5.14 Clearing Prices and Charges

a) Capacity Resource Clearing Prices

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

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

b) Resource Make-Whole Payments

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

c) New Entry Price Adjustment

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

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

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

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

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

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

(i) in the first Delivery Year, the Resource sets the Capacity Resource Clearing Price for the LDA and all cleared resources in the LDA receive the Capacity Resource Clearing Price set by the Sell Offer as the marginal offer, in accordance with sections 5.12(a) and 5.14(a).
(ii) in either of the subsequent two BRAs, if any part of the Sell Offer from the Resource clears, it shall receive the Capacity Resource Clearing Price for such LDA for its cleared capacity and for any additional minimum block quantity pursuant to section 5.14(b); or

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

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

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

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

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

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

d) Qualifying Transmission Upgrade Payments

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

e) Locational Reliability Charge

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

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

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

ii) The Office of the Interconnection shall calculate and post the Adjusted Zonal Capacity Price following each Incremental Auction. The Adjusted Zonal Capacity Price for each Zone shall equal the sum of: (1) the average marginal value of system capacity
weighted by the Unforced Capacity cleared in all auctions previously conducted for such Delivery Year (excluding any Unforced Capacity cleared as replacement capacity); (2) the average Locational Price Adder weighted by the Unforced Capacity cleared in all auctions previously conducted for such Delivery Year (excluding any Unforced Capacity cleared as replacement capacity); (3) an adjustment, if required, to account for adders paid to Annual Resources and Extended Summer Demand Resources for all auctions previously conducted for such Delivery Year (excluding any Unforced Capacity cleared as replacement capacity); (4) an adjustment, if required, to account for Resource Make-Whole Payments for all actions previously conducted (excluding any Resource Make-Whole Payments to be charged to the buyers of replacement capacity); and (5) an adjustment, if required to provide sufficient revenue for payment of any PRD Credits. The Adjusted Zonal Capacity Price may decrease if Unforced Capacity is decommitted or the Resource Clearing Price decreases in an Incremental Auction.

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

g) Resource Substitution Charge

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

h) Minimum Offer Price Rule for Certain Generation Capacity Resources

(1) For purposes of this section, the Net Asset Class Costs of New Entry shall be asset-class estimates of competitive, cost-based nominal levelized Cost of New Entry, net of energy and ancillary service revenues. Determination of the gross Cost of New Entry component of the Net Asset Class Cost of New Entry shall be consistent with the methodology used to determine the Cost of New Entry set forth in Section 5.10(a)(iv)(A) of this Attachment.

The gross Cost of New Entry component of Net Asset Class Cost of New Entry shall be, for purposes of the 2018/2019 Delivery Year and subsequent Delivery Years, the values indicated in the table below for each CONE Area for a combustion turbine generator ("CT"), and a combined cycle generator ("CC") respectively, and shall be adjusted for subsequent Delivery Years in accordance with subsection (h)(2) below. For purposes of Incremental Auctions for the 2015/2016, 2016/2017 and 2017/2018 Delivery Years, the MOPR Floor Offer Price shall be the same as that used in the Base Residual Auction for such Delivery Year. The estimated energy and ancillary service revenues for each type of plant shall be determined as described in subsection (h)(3) below. Notwithstanding the foregoing, the Net Asset Class Cost of New Entry shall be zero for: (i) Sell Offers based on nuclear, coal or Integrated Gasification Combined Cycle facilities; or (ii) Sell Offers based on hydroelectric, wind, or solar facilities.
(2) Beginning with the Delivery Year that begins on June 1, 2019, the gross Cost of New Entry component of the Net Asset Class Cost of New Entry shall be adjusted to reflect changes in generating plant construction costs in the same manner as set forth for the cost of new entry in section 5.10(a)(iv)(B), provided, however, that the Applicable BLS Composite Index used for CC plants shall be calculated from the three indices referenced in that section but weighted 25% for the wages index, 60% for the construction materials index, and 15% for the turbines index, and provided further that nothing herein shall preclude the Office of the Interconnection from filing to change the Net Asset Class Cost of New Entry for any Delivery Year pursuant to appropriate filings with FERC under the Federal Power Act.

(3) For purposes of this provision, the net energy and ancillary services revenue estimate for a combustion turbine generator shall be that determined by section 5.10(a)(v)(A) of this Attachment DD, provided that the energy revenue estimate for each CONE Area shall be based on the Zone within such CONE Area that has the highest energy revenue estimate calculated under the methodology in that subsection. The net energy and ancillary services revenue estimate for a combined cycle generator shall be determined in the same manner as that prescribed for a combustion turbine generator in the previous sentence, except that the heat rate assumed for the combined cycle resource shall be 6.722 MMBtu/MWh, the variable operations and maintenance expenses for such resource shall be $3.23 per MWh, the Peak-Hour Dispatch scenario for both the Day-Ahead and Real-Time Energy Markets shall be modified to dispatch the CC resource continuously during the full peak-hour period, as described in section 2.46, for each such period that the resource is economic (using the test set forth in such section), rather than only during the four-hour blocks within such period that such resource is economic, and the ancillary service revenues shall be $3198 per MW-year.

(4) Any Sell Offer that is based on:

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

ii) a Generation Capacity Resource located outside the PJM Region (where such Sell Offer is based solely on such resource) that requires sufficient transmission investment for delivery to the PJM Region to indicate a long-term commitment to providing capacity to the PJM Region, unless a Sell Offer based on that resource has cleared an RPM Auction for that or any prior Delivery Year, or until a Sell offer based on that resource clears an RPM Auction for that or any subsequent Delivery Year, in any LDA for which a separate VRR Curve is established for use in the Base Residual Auction for the Delivery Year relevant to the RPM Auction in which such offer is submitted, and that is less than 90 percent of the applicable Net Asset Class Cost of New Entry or, if there is no applicable Net Asset Class Cost of New Entry, less than 70
percent of the Net Asset Class Cost of New Entry for a combustion turbine generator as provided in subsection (h)(1) above shall be set to equal 90 percent of the applicable Net Asset Class Cost of New Entry (or set equal to 70 percent of such cost for a combustion turbine, where there is no otherwise applicable net asset class figure), unless the Capacity Market Seller obtains the prior determination from the Office of the Interconnection described in subsection (5) hereof. This provision applies to Sell Offers submitted in Incremental Auctions conducted after December 19, 2011, provided that the Net Asset Class Cost of New Entry values for any such Incremental Auctions for the 2012-13 or 2013-14 Delivery Years shall be the Net Asset Class Cost of New Entry values posted by the Office of the Interconnection for the Base Residual Auction for the 2014-15 Delivery Year.

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

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

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

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Offer The request shall include a certification, signed by an officer of the Capacity Market Seller, that the claimed costs accurately reflect, in all material respects, the seller’s reasonably expected costs of new entry and that the request satisfies all standards for an exception hereunder. The request also shall identify all revenue sources relied upon in the Sell Offer to offset the claimed fixed costs, including, without limitation, long-term power supply contracts, tolling agreements, or tariffs on file with state regulatory agencies, and shall demonstrate that such offsetting revenues are consistent, over a reasonable time period identified by the Capacity Market Seller, with the standard prescribed above. In making such demonstration, the Capacity Market Seller may rely upon forecasts of competitive electricity prices in the PJM Region based on well defined models that include fully documented estimates of future fuel prices, variable operation and maintenance expenses, energy demand, emissions allowance prices, and expected environmental or energy policies that affect the seller’s forecast of electricity prices in such region, employing input data from sources readily available to the public. Documentation for net revenues also may include, as available and applicable, plant performance and capability information, including heat rate, start-up times and costs, forced outage rates, planned outage schedules, maintenance cycle, fuel costs and other variable operations and maintenance expenses, and ancillary service capabilities. In addition to the documentation identified herein and in the PJM Manuals, the Capacity Market Seller shall provide any additional supporting information reasonably requested by the Office of the Interconnection or the Market Monitoring Unit to evaluate the Sell Offer. Requests for additional documentation will not extend the deadline by which the Office of the Interconnection or the Market Monitoring Unit must provide their determinations of the Minimum Offer Price Rule exception request.

iii) A Sell Offer evaluated hereunder shall be permitted if the information provided reasonably demonstrates that the Sell Offer’s competitive, cost-based, fixed, net cost of new entry is below the minimum offer level prescribed by subsection (4), based on competitive cost advantages relative to the costs estimated for subsection (4), including, without limitation, competitive cost advantages resulting from the Capacity Market Seller’s business model, financial condition, tax status, access to capital or other similar conditions affecting the applicant’s costs, or based on net revenues that are reasonably demonstrated hereunder to be higher than estimated for subsection (4). Capacity Market Sellers shall be asked to demonstrate that claimed cost advantages or sources of net revenue that are irregular or anomalous, that do not reflect arm’s-length transactions, or that are not in the ordinary course of the Capacity Market Seller’s business are consistent with the standards of this subsection. Failure to adequately support such costs or revenues so as to enable the Office of the Interconnection to make the determination required in this section will result in denial of an exception hereunder by the Office of the Interconnection.

iv) The Market Monitoring Unit shall review the information and documentation in support of the request and shall provide its findings whether the proposed Sell Offer is acceptable, in accordance with the standards and criteria hereunder, in writing, to the Capacity Market Seller and the Office of the Interconnection by no later than ninety (90) days prior to the commencement of the offer period for such auction. The Office of the Interconnection shall also review all exception requests and documentation and shall provide in writing to the Capacity Market Seller, and the Market Monitoring Unit, its determination whether the requested Sell Offer is acceptable and if not it shall calculate and provide to such
Capacity Market Seller, a minimum Sell Offer based on the data and documentation received, by no later than sixty-five (65) days prior to the commencement of the offer period for the relevant RPM Auction. If the Office of the Interconnection determines that the requested Sell Offer is acceptable, the Capacity Market Seller Shall notify the Market Monitoring Unit and the Office of the Interconnection, in writing, of the minimum level of Sell Offer to which it agrees to commit by no later than sixty (60) days prior to the commencement of the offer period for the relevant RPM Auction

i) Capacity Export Charges and Credits

(1) Charge

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

(2) Credit

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

Export Customer’s Allocated Share equals

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

Where:

“Export Path Import” means the megawatts of Unforced Capacity imported into the export interface Zone from the Zone in which the resource designated for export is located.
If more than one Zone forms the interface with such Control Area, then the amount of Export Reserved Capacity shall be apportioned among such Zones for purposes of the above calculation in the same manner as set forth in subsection (i)(1) above.

(3) Distribution of Revenues

Any revenues collected from the Capacity Export Charge with respect to any capacity export for a Delivery Year, less the credit provided in subsection (i)(2) for such Delivery Year, shall be distributed to the Load Serving Entities in the export-interface Zone that were assessed a Locational Reliability Charge for such Delivery Year, pro rata based on the Daily Unforced Capacity Obligations of such Load-serving Entities in such Zone during such Delivery Year. If more than one Zone forms the interface with such Control Area, then the revenues shall be apportioned among such Zones for purposes of the above calculation in the same manner as set forth in subsection (i)(1) above.

5.14A [Reserved.]


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

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

C. Under the Transition Mechanism, an Affected Resource Owner may elect to have the Unforced Capacity commitments for all of its Affected Resources reduced for the 2014/2015, 2015/2016, or 2016/2017 Delivery Years to eliminate the capacity commitment shortfalls, across all of its Affected Resources, that result wholly and directly from the revised capability test procedures, and for which the Affected Resource Owner otherwise would be subject to Capacity Resource Deficiency Charges for the Delivery Year. In electing this option, the Affected Resource Owner relinquishes RPM Auction Credits associated with the reductions in Unforced Capacity commitments for all of its Affected Resources for the Delivery Year, and Locational Reliability Charges as described in section 5.14(e) of this Attachment DD are adjusted accordingly. Affected Resource Owners wishing to elect the Transition Mechanism for the 2015/2016 Delivery Year must notify the Office of the Interconnection by May 30, 2014. Affected Resource Owners wishing to elect the Transition Mechanism for the 2016/2017 Delivery Year must notify the Office of the Interconnection by July 25, 2014.

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

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

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

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

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

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

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

1. For the 2015/2016 Delivery Year, the notice shall be provided by no later than seven (7) days prior to the posting by the Office of the Interconnection of planning parameters for the Third Incremental Auction for the 2015/2016 Delivery Year. Such Affected Curtailment Service Provider that utilizes this transition provision may not sell or offer to sell megawatts in the modeled LDA or sub-LDA where an Affected Demand Resource is located in the Third Incremental Auction for the 2015/2016 Delivery Year.
2. For the 2016/2017 Delivery Year, the notice shall be provided by no later than seven (7) days prior to the posting by the Office of the Interconnection of planning parameters for the Second Incremental Auction for the 2016/2017 Delivery Year. Such Affected Curtailment Service Provider that utilizes this transition provision may not sell or offer to sell megawatts in the modeled LDA or sub-LDA where an Affected Demand Resource is located in the Second or Third Incremental Auctions for the 2016/2017 Delivery Year.

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

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

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

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

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

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

B. For both the 2016/2017 and 2017/2018 Delivery Years, PJM will hold a Capacity Performance Transition Incremental Auction to procure Capacity Performance Resources.

1. For each Capacity Performance Transition Incremental Auction, the optimization algorithm shall consider:
   
   - the target quantities of Capacity Performance Resources specified below;
   
   - the Sell Offers submitted in such auction.

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

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

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

4. Capacity Resources that already cleared an RPM Auction for a Delivery Year, retain the capacity obligations for that Delivery Year, and clear in a Capacity Performance Transition Incremental Auction for the same Delivery Year shall: (i) receive a payment equal to the Capacity Resource Clearing Price as established in that Capacity Performance Transition Incremental Auction; and (ii) not be eligible to receive a payment for clearing in any prior RPM Auction for that Delivery Year.

D. All Capacity Performance Resources that clear in a Capacity Performance Transition Incremental Auction will be subject to the Non-Performance Charge set forth in section 10A.


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

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

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

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

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

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

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

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

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

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