“Transmission Forced Outage” shall mean an immediate removal from service of a transmission facility by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the transmission facility, as specified in the relevant portions of the PJM Manuals. A removal from service of a transmission facility at the request of the Office of the Interconnection to improve transmission capability shall not constitute a Forced Transmission Outage.

**1.3.37A Transmission Loading Relief.**

“Transmission Loading Relief” shall mean NERC’s procedures for preventing operating security limit violations, as implemented by PJM as the security coordinator responsible for maintaining transmission security for the PJM Region.

**1.3.37B Transmission Loading Relief Customer.**

“Transmission Loading Relief Customer” shall mean an entity that, in accordance with Section 1.10.6A, has elected to pay Transmission Congestion Charges during Transmission Loading Relief in order to continue energy schedules over contract paths outside the PJM Region that are increasing the cost of energy in the PJM Region.

**1.3.37C Transmission Loss Charge.**

“Transmission Loss Charge” shall mean the charges to each Market Participant, Network Customer, or Transmission Customer for the cost of energy lost in the transmission of electricity from a generation resource to load as specified in Section 5 of this Schedule.

**1.3.38 Transmission Planned Outage.**

“Transmission Planned Outage” shall mean any transmission outage scheduled in advance for a pre-determined duration and which meets the notification requirements for such outages specified in this Agreement or the PJM Manuals.

**1.3.39 Zonal Base Load.**

“Zonal Base Load” shall mean the lowest daily zonal peak load from the twelve month period ending October 21 of the calendar year immediately preceding the calendar year in which an annual Auction Revenue Right allocation is conducted, increased by the projected load growth rate for the relevant Zone.

## **1.10 Scheduling.**

### **1.10.1 General.**

(a) The Office of the Interconnection shall administer scheduling processes to implement a Day-ahead Energy Market and a Real-time Energy Market.

(b) The Day-ahead Energy Market shall enable Market Participants to purchase and sell energy through the PJM Interchange Energy Market at Day-ahead Prices and enable Transmission Customers to reserve transmission service with Transmission Congestion Charges and Transmission Loss Charges based on locational differences in Day-ahead Prices. Up-To Congestion transactions submitted in the Day-ahead Energy Market shall not require transmission service and Transmission Customers shall not reserve transmission service for such transactions. Market Participants whose purchases and sales, and Transmission Customers whose transmission uses are scheduled in the Day-ahead Energy Market, shall be obligated to purchase or sell energy, or pay Transmission Congestion Charges and Transmission Loss Charges, at the applicable Day-ahead Prices for the amounts scheduled.

(c) In the Real-time Energy Market, Market Participants that deviate from the amounts of energy purchases or sales, or Transmission Customers that deviate from the transmission uses, scheduled in the Day-ahead Energy Market shall be obligated to purchase or sell energy, or pay Transmission Congestion Charges and Transmission Loss Charges, for the amount of the deviations at the applicable Real-time Prices or price differences, unless otherwise specified by this Schedule.

(d) The following scheduling procedures and principles shall govern the commitment of resources to the Day-ahead Energy Market and the Real-time Energy Market over a period extending from one week to one hour prior to the real-time dispatch. Scheduling encompasses the day-ahead and hourly scheduling process, through which the Office of the Interconnection determines the Day-ahead Energy Market and determines, based on changing forecasts of conditions and actions by Market Participants and system constraints, a plan to serve the hourly energy and reserve requirements of the Internal Market Buyers and the purchase requests of the External Market Buyers in the least costly manner, subject to maintaining the reliability of the PJM Region. Scheduling shall be conducted as specified below, subject to the following condition. If the Office of the Interconnection's forecast for the next seven days projects a likelihood of Emergency conditions, the Office of the Interconnection may commit, for all or part of such seven day period, to the use of generation resources with notification or start-up times greater than one day as necessary in order to alleviate or mitigate such Emergency, in accordance with the Market Sellers' offers for such units for such periods and the specifications in the PJM Manuals.

#### **1.10.1A Day-ahead Energy Market Scheduling.**

The following actions shall occur not later than 12:00 noon on the day before the Operating Day for which transactions are being scheduled, or such other deadline as may be specified by the

Office of the Interconnection in order to comply with the practical requirements and the economic and efficiency objectives of the scheduling process specified in this Schedule.

(a) Each Market Participant may submit to the Office of the Interconnection specifications of the amount and location of its customer loads and/or energy purchases to be included in the Day-ahead Energy Market for each hour of the next Operating Day, such specifications to comply with the requirements set forth in the PJM Manuals. Each Market Buyer shall inform the Office of the Interconnection of the prices, if any, at which it desires not to include its load in the Day-ahead Energy Market rather than pay the Day-ahead Price.

(b) Each Generating Market Buyer shall submit to the Office of the Interconnection: (i) hourly schedules for resource increments, including hydropower units, self-scheduled by the Market Buyer to meet its Equivalent Load; and (ii) the Dispatch Rate at which each such self-scheduled resource will disconnect or reduce output, or confirmation of the Market Buyer's intent not to reduce output.

(c) All Market Participants shall submit to the Office of the Interconnection schedules for any bilateral transactions involving use of generation or Transmission Facilities as specified below, and shall inform the Office of the Interconnection whether the transaction is to be included in the Day-ahead Energy Market. Any Market Participant that elects to include a bilateral transaction in the Day-ahead Energy Market may specify the price (such price not to exceed the maximum price that may be specified in the PJM Manuals), if any, at which it will be wholly or partially curtailed rather than pay Transmission Congestion Charges. The foregoing price specification shall apply to the price difference between the specified bilateral transaction source and sink points in the day-ahead scheduling process only. Any Market Participant that elects not to include its bilateral transaction in the Day-ahead Energy Market shall inform the Office of the Interconnection if the parties to the transaction are not willing to incur Transmission Congestion Charges in the Real-time Energy Market in order to complete any such scheduled bilateral transaction. Scheduling of bilateral transactions shall be conducted in accordance with the specifications in the PJM Manuals and the following requirements:

- i) Internal Market Buyers shall submit schedules for all bilateral purchases for delivery within the PJM Region, whether from generation resources inside or outside the PJM Region;
- ii) Market Sellers shall submit schedules for bilateral sales to entities outside the PJM Region from generation within the PJM Region that is not dynamically scheduled to such entities pursuant to Section 1.12; and
- iii) In addition to the foregoing schedules for bilateral transactions, Market Participants shall submit confirmations of each scheduled bilateral transaction from each other party to the transaction in addition to the party submitting the schedule, or the adjacent Control Area.

(d) Market Sellers wishing to sell into the Day-ahead Energy Market shall submit offers for the supply of energy (including energy from hydropower units), demand reductions, Regulation,



Operating Reserves or other services for the following Operating Day. Offers shall be submitted to the Office of the Interconnection in the form specified by the Office of the Interconnection and shall contain the information specified in the Office of the Interconnection's Offer Data specification, this Section 1.10.1A(d), Schedule 2 ~~to this~~ of the Operating Agreement, and the PJM Manuals, as applicable. Market Sellers owning or controlling the output of a Generation Capacity Resource that was committed in an FRR Capacity Plan, self-supplied, offered and cleared in a Base Residual Auction or Incremental Auction, or designated as replacement capacity, as specified in Attachment DD of the PJM Tariff, and that has not been rendered unavailable by a Generator Planned Outage, a Generator Maintenance Outage, or a Generator Forced Outage shall submit offers for the available capacity of such Generation Capacity Resource, including any portion that is self-scheduled by the Generating Market Buyer. The submission of offers for resource increments that have not cleared in a Base Residual Auction or an Incremental Auction, were not committed in an FRR Capacity Plan, and were not designated as replacement capacity under Attachment DD of the PJM Tariff shall be optional, but any such offers must contain the information specified in the Office of the Interconnection's Offer Data specification, this Section 1.10.1A(d), Schedule 2 ~~to this~~ of the Operating Agreement, and the PJM Manuals, as applicable. Energy offered from generation resources that have not cleared a Base Residual Auction or an Incremental Auction, were not committed in an FRR Capacity Plan, and were not designated as replacement capacity under Attachment DD of the PJM Tariff shall not be supplied from resources that are included in or otherwise committed to supply the Operating Reserves of a Control Area outside the PJM Region. The foregoing offers:

- i) Shall specify the Generation Capacity Resource or Demand Resource and energy or demand reduction, amount, respectively, for each hour in the offer period, and the minimum run time for generation resources and minimum down time for Demand Resources;
- ii) Shall specify the amounts and prices for the entire Operating Day for each resource component offered by the Market Seller to the Office of the Interconnection;
- iii) If based on energy from a specific generating unit, may specify start-up and no-load fees equal to the specification of such fees for such unit on file with the Office of the Interconnection, if based on reductions in demand from a Demand Resource may specify shutdown costs;
- iv) Shall set forth any special conditions upon which the Market Seller proposes to supply a resource increment, including any curtailment rate specified in a bilateral contract for the output of the resource, or any cancellation fees;
- v) May include a schedule of offers for prices and operating data contingent on acceptance by the deadline specified in this Schedule, with a second schedule applicable if accepted after the foregoing deadline;

- vi) Shall constitute an offer to submit the resource increment to the Office of the Interconnection for scheduling and dispatch in accordance with the terms of the offer, which offer shall remain open through the Operating Day for which the offer is submitted;
- vii) Shall be final as to the price or prices at which the Market Seller proposes to supply energy or other services to the PJM Interchange Energy Market, such price or prices being guaranteed by the Market Seller for the period extending through the end of the following Operating Day; and
- viii) Shall not exceed an energy offer price of \$1,000/megawatt-hour.

(e) A Market Seller that wishes to make a resource available to sell Regulation service shall submit an offer for Regulation that shall specify the megawatt of Regulation being offered, which must equal or exceed 0.5 megawatts, the Regulation Zone for which such regulation is offered, the price of the offer in dollars per MWh, and such other information specified by the Office of the Interconnection as may be necessary to evaluate the offer and the resource's opportunity costs. The price of the offer shall not exceed \$100 per MWh in the case of Regulation offered for all Regulation Zones. In addition to any market-based offer for Regulation, the Market Seller also shall submit a cost-based offer. A cost-based offer must be in the form specified in the PJM Manuals and consist of the following components as well as any other components specified in the PJM Manuals:

- i. The costs (in \$/MW) of the fuel cost increase due to the heat rate increase resulting from operating the unit at lower megawatt output incurred from the provision of Regulation;
- ii. The cost increase (in \$/MW) in variable operating and maintenance costs resulting from operating the unit at lower megawatt output incurred from the provision of Regulation; and
- iii. An adder of up to \$12.00 per megawatt of Regulation provided.

Qualified Regulation capability must satisfy the verification tests specified in the PJM Manuals.

(f) Each Market Seller owning or controlling the output of a Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative shall submit a forecast of the availability of each such Generation Capacity Resource for the next seven days. A Market Seller (i) may submit a non-binding forecast of the price at which it expects to offer a generation resource increment to the Office of the Interconnection over the next seven days, and (ii) shall submit a binding offer for energy, along with start-up and no-load fees, if any, for the next seven days or part thereof, for any generation resource with minimum notification or start-up requirement greater than 24 hours.

(g) Each offer by a Market Seller of a Generation Capacity Resource shall remain in effect for subsequent Operating Days until superseded or canceled.

(h) The Office of the Interconnection shall post on the PJM Open Access Same-time Information System the total hourly loads scheduled in the Day-ahead Energy Market, as well as, its estimate of the combined hourly load of the Market Buyers for the next four days, and peak load forecasts for an additional three days.

(i) Except for Economic Load Response Participants, all Market Participants may submit Increment Bids and/or Decrement Bids that apply to the Day-ahead Energy Market only. Such bids must comply with the requirements set forth in the PJM Manuals and must specify amount, location and price, if any, at which the Market Participant desires to purchase or sell energy in the Day-ahead Energy Market. The Office of the Interconnection may require that a market participant shall not submit in excess of 3000 bid/offer segments in the Day-ahead Energy Market, when the Office of the Interconnection determines that such limit is required to avoid or mitigate significant system performance problems related to bid/offer volume. Notice of the need to impose such limit shall be provided prior to 10:00 a.m. EPT on the day that the Day-ahead Energy Market will clear. For purposes of this provision, a bid/offer segment is each pairing of price and megawatt quantity submitted as part of an Increment Bid or Decrement Bid.

(j) A Market Seller that wishes to make a generation resource or Demand Resource available to sell Synchronized Reserve shall submit an offer for Synchronized Reserve that shall specify the megawatts of Synchronized Reserve being offered, which must equal or exceed 0.5 megawatts, the price of the offer in dollars per megawatt hour, and such other information specified by the Office of the Interconnection as may be necessary to evaluate the offer and the energy used by the generation resource to provide the Synchronized Reserve and the generation resource's unit specific opportunity costs. The price of the offer shall not exceed the variable operating and maintenance costs for providing Synchronized Reserve plus seven dollars and fifty cents.

(k) An Economic Load Response Participant that wishes to participate in the Day-ahead Energy Market by reducing demand shall submit an offer to reduce demand to the Office of the Interconnection. The offer must equal or exceed 0.1 megawatts, and the offer shall specify: (i) the amount of the offered curtailment in minimum increments of .1 megawatts; (ii) the Day-ahead Locational Marginal Price above which the end-use customer will reduce load; and (iii) at the Economic Load Response Participant's option, start-up costs associated with reducing load, including direct labor and equipment costs, opportunity costs, and/or a minimum of number of contiguous hours for which the load reduction must be committed. Economic Load Response Participants submitting offers to reduce demand in the Day-ahead Energy Market may establish an incremental offer curve, provided that such offer curve shall be limited to ten price pairs (in MWs).

(l) Market Sellers owning or controlling the output of a Demand Resource that was committed in an FRR Capacity Plan, self-supplied or offered and cleared in the Base Residual Auction or one of the Incremental Auctions, or owning or controlling the output of an ILR resource which was certified as specified in Attachment DD of the PJM Tariff, may submit demand reduction bids for the available load reduction capability of the Demand Resource or ILR resource. The submission of demand reduction bids for resource increments that have not

cleared in the Base Residual Auction or in one of the Incremental Auctions, or for ILR resources that were not certified, or were not committed in an FRR Capacity Plan, shall be optional, but any such bids must contain the information specified in the PJM Economic Load Response Program to be included in such bids. A Demand Resource that was committed in an FRR Capacity Plan, self-supplied or offered and cleared in a Base Residual Auction or an Incremental Auction may submit a demand reduction bid in the Day-ahead Energy Market as specified in the Economic Load Response Program, provided however, that in the event of an Emergency, PJM shall require Demand Resources and ILR resources to reduce load notwithstanding that the Zonal LMP at the time such Emergency is declared is below the price identified in the demand reduction bid.

(m) Market Sellers that wish to make Day-ahead Scheduling Reserves Resources available to sell Day-ahead Scheduling Reserves shall submit offers, each of which must equal or exceed 0.5 megawatts, in the Day-ahead Scheduling Reserves Market specifying: 1) the price of the offer in dollars per megawatt hour; and 2) such other information specified by the Office of the Interconnection as may be necessary to determine any relevant opportunity costs for the resource(s). The foregoing notwithstanding, to qualify to submit offers pursuant to this section, the Day-ahead Scheduling Reserves Resources shall submit energy offers in the Day-ahead Energy Market including start-up and shut-down costs for generation resource and Demand Resources, respectively, and all generation resources that are capable of providing Day-ahead Scheduling Reserves that a particular resource can provide that service. The MW quantity of Day-ahead Scheduling Reserves that a particular resource can provide in a given hour will be determined based on the energy offer data submitted in the Day-ahead Energy Market, as detailed in the PJM Manuals.

### **1.10.2 Pool-scheduled Resources.**

Pool-scheduled resources are those resources for which Market Participants submitted offers to sell energy in the Day-ahead Energy Market and offers to reduce demand in the Day-ahead Energy Market, which the Office of the Interconnection scheduled in the Day-ahead Energy Market as well as generators committed by the Office of the Interconnection subsequent to the Day-ahead Energy Market. Such resources shall be committed to provide energy in the real-time dispatch unless the schedules for such units are revised pursuant to Sections 1.10.9 or 1.11. Pool-scheduled resources shall be governed by the following principles and procedures.

(a) Pool-scheduled resources shall be selected by the Office of the Interconnection on the basis of the prices offered for energy and demand reductions and related services, start-up, no-load and cancellation fees, and the specified operating characteristics, offered by Market Sellers to the Office of the Interconnection by the offer deadline specified in Section 1.10.1A.

(b) A resource that is scheduled by a Market Participant to support a bilateral sale, or that is self-scheduled by a Generating Market Buyer, shall not be selected by the Office of the Interconnection as a pool-scheduled resource except in an Emergency.

(c) Market Sellers offering energy from hydropower or other facilities with fuel or environmental limitations may submit data to the Office of the Interconnection that is sufficient

to enable the Office of the Interconnection to determine the available operating hours of such facilities.

(d) The Market Seller of a resource selected as a pool-scheduled resource shall receive payments or credits for energy, demand reductions or related services, or for start-up and no-load fees, from the Office of the Interconnection on behalf of the Market Buyers in accordance with Section 3 of this Schedule 1. Alternatively, the Market Seller shall receive, in lieu of start-up and no-load fees, its actual costs incurred, if any, up to a cap of the resource's start-up cost, if the Office of the Interconnection cancels its selection of the resource as a pool-scheduled resource and so notifies the Market Seller before the resource is synchronized.

(e) Market Participants shall make available their pool-scheduled resources to the Office of the Interconnection for coordinated operation to supply the Operating Reserves needs of the applicable Control Zone.

(f) Economic Load Response Participants offering to reduce demand shall specify: (i) the amount of the offered curtailment, which offer must equal or exceed 0.1 megawatts, in minimum increments of .1 megawatts; (ii) the real-time Locational Marginal Price above which the end-use customer will reduce load; and (iii) at the Economic Load Response Participant's option, shut-down costs associated with reducing load, including direct labor and equipment costs, opportunity costs, and/or a minimum number of contiguous hours for which the load reduction must be committed. Economic Load Response Participants submitting offers to reduce demand in the Real-time Energy Market may establish an incremental offer curve, provided that such offer curve shall be limited to ten price pairs (in MWs). Economic Load Response Participants offering to reduce demand shall also indicate the hours that the demand reduction is not available.

### **1.10.3 Self-scheduled Resources.**

Self-scheduled resources shall be governed by the following principles and procedures.

(a) Each Generating Market Buyer shall use all reasonable efforts, consistent with Good Utility Practice, not to self-schedule resources in excess of its Equivalent Load.

(b) The offered prices of resources that are self-scheduled, or otherwise not following the dispatch orders of the Office of the Interconnection, shall not be considered by the Office of the Interconnection in determining Locational Marginal Prices.

(c) Market Participants shall make available their self-scheduled resources to the Office of the Interconnection for coordinated operation to supply the Operating Reserves needs of the applicable Control Zone, by submitting an offer as to such resources.

(d) A Market Participant self-scheduling a resource in the Day-ahead Energy Market that does not deliver the energy in the Real-time Energy Market, shall replace the energy not delivered with energy from the Real-time Energy Market and shall pay for such energy at the applicable Real-time Price.

#### **1.10.4 Capacity Resources.**

(a) A Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative that is selected as a pool-scheduled resource shall be made available for scheduling and dispatch at the direction of the Office of the Interconnection. Such a Generation Capacity Resource that does not deliver energy as scheduled shall be deemed to have experienced a Generator Forced Outage to the extent of such energy not delivered. A Market Participant offering such Generation Capacity Resource in the Day-ahead Energy Market shall replace the energy not delivered with energy from the Real-time Energy Market and shall pay for such energy at the applicable Real-time Price.

(b) Energy from a Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative that has not been scheduled in the Day-ahead Energy Market may be sold on a bilateral basis by the Market Seller, may be self-scheduled, or may be offered for dispatch during the Operating Day in accordance with the procedures specified in this Schedule. Such a Generation Capacity Resource that has not been scheduled in the Day-ahead Energy Market and that has been sold on a bilateral basis must be made available upon request to the Office of the Interconnection for scheduling and dispatch during the Operating Day if the Office of the Interconnection declares a Maximum Generation Emergency. Any such resource so scheduled and dispatched shall receive the applicable Real-time Price for energy delivered.

(c) A resource that has been self-scheduled shall not receive payments or credits for start-up or no-load fees.

#### **1.10.5 External Resources.**

(a) External Resources may submit offers to the PJM Interchange Energy Market, in accordance with the day-ahead and real-time scheduling processes specified above. An External Resource selected as a pool-scheduled resource shall be made available for scheduling and dispatch at the direction of the Office of the Interconnection, and except as specified below shall be compensated on the same basis as other pool-scheduled resources. External Resources that are not capable of dynamic dispatch shall, if selected by the Office of the Interconnection on the basis of the Market Seller's Offer Data, be block loaded on an hourly scheduled basis. Market Sellers shall offer External Resources to the PJM Interchange Energy Market on either a resource-specific or an aggregated resource basis. A Market Participant whose pool-scheduled resource does not deliver the energy scheduled in the Day-ahead Energy Market shall replace such energy not delivered as scheduled in the Day-ahead Energy Market with energy from the PJM Real-time Energy Market and shall pay for such energy at the applicable Real-time Price.

(b) Offers for External Resources from an aggregation of two or more generating units shall so indicate, and shall specify, in accordance with the Offer Data requirements specified by the Office of the Interconnection: (i) energy prices; (ii) hours of energy availability; (iii) a minimum dispatch level; (iv) a maximum dispatch level; and (v) unless such information has previously been made available to the Office of the Interconnection, sufficient information, as specified in

the PJM Manuals, to enable the Office of the Interconnection to model the flow into the PJM Region of any energy from the External Resources scheduled in accordance with the Offer Data. If a Market Seller submits more than one offer on an aggregated resource basis, the withdrawal of any such offer shall be deemed a withdrawal of all higher priced offers for the same period.

(c) Offers for External Resources on a resource-specific basis shall specify the resource being offered, along with the information specified in the Offer Data as applicable.

#### **1.10.6 External Market Buyers.**

(a) Deliveries to an External Market Buyer not subject to dynamic dispatch by the Office of the Interconnection shall be delivered on a block loaded basis to the load bus or buses at the electrical boundaries of the PJM Region, or in such area with respect to an External Market Buyer's load within such area not served by Network Service, at which the energy is delivered to or for the External Market Buyer. External Market Buyers shall be charged or credited at either the Day-ahead Prices or Real-time Prices, whichever is applicable, for energy at the foregoing load bus or buses.

(b) An External Market Buyer's hourly schedules for energy purchased from the PJM Interchange Energy Market shall conform to the ramping and other applicable requirements of the interconnection agreement between the PJM Region and the Control Area to which, whether as an intermediate or final point of delivery, the purchased energy will initially be delivered.

(c) The Office of the Interconnection shall curtail deliveries to an External Market Buyer if necessary to maintain appropriate reserve levels for a Control Zone as defined in the PJM Manuals, or to avoid shedding load in such Control Zone.

#### **1.10.6A Transmission Loading Relief Customers.**

(a) An entity that desires to elect to pay Transmission Congestion Charges in order to continue its energy schedules during an Operating Day over contract paths outside the PJM Region in the event that PJM initiates Transmission Loading Relief that otherwise would cause PJM to request security coordinators to curtail such Member's energy schedules shall:

- (i) enter its election on OASIS by 12:00 p.m. of the day before the Operating Day, in accordance with procedures established by PJM, which election shall be applicable for the entire Operating Day; and
- (ii) if PJM initiates Transmission Loading Relief, provide to PJM, at such time and in accordance with procedures established by PJM, the hourly integrated energy schedules that impacted the PJM Region (as indicated from the NERC Interchange Distribution Calculator) during the Transmission Loading Relief.

(b) If an entity has made the election specified in Section (a), then PJM shall not request security coordinators to curtail such entity's energy transactions, except as may be necessary to respond to Emergencies.

(c) In order to make elections under this Section 1.10.6A, an entity must (i) have met the creditworthiness standards established by the Office of the Interconnection or provided a letter of credit or other form of security acceptable to the Office of the Interconnection, and (ii) have executed either the Agreement, a Service Agreement under the PJM Tariff, or other agreement committing to pay all Transmission Congestion Charges incurred under this Section.

### **1.10.7 Bilateral Transactions.**

Bilateral transactions as to which the parties have notified the Office of the Interconnection by the deadline specified in Section 1.10.1A that they elect not to be included in the Day-ahead Energy Market and that they are not willing to incur Transmission Congestion Charges in the Real-time Energy Market shall be curtailed by the Office of the Interconnection as necessary to reduce or alleviate transmission congestion. Bilateral transactions that were not included in the Day-ahead Energy Market and that are willing to incur congestion charges and bilateral transactions that were accepted in the Day-ahead Energy Market shall continue to be implemented during periods of congestion, except as may be necessary to respond to Emergencies.

### **1.10.8 Office of the Interconnection Responsibilities.**

(a) The Office of the Interconnection shall use its best efforts to determine (i) the least-cost means of satisfying the projected hourly requirements for energy, Operating Reserves, and other ancillary services of the Market Buyers, including the reliability requirements of the PJM Region, of the Day-ahead Energy Market, and (ii) the least-cost means of satisfying the Operating Reserve and other ancillary service requirements for any portion of the load forecast of the Office of the Interconnection for the Operating Day in excess of that scheduled in the Day-ahead Energy Market. In making these determinations, the Office of the Interconnection shall take into account: (i) the Office of the Interconnection's forecasts of PJM Interchange Energy Market and PJM Region energy requirements, giving due consideration to the energy requirement forecasts and purchase requests submitted by Market Buyers; (ii) the offers submitted by Market Sellers; (iii) the availability of limited energy resources; (iv) the capacity, location, and other relevant characteristics of self-scheduled resources; (v) the objectives of each Control Zone for Operating Reserves, as specified in the PJM Manuals; (vi) the requirements of each Regulation Zone for Regulation and other ancillary services, as specified in the PJM Manuals; (vii) the benefits of avoiding or minimizing transmission constraint control operations, as specified in the PJM Manuals; and (viii) such other factors as the Office of the Interconnection reasonably concludes are relevant to the foregoing determination, including, without limitation, transmission constraints on external coordinated flowgates to the extent provided by section 1.7.6. The Office of the Interconnection shall develop a Day-ahead Energy Market based on the foregoing determination, and shall determine the Day-ahead Prices resulting from such schedule. The Office of the Interconnection shall report the planned schedule for a hydropower resource to



the operator of that resource as necessary for plant safety and security, and legal limitations on pond elevations.

(b) Not later than 4:00 p.m. of the day before each Operating Day, or such earlier deadline as may be specified by the Office of the Interconnection in the PJM Manuals, the Office of the Interconnection shall: (i) post the aggregate Day-ahead Energy Market; (ii) post the Day-ahead Prices; and (iii) inform the Market Sellers, Market Buyers, and Economic Load Response Participants of their scheduled injections, withdrawals, and demand reductions respectively.

(c) Following posting of the information specified in Section 1.10.8(b), the Office of the Interconnection shall revise its schedule of generation resources to reflect updated projections of load, conditions affecting electric system operations in the PJM Region, the availability of and constraints on limited energy and other resources, transmission constraints, and other relevant factors. The Office of the Interconnection shall post on the PJM Open Access Same-time Information System at times specified in the PJM Manuals a revised forecast of the location and duration of any expected transmission congestion, and of the range of differences in Locational Marginal Prices between major subareas of the PJM Region expected to result from such transmission congestion.

(d) Market Buyers shall pay and Market Sellers shall be paid for the quantities of energy scheduled in the Day-ahead Energy Market at the Day-ahead Prices. Economic Load Response Participants shall be paid for scheduled demand reductions pursuant to Section 3.3A of this Schedule.

(e) If the Office of the Interconnection discovers an error in prices and/or cleared quantities in the Day-ahead Energy Market, Real-time Energy Market, Ancillary Services Markets or Day Ahead Scheduling Reserve Market after it has posted the results for these markets on its Web site, the Office of the Interconnection shall notify Market Participants of the error as soon as possible after it is found, but in no event later than 12:00 p.m. of the second business day following the Operating Day for the Ancillary Services Markets and Real-time Energy Market, and no later than 5:00 p.m. of the second business day following the initial publication of the results for the Day-ahead Scheduling Reserve Market and Day-ahead Energy Market. After this initial notification, if the Office of the Interconnection determines it is necessary to post modified results, it shall provide notification of its intent to do so, together with all available supporting documentation, by no later than 5:00 p.m. of the fifth business day following the Operating Day for the Ancillary Services Markets and Real-time Energy Market, and no later than 5:00 p.m. of the fifth business day following the initial publication of the results in the Day-ahead Scheduling Reserve Market and the Day-ahead Energy Market. Thereafter, the Office of the Interconnection must post on its Web site the corrected results by no later than 5:00 p.m. of the tenth calendar day following the Operating Day for the Ancillary Services Markets, Day-ahead Energy Market and Real-time Energy Market, and no later than 5:00 p.m. of the tenth calendar day following the initial publication of the results in the Day-ahead Scheduling Reserve Market. Should any of the above deadlines pass without the associated action on the part of the Office of the Interconnection, the originally posted results will be considered final. Notwithstanding the foregoing, the deadlines set forth above shall not apply if the referenced market results are under publicly noticed review by the FERC.

### **1.10.9 Hourly Scheduling.**

(a) Following the initial posting by the Office of the Interconnection of the Locational Marginal Prices resulting from the Day-ahead Energy Market, and subject to the right of the Office of the Interconnection to schedule and dispatch pool-scheduled resources and to direct that schedules be changed in an Emergency, a generation rebidding period shall exist from 4:00 p.m. to 6:00 p.m. on the day before each Operating Day. During the rebidding period, Market Participants may submit revisions to generation Offer Data for any generation resource that was not selected as a pool-scheduled resource in the Day-ahead Energy Market. Adjustments to Day-ahead Energy Markets shall be settled at the applicable Real-time Prices, and shall not affect the obligation to pay or receive payment for the quantities of energy scheduled in the Day-ahead Energy market at the applicable Day-ahead Prices.

(b) A Market Participant may adjust the schedule of a resource under its dispatch control on an hour-to-hour basis beginning at 10:00 p.m. of the day before each Operating Day, provided that the Office of the Interconnection is notified not later than 60 minutes prior to the hour in which the adjustment is to take effect, as follows:

- i) A Generating Market Buyer may self-schedule any of its resource increments, including hydropower resources, not previously designated as self-scheduled and not selected as a pool-scheduled resource in the Day-ahead Energy Market;
- ii) A Market Participant may request the scheduling of a non-firm bilateral transaction; or
- iii) A Market Participant may request the scheduling of deliveries or receipts of Spot Market Energy; or
- iv) A Generating Market Buyer may remove from service a resource increment, including a hydropower resource, that it had previously designated as self-scheduled, provided that the Office of the Interconnection shall have the option to schedule energy from any such resource increment that is a Capacity Resource at the price offered in the scheduling process, with no obligation to pay any start-up fee.

(c) With respect to a pool-scheduled resource that is included in the Day-ahead Energy Market, a Market Seller may not change or otherwise modify its offer to sell energy.

(d) An External Market Buyer may refuse delivery of some or all of the energy it requested to purchase in the Day-ahead Energy Market by notifying the Office of the Interconnection of the adjustment in deliveries not later than 60 minutes prior to the hour in which the adjustment is to take effect, but any such adjustment shall not affect the obligation of the External Market Buyer to pay for energy scheduled on its behalf in the Day-ahead Energy Market at the applicable Day-ahead Prices.

(e) For each hour in the Operating Day, as soon as practicable after the deadlines specified in the foregoing subsection of this Section 1.10, the Office of the Interconnection shall provide External Market Buyers and External Market Sellers and parties to bilateral transactions with any revisions to their schedules for the hour.

## SCHEDULE 2 - COMPONENTS OF COST

(a) Each Market Participant obligated to sell energy ~~from operating capacity~~ on the PJM Interchange Energy Market at cost-based rates ~~shall~~may include the following components or their equivalent in the determination of costs for ~~operating capacity~~energy supplied to or from the PJM Region:

~~(1) — For generating units powered by B~~boilers

Firing-up cost;

~~No load cost during period of operation;~~ Peak-prepared-for maintenance cost;

~~Incremental labor cost; and~~

~~Other incremental operating~~

costs.

~~(2) — For generating units powered by M~~achines

Starting cost from cold to synchronized operation;

~~For all generating units~~

~~Incremental fuel cost~~

~~Incremental maintenance cost~~

No-load cost during period of operation;

Incremental labor cost; ~~and~~

Other incremental operating costs.

~~For a generating unit that is subject to operational limitations due to energy or environmental limitations imposed on the generating unit by Applicable Laws and Regulations (as defined in the PJM Tariff), the Market Participant may include in the calculation of its “other incremental operating costs” an amount reflecting the unit-specific Energy Market Opportunity Costs expected to be incurred. Such unit-specific Energy Market Opportunity Costs are calculated by forecasting Locational Marginal Prices based on future contract prices for electricity using PJM Western Hub forward prices, taking into account historical variability and basis differentials for the bus at which the generating unit is located for the prior three year period immediately preceding the relevant compliance period, and subtract therefrom the forecasted costs to generate energy at the bus at which the generating unit is located, as specified in more detail in PJM Manual 15, Section 8: Cost Development Guidelines. If the difference between the forecasted Locational Marginal Prices and forecasted costs to generate energy is negative, the resulting Energy Market Opportunity Cost shall be zero. Notwithstanding the foregoing, a Market Participant may submit a request to PJM for consideration and approval of an alternative method of calculating its Energy Market Opportunity Cost if the standard methodology described herein does not accurately represent the Market Participant’s Energy Market Opportunity Cost.~~

~~(b) — Each Member obligated to sell energy on the PJM Interchange Energy Market at cost-based rates shall include the following components or their equivalent in the determination of costs for energy supplied to the PJM Region:~~

~~Incremental fuel cost;~~

~~Incremental maintenance cost;~~

~~Incremental labor cost; and~~  
~~Other incremental operating costs.~~(eb) All fuel costs shall employ the marginal fuel price experienced by the Member.

(~~dc~~) The PJM Board, upon consideration of the advice and recommendations of the Members Committee, shall from time to time define in detail the method of determining the costs entering into the said components, and the Members shall adhere to such definitions in the preparation of incremental costs used on the Interconnection.

# Clean Sections

### **1.3 Definitions.**

#### **1.3.1 Acceleration Request.**

“Acceleration Request” shall mean a request pursuant to section 1.9.4A of this Schedule to accelerate or reschedule a transmission outage scheduled pursuant to sections 1.9.2 or 1.9.4.

#### **1.3.1A Auction Revenue Rights.**

“Auction Revenue Rights” or “ARRs” shall mean the right to receive the revenue from the Financial Transmission Right auction, as further described in Section 7.4 of this Schedule.

##### **1.3.1A.001 Batch Load Demand Resource.**

“Batch Load Demand Resource” shall mean a Demand Resource that has a cyclical production process such that at most times during the process it is consuming energy, but at consistent regular intervals, ordinarily for periods of less than ten minutes, it reduces its consumption of energy for its production processes to minimal or zero megawatts.

##### **1.3.1A.01 Curtailment Service Provider.**

“Curtailment Service Provider” or “CSP” shall mean a Member or a Special Member, which action on behalf of itself or one or more other Members or non-Members, participates in the PJM Interchange Energy Market by causing a reduction in demand.

#### **1.3.1B Auction Revenue Rights Credits.**

“Auction Revenue Rights Credits” shall mean the allocated share of total FTR auction revenues or costs credited to each holder of Auction Revenue Rights, calculated and allocated as specified in Section 7.4.3 of this Schedule.

##### **1.3.1B.01 Congestion Price.**

“Congestion Price” shall mean the congestion component of the Locational Marginal Price, which is the effect on transmission congestion costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource, based on the effect of increased generation from or consumption by the resource on transmission line loadings, calculated as specified in Section 2 of Schedule 1 of this Agreement.

##### **1.3.1B.02 Day-ahead Congestion Price.**

“Day-ahead Congestion Price” shall mean the Congestion Price resulting from the Day-ahead Energy Market.

#### **1.3.1C Day-ahead Energy Market.**

“Day-ahead Energy Market” shall mean the schedule of commitments for the purchase or sale of energy and payment of Transmission Congestion Charges developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.

**1.3.1C.01 Day-ahead Loss Price.**

“Day-ahead Loss Price” shall mean the Loss Price resulting from the Day-ahead Energy Market.

**1.3.1D Day-ahead Prices.**

“Day-ahead Prices” shall mean the Locational Marginal Prices resulting from the Day-ahead Energy Market.

**1.3.1D.01 Day-ahead Scheduling Reserves.**

“Day-ahead Scheduling Reserves” shall mean thirty-minute reserves as defined by the Reliability First Corporation and SERC.

**1.3.1D.02 Day-ahead Scheduling Reserves Requirement.**

“Day-ahead Scheduling Reserves Requirement” shall mean the thirty-minute reserve requirement for the PJM Region established consistent with Reliability First Corporation and SERC reliability standards, or those of any additional and/or successor regional reliability organization(s) that are responsible for establishing reliability requirements for the PJM Region, plus any additional thirty-minute reserves scheduled in response to an RTO-wide Hot or Cold Weather Alert or other reasons for conservative operations.

**1.3.1D.03 Day-ahead Scheduling Reserves Resources.**

“Day-ahead Scheduling Reserves Resources” shall mean synchronized and non-synchronized generation resources and Demand Resources electrically located within the PJM Region that are capable of providing Day-ahead Scheduling Reserves.

**1.3.1D.04 Day-ahead Scheduling Reserves Market.**

“Day-ahead Scheduling Reserves Market” shall mean the schedule of commitments for the purchase or sale of Day-ahead Scheduling Reserves developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.

**1.3.1D.05 Day-ahead System Energy Price.**

“Day-ahead System Energy Price” shall mean the System Energy Price resulting from the Day-ahead Energy Market.



### **1.3.1E Decrement Bid.**

“Decrement Bid” shall mean a bid to purchase energy at a specified location in the Day-ahead Energy Market. An accepted Decrement Bid results in scheduled load at the specified location in the Day-ahead Energy Market.

#### **1.3.1E.01 Demand Resource.**

“Demand Resource” shall mean a resource with the capability to provide a reduction in demand.

### **1.3.1F Dispatch Rate.**

“Dispatch Rate” shall mean the control signal, expressed in dollars per megawatt-hour, calculated and transmitted continuously and dynamically to direct the output level of all generation resources dispatched by the Office of the Interconnection in accordance with the Offer Data.

### **1.3.1G Energy Storage Resource.**

“Energy Storage Resource” shall mean flywheel or battery storage facility solely used for short term storage and injection of energy at a later time to participate in the PJM energy and/or Ancillary Services markets as a Market Seller.

### **1.3.2 Equivalent Load.**

“Equivalent Load” shall mean the sum of a Market Participant’s net system requirements to serve its customer load in the PJM Region, if any, plus its net bilateral transactions.

#### **1.3.2A Economic Load Response Participant.**

“Economic Load Response Participant” shall mean a Member or Special Member that qualifies under Section 1.5A of this Schedule to participate in the PJM Interchange Energy Market through reductions in demand.

##### ***1.3.2A.01 Economic Minimum.***

*“Economic Minimum” shall mean the lowest incremental MW output level a unit can achieve while following economic dispatch.*

#### **1.3.2B Energy Market Opportunity Cost.**

“Energy Market Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of available run hours due to limitations imposed on the unit by Applicable Laws and Regulations (as defined in PJM Tariff), and (b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Energy Market Opportunity Cost therefore is

the value associated with a specific generating unit's lost opportunity to produce energy during a higher valued period of time occurring within the same compliance period, which compliance period is determined by the applicable regulatory authority and is reflected in the rules set forth in PJM Manual 15. Energy Market Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.

### **1.3.3 External Market Buyer.**

“External Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for consumption by end-users outside the PJM Region, or for load in the PJM Region that is not served by Network Transmission Service.

### **1.3.4 External Resource.**

“External Resource” shall mean a generation resource located outside the metered boundaries of the PJM Region.

### **1.3.5 Financial Transmission Right.**

“Financial Transmission Right” or “FTR” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2 of this Schedule.

#### **1.3.5A Financial Transmission Right Obligation.**

“Financial Transmission Right Obligation” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(b) of this Schedule.

#### **1.3.5B Financial Transmission Right Option.**

“Financial Transmission Right Option” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(c) of this Schedule.

### **1.3.6 Generating Market Buyer.**

“Generating Market Buyer” shall mean an Internal Market Buyer that is a Load Serving Entity that owns or has contractual rights to the output of generation resources capable of serving the Market Buyer's load in the PJM Region, or of selling energy or related services in the PJM Interchange Energy Market or elsewhere.

### **1.3.7 Generator Forced Outage.**

“Generator Forced Outage” shall mean an immediate reduction in output or capacity or removal from service, in whole or in part, of a generating unit by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the facility, as specified in the relevant portions of the PJM Manuals. A reduction in output or

removal from service of a generating unit in response to changes in market conditions shall not constitute a Generator Forced Outage.

### **1.3.8 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 necessary repairs on specific components of the facility, if removal of the facility meets the guidelines specified in the PJM Manuals.

### **1.3.9 Generator Planned Outage.**

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

#### **1.3.9A Increment Bid.**

“Increment Bid” shall mean an offer to sell energy at a specified location in the Day-ahead Energy Market. An accepted Increment Bid results in scheduled generation at the specified location in the Day-ahead Energy Market.

#### **1.3.9B Interface Pricing Point**

“Interface Pricing Point” shall have the meaning specified in section 2.6A.

### **1.3.10 Internal Market Buyer.**

“Internal Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for ultimate consumption by end-users inside the PJM Region that are served by Network Transmission Service.

### **1.3.11 Inadvertent Interchange.**

“Inadvertent Interchange” shall mean the difference between net actual energy flow and net scheduled energy flow into or out of the individual Control Areas operated by PJM.

#### **1.3.11.01 Load Management.**

“Load Management” shall mean either a Demand Resource (“DR”) or an Interruptible Load for Reliability (“ILR”) resource, both as defined in the Reliability Assurance Agreement.

#### **1.3.11A Load Reduction Event.**

“Load Reduction Event” shall mean a reduction in demand by a Member or Special Member for the purpose of participating in the PJM Interchange Energy Market.

### **1.3.11B Loss Price.**

“Loss Price” shall mean the loss component of the Locational Marginal Price, which is the effect on transmission loss costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource based on the effect of increased generation from or consumption by the resource on transmission losses, calculated as specified in Section 2 of Schedule 1 of this Agreement.

### **1.3.12 Market Operations Center.**

“Market Operations Center” shall mean the equipment, facilities and personnel used by or on behalf of a Market Participant to communicate and coordinate with the Office of the Interconnection in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

### **1.3.12A Maximum Emergency.**

“Maximum Emergency” shall mean the designation of all or part of the output of a generating unit for which the designated output levels may require extraordinary procedures and therefore are available to the Office of the Interconnection only when the Office of the Interconnection declares a Maximum Generation Emergency and requests generation designated as Maximum Emergency to run. The Office of the Interconnection shall post on the PJM website the aggregate amount of megawatts that are classified as Maximum Emergency.

### **1.3.13 Maximum Generation Emergency.**

“Maximum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection to address either a generation or transmission emergency in which the Office of the Interconnection anticipates requesting one or more Generation Capacity Resources, or Non-Retail Behind The Meter Generation resources to operate at its maximum net or gross electrical power output, subject to the equipment stress limits for such Generation Capacity Resource or Non-Retail Behind The Meter resource in order to manage, alleviate, or end the Emergency.

### **1.3.14 Minimum Generation Emergency.**

“Minimum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection in which the Office of the Interconnection anticipates requesting one or more generating resources to operate at or below Normal Minimum Generation, in order to manage, alleviate, or end the Emergency.

### **1.3.14A NERC Interchange Distribution Calculator.**

“NERC Interchange Distribution Calculator” shall mean the NERC mechanism that is in effect and being used to calculate the distribution of energy, over specific transmission interfaces, from energy transactions.

### **1.3.15 Network Resource.**

“Network Resource” shall have the meaning specified in the PJM Tariff.

### **1.3.16 Network Service User.**

“Network Service User” shall mean an entity using Network Transmission Service.

### **1.3.17 Network Transmission Service.**

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

### **1.3.18 Normal Maximum Generation.**

“Normal Maximum Generation” shall mean the highest output level of a generating resource under normal operating conditions.

### **1.3.19 Normal Minimum Generation.**

“Normal Minimum Generation” shall mean the lowest output level of a generating resource under normal operating conditions.

### **1.3.20 Offer Data.**

“Offer Data” shall mean the scheduling, operations planning, dispatch, new resource, and other data and information necessary to schedule and dispatch generation resources and Demand Resource(s) for the provision of energy and other services and the maintenance of the reliability and security of the transmission system in the PJM Region, and specified for submission to the PJM Interchange Energy Market for such purposes by the Office of the Interconnection.

### **1.3.21 Office of the Interconnection Control Center.**

“Office of the Interconnection Control Center” shall mean the equipment, facilities and personnel used by the Office of the Interconnection to coordinate and direct the operation of the PJM Region and to administer the PJM Interchange Energy Market, including facilities and equipment used to communicate and coordinate with the Market Participants in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

### **1.3.21A On-Site Generators.**

“On-Site Generators” shall mean generation facilities (including Behind The Meter Generation) that (i) are not Capacity Resources, (ii) are not injecting into the grid, (iii) are either synchronized or non-synchronized to the Transmission System, and (iv) can be used to reduce demand for the purpose of participating in the PJM Interchange Energy Market.

### **1.3.22 Operating Day.**

“Operating Day” shall mean the daily 24 hour period beginning at midnight for which transactions on the PJM Interchange Energy Market are scheduled.

### **1.3.23 Operating Margin.**

“Operating Margin” shall mean the incremental adjustments, measured in megawatts, required in PJM Region operations in order to accommodate, on a first contingency basis, an operating contingency in the PJM Region resulting from operations in an interconnected Control Area. Such adjustments may result in constraints causing Transmission Congestion Charges, or may result in Ancillary Services charges pursuant to the PJM Tariff.

### **1.3.24 Operating Margin Customer.**

“Operating Margin Customer” shall mean a Control Area purchasing Operating Margin pursuant to an agreement between such other Control Area and the LLC.

### **1.3.25 PJM Interchange.**

“PJM Interchange” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds, or is exceeded by, the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller; or (e) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (f) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

### **1.3.26 PJM Interchange Export.**

“PJM Interchange Export” shall mean the following, as determined in accordance with Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load is exceeded by the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup sales; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller.

### **1.3.27 PJM Interchange Import.**

“PJM Interchange Import” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds the sum of the hourly outputs of its

operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup purchases; or (c) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (d) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

### **1.3.28 PJM Open Access Same-time Information System.**

“PJM Open Access Same-time Information System” shall mean the electronic communication system for the collection and dissemination of information about transmission services in the PJM Region, established and operated by the Office of the Interconnection in accordance with FERC standards and requirements.

### **1.3.28A Planning Period Quarter.**

“Planning Period Quarter” shall mean any of the following three month periods in the Planning Period: June, July and August; September, October and November; December, January and February; or, March, April and May.

### **1.3.28B Planning Period Balance.**

“Planning Period Balance” shall mean the entire period of time remaining in the Planning Period following the month that a monthly auction is conducted.

### **1.3.29 Point-to-Point Transmission Service.**

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

### **1.3.30 Ramping Capability.**

“Ramping Capability” shall mean the sustained rate of change of generator output, in megawatts per minute.

#### **1.3.30.01 Real-time Congestion Price.**

“Real-time Congestion Price” shall mean the Congestion Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

#### **1.3.30.02 Real-time Loss Price.**

“Real-time Loss Price” shall mean the Loss Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

### **1.3.30A Real-time Prices.**

“Real-time Prices” shall mean the Locational Marginal Prices resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

### **1.3.30B Real-time Energy Market.**

“Real-time Energy Market” shall mean the purchase or sale of energy and payment of Transmission Congestion Charges for quantity deviations from the Day-ahead Energy Market in the Operating Day.

#### **1.3.30B.01 Real-time System Energy Price.**

“Real-time System Energy Price” shall mean the System Energy Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

### **1.3.31 Regulation.**

“Regulation” shall mean the capability of a specific generation resource or Demand Resource with appropriate telecommunications, control and response capability to increase or decrease its output or adjust load in response to a regulating control signal, in accordance with the specifications in the PJM Manuals.

#### **1.3.31.01 Residual Auction Revenue Rights.**

“Residual Auction Revenue Rights” shall mean incremental stage 1 Auction Revenue Rights created within a Planning Period by an increase in transmission system capability or a change in any other relevant factor that was not modeled pursuant to section 7.5 of Schedule 1 of this Agreement in compliance with section 7.4.2 (h) of Schedule 1 of this Agreement, and, if modeled, would have increased the amount of stage 1 Auction Revenue Rights allocated pursuant to section 7.4.2 of Schedule 1 of this Agreement; provided that, the foregoing notwithstanding, Residual Auction Revenue Rights shall exclude: 1) Incremental Auction Revenue Rights allocated pursuant to Part VI of the Tariff; and 2) Auction Revenue Rights allocated to entities that are assigned cost responsibility pursuant to Schedule 6 of this Agreement for transmission upgrades that create such rights.

#### **1.3.31.02 Special Member.**

“Special Member” shall mean an entity that satisfies the requirements of Section 1.5A.02 of this Schedule or the special membership provisions established under the Emergency Load Response Program.

#### **1.3.31A [RESERVED]**

#### **1.3.31B [RESERVED]**

### **1.3.32 Spot Market Backup.**



“Spot Market Backup” shall mean the purchase of energy from, or the delivery of energy to, the PJM Interchange Energy Market in quantities sufficient to complete the delivery or receipt obligations of a bilateral contract that has been curtailed or interrupted for any reason.

### **1.3.33 Spot Market Energy.**

“Spot Market Energy” shall mean energy bought or sold by Market Participants through the PJM Interchange Energy Market at System Energy Prices determined as specified in Section 2 of this Schedule.

#### **1.3.33A State Estimator.**

“State Estimator” shall mean the computer model of power flows specified in Section 2.3 of this Schedule.

#### **1.3.33B Station Power.**

“Station Power” shall mean energy used for operating the electric equipment on the site of a generation facility located in the PJM Region or for the heating, lighting, air-conditioning and office equipment needs of buildings on the site of such a generation facility that are used in the operation, maintenance, or repair of the facility. Station Power does not include any energy (i) used to power synchronous condensers; (ii) used for pumping at a pumped storage facility; (iii) used for charging an Energy Storage Resource; or (iv) used in association with restoration or black start service.

##### **1.3.33B.01 Synchronized Reserve.**

“Synchronized Reserve” shall mean the reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes from the request of the Office of the Interconnection dispatcher, and is provided by equipment that is electrically synchronized to the Transmission System.

##### **1.3.33B.02 Synchronized Reserve Event.**

“Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources and/or Demand Resources able, assigned or self-scheduled, to provide Synchronized Reserve within ten minutes, to increase the energy output or reduce load by the amount of assigned or self-schedule Synchronized Reserve capability.

##### **1.3.33B.03 System Energy Price.**

“System Energy Price” shall mean the energy component of the Locational Marginal Price, which is the price at which the Market Seller has offered to supply an additional increment of energy from a resource, calculated as specified in Section 2 of Schedule 1 of this Agreement.

#### **1.3.33C Target Allocation.**

“Target Allocation” shall mean the allocation of Transmission Congestion Credits as set forth in Section 5.2.3 of this Schedule or the allocation of Auction Revenue Rights Credits as set forth in Section 7.4.3 of this Schedule.

**1.3.34 Transmission Congestion Charge.**

“Transmission Congestion Charge” shall mean a charge attributable to the increased cost of energy delivered at a given load bus when the transmission system serving that load bus is operating under constrained conditions, or as necessary to provide energy for third-party transmission losses in accordance with Section 9.3, which shall be calculated and allocated as specified in Section 5.1 of this Schedule.

**1.3.35 Transmission Congestion Credit.**

“Transmission Congestion Credit” shall mean the allocated share of total Transmission Congestion Charges credited to each holder of Financial Transmission Rights, calculated and allocated as specified in Section 5.2 of this Schedule.

**1.3.36 Transmission Customer.**

“Transmission Customer” shall mean an entity using Point-to-Point Transmission Service.

**1.3.37 Transmission Forced Outage.**

“Transmission Forced Outage” shall mean an immediate removal from service of a transmission facility by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the transmission facility, as specified in the relevant portions of the PJM Manuals. A removal from service of a transmission facility at the request of the Office of the Interconnection to improve transmission capability shall not constitute a Forced Transmission Outage.

**1.3.37A Transmission Loading Relief.**

“Transmission Loading Relief” shall mean NERC’s procedures for preventing operating security limit violations, as implemented by PJM as the security coordinator responsible for maintaining transmission security for the PJM Region.

**1.3.37B Transmission Loading Relief Customer.**

“Transmission Loading Relief Customer” shall mean an entity that, in accordance with Section 1.10.6A, has elected to pay Transmission Congestion Charges during Transmission Loading Relief in order to continue energy schedules over contract paths outside the PJM Region that are increasing the cost of energy in the PJM Region.

**1.3.37C Transmission Loss Charge.**

“Transmission Loss Charge” shall mean the charges to each Market Participant, Network Customer, or Transmission Customer for the cost of energy lost in the transmission of electricity from a generation resource to load as specified in Section 5 of this Schedule.

**1.3.38 Transmission Planned Outage.**

“Transmission Planned Outage” shall mean any transmission outage scheduled in advance for a pre-determined duration and which meets the notification requirements for such outages specified in this Agreement or the PJM Manuals.

**1.3.39 Zonal Base Load.**

“Zonal Base Load” shall mean the lowest daily zonal peak load from the twelve month period ending October 21 of the calendar year immediately preceding the calendar year in which an annual Auction Revenue Right allocation is conducted, increased by the projected load growth rate for the relevant Zone.

## **1.10 Scheduling.**

### **1.10.1 General.**

(a) The Office of the Interconnection shall administer scheduling processes to implement a Day-ahead Energy Market and a Real-time Energy Market.

(b) The Day-ahead Energy Market shall enable Market Participants to purchase and sell energy through the PJM Interchange Energy Market at Day-ahead Prices and enable Transmission Customers to reserve transmission service with Transmission Congestion Charges and Transmission Loss Charges based on locational differences in Day-ahead Prices. Up-To Congestion transactions submitted in the Day-ahead Energy Market shall not require transmission service and Transmission Customers shall not reserve transmission service for such transactions. Market Participants whose purchases and sales, and Transmission Customers whose transmission uses are scheduled in the Day-ahead Energy Market, shall be obligated to purchase or sell energy, or pay Transmission Congestion Charges and Transmission Loss Charges, at the applicable Day-ahead Prices for the amounts scheduled.

(c) In the Real-time Energy Market, Market Participants that deviate from the amounts of energy purchases or sales, or Transmission Customers that deviate from the transmission uses, scheduled in the Day-ahead Energy Market shall be obligated to purchase or sell energy, or pay Transmission Congestion Charges and Transmission Loss Charges, for the amount of the deviations at the applicable Real-time Prices or price differences, unless otherwise specified by this Schedule.

(d) The following scheduling procedures and principles shall govern the commitment of resources to the Day-ahead Energy Market and the Real-time Energy Market over a period extending from one week to one hour prior to the real-time dispatch. Scheduling encompasses the day-ahead and hourly scheduling process, through which the Office of the Interconnection determines the Day-ahead Energy Market and determines, based on changing forecasts of conditions and actions by Market Participants and system constraints, a plan to serve the hourly energy and reserve requirements of the Internal Market Buyers and the purchase requests of the External Market Buyers in the least costly manner, subject to maintaining the reliability of the PJM Region. Scheduling shall be conducted as specified below, subject to the following condition. If the Office of the Interconnection's forecast for the next seven days projects a likelihood of Emergency conditions, the Office of the Interconnection may commit, for all or part of such seven day period, to the use of generation resources with notification or start-up times greater than one day as necessary in order to alleviate or mitigate such Emergency, in accordance with the Market Sellers' offers for such units for such periods and the specifications in the PJM Manuals.

#### **1.10.1A Day-Ahead Energy Market Scheduling.**

The following actions shall occur not later than 12:00 noon on the day before the Operating Day for which transactions are being scheduled, or such other deadline as may be specified by the

Office of the Interconnection in order to comply with the practical requirements and the economic and efficiency objectives of the scheduling process specified in this Schedule.

(a) Each Market Participant may submit to the Office of the Interconnection specifications of the amount and location of its customer loads and/or energy purchases to be included in the Day-ahead Energy Market for each hour of the next Operating Day, such specifications to comply with the requirements set forth in the PJM Manuals. Each Market Buyer shall inform the Office of the Interconnection of the prices, if any, at which it desires not to include its load in the Day-ahead Energy Market rather than pay the Day-ahead Price.

(b) Each Generating Market Buyer shall submit to the Office of the Interconnection: (i) hourly schedules for resource increments, including hydropower units, self-scheduled by the Market Buyer to meet its Equivalent Load; and (ii) the Dispatch Rate at which each such self-scheduled resource will disconnect or reduce output, or confirmation of the Market Buyer's intent not to reduce output.

(c) All Market Participants shall submit to the Office of the Interconnection schedules for any bilateral transactions involving use of generation or Transmission Facilities as specified below, and shall inform the Office of the Interconnection whether the transaction is to be included in the Day-ahead Energy Market. Any Market Participant that elects to include a bilateral transaction in the Day-ahead Energy Market may specify the price (such price not to exceed the maximum price that may be specified in the PJM Manuals), if any, at which it will be wholly or partially curtailed rather than pay Transmission Congestion Charges. The foregoing price specification shall apply to the price difference between the specified bilateral transaction source and sink points in the day-ahead scheduling process only. Any Market Participant that elects not to include its bilateral transaction in the Day-ahead Energy Market shall inform the Office of the Interconnection if the parties to the transaction are not willing to incur Transmission Congestion Charges in the Real-time Energy Market in order to complete any such scheduled bilateral transaction. Scheduling of bilateral transactions shall be conducted in accordance with the specifications in the PJM Manuals and the following requirements:

i) Internal Market Buyers shall submit schedules for all bilateral purchases for delivery within the PJM Region, whether from generation resources inside or outside the PJM Region;

ii) Market Sellers shall submit schedules for bilateral sales to entities outside the PJM Region from generation within the PJM Region that is not dynamically scheduled to such entities pursuant to Section 1.12; and

iii) In addition to the foregoing schedules for bilateral transactions, Market Participants shall submit confirmations of each scheduled bilateral transaction from each other party to the transaction in addition to the party submitting the schedule, or the adjacent Control Area.

(d) Market Sellers wishing to sell into the Day-ahead Energy Market shall submit offers for the supply of energy (including energy from hydropower units), demand reductions,

Regulation, Operating Reserves or other services for the following Operating Day. Offers shall be submitted to the Office of the Interconnection in the form specified by the Office of the Interconnection and shall contain the information specified in the Office of the Interconnection's Offer Data specification, this Section 1.10.1A(d), Schedule 2 of the Operating Agreement, and the PJM Manuals, as applicable. Market Sellers owning or controlling the output of a Generation Capacity Resource that was committed in an FRR Capacity Plan, self-supplied, offered and cleared in a Base Residual Auction or Incremental Auction, or designated as replacement capacity, as specified in Attachment DD of the PJM Tariff, and that has not been rendered unavailable by a Generator Planned Outage, a Generator Maintenance Outage, or a Generator Forced Outage shall submit offers for the available capacity of such Generation Capacity Resource, including any portion that is self-scheduled by the Generating Market Buyer. The submission of offers for resource increments that have not cleared in a Base Residual Auction or an Incremental Auction, were not committed in an FRR Capacity Plan, and were not designated as replacement capacity under Attachment DD of the PJM Tariff shall be optional, but any such offers must contain the information specified in the Office of the Interconnection's Offer Data specification, this Section 1.10.1A(d), Schedule 2 of the Operating Agreement, and PJM Manuals, as applicable. Energy offered from generation resources that have not cleared a Base Residual Auction or an Incremental Auction, were not committed in an FRR Capacity Plan, and were not designated as replacement capacity under Attachment DD of the PJM Tariff shall not be supplied from resources that are included in or otherwise committed to supply the Operating Reserves of a Control Area outside the PJM Region. The foregoing offers:

- i) Shall specify the Generation Capacity Resource or Demand Resource and energy or demand reduction amount, respectively, for each hour in the offer period, and the minimum run time for generation resources and minimum down time for Demand Resources;
- ii) Shall specify the amounts and prices for the entire Operating Day for each resource component offered by the Market Seller to the Office of the Interconnection;
- iii) If based on energy from a specific generating unit, may specify start-up and no-load fees equal to the specification of such fees for such unit on file with the Office of the Interconnection, if based on reductions in demand from a Demand Resource may specify shutdown costs;
- iv) Shall set forth any special conditions upon which the Market Seller proposes to supply a resource increment, including any curtailment rate specified in a bilateral contract for the output of the resource, or any cancellation fees;
- v) May include a schedule of offers for prices and operating data contingent on acceptance by the deadline specified in this Schedule, with a second schedule applicable if accepted after the foregoing deadline;
- vi) Shall constitute an offer to submit the resource increment to the Office of the Interconnection for scheduling and dispatch in accordance with the terms of the offer,

which offer shall remain open through the Operating Day for which the offer is submitted;

vii) Shall be final as to the price or prices at which the Market Seller proposes to supply energy or other services to the PJM Interchange Energy Market, such price or prices being guaranteed by the Market Seller for the period extending through the end of the following Operating Day; and

viii) Shall not exceed an energy offer price of \$1,000/megawatt-hour.

(e) A Market Seller that wishes to make a resource available to sell Regulation service shall submit an offer for Regulation that shall specify the megawatt of Regulation being offered, which must equal or exceed 0.5 megawatts, the Regulation Zone for which such regulation is offered, the price of the offer in dollars per MWh, and such other information specified by the Office of the Interconnection as may be necessary to evaluate the offer and the resource's opportunity costs. The price of the offer shall not exceed \$100 per MWh in the case of Regulation offered for all Regulation Zones. In addition to any market-based offer for Regulation, the Market Seller also shall submit a cost-based offer. A cost-based offer must be in the form specified in the PJM Manuals and consist of the following components as well as any other components specified in the PJM Manuals:

i. The costs (in \$/MW) of the fuel cost increase due to the heat rate increase resulting from operating a unit at lower megawatt output incurred from the provision of Regulation;

ii. The cost increase (in \$/MW) in variable operating and maintenance costs resulting from operating the unit at lower megawatt output incurred from the provision of Regulation; and

iii. An adder of up to \$12.00 per megawatt of Regulation provided.

Qualified Regulation capability must satisfy the verification tests specified in the PJM Manuals.

(f) Each Market Seller owning or controlling the output of a Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative shall submit a forecast of the availability of each such Generation Capacity Resource for the next seven days. A Market Seller (i) may submit a non-binding forecast of the price at which it expects to offer a generation resource increment to the Office of the Interconnection over the next seven days, and (ii) shall submit a binding offer for energy, along with start-up and no-load fees, if any, for the next seven days or part thereof, for any generation resource with minimum notification or start-up requirement greater than 24 hours.

(g) Each offer by a Market Seller of a Generation Capacity Resource shall remain in effect for subsequent Operating Days until superseded or canceled.

(h) The Office of the Interconnection shall post on the PJM Open Access Same-time Information System the total hourly loads scheduled in the Day-ahead Energy Market, as well as, its estimate of the combined hourly load of the Market Buyers for the next four days, and peak load forecasts for an additional three days.

(i) Except for Economic Load Response Participants, all Market Participants may submit Increment Bids and/or Decrement Bids that apply to the Day-ahead Energy Market only. Such bids must comply with the requirements set forth in the PJM Manuals and must specify amount, location and price, if any, at which the Market Participant desires to purchase or sell energy in the Day-ahead Energy Market. The Office of the Interconnection may require that a market participant shall not submit in excess of 3000 bid/offer segments in the Day-ahead Energy Market, when the Office of the Interconnection determines that such limit is required to avoid or mitigate significant system performance problems related to bid/offer volume. Notice of the need to impose such limit shall be provided prior to 10:00 a.m. EPT on the day that the Day-ahead Energy Market will clear. For purposes of this provision, a bid/offer segment is each pairing of price and megawatt quantity submitted as part of an Increment Bid or Decrement Bid.

(j) A Market Seller that wishes to make a generation resource or Demand Resource available to sell Synchronized Reserve shall submit an offer for Synchronized Reserve that shall specify the megawatts of Synchronized Reserve being offered, which must equal or exceed 0.5 megawatts, the price of the offer in dollars per megawatt hour, and such other information specified by the Office of Interconnection as may be necessary to evaluate the offer and the energy used by the generation resource to provide the Synchronized Reserve and the generation resource's unit specific opportunity costs. The price of the offer shall not exceed the variable operating and maintenance costs for providing Synchronized Reserve plus seven dollars and fifty cents.

(k) An Economic Load Response Participant that wishes to participate in the Day-ahead Energy Market by reducing demand shall submit an offer to reduce demand to the Office of the Interconnection. The offer must equal or exceed 0.1 megawatts, and the offer shall specify: (i) the amount of the offered curtailment in minimum increments of .1 megawatts; (ii) the Day-ahead Locational Marginal Price above which the end-use customer will reduce load; and (iii) at the Economic Load Response Participant's option, start-up costs associated with reducing load, including direct labor and equipment costs, opportunity costs, and/or a minimum of number of contiguous hours for which the load reduction must be committed. Economic Load Response Participants submitting offers to reduce demand in the Day-ahead Energy Market may establish an incremental offer curve, provided that such offer curve shall be limited to ten price pairs (in MWs).

(l) Market Sellers owning or controlling the output of a Demand Resource that was committed in an FRR Capacity Plan, self-supplied or offered and cleared in the Base Residual Auction or one of the Incremental Auctions, or owning or controlling the output of an ILR resource which was certified as specified in Attachment DD of the PJM Tariff, may submit demand reduction bids for the available load reduction capability of the Demand Resource or ILR resource. The submission of demand reduction bids for resource increments that have not cleared in the Base Residual Auction or in one of the Incremental Auctions, or for ILR resources



that were not certified, or were not committed in an FRR Capacity Plan, shall be optional, but any such bids must contain the information specified in the PJM Economic Load Response Program to be included in such bids. A Demand Resource that was committed in an FRR Capacity plan, self-supplied or offered and cleared in a Base Residual Auction or an Incremental Auction may submit a demand reduction bid in the Day-ahead Energy Market as specified in the Economic Load Response Program, provided however, that in the event of an Emergency, PJM shall require Demand Resources and ILR resources to reduce load notwithstanding that the Zonal LMP at the time such Emergency is declared is below the price identified in the demand reduction bid.

(m) Market Sellers that wish to make Day-ahead Scheduling Reserves Resources available to sell Day-ahead Scheduling Reserves shall submit offers, each of which must equal or exceed 0.5 megawatts, in the Day-ahead Scheduling Reserves Market specifying: 1) the price of the offer in dollars per megawatt hour; and 2) such other information specified by the Office of the Interconnection as may be necessary to determine any relevant opportunity costs for the resource(s). The foregoing notwithstanding, to qualify to submit offers pursuant to this section, the Day-ahead Scheduling Reserves Resources shall submit energy offers in the Day-ahead Energy Market including start-up and shut-down costs for generation resource and Demand Resources, respectively, and all generation resources that are capable of providing Day-ahead Scheduling Reserves that a particular resource can provide that service. The MW quantity of Day-Ahead Scheduling Reserves that a particular resource can provide in a given hour will be determined based on the energy Offer Data submitted in the Day-ahead Energy Market, as detailed in the PJM Manuals.

### **1.10.2 Pool-Scheduled Resources.**

Pool-scheduled resources are those resources for which Market Participants submitted offers to sell energy in the Day-ahead Energy Market and offers to reduce demand in the Day-ahead Energy Market, which the Office of the Interconnection scheduled in the Day-ahead Energy Market as well as generators committed by the Office of the Interconnection subsequent to the Day-ahead Energy Market. Such resources shall be committed to provide energy in the real-time dispatch unless the schedules for such units are revised pursuant to Sections 1.10.9 or 1.11. Pool-scheduled resources shall be governed by the following principles and procedures.

(a) Pool-scheduled resources shall be selected by the Office of the Interconnection on the basis of the prices offered for energy and demand reductions and related services, start-up, no-load and cancellation fees, and the specified operating characteristics, offered by Market Sellers to the Office of the Interconnection by the offer deadline specified in Section 1.10.1A.

(b) A resource that is scheduled by a Market Participant to support a bilateral sale, or that is self-scheduled by a Generating Market Buyer, shall not be selected by the Office of the Interconnection as a pool-scheduled resource except in an Emergency.

(c) Market Sellers offering energy from hydropower or other facilities with fuel or environmental limitations may submit data to the Office of the Interconnection that is sufficient

to enable the Office of the Interconnection to determine the available operating hours of such facilities.

(d) The Market Seller of a resource selected as a pool-scheduled resource shall receive payments or credits for energy, demand reductions or related services, or for start-up and no-load fees, from the Office of the Interconnection on behalf of the Market Buyers in accordance with Section 3 of this Schedule 1. Alternatively, the Market Seller shall receive, in lieu of start-up and no-load fees, its actual costs incurred, if any, up to a cap of the resource's start-up cost, if the Office of the Interconnection cancels its selection of the resource as a pool-scheduled resource and so notifies the Market Seller before the resource is synchronized.

(e) Market Participants shall make available their pool-scheduled resources to the Office of the Interconnection for coordinated operation to supply the Operating Reserves needs of the applicable Control Zone.

(f) Economic Load Response Participants offering to reduce demand shall specify: (i) the amount of the offered curtailment, which offer must equal or exceed 0.1 megawatts, in minimum increments of .1 megawatts; (ii) the real-time Locational Marginal Price above which the end-use customer will reduce load; and (iii) at the Economic Load Response Participant's option, shut-down costs associated with reducing load, including direct labor and equipment costs, opportunity costs, and/or a minimum number of contiguous hours for which the load reduction must be committed. Economic Load Response Participants submitting offers to reduce demand in the Real-time Energy Market may establish an incremental offer curve, provided that such offer curve shall be limited to ten price pairs (in MWs). Economic Load Response Participants offering to reduce demand shall also indicate the hours that the demand reduction is not available.

### **1.10.3 Self-scheduled Resources.**

Self-scheduled resources shall be governed by the following principles and procedures.

(a) Each Generating Market Buyer shall use all reasonable efforts, consistent with Good Utility Practice, not to self-schedule resources in excess of its Equivalent Load.

(b) The offered prices of resources that are self-scheduled, or otherwise not following the dispatch orders of the Office of the Interconnection, shall not be considered by the Office of the Interconnection in determining Locational Marginal Prices.

(c) Market Participants shall make available their self-scheduled resources to the Office of the Interconnection for coordinated operation to supply the Operating Reserves needs of the applicable Control Zone, by submitting an offer as to such resources.

(d) A Market Participant self-scheduling a resource in the Day-ahead Energy Market that does not deliver the energy in the Real-time Energy Market, shall replace the energy not delivered with energy from the Real-time Energy Market and shall pay for such energy at the applicable Real-time Price.

#### **1.10.4 Capacity Resources.**

(a) A Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative that is selected as a pool-scheduled resource shall be made available for scheduling and dispatch at the direction of the Office of the Interconnection. Such a Generation Capacity Resource that does not deliver energy as scheduled shall be deemed to have experienced a Generator Forced Outage to the extent of such energy not delivered. A Market Participant offering such Generation Capacity Resource in the Day-ahead Energy Market shall replace the energy not delivered with energy from the Real-time Energy Market and shall pay for such energy at the applicable Real-time Price.

(b) Energy from a Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative that has not been scheduled in the Day-ahead Energy Market may be sold on a bilateral basis by the Market Seller, may be self-scheduled, or may be offered for dispatch during the Operating Day in accordance with the procedures specified in this Schedule. Such a Generation Capacity Resource that has not been scheduled in the Day-ahead Energy Market and that has been sold on a bilateral basis must be made available upon request to the Office of the Interconnection for scheduling and dispatch during the Operating Day if the

Office of the Interconnection declares a Maximum Generation Emergency. Any such resource so scheduled and dispatched shall receive the applicable Real-time Price for energy delivered.

(c) A resource that has been self-scheduled shall not receive payments or credits for start-up or no-load fees.

#### **1.10.5 External Resources.**

(a) External Resources may submit offers to the PJM Interchange Energy Market, in accordance with the day-ahead and real-time scheduling processes specified above. An External Resource selected as a pool-scheduled resource shall be made available for scheduling and dispatch at the direction of the Office of the Interconnection, and except as specified below shall be compensated on the same basis as other pool-scheduled resources. External Resources that are not capable of dynamic dispatch shall, if selected by the Office of the Interconnection on the basis of the Market Seller's Offer Data, be block loaded on an hourly scheduled basis. Market Sellers shall offer External Resources to the PJM Interchange Energy Market on either a resource-specific or an aggregated resource basis. A Market Participant whose pool-scheduled resource does not deliver the energy scheduled in the Day-ahead Energy Market shall replace such energy not delivered as scheduled in the Day-ahead Energy Market with energy from the PJM Real-time Energy Market and shall pay for such energy at the applicable Real-time Price.

(b) Offers for External Resources from an aggregation of two or more generating units shall so indicate, and shall specify, in accordance with the Offer Data requirements specified by the Office of the Interconnection: (i) energy prices; (ii) hours of energy availability;

(iii) a minimum dispatch level; (iv) a maximum dispatch level; and (v) unless such information has previously been made available to the Office of the Interconnection, sufficient information, as specified in the PJM Manuals, to enable the Office of the Interconnection to model the flow into the PJM Region of any energy from the External Resources scheduled in accordance with the Offer Data. If a Market Seller submits more than one offer on an aggregated resource basis, the withdrawal of any such offer shall be deemed a withdrawal of all higher priced offers for the same period.

(c) Offers for External Resources on a resource-specific basis shall specify the resource being offered, along with the information specified in the Offer Data as applicable.

#### **1.10.6 External Market Buyers.**

(a) Deliveries to an External Market Buyer not subject to dynamic dispatch by the Office of the Interconnection shall be delivered on a block loaded basis to the load bus or busses at the electrical boundaries of the PJM Region, or in such area with respect to an External Market Buyer's load within such area not served by Network Service, at which the energy is delivered to or for the External Market Buyer. External Market Buyers shall be charged or credited at either the Day-ahead Prices or Real-time Prices, whichever is applicable, for energy at the foregoing load bus or busses.

(b) An External Market Buyer's hourly schedules for energy purchased from the PJM Interchange Energy Market shall conform to the ramping and other applicable requirements of the interconnection agreement between the PJM Region and the Control Area to which, whether as an intermediate or final point of delivery, the purchased energy will initially be delivered.

(c) The Office of the Interconnection shall curtail deliveries to an External Market Buyer if necessary to maintain appropriate reserve levels for a Control Zone as defined in the PJM Manuals, or to avoid shedding load in such Control Zone.

#### **1.10.6A Transmission Loading Relief Customers.**

(a) An entity that desires to elect to pay Transmission Congestion Charges in order to continue its energy schedules during an Operating Day over contract paths outside the PJM Region in the event that PJM initiates Transmission Loading Relief that otherwise would cause PJM to request security coordinators to curtail such Member's energy schedules shall:

(i) enter its election on OASIS by 12:00 p.m. of the day before the Operating Day, in accordance with procedures established by PJM, which election shall be applicable for the entire Operating Day; and

(ii) if PJM initiates Transmission Loading Relief, provide to PJM, at such time and in accordance with procedures established by PJM, the hourly integrated energy schedules that impacted the PJM Region (as indicated from the NERC Interchange Distribution Calculator) during the Transmission Loading Relief.

(b) If an entity has made the election specified in Section (a), then PJM shall not request security coordinators to curtail such entity's energy transactions, except as may be necessary to respond to Emergencies.

(c) In order to make elections under this Section 1.10.6A, an entity must (i) have met the creditworthiness standards established by the Office of the Interconnection or provided a letter of credit or other form of security acceptable to the Office of the Interconnection, and (ii) have executed either the Agreement, a Service Agreement under the PJM Tariff, or other agreement committing to pay all Transmission Congestion Charges incurred under this Section.

### **1.10.7 Bilateral Transactions.**

Bilateral transactions as to which the parties have notified the Office of the Interconnection by the deadline specified in Section 1.10.1A that they elect not to be included in the Day-ahead Energy Market and that they are not willing to incur Transmission Congestion Charges in the Real-time Energy Market shall be curtailed by the Office of the Interconnection as necessary to reduce or alleviate transmission congestion. Bilateral transactions that were not included in the Day-ahead Energy Market and that are willing to incur congestion charges and bilateral transactions that were accepted in the Day-ahead Energy Market shall continue to be implemented during periods of congestion, except as may be necessary to respond to Emergencies.

### **1.10.8 Office of the Interconnection Responsibilities.**

(a) The Office of the Interconnection shall use its best efforts to determine (i) the least-cost means of satisfying the projected hourly requirements for energy, Operating Reserves, and other ancillary services of the Market Buyers, including the reliability requirements of the PJM Region, of the Day-ahead Energy Market, and (ii) the least-cost means of satisfying the Operating Reserve and other ancillary service requirements for any portion of the load forecast of the Office of the Interconnection for the Operating Day in excess of that scheduled in the Day-ahead Energy Market. In making these determinations, the Office of the Interconnection shall take into account: (i) the Office of the Interconnection's forecasts of PJM Interchange Energy Market and PJM Region energy requirements, giving due consideration to the energy requirement forecasts and purchase requests submitted by Market Buyers; (ii) the offers submitted by Market Sellers; (iii) the availability of limited energy resources; (iv) the capacity, location, and other relevant characteristics of self-scheduled resources; (v) the objectives of each Control Zone for Operating Reserves, as specified in the PJM Manuals; (vi) the requirements of each Regulation Zone for Regulation and other ancillary services, as specified in the PJM Manuals; (vii) the benefits of avoiding or minimizing transmission constraint control operations, as specified in the PJM Manuals; and (viii) such other factors as the Office of the Interconnection reasonably concludes are relevant to the foregoing determination, including, without limitation, transmission constraints on external coordinated flowgates to the extent provided by section 1.7.6. The Office of the Interconnection shall develop a Day-ahead Energy Market based on the foregoing determination, and shall determine the Day-ahead Prices resulting from such schedule. The Office of the Interconnection shall report the planned schedule for a hydropower resource to

the operator of that resource as necessary for plant safety and security, and legal limitations on pond elevations.

(b) Not later than 4:00 p.m. of the day before each Operating Day, or such earlier deadline as may be specified by the Office of the Interconnection in the PJM Manuals, the Office of the Interconnection shall: (i) post the aggregate Day-ahead Energy Market; (ii) post the Day-ahead Prices; and (iii) inform the Market Sellers, Market Buyers, and Economic Load Response Participants of their scheduled injections, withdrawals, and demand reductions respectively.

(c) Following posting of the information specified in Section 1.10.8(b), the Office of the Interconnection shall revise its schedule of generation resources to reflect updated projections of load, conditions affecting electric system operations in the PJM Region, the availability of and constraints on limited energy and other resources, transmission constraints, and other relevant factors. The Office of the Interconnection shall post on the PJM Open Access Same-time Information System at times specified in the PJM Manuals a revised forecast of the location and duration of any expected transmission congestion, and of the range of differences in Locational Marginal Prices between major subareas of the PJM Region expected to result from such transmission congestion.

(d) Market Buyers shall pay and Market Sellers shall be paid for the quantities of energy scheduled in the Day-ahead Energy Market at the Day-ahead Prices. Economic Load Response Participants shall be paid for scheduled demand reductions pursuant to Section 3.3A of this Schedule.

(e) If the Office of the Interconnection discovers an error in prices and/or cleared quantities in the Day-ahead Energy Market, Real-time Energy Market, Ancillary Services Markets or Day Ahead Scheduling Reserve Market after it has posted the results for these markets on its Web site, the Office of the Interconnection shall notify Market Participants of the error as soon as possible after it is found, but in no event later than 12:00 p.m. of the second business day following the Operating Day for the Ancillary Services Markets and Real-time Energy Market, and no later than 5:00 p.m. of the second business day following the initial publication of the results for the Day-ahead Scheduling Reserve Market and Day-ahead Energy Market.

After this initial notification, if the Office of the Interconnection determines it is necessary to post modified results, it shall provide notification of its intent to do so, together with all available supporting documentation, by no later than 5:00 p.m. of the fifth business day following the Operating Day for the Ancillary Services Markets and Real-time Energy Market, and no later than 5:00 p.m. of the fifth business day following the initial publication of the results in the Day-ahead Scheduling Reserve Market and the Day-ahead Energy Market. Thereafter, the Office of the Interconnection must post on its Web site the corrected results by no later than 5:00 p.m. of the tenth calendar day following the Operating Day for the Ancillary Services Markets, Day-ahead Energy Market and Real-time Energy Market, and no later than 5:00 p.m. of the tenth calendar day following the initial publication of the results in the Day-ahead Scheduling Reserve Market. Should any of the above deadlines pass without the associated action on the part of the Office of the Interconnection, the originally posted results will be considered final.

Notwithstanding the foregoing, the deadlines set forth above shall not apply if the referenced market results are under publicly noticed review by the FERC.

### **1.10.9 Hourly Scheduling.**

(a) Following the initial posting by the Office of the Interconnection of the Locational Marginal Prices resulting from the Day-ahead Energy Market, and subject to the right of the Office of the Interconnection to schedule and dispatch pool-scheduled resources and to direct that schedules be changed in an Emergency, a generation rebidding period shall exist from 4:00 p.m. to 6:00 p.m. on the day before each Operating Day. During the rebidding period, Market Participants may submit revisions to generation Offer Data for any generation resource that was not selected as a pool-scheduled resource in the Day-ahead Energy Market. Adjustments to Day-ahead Energy Markets shall be settled at the applicable Real-time Prices, and shall not affect the obligation to pay or receive payment for the quantities of energy scheduled in the Day-ahead Energy Market at the applicable Day-ahead Prices.

(b) A Market Participant may adjust the schedule of a resource under its dispatch control on an hour-to-hour basis beginning at 10:00 p.m. of the day before each Operating Day, provided that the Office of the Interconnection is notified not later than 60 minutes prior to the hour in which the adjustment is to take effect, as follows:

i) A Generating Market Buyer may self-schedule any of its resource increments, including hydropower resources, not previously designated as self-scheduled and not selected as a pool-scheduled resource in the Day-ahead Energy Market;

ii) A Market Participant may request the scheduling of a non-firm bilateral transaction; or

iii) A Market Participant may request the scheduling of deliveries or receipts of Spot Market Energy; or

iv) A Generating Market Buyer may remove from service a resource increment, including a hydropower resource, that it had previously designated as self-scheduled, provided that the Office of the Interconnection shall have the option to schedule energy from any such resource increment that is a Capacity Resource at the price offered in the scheduling process, with no obligation to pay any start-up fee.

(c) With respect to a pool-scheduled resource that is included in the Day-ahead Energy Market, a Market Seller may not change or otherwise modify its offer to sell energy.

(d) An External Market Buyer may refuse delivery of some or all of the energy it requested to purchase in the Day-ahead Energy Market by notifying the Office of the Interconnection of the adjustment in deliveries not later than 60 minutes prior to the hour in which the adjustment is to take effect, but any such adjustment shall not affect the obligation of the External Market Buyer to pay for energy scheduled on its behalf in the Day-ahead Energy Market at the applicable Day-ahead Prices.

(e) For each hour in the Operating Day, as soon as practicable after the deadlines specified in the foregoing subsection of this Section 1.10, the Office of the Interconnection shall provide External Market Buyers and External Market Sellers and parties to bilateral transactions with any revisions to their schedules for the hour.



### **1.3 Definitions.**

#### **1.3.1 Acceleration Request.**

“Acceleration Request” shall mean a request pursuant to section 1.9.4A of this Schedule to accelerate or reschedule a transmission outage scheduled pursuant to sections 1.9.2 or 1.9.4.

#### **1.3.1A Auction Revenue Rights.**

“Auction Revenue Rights” or “ARRs” shall mean the right to receive the revenue from the Financial Transmission Right auction, as further described in Section 7.4 of this Schedule.

##### **1.3.1A.001 Batch Load Demand Resource.**

“Batch Load Demand Resource” shall mean a Demand Resource that has a cyclical production process such that at most times during the process it is consuming energy, but at consistent regular intervals, ordinarily for periods of less than ten minutes, it reduces its consumption of energy for its production processes to minimal or zero megawatts.

#### **1.3.1B Auction Revenue Rights Credits.**

“Auction Revenue Rights Credits” shall mean the allocated share of total FTR auction revenues or costs credited to each holder of Auction Revenue Rights, calculated and allocated as specified in Section 7.4.3 of this Schedule.

##### **1.3.1B.01 Congestion Price.**

“Congestion Price” shall mean the congestion component of the Locational Marginal Price, which is the effect on transmission congestion costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource, based on the effect of increased generation from or consumption by the resource on transmission line loadings, calculated as specified in Section 2 of Schedule 1 of this Agreement.

##### **1.3.1B.02 Curtailment Service Provider.**

“Curtailment Service Provider” or “CSP” shall mean a Member or a Special Member, which action on behalf of itself or one or more other Members or non-Members, participates in the PJM Interchange Energy Market by causing a reduction in demand.

##### **1.3.1B.03 Day-ahead Congestion Price.**

“Day-ahead Congestion Price” shall mean the Congestion Price resulting from the Day-ahead Energy Market.

#### **1.3.1C Day-ahead Energy Market.**

“Day-ahead Energy Market” shall mean the schedule of commitments for the purchase or sale of energy and payment of Transmission Congestion Charges developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.

**1.3.1C.01 Day-ahead Loss Price.**

“Day-ahead Loss Price” shall mean the Loss Price resulting from the Day-ahead Energy Market.

**1.3.1D Day-ahead Prices.**

“Day-ahead Prices” shall mean the Locational Marginal Prices resulting from the Day-ahead Energy Market.

**1.3.1D.01 Day-ahead Scheduling Reserves.**

“Day-ahead Scheduling Reserves” shall mean thirty-minute reserves as defined by the Reliability First Corporation and SERC.

**1.3.1D.02 Day-ahead Scheduling Reserves Requirement.**

“Day-ahead Scheduling Reserves Requirement” shall mean the thirty-minute reserve requirement for the PJM Region established consistent with Reliability First Corporation and SERC reliability standards, or those of any additional and/or successor regional reliability organization(s) that are responsible for establishing reliability requirements for the PJM Region, plus any additional thirty-minute reserves scheduled in response to an RTO-wide Hot or Cold Weather Alert or other reasons for conservative operations.

**1.3.1D.03 Day-ahead Scheduling Reserves Resources.**

“Day-ahead Scheduling Reserves Resources” shall mean synchronized and non-synchronized generation resources and Demand Resources electrically located within the PJM Region that are capable of providing Day-ahead Scheduling Reserves.

**1.3.1D.04 Day-ahead Scheduling Reserves Market.**

“Day-ahead Scheduling Reserves Market” shall mean the schedule of commitments for the purchase or sale of Day-ahead Scheduling Reserves developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.

**1.3.1D.05 Day-ahead System Energy Price.**

“Day-ahead System Energy Price” shall mean the System Energy Price resulting from the Day-ahead Energy Market.

### **1.3.1E Decrement Bid.**

“Decrement Bid” shall mean a bid to purchase energy at a specified location in the Day-ahead Energy Market. An accepted Decrement Bid results in scheduled load at the specified location in the Day-ahead Energy Market.

#### **1.3.1E.01 Demand Resource.**

“Demand Resource” shall mean a resource with the capability to provide a reduction in demand.

### **1.3.1F Dispatch Rate.**

“Dispatch Rate” shall mean the control signal, expressed in dollars per megawatt-hour, calculated and transmitted continuously and dynamically to direct the output level of all generation resources dispatched by the Office of the Interconnection in accordance with the Offer Data.

### **1.3.1G Energy Storage Resource.**

“Energy Storage Resource” shall mean flywheel or battery storage facility solely used for short term storage and injection of energy at a later time to participate in the PJM energy and/or Ancillary Services markets as a Market Seller.

### **1.3.2 Equivalent Load.**

“Equivalent Load” shall mean the sum of a Market Participant’s net system requirements to serve its customer load in the PJM Region, if any, plus its net bilateral transactions.

#### **1.3.2A Economic Load Response Participant.**

“Economic Load Response Participant” shall mean a Member or Special Member that qualifies under Section 1.5A of this Schedule to participate in the PJM Interchange Energy Market through reductions in demand.

##### ***1.3.2A.01 Economic Minimum.***

*“Economic Minimum” shall mean the lowest incremental MW output level a unit can achieve while following economic dispatch.*

#### **1.3.2B Energy Market Opportunity Cost.**

“Energy Market Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of available run hours due to limitations imposed on the unit by Applicable Laws and Regulations (as defined in PJM Tariff), and (b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Energy Market Opportunity Cost therefore is

the value associated with a specific generating unit's lost opportunity to produce energy during a higher valued period of time occurring within the same compliance period, which compliance period is determined by the applicable regulatory authority and is reflected in the rules set forth in PJM Manual 15. Energy Market Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.

### **1.3.3 External Market Buyer.**

“External Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for consumption by end-users outside the PJM Region, or for load in the PJM Region that is not served by Network Transmission Service.

### **1.3.4 External Resource.**

“External Resource” shall mean a generation resource located outside the metered boundaries of the PJM Region.

### **1.3.5 Financial Transmission Right.**

“Financial Transmission Right” or “FTR” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2 of this Schedule.

#### **1.3.5A Financial Transmission Right Obligation.**

“Financial Transmission Right Obligation” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(b) of this Schedule.

#### **1.3.5B Financial Transmission Right Option.**

“Financial Transmission Right Option” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(c) of this Schedule.

### **1.3.6 Generating Market Buyer.**

“Generating Market Buyer” shall mean an Internal Market Buyer that is a Load Serving Entity that owns or has contractual rights to the output of generation resources capable of serving the Market Buyer's load in the PJM Region, or of selling energy or related services in the PJM Interchange Energy Market or elsewhere.

### **1.3.7 Generator Forced Outage.**

“Generator Forced Outage” shall mean an immediate reduction in output or capacity or removal from service, in whole or in part, of a generating unit by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the facility, as specified in the relevant portions of the PJM Manuals. A reduction in output or

removal from service of a generating unit in response to changes in market conditions shall not constitute a Generator Forced Outage.

### **1.3.8 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 necessary repairs on specific components of the facility, if removal of the facility meets the guidelines specified in the PJM Manuals.

### **1.3.9 Generator Planned Outage.**

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

#### **1.3.9A Increment Bid.**

“Increment Bid” shall mean an offer to sell energy at a specified location in the Day-ahead Energy Market. An accepted Increment Bid results in scheduled generation at the specified location in the Day-ahead Energy Market.

#### **1.3.9B Interface Pricing Point.**

“Interface Pricing Point” shall have the meaning specified in section 2.6A.

### **1.3.10 Internal Market Buyer.**

“Internal Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for ultimate consumption by end-users inside the PJM Region that are served by Network Transmission Service.

### **1.3.11 Inadvertent Interchange.**

“Inadvertent Interchange” shall mean the difference between net actual energy flow and net scheduled energy flow into or out of the individual Control Areas operated by PJM..

#### **1.3.11.01 Load Management.**

“Load Management” shall mean either a Demand Resource (“DR”) or an Interruptible Load for Reliability (“ILR”) resource, both as defined in the Reliability Assurance Agreement.

#### **1.3.11A Load Reduction Event.**

“Load Reduction Event” shall mean a reduction in demand by a Member or Special Member for the purpose of participating in the PJM Interchange Energy Market.

### **1.3.11B Loss Price.**

“Loss Price” shall mean the loss component of the Locational Marginal Price, which is the effect on transmission loss costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource based on the effect of increased generation from or consumption by the resource on transmission losses, calculated as specified in Section 2 of Schedule 1 of this Agreement.

### **1.3.12 Market Operations Center.**

“Market Operations Center” shall mean the equipment, facilities and personnel used by or on behalf of a Market Participant to communicate and coordinate with the Office of the Interconnection in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

### **1.3.12A Maximum Emergency.**

“Maximum Emergency” shall mean the designation of all or part of the output of a generating unit for which the designated output levels may require extraordinary procedures and therefore are available to the Office of the Interconnection only when the Office of the Interconnection declares a Maximum Generation Emergency and requests generation designated as Maximum Emergency to run. The Office of the Interconnection shall post on the PJM website the aggregate amount of megawatts that are classified as Maximum Emergency.

### **1.3.13 Maximum Generation Emergency.**

“Maximum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection to address either a generation or transmission emergency in which the Office of the Interconnection anticipates requesting one or more Generation Capacity Resources, or Non-Retail Behind The Meter Generation resources to operate at its maximum net or gross electrical power output, subject to the equipment stress limits for such Generation Capacity Resource or Non-Retail Behind The Meter resource in order to manage, alleviate, or end the Emergency.

### **1.3.14 Minimum Generation Emergency.**

“Minimum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection in which the Office of the Interconnection anticipates requesting one or more generating resources to operate at or below Normal Minimum Generation, in order to manage, alleviate, or end the Emergency.

### **1.3.14A NERC Interchange Distribution Calculator.**

“NERC Interchange Distribution Calculator” shall mean the NERC mechanism that is in effect and being used to calculate the distribution of energy, over specific transmission interfaces, from energy transactions.

### **1.3.15 Network Resource.**

“Network Resource” shall have the meaning specified in the PJM Tariff.

### **1.3.16 Network Service User.**

“Network Service User” shall mean an entity using Network Transmission Service.

### **1.3.17 Network Transmission Service.**

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

### **1.3.18 Normal Maximum Generation.**

“Normal Maximum Generation” shall mean the highest output level of a generating resource under normal operating conditions.

### **1.3.19 Normal Minimum Generation.**

“Normal Minimum Generation” shall mean the lowest output level of a generating resource under normal operating conditions.

### **1.3.20 Offer Data.**

“Offer Data” shall mean the scheduling, operations planning, dispatch, new resource, and other data and information necessary to schedule and dispatch generation resources and Demand Resource(s) for the provision of energy and other services and the maintenance of the reliability and security of the transmission system in the PJM Region, and specified for submission to the PJM Interchange Energy Market for such purposes by the Office of the Interconnection.

### **1.3.21 Office of the Interconnection Control Center.**

“Office of the Interconnection Control Center” shall mean the equipment, facilities and personnel used by the Office of the Interconnection to coordinate and direct the operation of the PJM Region and to administer the PJM Interchange Energy Market, including facilities and equipment used to communicate and coordinate with the Market Participants in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

### **1.3.21A On-Site Generators.**

“On-Site Generators” shall mean generation facilities (including Behind The Meter Generation) that (i) are not Capacity Resources, (ii) are not injecting into the grid, (iii) are either synchronized or non-synchronized to the Transmission System, and (iv) can be used to reduce demand for the purpose of participating in the PJM Interchange Energy Market.

### **1.3.22 Operating Day.**

“Operating Day” shall mean the daily 24 hour period beginning at midnight for which transactions on the PJM Interchange Energy Market are scheduled.

### **1.3.23 Operating Margin.**

“Operating Margin” shall mean the incremental adjustments, measured in megawatts, required in PJM Region operations in order to accommodate, on a first contingency basis, an operating contingency in the PJM Region resulting from operations in an interconnected Control Area. Such adjustments may result in constraints causing Transmission Congestion Charges, or may result in Ancillary Services charges pursuant to the PJM Tariff.

### **1.3.24 Operating Margin Customer.**

“Operating Margin Customer” shall mean a Control Area purchasing Operating Margin pursuant to an agreement between such other Control Area and the LLC.

### **1.3.25 PJM Interchange.**

“PJM Interchange” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds, or is exceeded by, the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller; or (e) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (f) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

### **1.3.26 PJM Interchange Export.**

“PJM Interchange Export” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load is exceeded by the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup sales; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller.

### **1.3.27 PJM Interchange Import.**

“PJM Interchange Import” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds the sum of the hourly outputs of its



operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup purchases; or (c) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (d) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

### **1.3.28 PJM Open Access Same-time Information System.**

“PJM Open Access Same-time Information System” shall mean the electronic communication system for the collection and dissemination of information about transmission services in the PJM Region, established and operated by the Office of the Interconnection in accordance with FERC standards and requirements.

### **1.3.28A Planning Period Quarter.**

“Planning Period Quarter” shall mean any of the following three month periods in the Planning Period: June, July and August; September, October and November; December, January and February; or March, April and May.

### **1.3.28B Planning Period Balance.**

“Planning Period Balance” shall mean the entire period of time remaining in the Planning Period following the month that a monthly auction is conducted.

### **1.3.29 Point-to-Point Transmission Service.**

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

### **1.3.30 Ramping Capability.**

“Ramping Capability” shall mean the sustained rate of change of generator output, in megawatts per minute.

#### **1.3.30.01 Real-time Congestion Price.**

“Real-time Congestion Price” shall mean the Congestion Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

#### **1.3.30.02 Real-time Loss Price.**

“Real-time Loss Price” shall mean the Loss Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

### **1.3.30A Real-time Prices.**

“Real-time Prices” shall mean the Locational Marginal Prices resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

**1.3.30B Real-time Energy Market.**

“Real-time Energy Market” shall mean the purchase or sale of energy and payment of Transmission Congestion Charges for quantity deviations from the Day-ahead Energy Market in the Operating Day.

**1.3.30B.01 Real-time System Energy Price.**

“Real-time System Energy Price” shall mean the System Energy Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

**1.3.31 Regulation.**

“Regulation” shall mean the capability of a specific generation resource or Demand Resource with appropriate telecommunications, control and response capability to increase or decrease its output or adjust load in response to a regulating control signal, in accordance with the specifications in the PJM Manuals.

**1.3.31.01 Residual Auction Revenue Rights.**

“Residual Auction Revenue Rights” shall mean incremental stage 1 Auction Revenue Rights created within a Planning Period by an increase in transmission system capability or a change in any other relevant factor that was not modeled pursuant to section 7.5 of Schedule 1 of this Agreement in compliance with section 7.4.2(h) of Schedule 1 of this Agreement, and, if modeled, would have increased the amount of stage 1 Auction Revenue Rights allocated pursuant to section 7.4.2 of Schedule 1 of this Agreement; provided that, the foregoing notwithstanding, Residual Auction Revenue Rights shall exclude: 1) Incremental Auction Revenue Rights allocated pursuant to Part VI of the Tariff; and 2) Auction Revenue Rights allocated to entities that are assigned cost responsibility pursuant to Schedule 6 of this Agreement for transmission upgrades that create such rights.

**1.3.31.02 Special Member.**

“Special Member” shall mean an entity that satisfies the requirements of Section 1.5A.02 of this Schedule or the special membership provisions established under the Emergency Load Response Program.

**1.3.31A [Reserved.]**

**1.3.31B [Reserved.]**

**1.3.32 Spot Market Backup.**

“Spot Market Backup” shall mean the purchase of energy from, or the delivery of energy to, the PJM Interchange Energy Market in quantities sufficient to complete the delivery or receipt obligations of a bilateral contract that has been curtailed or interrupted for any reason.

### **1.3.33 Spot Market Energy.**

“Spot Market Energy” shall mean energy bought or sold by Market Participants through the PJM Interchange Energy Market at System Energy Prices determined as specified in Section 2 of this Schedule.

#### **1.3.33A State Estimator.**

“State Estimator” shall mean the computer model of power flows specified in Section 2.3 of this Schedule.

#### **1.3.33B Station Power.**

“Station Power” shall mean energy used for operating the electric equipment on the site of a generation facility located in the PJM Region or for the heating, lighting, air-conditioning and office equipment needs of buildings on the site of such a generation facility that are used in the operation, maintenance, or repair of the facility. Station Power does not include any energy (i) used to power synchronous condensers; (ii) used for pumping at a pumped storage facility; (iii) used for charging an Energy Storage Resource; or (iv) used in association with restoration or black start service.

##### **1.3.33B.01 Synchronized Reserve.**

“Synchronized Reserve” shall mean the reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes from the request of the Office of the Interconnection dispatcher, and is provided by equipment that is electrically synchronized to the Transmission System.

##### **1.3.33B.02 Synchronized Reserve Event.**

“Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources and/or Demand Resources able, assigned or self-scheduled to provide Synchronized Reserve, within ten minutes, to increase the energy output or reduce load by the amount of assigned or self-scheduled Synchronized Reserve capability.

##### **1.3.33B.03 System Energy Price.**

“System Energy Price” shall mean the energy component of the Locational Marginal Price, which is the price at which the Market Seller has offered to supply an additional increment of energy from a resource, calculated as specified in Section 2 of Schedule 1 of this Agreement.

#### **1.3.33C Target Allocation.**

“Target Allocation” shall mean the allocation of Transmission Congestion Credits as set forth in Section 5.2.3 of this Schedule or the allocation of Auction Revenue Rights Credits as set forth in Section 7.4.3 of this Schedule.

**1.3.34 Transmission Congestion Charge.**

“Transmission Congestion Charge” shall mean a charge attributable to the increased cost of energy delivered at a given load bus when the transmission system serving that load bus is operating under constrained conditions, or as necessary to provide energy for third-party transmission losses in accordance with Section 9.3, which shall be calculated and allocated as specified in Section 5.1 of this Schedule.

**1.3.35 Transmission Congestion Credit.**

“Transmission Congestion Credit” shall mean the allocated share of total Transmission Congestion Charges credited to each holder of Financial Transmission Rights, calculated and allocated as specified in Section 5.2 of this Schedule.

**1.3.36 Transmission Customer.**

“Transmission Customer” shall mean an entity using Point-to-Point Transmission Service.

**1.3.37 Transmission Forced Outage.**

“Transmission Forced Outage” shall mean an immediate removal from service of a transmission facility by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the transmission facility, as specified in the relevant portions of the PJM Manuals. A removal from service of a transmission facility at the request of the Office of the Interconnection to improve transmission capability shall not constitute a Forced Transmission Outage.

**1.3.37A Transmission Loading Relief.**

“Transmission Loading Relief” shall mean NERC’s procedures for preventing operating security limit violations, as implemented by PJM as the security coordinator responsible for maintaining transmission security for the PJM Region.

**1.3.37B Transmission Loading Relief Customer.**

“Transmission Loading Relief Customer” shall mean an entity that, in accordance with Section 1.10.6A, has elected to pay Transmission Congestion Charges during Transmission Loading Relief in order to continue energy schedules over contract paths outside the PJM Region that are increasing the cost of energy in the PJM Region.

**1.3.37C Transmission Loss Charge.**

“Transmission Loss Charge” shall mean the charges to each Market Participant, Network Customer, or Transmission Customer for the cost of energy lost in the transmission of electricity from a generation resource to load as specified in Section 5 of this Schedule.

**1.3.38 Transmission Planned Outage.**

“Transmission Planned Outage” shall mean any transmission outage scheduled in advance for a pre-determined duration and which meets the notification requirements for such outages specified in this Agreement or the PJM Manuals.

**1.3.39 Zonal Base Load.**

“Zonal Base Load” shall mean the lowest daily zonal peak load from the twelve month period ending October 21 of the calendar year immediately preceding the calendar year in which an annual Auction Revenue Right allocation is conducted, increased by the projected load growth rate for the relevant Zone.

## **1.10 Scheduling.**

### **1.10.1 General.**

(a) The Office of the Interconnection shall administer scheduling processes to implement a Day-ahead Energy Market and a Real-time Energy Market.

(b) The Day-ahead Energy Market shall enable Market Participants to purchase and sell energy through the PJM Interchange Energy Market at Day-ahead Prices and enable Transmission Customers to reserve transmission service with Transmission Congestion Charges and Transmission Loss Charges based on locational differences in Day-ahead Prices. Up-To Congestion transactions submitted in the Day-ahead Energy Market shall not require transmission service and Transmission Customers shall not reserve transmission service for such transactions. Market Participants whose purchases and sales, and Transmission Customers whose transmission uses are scheduled in the Day-ahead Energy Market, shall be obligated to purchase or sell energy, or pay Transmission Congestion Charges and Transmission Loss Charges, at the applicable Day-ahead Prices for the amounts scheduled.

(c) In the Real-time Energy Market, Market Participants that deviate from the amounts of energy purchases or sales, or Transmission Customers that deviate from the transmission uses, scheduled in the Day-ahead Energy Market shall be obligated to purchase or sell energy, or pay Transmission Congestion Charges and Transmission Loss Charges, for the amount of the deviations at the applicable Real-time Prices or price differences, unless otherwise specified by this Schedule.

(d) The following scheduling procedures and principles shall govern the commitment of resources to the Day-ahead Energy Market and the Real-time Energy Market over a period extending from one week to one hour prior to the real-time dispatch. Scheduling encompasses the day-ahead and hourly scheduling process, through which the Office of the Interconnection determines the Day-ahead Energy Market and determines, based on changing forecasts of conditions and actions by Market Participants and system constraints, a plan to serve the hourly energy and reserve requirements of the Internal Market Buyers and the purchase requests of the External Market Buyers in the least costly manner, subject to maintaining the reliability of the PJM Region. Scheduling shall be conducted as specified below, subject to the following condition. If the Office of the Interconnection's forecast for the next seven days projects a likelihood of Emergency conditions, the Office of the Interconnection may commit, for all or part of such seven day period, to the use of generation resources with notification or start-up times greater than one day as necessary in order to alleviate or mitigate such Emergency, in accordance with the Market Sellers' offers for such units for such periods and the specifications in the PJM Manuals.

#### **1.10.1A Day-ahead Energy Market Scheduling.**

The following actions shall occur not later than 12:00 noon on the day before the Operating Day for which transactions are being scheduled, or such other deadline as may be specified by the

Office of the Interconnection in order to comply with the practical requirements and the economic and efficiency objectives of the scheduling process specified in this Schedule.

(a) Each Market Participant may submit to the Office of the Interconnection specifications of the amount and location of its customer loads and/or energy purchases to be included in the Day-ahead Energy Market for each hour of the next Operating Day, such specifications to comply with the requirements set forth in the PJM Manuals. Each Market Buyer shall inform the Office of the Interconnection of the prices, if any, at which it desires not to include its load in the Day-ahead Energy Market rather than pay the Day-ahead Price.

(b) Each Generating Market Buyer shall submit to the Office of the Interconnection: (i) hourly schedules for resource increments, including hydropower units, self-scheduled by the Market Buyer to meet its Equivalent Load; and (ii) the Dispatch Rate at which each such self-scheduled resource will disconnect or reduce output, or confirmation of the Market Buyer's intent not to reduce output.

(c) All Market Participants shall submit to the Office of the Interconnection schedules for any bilateral transactions involving use of generation or Transmission Facilities as specified below, and shall inform the Office of the Interconnection whether the transaction is to be included in the Day-ahead Energy Market. Any Market Participant that elects to include a bilateral transaction in the Day-ahead Energy Market may specify the price (such price not to exceed the maximum price that may be specified in the PJM Manuals), if any, at which it will be wholly or partially curtailed rather than pay Transmission Congestion Charges. The foregoing price specification shall apply to the price difference between the specified bilateral transaction source and sink points in the day-ahead scheduling process only. Any Market Participant that elects not to include its bilateral transaction in the Day-ahead Energy Market shall inform the Office of the Interconnection if the parties to the transaction are not willing to incur Transmission Congestion Charges in the Real-time Energy Market in order to complete any such scheduled bilateral transaction. Scheduling of bilateral transactions shall be conducted in accordance with the specifications in the PJM Manuals and the following requirements:

- i) Internal Market Buyers shall submit schedules for all bilateral purchases for delivery within the PJM Region, whether from generation resources inside or outside the PJM Region;
- ii) Market Sellers shall submit schedules for bilateral sales to entities outside the PJM Region from generation within the PJM Region that is not dynamically scheduled to such entities pursuant to Section 1.12; and
- iii) In addition to the foregoing schedules for bilateral transactions, Market Participants shall submit confirmations of each scheduled bilateral transaction from each other party to the transaction in addition to the party submitting the schedule, or the adjacent Control Area.

(d) Market Sellers wishing to sell into the Day-ahead Energy Market shall submit offers for the supply of energy (including energy from hydropower units), demand reductions, Regulation,

Operating Reserves or other services for the following Operating Day. Offers shall be submitted to the Office of the Interconnection in the form specified by the Office of the Interconnection and shall contain the information specified in the Office of the Interconnection's Offer Data specification, this Section 1.10.1A(d), Schedule 2 of the Operating Agreement, and the PJM Manuals, as applicable. Market Sellers owning or controlling the output of a Generation Capacity Resource that was committed in an FRR Capacity Plan, self-supplied, offered and cleared in a Base Residual Auction or Incremental Auction, or designated as replacement capacity, as specified in Attachment DD of the PJM Tariff, and that has not been rendered unavailable by a Generator Planned Outage, a Generator Maintenance Outage, or a Generator Forced Outage shall submit offers for the available capacity of such Generation Capacity Resource, including any portion that is self-scheduled by the Generating Market Buyer. The submission of offers for resource increments that have not cleared in a Base Residual Auction or an Incremental Auction, were not committed in an FRR Capacity Plan, and were not designated as replacement capacity under Attachment DD of the PJM Tariff shall be optional, but any such offers must contain the information specified in the Office of the Interconnection's Offer Data specification, this Section 1.10.1A(d), Schedule 2 of the Operating Agreement, and the PJM Manuals, as applicable. Energy offered from generation resources that have not cleared a Base Residual Auction or an Incremental Auction, were not committed in an FRR Capacity Plan, and were not designated as replacement capacity under Attachment DD of the PJM Tariff shall not be supplied from resources that are included in or otherwise committed to supply the Operating Reserves of a Control Area outside the PJM Region. The foregoing offers:

- i) Shall specify the Generation Capacity Resource or Demand Resource and energy or demand reduction, amount, respectively, for each hour in the offer period, and the minimum run time for generation resources and minimum down time for Demand Resources;
- ii) Shall specify the amounts and prices for the entire Operating Day for each resource component offered by the Market Seller to the Office of the Interconnection;
- iii) If based on energy from a specific generating unit, may specify start-up and no-load fees equal to the specification of such fees for such unit on file with the Office of the Interconnection, if based on reductions in demand from a Demand Resource may specify shutdown costs;
- iv) Shall set forth any special conditions upon which the Market Seller proposes to supply a resource increment, including any curtailment rate specified in a bilateral contract for the output of the resource, or any cancellation fees;
- v) May include a schedule of offers for prices and operating data contingent on acceptance by the deadline specified in this Schedule, with a second schedule applicable if accepted after the foregoing deadline;



- vi) Shall constitute an offer to submit the resource increment to the Office of the Interconnection for scheduling and dispatch in accordance with the terms of the offer, which offer shall remain open through the Operating Day for which the offer is submitted;
- vii) Shall be final as to the price or prices at which the Market Seller proposes to supply energy or other services to the PJM Interchange Energy Market, such price or prices being guaranteed by the Market Seller for the period extending through the end of the following Operating Day; and
- viii) Shall not exceed an energy offer price of \$1,000/megawatt-hour.

(e) A Market Seller that wishes to make a resource available to sell Regulation service shall submit an offer for Regulation that shall specify the megawatt of Regulation being offered, which must equal or exceed 0.5 megawatts, the Regulation Zone for which such regulation is offered, the price of the offer in dollars per MWh, and such other information specified by the Office of the Interconnection as may be necessary to evaluate the offer and the resource's opportunity costs. The price of the offer shall not exceed \$100 per MWh in the case of Regulation offered for all Regulation Zones. In addition to any market-based offer for Regulation, the Market Seller also shall submit a cost-based offer. A cost-based offer must be in the form specified in the PJM Manuals and consist of the following components as well as any other components specified in the PJM Manuals:

- i. The costs (in \$/MW) of the fuel cost increase due to the heat rate increase resulting from operating the unit at lower megawatt output incurred from the provision of Regulation;
- ii. The cost increase (in \$/MW) in variable operating and maintenance costs resulting from operating the unit at lower megawatt output incurred from the provision of Regulation; and
- iii. An adder of up to \$12.00 per megawatt of Regulation provided.

Qualified Regulation capability must satisfy the verification tests specified in the PJM Manuals.

(f) Each Market Seller owning or controlling the output of a Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative shall submit a forecast of the availability of each such Generation Capacity Resource for the next seven days. A Market Seller (i) may submit a non-binding forecast of the price at which it expects to offer a generation resource increment to the Office of the Interconnection over the next seven days, and (ii) shall submit a binding offer for energy, along with start-up and no-load fees, if any, for the next seven days or part thereof, for any generation resource with minimum notification or start-up requirement greater than 24 hours.

(g) Each offer by a Market Seller of a Generation Capacity Resource shall remain in effect for subsequent Operating Days until superseded or canceled.

(h) The Office of the Interconnection shall post on the PJM Open Access Same-time Information System the total hourly loads scheduled in the Day-ahead Energy Market, as well as, its estimate of the combined hourly load of the Market Buyers for the next four days, and peak load forecasts for an additional three days.

(i) Except for Economic Load Response Participants, all Market Participants may submit Increment Bids and/or Decrement Bids that apply to the Day-ahead Energy Market only. Such bids must comply with the requirements set forth in the PJM Manuals and must specify amount, location and price, if any, at which the Market Participant desires to purchase or sell energy in the Day-ahead Energy Market. The Office of the Interconnection may require that a market participant shall not submit in excess of 3000 bid/offer segments in the Day-ahead Energy Market, when the Office of the Interconnection determines that such limit is required to avoid or mitigate significant system performance problems related to bid/offer volume. Notice of the need to impose such limit shall be provided prior to 10:00 a.m. EPT on the day that the Day-ahead Energy Market will clear. For purposes of this provision, a bid/offer segment is each pairing of price and megawatt quantity submitted as part of an Increment Bid or Decrement Bid.

(j) A Market Seller that wishes to make a generation resource or Demand Resource available to sell Synchronized Reserve shall submit an offer for Synchronized Reserve that shall specify the megawatts of Synchronized Reserve being offered, which must equal or exceed 0.5 megawatts, the price of the offer in dollars per megawatt hour, and such other information specified by the Office of the Interconnection as may be necessary to evaluate the offer and the energy used by the generation resource to provide the Synchronized Reserve and the generation resource's unit specific opportunity costs. The price of the offer shall not exceed the variable operating and maintenance costs for providing Synchronized Reserve plus seven dollars and fifty cents.

(k) An Economic Load Response Participant that wishes to participate in the Day-ahead Energy Market by reducing demand shall submit an offer to reduce demand to the Office of the Interconnection. The offer must equal or exceed 0.1 megawatts, and the offer shall specify: (i) the amount of the offered curtailment in minimum increments of .1 megawatts; (ii) the Day-ahead Locational Marginal Price above which the end-use customer will reduce load; and (iii) at the Economic Load Response Participant's option, start-up costs associated with reducing load, including direct labor and equipment costs, opportunity costs, and/or a minimum of number of contiguous hours for which the load reduction must be committed. Economic Load Response Participants submitting offers to reduce demand in the Day-ahead Energy Market may establish an incremental offer curve, provided that such offer curve shall be limited to ten price pairs (in MWs).

(l) Market Sellers owning or controlling the output of a Demand Resource that was committed in an FRR Capacity Plan, self-supplied or offered and cleared in the Base Residual Auction or one of the Incremental Auctions, or owning or controlling the output of an ILR resource which was certified as specified in Attachment DD of the PJM Tariff, may submit demand reduction bids for the available load reduction capability of the Demand Resource or ILR resource. The submission of demand reduction bids for resource increments that have not

cleared in the Base Residual Auction or in one of the Incremental Auctions, or for ILR resources that were not certified, or were not committed in an FRR Capacity Plan, shall be optional, but any such bids must contain the information specified in the PJM Economic Load Response Program to be included in such bids. A Demand Resource that was committed in an FRR Capacity Plan, self-supplied or offered and cleared in a Base Residual Auction or an Incremental Auction may submit a demand reduction bid in the Day-ahead Energy Market as specified in the Economic Load Response Program, provided however, that in the event of an Emergency, PJM shall require Demand Resources and ILR resources to reduce load notwithstanding that the Zonal LMP at the time such Emergency is declared is below the price identified in the demand reduction bid.

(m) Market Sellers that wish to make Day-ahead Scheduling Reserves Resources available to sell Day-ahead Scheduling Reserves shall submit offers, each of which must equal or exceed 0.5 megawatts, in the Day-ahead Scheduling Reserves Market specifying: 1) the price of the offer in dollars per megawatt hour; and 2) such other information specified by the Office of the Interconnection as may be necessary to determine any relevant opportunity costs for the resource(s). The foregoing notwithstanding, to qualify to submit offers pursuant to this section, the Day-ahead Scheduling Reserves Resources shall submit energy offers in the Day-ahead Energy Market including start-up and shut-down costs for generation resource and Demand Resources, respectively, and all generation resources that are capable of providing Day-ahead Scheduling Reserves that a particular resource can provide that service. The MW quantity of Day-ahead Scheduling Reserves that a particular resource can provide in a given hour will be determined based on the energy offer data submitted in the Day-ahead Energy Market, as detailed in the PJM Manuals.

### **1.10.2 Pool-scheduled Resources.**

Pool-scheduled resources are those resources for which Market Participants submitted offers to sell energy in the Day-ahead Energy Market and offers to reduce demand in the Day-ahead Energy Market, which the Office of the Interconnection scheduled in the Day-ahead Energy Market as well as generators committed by the Office of the Interconnection subsequent to the Day-ahead Energy Market. Such resources shall be committed to provide energy in the real-time dispatch unless the schedules for such units are revised pursuant to Sections 1.10.9 or 1.11. Pool-scheduled resources shall be governed by the following principles and procedures.

(a) Pool-scheduled resources shall be selected by the Office of the Interconnection on the basis of the prices offered for energy and demand reductions and related services, start-up, no-load and cancellation fees, and the specified operating characteristics, offered by Market Sellers to the Office of the Interconnection by the offer deadline specified in Section 1.10.1A.

(b) A resource that is scheduled by a Market Participant to support a bilateral sale, or that is self-scheduled by a Generating Market Buyer, shall not be selected by the Office of the Interconnection as a pool-scheduled resource except in an Emergency.

(c) Market Sellers offering energy from hydropower or other facilities with fuel or environmental limitations may submit data to the Office of the Interconnection that is sufficient

to enable the Office of the Interconnection to determine the available operating hours of such facilities.

(d) The Market Seller of a resource selected as a pool-scheduled resource shall receive payments or credits for energy, demand reductions or related services, or for start-up and no-load fees, from the Office of the Interconnection on behalf of the Market Buyers in accordance with Section 3 of this Schedule 1. Alternatively, the Market Seller shall receive, in lieu of start-up and no-load fees, its actual costs incurred, if any, up to a cap of the resource's start-up cost, if the Office of the Interconnection cancels its selection of the resource as a pool-scheduled resource and so notifies the Market Seller before the resource is synchronized.

(e) Market Participants shall make available their pool-scheduled resources to the Office of the Interconnection for coordinated operation to supply the Operating Reserves needs of the applicable Control Zone.

(f) Economic Load Response Participants offering to reduce demand shall specify: (i) the amount of the offered curtailment, which offer must equal or exceed 0.1 megawatts, in minimum increments of .1 megawatts; (ii) the real-time Locational Marginal Price above which the end-use customer will reduce load; and (iii) at the Economic Load Response Participant's option, shut-down costs associated with reducing load, including direct labor and equipment costs, opportunity costs, and/or a minimum number of contiguous hours for which the load reduction must be committed. Economic Load Response Participants submitting offers to reduce demand in the Real-time Energy Market may establish an incremental offer curve, provided that such offer curve shall be limited to ten price pairs (in MWs). Economic Load Response Participants offering to reduce demand shall also indicate the hours that the demand reduction is not available.

### **1.10.3 Self-scheduled Resources.**

Self-scheduled resources shall be governed by the following principles and procedures.

(a) Each Generating Market Buyer shall use all reasonable efforts, consistent with Good Utility Practice, not to self-schedule resources in excess of its Equivalent Load.

(b) The offered prices of resources that are self-scheduled, or otherwise not following the dispatch orders of the Office of the Interconnection, shall not be considered by the Office of the Interconnection in determining Locational Marginal Prices.

(c) Market Participants shall make available their self-scheduled resources to the Office of the Interconnection for coordinated operation to supply the Operating Reserves needs of the applicable Control Zone, by submitting an offer as to such resources.

(d) A Market Participant self-scheduling a resource in the Day-ahead Energy Market that does not deliver the energy in the Real-time Energy Market, shall replace the energy not delivered with energy from the Real-time Energy Market and shall pay for such energy at the applicable Real-time Price.

#### **1.10.4 Capacity Resources.**

(a) A Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative that is selected as a pool-scheduled resource shall be made available for scheduling and dispatch at the direction of the Office of the Interconnection. Such a Generation Capacity Resource that does not deliver energy as scheduled shall be deemed to have experienced a Generator Forced Outage to the extent of such energy not delivered. A Market Participant offering such Generation Capacity Resource in the Day-ahead Energy Market shall replace the energy not delivered with energy from the Real-time Energy Market and shall pay for such energy at the applicable Real-time Price.

(b) Energy from a Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative that has not been scheduled in the Day-ahead Energy Market may be sold on a bilateral basis by the Market Seller, may be self-scheduled, or may be offered for dispatch during the Operating Day in accordance with the procedures specified in this Schedule. Such a Generation Capacity Resource that has not been scheduled in the Day-ahead Energy Market and that has been sold on a bilateral basis must be made available upon request to the Office of the Interconnection for scheduling and dispatch during the Operating Day if the Office of the Interconnection declares a Maximum Generation Emergency. Any such resource so scheduled and dispatched shall receive the applicable Real-time Price for energy delivered.

(c) A resource that has been self-scheduled shall not receive payments or credits for start-up or no-load fees.

#### **1.10.5 External Resources.**

(a) External Resources may submit offers to the PJM Interchange Energy Market, in accordance with the day-ahead and real-time scheduling processes specified above. An External Resource selected as a pool-scheduled resource shall be made available for scheduling and dispatch at the direction of the Office of the Interconnection, and except as specified below shall be compensated on the same basis as other pool-scheduled resources. External Resources that are not capable of dynamic dispatch shall, if selected by the Office of the Interconnection on the basis of the Market Seller's Offer Data, be block loaded on an hourly scheduled basis. Market Sellers shall offer External Resources to the PJM Interchange Energy Market on either a resource-specific or an aggregated resource basis. A Market Participant whose pool-scheduled resource does not deliver the energy scheduled in the Day-ahead Energy Market shall replace such energy not delivered as scheduled in the Day-ahead Energy Market with energy from the PJM Real-time Energy Market and shall pay for such energy at the applicable Real-time Price.

(b) Offers for External Resources from an aggregation of two or more generating units shall so indicate, and shall specify, in accordance with the Offer Data requirements specified by the Office of the Interconnection: (i) energy prices; (ii) hours of energy availability; (iii) a minimum dispatch level; (iv) a maximum dispatch level; and (v) unless such information has previously been made available to the Office of the Interconnection, sufficient information, as specified in

the PJM Manuals, to enable the Office of the Interconnection to model the flow into the PJM Region of any energy from the External Resources scheduled in accordance with the Offer Data. If a Market Seller submits more than one offer on an aggregated resource basis, the withdrawal of any such offer shall be deemed a withdrawal of all higher priced offers for the same period.

(c) Offers for External Resources on a resource-specific basis shall specify the resource being offered, along with the information specified in the Offer Data as applicable.

#### **1.10.6 External Market Buyers.**

(a) Deliveries to an External Market Buyer not subject to dynamic dispatch by the Office of the Interconnection shall be delivered on a block loaded basis to the load bus or buses at the electrical boundaries of the PJM Region, or in such area with respect to an External Market Buyer's load within such area not served by Network Service, at which the energy is delivered to or for the External Market Buyer. External Market Buyers shall be charged or credited at either the Day-ahead Prices or Real-time Prices, whichever is applicable, for energy at the foregoing load bus or buses.

(b) An External Market Buyer's hourly schedules for energy purchased from the PJM Interchange Energy Market shall conform to the ramping and other applicable requirements of the interconnection agreement between the PJM Region and the Control Area to which, whether as an intermediate or final point of delivery, the purchased energy will initially be delivered.

(c) The Office of the Interconnection shall curtail deliveries to an External Market Buyer if necessary to maintain appropriate reserve levels for a Control Zone as defined in the PJM Manuals, or to avoid shedding load in such Control Zone.

#### **1.10.6A Transmission Loading Relief Customers.**

(a) An entity that desires to elect to pay Transmission Congestion Charges in order to continue its energy schedules during an Operating Day over contract paths outside the PJM Region in the event that PJM initiates Transmission Loading Relief that otherwise would cause PJM to request security coordinators to curtail such Member's energy schedules shall:

- (i) enter its election on OASIS by 12:00 p.m. of the day before the Operating Day, in accordance with procedures established by PJM, which election shall be applicable for the entire Operating Day; and
- (ii) if PJM initiates Transmission Loading Relief, provide to PJM, at such time and in accordance with procedures established by PJM, the hourly integrated energy schedules that impacted the PJM Region (as indicated from the NERC Interchange Distribution Calculator) during the Transmission Loading Relief.

(b) If an entity has made the election specified in Section (a), then PJM shall not request security coordinators to curtail such entity's energy transactions, except as may be necessary to respond to Emergencies.

(c) In order to make elections under this Section 1.10.6A, an entity must (i) have met the creditworthiness standards established by the Office of the Interconnection or provided a letter of credit or other form of security acceptable to the Office of the Interconnection, and (ii) have executed either the Agreement, a Service Agreement under the PJM Tariff, or other agreement committing to pay all Transmission Congestion Charges incurred under this Section.

### **1.10.7 Bilateral Transactions.**

Bilateral transactions as to which the parties have notified the Office of the Interconnection by the deadline specified in Section 1.10.1A that they elect not to be included in the Day-ahead Energy Market and that they are not willing to incur Transmission Congestion Charges in the Real-time Energy Market shall be curtailed by the Office of the Interconnection as necessary to reduce or alleviate transmission congestion. Bilateral transactions that were not included in the Day-ahead Energy Market and that are willing to incur congestion charges and bilateral transactions that were accepted in the Day-ahead Energy Market shall continue to be implemented during periods of congestion, except as may be necessary to respond to Emergencies.

### **1.10.8 Office of the Interconnection Responsibilities.**

(a) The Office of the Interconnection shall use its best efforts to determine (i) the least-cost means of satisfying the projected hourly requirements for energy, Operating Reserves, and other ancillary services of the Market Buyers, including the reliability requirements of the PJM Region, of the Day-ahead Energy Market, and (ii) the least-cost means of satisfying the Operating Reserve and other ancillary service requirements for any portion of the load forecast of the Office of the Interconnection for the Operating Day in excess of that scheduled in the Day-ahead Energy Market. In making these determinations, the Office of the Interconnection shall take into account: (i) the Office of the Interconnection's forecasts of PJM Interchange Energy Market and PJM Region energy requirements, giving due consideration to the energy requirement forecasts and purchase requests submitted by Market Buyers; (ii) the offers submitted by Market Sellers; (iii) the availability of limited energy resources; (iv) the capacity, location, and other relevant characteristics of self-scheduled resources; (v) the objectives of each Control Zone for Operating Reserves, as specified in the PJM Manuals; (vi) the requirements of each Regulation Zone for Regulation and other ancillary services, as specified in the PJM Manuals; (vii) the benefits of avoiding or minimizing transmission constraint control operations, as specified in the PJM Manuals; and (viii) such other factors as the Office of the Interconnection reasonably concludes are relevant to the foregoing determination, including, without limitation, transmission constraints on external coordinated flowgates to the extent provided by section 1.7.6. The Office of the Interconnection shall develop a Day-ahead Energy Market based on the foregoing determination, and shall determine the Day-ahead Prices resulting from such schedule. The Office of the Interconnection shall report the planned schedule for a hydropower resource to

the operator of that resource as necessary for plant safety and security, and legal limitations on pond elevations.

(b) Not later than 4:00 p.m. of the day before each Operating Day, or such earlier deadline as may be specified by the Office of the Interconnection in the PJM Manuals, the Office of the Interconnection shall: (i) post the aggregate Day-ahead Energy Market; (ii) post the Day-ahead Prices; and (iii) inform the Market Sellers, Market Buyers, and Economic Load Response Participants of their scheduled injections, withdrawals, and demand reductions respectively.

(c) Following posting of the information specified in Section 1.10.8(b), the Office of the Interconnection shall revise its schedule of generation resources to reflect updated projections of load, conditions affecting electric system operations in the PJM Region, the availability of and constraints on limited energy and other resources, transmission constraints, and other relevant factors. The Office of the Interconnection shall post on the PJM Open Access Same-time Information System at times specified in the PJM Manuals a revised forecast of the location and duration of any expected transmission congestion, and of the range of differences in Locational Marginal Prices between major subareas of the PJM Region expected to result from such transmission congestion.

(d) Market Buyers shall pay and Market Sellers shall be paid for the quantities of energy scheduled in the Day-ahead Energy Market at the Day-ahead Prices. Economic Load Response Participants shall be paid for scheduled demand reductions pursuant to Section 3.3A of this Schedule.

(e) If the Office of the Interconnection discovers an error in prices and/or cleared quantities in the Day-ahead Energy Market, Real-time Energy Market, Ancillary Services Markets or Day Ahead Scheduling Reserve Market after it has posted the results for these markets on its Web site, the Office of the Interconnection shall notify Market Participants of the error as soon as possible after it is found, but in no event later than 12:00 p.m. of the second business day following the Operating Day for the Ancillary Services Markets and Real-time Energy Market, and no later than 5:00 p.m. of the second business day following the initial publication of the results for the Day-ahead Scheduling Reserve Market and Day-ahead Energy Market. After this initial notification, if the Office of the Interconnection determines it is necessary to post modified results, it shall provide notification of its intent to do so, together with all available supporting documentation, by no later than 5:00 p.m. of the fifth business day following the Operating Day for the Ancillary Services Markets and Real-time Energy Market, and no later than 5:00 p.m. of the fifth business day following the initial publication of the results in the Day-ahead Scheduling Reserve Market and the Day-ahead Energy Market. Thereafter, the Office of the Interconnection must post on its Web site the corrected results by no later than 5:00 p.m. of the tenth calendar day following the Operating Day for the Ancillary Services Markets, Day-ahead Energy Market and Real-time Energy Market, and no later than 5:00 p.m. of the tenth calendar day following the initial publication of the results in the Day-ahead Scheduling Reserve Market. Should any of the above deadlines pass without the associated action on the part of the Office of the Interconnection, the originally posted results will be considered final. Notwithstanding the foregoing, the deadlines set forth above shall not apply if the referenced market results are under publicly noticed review by the FERC.



### **1.10.9 Hourly Scheduling.**

(a) Following the initial posting by the Office of the Interconnection of the Locational Marginal Prices resulting from the Day-ahead Energy Market, and subject to the right of the Office of the Interconnection to schedule and dispatch pool-scheduled resources and to direct that schedules be changed in an Emergency, a generation rebidding period shall exist from 4:00 p.m. to 6:00 p.m. on the day before each Operating Day. During the rebidding period, Market Participants may submit revisions to generation Offer Data for any generation resource that was not selected as a pool-scheduled resource in the Day-ahead Energy Market. Adjustments to Day-ahead Energy Markets shall be settled at the applicable Real-time Prices, and shall not affect the obligation to pay or receive payment for the quantities of energy scheduled in the Day-ahead Energy market at the applicable Day-ahead Prices.

(b) A Market Participant may adjust the schedule of a resource under its dispatch control on an hour-to-hour basis beginning at 10:00 p.m. of the day before each Operating Day, provided that the Office of the Interconnection is notified not later than 60 minutes prior to the hour in which the adjustment is to take effect, as follows:

- i) A Generating Market Buyer may self-schedule any of its resource increments, including hydropower resources, not previously designated as self-scheduled and not selected as a pool-scheduled resource in the Day-ahead Energy Market;
- ii) A Market Participant may request the scheduling of a non-firm bilateral transaction; or
- iii) A Market Participant may request the scheduling of deliveries or receipts of Spot Market Energy; or
- iv) A Generating Market Buyer may remove from service a resource increment, including a hydropower resource, that it had previously designated as self-scheduled, provided that the Office of the Interconnection shall have the option to schedule energy from any such resource increment that is a Capacity Resource at the price offered in the scheduling process, with no obligation to pay any start-up fee.

(c) With respect to a pool-scheduled resource that is included in the Day-ahead Energy Market, a Market Seller may not change or otherwise modify its offer to sell energy.

(d) An External Market Buyer may refuse delivery of some or all of the energy it requested to purchase in the Day-ahead Energy Market by notifying the Office of the Interconnection of the adjustment in deliveries not later than 60 minutes prior to the hour in which the adjustment is to take effect, but any such adjustment shall not affect the obligation of the External Market Buyer to pay for energy scheduled on its behalf in the Day-ahead Energy Market at the applicable Day-ahead Prices.

(e) For each hour in the Operating Day, as soon as practicable after the deadlines specified in the foregoing subsection of this Section 1.10, the Office of the Interconnection shall provide External Market Buyers and External Market Sellers and parties to bilateral transactions with any revisions to their schedules for the hour.

## **SCHEDULE 2 - COMPONENTS OF COST**

(a) Each Market Participant obligated to sell energy on the PJM Interchange Energy Market at cost-based rates may include the following components or their equivalent in the determination of costs for energy supplied to or from the PJM Region:

For generating units powered by boilers

Firing-up cost

Peak-prepared-for maintenance cost

For generating units powered by machines

Starting cost from cold to synchronized operation

For all generating units

Incremental fuel cost

Incremental maintenance cost

No-load cost during period of operation

Incremental labor cost

Other incremental operating costs

For a generating unit that is subject to operational limitations due to energy or environmental limitations imposed on the generating unit by Applicable Laws and Regulations (as defined in the PJM Tariff), the Market Participant may include in the calculation of its “other incremental operating costs” an amount reflecting the unit-specific Energy Market Opportunity Costs expected to be incurred. Such unit-specific Energy Market Opportunity Costs are calculated by forecasting Locational Marginal Prices based on future contract prices for electricity using PJM Western Hub forward prices, taking into account historical variability and basis differentials for the bus at which the generating unit is located for the prior three year period immediately preceding the relevant compliance period, and subtract therefrom the forecasted costs to generate energy at the bus at which the generating unit is located, as specified in more detail in PJM Manual 15, Section 8: Cost Development Guidelines. If the difference between the forecasted Locational Marginal Prices and forecasted costs to generate energy is negative, the resulting Energy Market Opportunity Cost shall be zero. Notwithstanding the foregoing, a Market Participant may submit a request to PJM for consideration and approval of an alternative method of calculating its Energy Market Opportunity Cost if the standard methodology described herein does not accurately represent the Market Participant’s Energy Market Opportunity Cost.

(b) All fuel costs shall employ the marginal fuel price experienced by the Member.

(c) The PJM Board, upon consideration of the advice and recommendations of the Members Committee, shall from time to time define in detail the method of determining the costs entering into the said components, and the Members shall adhere to such definitions in the preparation of incremental costs used on the Interconnection.