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April 7, 2011

VIA ELECTRONIC FILING

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

Re: *PJM Interconnection, L.L.C.*, Docket No. ER11-3322-000

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act, 16 U.S.C. § 824d (2000), PJM Interconnection, L.L.C. ("PJM") submits for filing the enclosed revisions to Schedule 1 of the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement"); Attachment K-Appendix and Attachment DD-1 of the PJM Open Access Transmission Tariff ("PJM Tariff"); and Schedule 6 of the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region ("RAA"). These changes to the Operating Agreement, PJM Tariff, and RAA revise and clarify the rules applicable during emergency and testing conditions for the measurement of capacity curtailment by end-use customers through Curtailment Service Providers ("CSPs")[1] and others that provide demand response resources in PJM's capacity market, the Reliability Pricing Model ("RPM").[2]

In its recent order in *EnerNOC, Inc.,* 134 FERC 61,158 (2011) ("*EnerNOC*"), regarding a petition for declaratory order concerning PJM's existing rules on this subject, the Commission noted that PJM had convened a stakeholder process on this issue during

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1 The phrase "aggregator of retail customers," or ARC, is used by the Commission to refer to an entity that aggregates demand response bids; in PJM, such an entity is referred to as a Curtailment Service Provider, or CSP.

2 The RPM capacity market is the market mechanism through which PJM secures capacity commitments to assure reliable service to loads in the PJM Region.

the past year, but had not yet changed its market rules. The Commission therefore left in place the existing compliance and measurement practices for demand response resources providing capacity in the PJM Region "without prejudice to PJM submitting a section 205 filing to the Commission to amend its tariff with respect to this issue."[3] The Commission stated that it "expect[s] this issue to be addressed as part of the ongoing stakeholder process."[4] That process has now concluded, resulting in this filing.

Importantly, nothing in this filing in any way affects the very ample, *energy* market compensation prescribed for CSPs under the Commission's recently promulgated demand response compensation rule.[5] The revisions submitted here do not change in any manner the rules for offering, clearing, and obtaining payment for demand response resources that participate in PJM's *energy* markets, and will not affect PJM's forthcoming compliance with the Commission's new rule. All such resources will continue to receive compensation for all load reductions offered and cleared in the real-time *energy* markets. Instead, the tariff and other changes PJM proposes here relate only to PJM's compliance verification rules for demand response resources that are offered and cleared in *the capacity markets* through which PJM procures capacity resources to maintain reliability by ensuring that PJM has sufficient resources, both generation and demand response, to meet the peak load of the PJM system.

I. Proposed Effective Date and Related Waiver Request

PJM requests that the Commission allow the proposed changes to the Operating Agreement, PJM Tariff, and RAA to become effective on June 1, 2011, the commencement of the forthcoming delivery year for capacity resources offered and cleared in the RPM auctions for the 2011-2012 RPM delivery year.[6] In accordance with 18 C.F.R. § 35.11, PJM requests that the Commission waive the 60-day notice

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3 *EnerNOC* at P 20.

4 *Id*.

5 *See Demand Response Compensation in Organized Wholesale Energy Markets*, Order No. 745, 76 Fed. Reg. 16658 (2011).

6 Each 12-month RPM delivery year commences on June 1 of the calendar year.

requirement of section 35.3 of its regulations, 18 C.F.R. § 35.3, to permit this effective date.

Good cause exists to waive the 60-day notice requirement. PJM stakeholders diligently pursued endorsement of this filing following the *EnerNOC* order, completing that process at a meeting of the PJM Members on March 31, 2011. PJM is filing the changes expeditiously, one week after the members' endorsement. Making these changes effective at the beginning of the forthcoming delivery year will avoid potential administrative burdens and controversy that could arise in the event of an emergency Load Management event after the commencement of the delivery year, but prior to the effective date of the changes. The proposed tariff and other revisions have been well known to all interested PJM stakeholders for many months, and when the changes were presented to the stakeholder committees for their endorsement, PJM advised them that it would seek to make the proposed changes effective on June 1, 2011. Accordingly, the Commission should waive section 35.3 of its regulations to permit the changes to become effective on June 1, 2011.

Although demand response commitments for the upcoming delivery year already have been made in RPM forward auctions and through recent Interruptible Load for Reliability ("ILR") commitments for the delivery year, the Commission has previously determined that revising the measurement and compliance rules *prospectively* for previously committed resources does not conflict with prohibitions on retroactive ratemaking. *See Pepco Energy Servs., Inc. v. PJM Interconnection, L.L.C.*, 128 FERC ¶ 61,051 (2009). As discussed below, it is critical that these changes be made effective in order to ensure that consumers in the PJM Region will pay only for capacity that is actually delivered to PJM and that the amounts of capacity PJM procures through RPM will continue to be adequate to maintain reliability in the PJM Region.

II. Background

RPM rules enable demand side resources to participate in the PJM capacity procurement process as either Demand Resources ("DR") or ILR,[7] which are referred to collectively as Load Management resources. RPM compensates cleared Load Management resources in the same manner as generation that clears an auction. Both sets of capacity resources are procured by PJM to be ready to meet the expected peak demand of the PJM system. If there were no Load Management resources, PJM would procure sufficient generation to meet the peak load of the system. By allowing Load Management resources to compete with generation to supply this capacity to meet peak load, PJM reduces the generation that it procures to the full extent of the amount of cleared Load Management resources. As described by the Commission, the RPM rules allow generation and demand response "to compete to meet the region's installed capacity needs" for each delivery year.[8]

Proper measurement of the performance of the capacity resources that PJM procures through the RPM auctions is vitally important to PJM as a system operator and reliability coordinator that is charged with maintaining adequate capacity resources to meet system needs at times of peak consumption. Not only should the region pay only for performing resources, but proper measurement and compliance also are critical to the maintenance of reliability. The rules must be clear as to how resources must perform so that PJM's procurement process results in the actual availability of capacity resources to meet the installed capacity requirement of the system at peak hours.

Accordingly, consistent with its reliability obligations, in 2009, PJM undertook an evaluation of the capability of Load Management resources to deliver their committed

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7 *See* RAA §§ 1.13, 1.42, respectively. In general, Demand Resources are demand reduction or load control capability that is cleared in a RPM Base Residual Auction or Incremental Auction, or which is committed through a Load-Serving Entity's ("LSE's") long-term capacity plan under the RAA. ILR Resources are demand reduction or load control capability that are submitted to and certified by PJM no later than three months prior to the start of a delivery year.

8 *EnerNOC* at P 2.

load reductions to meet RTO system capacity requirements, including a performance assessment for Load Management resources in the 2009/2010 delivery year. The results of this assessment are reported in PJM's 2009/2010 Load Management Performance Report.[9] Following the completion of the report, the PJM Markets Implementation Committee ("MIC") in February 2010 established the PJM Load Management Task Force ("LMTF") to evaluate PJM's market rules relating to Load Management resources (both ILR and DR). The LMTF reviewed the observations and recommendations of the 2009/2010 Load Management Performance Report to determine whether to propose changes to PJM market rules. This filing is the result of the year-long stakeholder process that followed.

III. The Measurement and Compliance Issue

Load Management resources are compensated for their commitments to curtail peak load – i.e., to reduce "the region's installed capacity needs"[10] – during times of system emergency. Such curtailments are subject to verification to ensure that Load Management resources are in fact provided in accordance with their obligations, and to ensure that the RTO's customers pay only for resources that, in fact, perform when they are needed.

Measuring such performance is a matter of comparing actual metered demand during an emergency (or testing) with a pre-determined reference point. In PJM's view, that reference point properly is the CSP's "Peak Load Contribution" or "PLC," which represents the contribution of a load to the region's need to procure capacity resources in the first place.[11] However, as the Commission noted in *EnerNOC*, "the PJM Tariff could

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9 The 2009/2010 Load Management Performance Report is published on PJM's website, *available at*: http://www.pjm.com/committees-and-groups/task-forces/~/media/markets-ops/dsr/load-management-performance-report-2009-2010.ashx.

10 *EnerNOC* at P 2.

11 The PLC is the average of the end-user's actual load during the five coincident peak hours of the preceding delivery year. *See* PJM Tariff, Attachment DD-1,

have been clearer as to whether a curtailment exceeding an end-use customer's PLC can be counted."[12]

PJM advised its stakeholders in early 2010 that ambiguity in the PJM market rules potentially allows "counting" of demand reductions by Load Management resources even when the reductions were from real-time consumption levels that exceed an end-use customer's PLC. This was because the measurement and compliance rules permitted a customer to measure *capacity* reductions *either* from its PLC or, alternatively, in the same manner as reductions are measured in the *energy* market, from an end-use customer's Customer Baseline Load ("CBL") (a representation of what the end-use customer's energy consumption would have been in a relevant hour had PJM not dispatched under emergency conditions during that hour).[13]

Permitting measurement and compliance by reference to anything other than an end-use customer's PLC makes no sense. PJM's capacity market rules properly and explicitly provide that an end user can commit to provide capacity curtailment (DR or ILR) at a given end user site *only* up to the PLC value attached to the end user's site. The rules state: "The maximum credit nominated shall not exceed the customer's Peak Load Contribution."[14] This appropriately reflects that, in the context of a *capacity* commitment, a Load Management resource must provide a resource that is consistent with the load's contribution to PJM's need to acquire capacity resources in the first instance – i.e., its

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Section J. PLC determines the amount of capacity resources that PJM procures, in compliance with reliability standards, to meet the customer's load.

12 *EnerNOC* at P 16.

13 *See* PJM Tariff, Attachment DD-1, Section L; PJM Manual 11 Energy & Ancillary Services Market Operations, at 114, *available at:* http://www.pjm.com/~/media/documents/manuals/m11.ashx ("For those CSPs that wish to measure load reductions by comparing metered load against an estimate of what metered load would have been absent the reduction, a Customer Baseline Load (CBL) shall be calculated for each Demand Resource[ ]."). CBL serves as the point of reference from which curtailment also is measured in the PJM energy market. *See* Operating Agreement, Schedule 1, § 3.3A.2; PJM Tariff, Attachment K-Appendix, § 3.3A.2.

14 PJM Tariff, Attachment DD-1, Section J.

PLC. If the Load Management resource is going to displace the generation resources that otherwise would have been procured in RPM to ensure reliable service to the load, then the proper performance measure for the demand resource must be the amount of capacity that PJM must procure for that load – the PLC.

Nonetheless, the current rules allow CSPs to elect what is referred to as the Guaranteed Load Drop ("GLD") method to measure and report their performance in the capacity market.[15] The GLD method permits CSPs to report capacity curtailment as a reduction from the end user's CBL, i.e., from a hypothetical *estimate* of what each end-use customer's consumption would have been in each relevant hour, had PJM not dispatched under emergency conditions. CBL is appropriate for measuring load reduction in the *energy* market, but not in the *capacity* market. Because end users, in theory, can consume unlimited amounts of energy at any time, it is necessary to create a benchmark against which to measure real-time reductions in *energy* use under system emergency conditions. CBL is a logical – though hypothetical – benchmark for this purpose because it is based on each customer's consumption at similar hours when no Emergency Load Response is needed. It is unnecessary and inappropriate, however, to rely on a hypothetical benchmark to measure *capacity* demand response because the amount of capacity actually procured for each customer load – the PLC – is known.

The ambiguity of PJM's current rules thus enables a CSP to show substantial over-performance of its *capacity* commitment during a Load Management event. GLD measures performance as the reduction in the customer's real-time consumption relative only to CBL. The CBL, however, may reflect a customer's energy consumption well above its PLC. Many customers "manage," or "peak-shave," their loads. The consequence of "peak shaving" is that an end-use customer reduces its PLC (measured during the five peak-shaved peak hours of the prior year), which is then the reduced level of demand for which PJM actually procures capacity resources, and thus the reduced level of demand for which a customer is required to pay through RPM assessments to load. But the consequence of this peak-shaving activity also is that, in fact, the customer may consume

15 *Id.* Sections J, K, L.

in any given hour significantly more energy than its managed or "peak shaved" capacity value (PLC) would suggest.

Using the existing GLD measurement method to report compliance with capacity commitments therefore may result in measured curtailment "performance" that not only counts load reductions bearing no relationship to PLC, but also counts load reductions that significantly exceed the amount nominated by the customer in the RPM market (which cannot exceed the customer's PLC) when that reduction is used to cover other end-use customers' underperformance of commitments in a CSP portfolio. This has often been referred to as the "double counting" issue. It allows an end-use customer to shave its peak, thereby counting that reduction to reduce its PLC and the amount of capacity that PJM procures for the customer and for which it must pay under RPM. But the customer in real time then can consume far in excess of PLC and also count the same reduction from that higher consumption level as performance of a Load Management resource. Not only does this "double counting" affect the flow of money to the CSP and its loads, but it also "double counts" load reductions for purposes of PJM meeting its reliability requirements. PJM will procure capacity resources only with reference to the lower, peak-shaved PLC established by the CSP's loads, but under existing rules a CSP can count as Load Management compliance reductions from a much higher consumption level, without regard to whether any actual reduction below peak-shaved PLC occurred. The more loads that partake of this flawed, "double counting" opportunity under the existing rules, the greater the detriment to reliability.

For a large, sophisticated end user, the difference between its potential maximum real-time hourly consumption and its peak-shaved PLC capacity value can be an order of magnitude. A customer with a 4 MW peak-shaved PLC value might, for example, consume as much as 16 MWhs of energy in any given hour. But PJM's capacity (reliability) obligation relative to that customer is determined by the PLC. Therefore, notwithstanding the customer's actual maximum potential energy consumption, PJM will procure through RPM only 4 MWs of capacity to meet this end-use customer's load, representing the expected capacity burden (measured by its five peak hours) the end user would present to the system at peak hours. In this example, PJM procures 4 MWs of

capacity resources (generation and/or Load Management resources) to cover the customer's capacity obligation.

Now assume further that this particular end user commits in RPM, through a CSP, to curtail 3 MWs of capacity from its 4 MW PLC level. If this Load Management commitment clears in the RPM auction, PJM will then procure in the same auction only 1 MW of generation to meet the balance of the end user's load. Keep in mind, however, that the customer's CBL in real time may be 16 MWs -- the significant difference between the PLC and CBL levels reflects the customer's peak shaving. Now suppose that when PJM calls a system emergency, the end user backs off 4 MWs, and thus reduces its consumption in that hour from 16 MWs to 12 MWs. At this point in the system emergency scenario, PJM, in effect, has 1 MW of generation capacity to support this customer's remaining actual load of 12 MWs. Nevertheless – and notwithstanding the obviously troubling reliability picture this scenario presents – when under existing rules the customer's CSP measures the curtailment performance using the GLD method, it can claim that the customer's 4 MW reduction in its consumption during the emergency entitled the CSP not only to payment for having satisfied its 3 MW capacity curtailment commitment, but also for having "over-performed" by an additional 1 MW, which the CSP will count as compliance for any of its other end users that might have failed to curtail during the same emergency event. Thus, not only has the customer provided no actual curtailment of its peak capacity obligation, it also is using its "over-performance" to cover lack of performance of other loads in the CSP's portfolio that did not perform at all. PJM realizes no relief in meeting the region's installed capacity needs – i.e., the peak capacity requirement for which PJM procured resources has not been reduced – yet CSPs and end users are given full credit for performing.

Application of the GLD method in this manner thus skews measurement of Load Management resources' performance and causes PJM to pay CSPs for curtailment that has no capacity-related value. It also provides an artificial competitive advantage in attracting customers for CSPs that employ it. A CSP that is aware of this "disconnect" in the Load Response program rules may offer large end-use customers with managed PLCs supra-competitive prices for load reductions in excess of the capacity curtailments nominated for

such customers. This can be profitable for the CSP because it can sign up other customers in the same Zone that have limited or perhaps even no curtailment capability, yet nevertheless will receive capacity payments based on the apparent "over-performance" of the customers with managed PLCs.

Only a limited number of CSPs have interpreted the existing Load Management rules to allow them to claim DR/ILR "performance" in excess of PLCs under the GLD methodology. Most CSPs do not engage in this practice, because they believe it is inconsistent with the present rules' limitation of DR/ILR certifications to no more than PLC. Nevertheless, the relative few that have taken advantage of the current rules' ambiguity together reported at least 1,000 MWs of Load Management in excess of PLC during Emergency Load Response events and testing during 2010.[16] Other CSPs have informed PJM that, if the rules indeed allow reporting compliance in excess of PLC, they also will begin using that approach. They must do so to compete with the CSPs that already measure compliance in this way. As PJM understands *EnerNOC*, the Commission has determined that PJM's existing rules do, in fact, permit CSPs to measure their Load Management performance in this manner. Accordingly, the existing rules present a real and present problem, not merely a theoretical issue. As other CSPs change the way they report their compliance, PJM could see thousands of megawatts of such compliance reporting above PLC.

The 2010 experience, if allowed to continue and to grow as other CSPs begin reporting performance in excess of PLC, would mean that PJM, in fact, could not rely on Load Management to reduce peak loads to the extent it has counted on such resources. PJM believed it had procured enough capacity resources to meet its 2010 peak load obligation (including capacity reserves), but it actually was at least 1,000 MW short of that requirement. If this approach continues, PJM's RPM capacity procurements will be

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[16] This estimate is based on a conservative, preliminary analysis of compliance information provided by CSPs regarding the July 7, 2010, emergency Load Management event on the PJM system and the individual tests performed by CSPs during the summer of 2010 for resources that were not required to respond to a PJM emergency.

short by thousands of MW more. This situation is a threat to system reliability and, therefore, must be remedied. PJM believes that best solution is to clarify the Load Management measurement and verification rules as PJM proposes in this filing. If those changes are not implemented, however, as the reliability coordinator for the PJM Region, PJM will have no choice but to procure substantially more generation capacity through RPM for all upcoming delivery years than it otherwise would. That inevitably will mean higher RPM capacity prices for consumers across the PJM Region.

That undesirable outcome can be, and should be, avoided. It is already the case that a customer may not *commit* to provide capacity at a level above its PLC. The *existing* rules sensibly so provide. The PLC is not a hypothetical or arbitrary benchmark. Instead, the PLC represents the end-use customer's actual contribution to the region's capacity obligation as measured by its actual consumption at the time of the five peak hours of the prior year. The PLC is the level upon which all PJM transmission and resource adequacy planning is premised. In the context of RPM – the resource adequacy construct for PJM – it is the amount of load for which PJM must obtain capacity resources and the amount of capacity for which customers must pay to assure reliability.

Accordingly, the maximum DR/ILR quantity that may be nominated for any retail customer is already stated in the rules – and always has been stated in the rules – to be the customer's PLC.[17] The instant filing simply clarifies that the measurement of compliance for a CSP or other provider of Load Management resources similarly will be limited to reductions below the reference point of PLC. In other words, a CSP cannot commit to curtail capacity that will reduce PJM's peak and therefore reduce the amount of other resources PJM needs to obtain to serve the customer, and then when it comes to compliance seek to count reductions in load that exceed a customer's PLC and do not reduce PJM's needs to obtain capacity for the peak. The region's capacity procurement need for this customer is limited to the customer's PLC. Therefore, the PLC is the proper benchmark for measuring the capacity value of Load Management resource reductions.

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[17] PJM Tariff, Attachment DD-1, Section J.

A customer's capacity obligation is not a commodity; rather, it is a defined value set by system operators and planners to meet a reliability (resource adequacy) benchmark. System operators and regional and national reliability councils are vigilant to ensure that capacity resources are properly measured in meeting this benchmark. To recognize a curtailment of capacity by a customer that is above the load for which the system procures capacity resources for the customer in the first instance is both illogical and inconsistent with the reliability goals that a capacity market is designed to meet. Such an approach would allow customers to operate above their PLC and claim that when they reduce consumption, even if not to less than the PLC, they are somehow lessening the capacity burden on the system, even though no capacity resources are ever intended to be procured to cover any consumption in excess of PLC.

The changes proposed in this filing remedy the existing rules' ambiguity, and the unsound and illogical measurement of compliance by Load Management resources in the RPM market that has arisen under those rules. With the revisions proposed here, curtailment by Load Management resources must produce a reduction below the PLC, i.e., it must actually reduce the capacity burden placed on the RTO system by the customer -- the load for which PJM procures capacity resources. To allow otherwise would tolerate PJM paying for delivered capacity that, when measured in real time, would result in no actual reduction to the system capacity requirement.

Importantly, and as noted above, if the Commission were to allow DR/ILR performance to continue to be measured without reference to the PLC, PJM would have to change the way it procures generation resources. Since Load Management resources would be able to count reductions in consumption above PLC, PJM would have to stop reducing the amount of generation it procures in RPM by amounts equivalent to the Load Management resources that it obtains. Otherwise, PJM will have insufficient resources to reliably serve the load that will remain on the system after Load Management resources perform in the manner the existing rules permit. This means clearing prices in RPM will rise (for all resources) as PJM procures greater quantities of generation higher up on the supply curve. All loads will pay more for capacity.

Some have argued that any curtailment of load is a beneficial reduction to the requirements the RTO must serve in an emergency. They argue that the rule change would cause PJM to ignore actual load reductions. But this argument fails to acknowledge that all load reductions remain fully eligible for compensation through PJM's load response programs in the *energy* markets. A customer's CBL remains a valid and permissible reference point for measurement of energy market load reductions. Under the current PJM Tariff, these emergency energy reductions are paid the higher of the applicable locational marginal price ("LMP") or the offer price submitted for the resource.[18] However, that *energy* demand response payments are made for these reductions does not translate into allowing the same performance measurement in the context of *capacity* commitments by loads in the capacity market. In the capacity market, a customer is making a commitment to reduce the peak load of the system upon which PJM's procurement of capacity resources is premised. To perform in that market, a customer must reduce load below its contribution to the peak load – its PLC.

Some have also argued that the rule change would take away existing CSP aggregation opportunities, despite the Commission's encouragement of CSP aggregations of load reductions. However, legitimate aggregation is still permitted under the rule change. The change simply ensures that only aggregation of actual peak load reductions, as properly measured by individual customers' reductions below their PLCs, are accepted and paid as capacity resources. In the example above where a customer has a PLC of 4 MWs and a cleared RPM commitment of 3 MWs, if the load actually reduces to zero for a total reduction of 1 MW more than committed, then a CSP properly may aggregate this 1 MW of over-performance with other load reduction commitments in its portfolio that did not fully perform.

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[18] *See* PJM Tariff, Attachment K-Appendix, PJM Emergency Load Response Program, "Market Settlements." As noted above, this filing does not affect PJM's forthcoming compliance with the Commission's demand response rule for payments in energy markets. *See* Order No. 745. That rule concerns only *energy* market payments. The instant filing concerns only the compliance verification rules applicable to those who receive *capacity* market payments for load response.

IV. Proposed Revisions

PJM proposes straightforward changes to the PJM Tariff, Operating Agreement, and RAA to clarify the standard for measurement and verification of Load Management resources that are cleared in RPM auctions. These changes affect the following sections of the indicated documents:

- Attachment K-Appendix and Attachment DD-1 of the PJM Tariff;
- Sections 1.1 and 1.9 of Schedule 1 of the Operating Agreement;[19] and
- Schedule 6 of the RAA.[20]

These revisions clarify that the capacity value of, and capacity payments to, Load Management resources that are cleared in RPM auctions as capacity resources will be based on load reductions relative to the affected end-use customers' PLCs. The changes thus unequivocally incorporate the PJM market rules' explicit limitation of the capacity each customer may provide to the market to an amount equal to the capacity that PJM must obtain for the customer to ensure reliability, i.e., the customer's PLC.

This clarification of the Load Management program's terms is accomplished first by modifying the provisions of Attachment DD-1 that describe how compliance of Load Management resources is determined under the GLD methodology. Second, the terms of Attachment K-Appendix reflect similar changes to the GLD measurement methodology. The revisions also specify that load reductions recognized for purposes of compliance with capacity commitments in RPM will be "added back" to an Electric Distribution

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[19] Attachment K-Appendix of the PJM Tariff and Schedule 1 of the Operating Agreement are identical. Accordingly, PJM proposes identical changes to both documents. For convenience, PJM will refer in the text only to the changes to Attachment K-Appendix. Such references are intended to encompass the corresponding provisions of, and changes to, Schedule 1 of the Operating Agreement.

[20] Attachment DD-1 of the PJM Tariff and Schedule 6 of the RAA are identical. Accordingly, PJM proposes identical changes to both documents. For convenience, PJM will refer in the text only to the changes to Attachment DD-1. Such references are intended to encompass the corresponding provisions of, and changes to, Schedule 6 of the RAA.

Company's ("EDC") peak load for purposes of load forecasting and establishing the following year's PLCs for individual customers.

The revisions also include a transitional provision, for delivery year 2011/2012 only, which the PJM Markets and Reliability Committee ("MRC") and the Members Committee endorsed at the suggestion of PJM's independent market monitor. For delivery year 2011/2012, Load Management resources' performance, and associated add-backs to EDCs' peak demands, will be measured by load reductions relative to each registered customer's PLC multiplied by a factor of 1.25. This transitional provision recognizes the acknowledged ambiguity of PJM's existing market rules in this area.[21] As a matter of fairness, the interim multiplier to PLC will provide a reduced compliance burden to CSPs in the initial year of implementation of the new rules, notwithstanding that the only proper reference point for load reductions is PLC, as discussed above.[22] For all subsequent delivery years, measurement of Load Management resources' performance will be based on the unadjusted PLC of registered end-use customers. As a transition mechanism only, the Commission can accept this interim measure as just and reasonable.[23]

Finally, the enclosed revisions reflect other, minor editorial revisions to the affected provisions of the PJM Tariff, Operating Agreement, and RAA. These revisions

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21 *See EnerNOC* at P 16.

22 An additional transitional mechanism is described in the next section.

23 The Commission on numerous occasions has accepted RTO/ISOs' proposals for transitional measures to facilitate changes in market or other rules. *See, e.g., Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,082, at P 39 (2009) (Commission conditionally accepted a price cap and price floor as temporary, transitional measures during the initial year of operation of new ISO market structure); *Midwest Indep. Transmission Sys. Operator, Inc.*, 103 FERC ¶ 61,090, at P 15 (2003) (accepting transitional surcharges that recover lost revenues arising from the elimination of rate pancaking); *PJM Interconnection, L.L.C.*, 96 FERC ¶ 61,060, at 61,222-23 (2001), *order on reh'g*, 116 FERC ¶ 61,253 (2006) (approving transitional surcharges).

are needed to conform other terms to the substantive changes to the Load Management measurement and verification provisions described above.[24]

V. Limited Tariff Waiver Request

Under the existing terms of Section 5.13 of Attachment DD of the PJM Tariff, ILR providers were required to nominate ILR Resources for the 2011/2012 delivery year no later than three months prior to the start of the delivery year. The nominated value of such resources also reflects the method by which the load reduction would be accomplished, i.e., direct load control, firm service level ("FSL"), or GLD.[25] Section 5.13 further allows ILR providers to withdraw certified ILR nominations up to the day before the start of the delivery year. This is an "all or nothing" election. The tariff permits a provider to withdraw its certified nominations *in toto,* but it does not authorize a provider to reduce them only in part. Nor does Section 5.13 permit a provider to change the verification method it selected for its nominated ILR Resources.

Because these ILR nominations have only recently been made for the 2011/2012 delivery year, with recognition that this filing might ensue, PJM's stakeholders, at the suggestion of PJM's independent market monitor, asked PJM to request a one-time, limited-term waiver of Section 5.13 of Attachment DD to provide additional flexibility for ILR providers to modify their nominations for the upcoming 2011/2012 delivery year. Specifically, the stakeholders agreed upon, and PJM accordingly requests, pursuant to

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[24] Also included here are revisions to Section L of Attachment DD-1 of the PJM Tariff (reflected in the newly designated subparagraph iii of Section L) to clarify that CSPs must report meter data to PJM on a 24-hour basis during the day on which a Load Management event or performance test occurs, and for all hours during any other days as required by PJM to calculate load reduction. PJM intended to include this language in the tariff changes submitted in its filing of February 16, 2011, in Docket No. ER11-2898, but it was inadvertently omitted from the tariff records submitted in that filing. *See* PJM Interconnection, L.L.C., Docket No. ER11-2898-000, Transmittal Letter at 1, 3-4 (Feb. 16, 2011); *PJM Interconnection, L.L.C.*, Docket No. ER11-2898-000, Letter Order, at 1 (Apr. 4, 2011). The changes presented here are consistent with the revisions the Commission accepted in the previous filing and, therefore, should be accepted here.

[25] *See* PJM Tariff, Attachment DD, § 2.44.

Rule 207(a)(5) of the Commission's Rules of Practice and Procedure,[26] a waiver of Section 5.13 of Attachment DD of the PJM Tariff to allow ILR providers, on or before May 31, 2011, and for the 2011/2012 delivery year only: (1) to reduce their ILR nominations (in addition to their existing option to withdraw such nominations entirely); and/or (2) to change the measurement mechanism to the FSL methodology for any ILR nominations previously designated as GLD resources, so long as the resulting nominated value of the registration does not increase from the originally certified value.

In *PJM Interconnection, L.L.C.*, 132 FERC ¶ 61,140, at P 17 (2010), the Commission granted a similar waiver when it found good cause based on "specific and unique facts." The Commission explained that it evaluates waiver requests based on a review of whether "(i) the applicant has been unable to comply with the OATT provision at issue in good faith; (ii) the waiver is of limited scope; (iii) a concrete problem need[s] to be remedied; and (iv) the waiver [does] not have undesirable consequences, such as harming third parties."[27] The Commission has approved such a short-term waiver before, in connection with implementation of a change in PJM's rules regarding operation of RPM auctions.[28]

The unique circumstances of this case support the limited, one-time waiver that PJM requests here. Some CSPs may have recently nominated ILR Resources for the 2011/2012 delivery year believing that the GLD method would allow them to measure their compliance relative to customers' actual load prior to the occurrence of a system emergency (i.e., the CBL), rather than relative to PLC only. Because the MRC in late 2010 deferred the proposal that is now presented in this filing, some CSPs may have believed that changes would not be implemented for the 2011/2012 delivery year and may have nominated ILR Resources on that basis.

Although ILR rules permit an ILR provider to withdraw in its entirety its nominated ILR for the 2011/2012 delivery year, that option may not be best for either the

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26 18 C.F.R. § 385.207(a)(5).

27 *Id.* at P 13.

28 *See PJM Interconnection, L.L.C.*, 126 FERC ¶ 61,275, at PP 72, 89 (2009).

provider or the PJM system. The rule change presented in this filing potentially could cause large withdrawals of very recent ILR commitments, when those committing might otherwise prefer to withdraw only some of their commitments, if permitted. The proposed waiver of Section 5.13 of Attachment DD, for the 2011/2012 delivery year only, would mitigate this problem, and perhaps even avoid it entirely, by removing the "all or nothing" aspect of Section 5.13 for ILR providers and by providing them flexibility to change to the FSL measurement methodology even if already certified under the GLD methodology.

The proposed waiver is, by its own terms, of limited scope. It will apply only for ILR providers and only for the 2011/2012 delivery year.[29] The options the waiver provides will be available only until May 31, 2011, a very limited period of time, further demonstrating the waiver's limited scope.

Finally, the proposed waiver will not harm third parties or have any other undesirable consequences. To the contrary, it will minimize, and perhaps could eliminate, any potential disruption of the PJM markets that might arise if ILR providers otherwise withdrew significant portions of their certified ILR nominations for the 2011/2012 delivery year as a result of the rule changes submitted in this filing.

This request for a limited waiver of Section 5.13 of Attachment DD is expressly conditioned upon the Commission's acceptance of the proposed changes to the PJM Tariff, Operating Agreement, and RAA that PJM is submitting, pursuant to section 205 of the Federal Power Act, in this filing. Accordingly, should the Commission decline to accept the proposed tariff and other revisions in this submittal, the Commission should consider PJM's waiver request to be withdrawn.

Conversely, PJM requests that the Commission not delay its consideration of the proposed tariff and other changes in this filing because of this separable waiver request. The Commission should not defer or withhold approval of the proposed revisions to the PJM Tariff, Operating Agreement, and RAA for effectiveness on June 1, 2011, in order to

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[29] ILR will no longer be an eligible RPM resource after this delivery year. *See PJM Interconnection, L.L.C.*, 126 FERC ¶ 61,275, at PP 67, 83.

resolve any concerns about, or opposition to, the requested waiver of Section 5.13 of Attachment DD of the PJM Tariff.

VI. Stakeholder Process

The revisions to PJM's market rules for Load Management resources that are proposed in this filing originated in the LMTF's deliberations, which commenced in March 2010. These changes have been vetted in a robust stakeholder process, which has included not only the LMTF, but also consideration and endorsement by the MIC, the MRC, and the PJM Members Committee. PJM first raised the measurement and verification issue at the March 11, 2010 LMTF meeting, and the issue was further discussed during 12 subsequent meetings of the same task force. Extensive examples were developed and discussed to ensure that stakeholders obtained a common understanding of the issue and the proposed solutions. At its meeting of October 12, 2010, the MIC endorsed (79% in favor) PJM's proposal to require measurement of Load Management resources' performance as actual load reductions relative to end-use customers' PLCs.

The issue and the MIC-endorsed proposal were introduced to the MRC at its October 2010 meeting, and the MRC's endorsement was solicited at its meeting in November 2010. After much debate among stakeholders, the MRC voted to defer approval of the proposed rule changes until this spring in order to allow stakeholders additional time to consider alternatives.

As the Commission is aware, PJM staff nevertheless continued to receive questions from CSPs about how load response would be measured in the upcoming 2011/2012 delivery year. This led, in turn, to the declaratory order petition in *EnerNOC* and the Commission's stated expectation that this issue would be "addressed as part of the ongoing stakeholder process."[30]

Accordingly, following the *EnerNOC* order, PJM brought the matter before the MRC on March 23, 2011. The committee considered several proposals, ultimately endorsing the proposed changes presented in this filing by a sector-weighted vote of 4.61

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30 *EnerNOC* at P 20.

in favor and 0.39 against. The Members Committee considered the matter the following week, endorsing this filing overwhelmingly, by a sector-weighted vote of 4.65 in favor and 0.35 against.

VII. Correspondence

The following individuals are designated for inclusion on the official service list in this proceeding and for receipt of any communications regarding this filing:

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VIII. Documents Enclosed

PJM encloses with this transmittal letter electronic versions of the proposed changes to the PJM Tariff, Operating Agreement, and the RAA described above, in marked and clean forms, in Attachment A and Attachment B, respectively.

IX. 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. In accordance with the Commission's regulations,[31] 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[32] alerting them that this filing has been made by PJM and is available by following such link. PJM also serves the parties listed on the Commission's official service list for this docket. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the FERC's eLibrary website located at the following link: http://www.ferc.gov/docs-filing/elibrary.asp in accordance with the Commission's regulations and Order No. 714.

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31 *See* 18 C.F.R. §§ 35.2(e) and 385.2010(f)(3).

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

X. Conclusion

PJM requests that the Commission accept the enclosed revisions to the Operating Agreement, PJM Tariff, and RAA, with an effective date of June 1, 2011, and grant the requested limited waiver of the PJM Tariff to permit ILR providers to reduce their ILR commitments and change their measurement elections before June 1, 2011.

Respectfully submitted,



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Attachment A

TARIFF

PJM EMERGENCY LOAD RESPONSE PROGRAM

Emergency Load Response Program

The Emergency Load Response Program is designed to provide a method by which end-use customers may be compensated by PJM for reducing load during an emergency event. As used in the Emergency Load Response Program, the term "end-use customer" refers to an individual location or aggregation of locations that consume electricity as identified by a unique electric distribution company account number. There are two options for participation in the Emergency Load Response Program:

- Full Program Option

  Participants in the Full Program Option receive an energy payment for load reductions during an emergency event, and a capacity payment pursuant to ~~the Reliability Assurance Agreement~~ Attachment DD of the tariff, as applicable.

- Energy Only Option

  Participants in the Energy Only Option receive only an energy payment for load reductions during an emergency event.

Participant Qualifications

Two primary types of distributed resources are candidates to participate in either of the two options provided by the Emergency Load Response Program:

On-Site Generators

These generators (including Behind The Meter Generation) can be either synchronized or non-synchronized to the grid. Capacity Resources are not eligible for compensation under this program. Injections into the grid by local generators also will not be eligible for compensation under this program.

Load Reductions

A participant that has the ability to reduce a measurable and verifiable portion of its load, as metered on an EDC account basis.

PJM membership is required to participate in either of the two options provided by the Emergency Load Response Program. Members or Special Members may participate in the Emergency Load Response Program by complying with all of the requirements of the applicable Relevant Electric Retail Regulatory Authority and all other applicable federal, state and local regulatory entities together with the Emergency Load Response provisions

herein, including, but not limited to, the Registration section. Special membership provisions have been established for program participants in the Energy Only Option, as described below. The special membership provisions shall not apply to program participants in the Full Program Option. Any existing PJM Member may act as a third party for non-members, in which case the third party will be referred to as the Curtailment Service Provider (CSP). All payments are made to the PJM Member. Participants must become signatories to the PJM Operating Agreement, as described in the ***PJM Manual for Administrative Services for the Operating Agreement of the PJM Interconnection, L.L.C***. However, for special members the $5,000 annual membership fee, the $1,500 application fee, and liability for Member defaults are waived, along with the following other modifications:

Special Members are limited to be PJM market sellers;
Voting privileges and sector designation are waived;
Thirty day notice for waiting period is waived;
Requirement for 24/7 control center coverage is waived;
No PJM-supported user group capability is permitted.

To participate in either of the two options provided by the Emergency Load Response Program, the distributed resource must:

Be capable of reducing at least 100 kW of load
Be capable of receiving PJM notification to participate during emergency conditions.

Metering Requirements

The Curtailment Service Provider is responsible to ensure that the Emergency Load Response Program Participants have metering equipment that provides integrated hourly kWh values on an electric distribution company account basis. The metering equipment shall either meet the electric distribution company requirements for accuracy or have a maximum error of two percent over the full range of the metering equipment (including Potential Transformers and Current Transformers) and the metering equipment and associated data shall meet the requirements set forth herein and in the PJM Manuals. The Emergency Load Response Participant must meter reductions in demand by using either of the following two methods:

a) Using metering equipment that is capable of recording integrated hourly values for generation running to serve local load (net of that used by the generator); or

b) Using metering equipment that provides actual load change by measuring actual load before and after the reduction request, such that there is a valid integrated hourly value for the hour prior to the event and each hour during the event. This value cannot be estimated nor can it be averaged over some historical period. This load will be metered on an electric distribution company account basis.

Metered load reductions will be adjusted up to consider transmission and distribution losses as submitted by the Curtailment Service Provider and verified by PJM with the electric distribution company.

The installed metering equipment must be one of the following:

a) Metering equipment used for retail electric service;

b) Customer-owned metering equipment or metering equipment acquired by the Curtailment Service Provider, approved by PJM, that is read electronically by PJM, in accordance with the requirements herein and in the PJM Manuals; or

c) Customer-owned metering equipment or metering equipment acquired by the Curtailment Service Provider, approved by PJM, that is read by the customer (or the Curtailment Service Provider), and such readings are then forwarded to PJM, in accordance with the requirements set forth herein and in the PJM Manuals.

Nothing herein changes the existence of one recognized meter by the state commissions as the official billing meter for recording consumption.

Registration

1. Participants must complete the PJM Emergency Load Response Program Registration Form ("Emergency Registration Form") that is posted on the PJM website (www.pjm.com)for each end-use customer, or aggregation of end-use customers, pursuant to the requirements set forth in the PJM Manuals. Because of the required electric distribution company and Load Serving Entity ten business day review period, as described herein, Participants should submit completed PJM Emergency Load Response Program Registration Forms to the Office of the Interconnection no later than eleven business days prior to the applicable Load Management registration deadline as established by the Office of the Interconnection, given that the electric distribution company and load serving entity must comply with a ten business day review period. To the extent that a completed PJM Emergency Load Response Program Registration Form is submitted to the Office of the Interconnection with ten or fewer business days remaining prior to the applicable Load Management registration deadline as established by the Office of the Interconnection, then the registration will be rejected by the Office of the Interconnection unless the electric distribution company or Load Serving Entity has verified the registration prior to the registration deadline. Incomplete PJM Emergency Load Response Program Registration Forms will be rejected by the Office of the Interconnection. The following general steps will be followed:

2. For end-use customers of an electric distribution company that distributed more than 4 million MWh in the previous fiscal year:

a. The participant completes the Emergency Registration Form located on the PJM website. PJM reviews the application and ensures that the qualifications are

met, including verifying that the appropriate metering exists. After confirming that an entity has met all of the qualifications to be an Emergency Load Response Participant, PJM shall notify the appropriate Load Serving Entity and electric distribution company of an Emergency Load Response Participant's registration and request verification as to whether the load that may be reduced is under other contractual obligations or subject to laws or regulations of the Relevant Electric Retail Regulatory Authority that prohibit or condition the end-use customer's participation in PJM's Emergency Load Response Program pursuant to the process described below. The electric distribution company and Load Serving Entity have ten business days to respond. Other such contractual obligations may not preclude participation in the program, but may require special consideration by PJM such that appropriate settlements are made within the confines of such existing contracts. An electric distribution company or Load Serving Entity which seeks to assert that the laws or regulations of the Relevant Electric Retail Regulatory Authority prohibit or condition (which condition the electric distribution company or Load Serving Entity asserts has not been satisfied) an end-use customer's participation in PJM's Emergency Load Response Program shall provide to PJM, within the referenced ten business day review period, either: (a) an order, resolution or ordinance of the Relevant Electric Retail Regulatory Authority prohibiting or conditioning the end-use customer's participation, (b) an opinion of the Relevant Electric Retail Regulatory Authority's legal counsel attesting to the existence of a regulation or law prohibiting or conditioning the end-use customer's participation, or (c) an opinion of the state Attorney General, on behalf of the Relevant Electric Retail Regulatory Authority, attesting to the existence of a regulation or law prohibiting or conditioning the end-use customer's participation.

i. If evidence provided by an electric distribution company or Load Serving Entity to the Office of the Interconnection indicates that a Relevant Electric Retail Regulatory Authority law or regulation prohibits or conditions (which condition the electric distribution company or Load Serving Entity asserts has not been satisfied) the end-use customer's participation and is received by the Office of the Interconnection on or after the Interruptible Load for Reliability registration deadline established by the Office of the Interconnection for the next applicable Delivery Year, then the existing Emergency Load Response Participant's registration for Interruptible Load for Reliability (as defined in the Reliability Assurance Agreement) will remain in effect for the applicable Delivery Year. If evidence provided by an electric distribution company or Load Serving Entity to the Office of the Interconnection indicates that a Relevant Electric Retail Regulatory Authority law or regulation prohibits or conditions (which condition the electric distribution company or Load Serving Entity asserts has not been satisfied) the end-use customer's participation and is received by the Office of the Interconnection before the Interruptible Load for Reliability registration deadline established by the Office of the Interconnection for the applicable

Delivery Year, then the existing Emergency Load Response participant's registration for Interruptible Load for Reliability (as defined in the Reliability Assurance Agreement) participation shall be deemed to be terminated for the applicable Delivery Year.

ii. If evidence provided by an electric distribution company or Load Serving Entity to the Office of the Interconnection indicates that a Relevant Electric Retail Regulatory Authority law or regulation prohibits or conditions (which condition the electric distribution company or Load Serving Entity asserts has not been satisfied) the end-use customer's participation and is received by the Office of the Interconnection on or after June 1 of the applicable Delivery Year, then the existing end-use customer's registration for Demand Resource (as defined in the Reliability Assurance Agreement) will remain in effect for the applicable Delivery Year. If evidence provided by an electric distribution company or Load Serving Entity to the Office of the Interconnection indicates that a Relevant Electric Retail Regulatory Authority law or regulation prohibits or conditions (which condition the electric distribution company or Load Serving Entity asserts has not been satisfied) the end-use customer's participation and is received by the Office of the Interconnection before June 1 of the applicable Delivery Year and the Curtailment Service Provider does not provide supporting documentation to the Office of the Interconnection before June 1 of the applicable Delivery Year demonstrating that the Curtailment Service Provider had an executed contract with the end-use customer for Demand Resource participation before the date the Demand Resource cleared the applicable Reliability Pricing Model Auction, and that the date that the Demand Resource cleared the applicable Reliability Pricing Model Auction was prior to the effective date of the Relevant Electric Retail Regulatory Authority law or regulation prohibiting or conditioning the end-use customer's participation, then, unless the below exception applies, the existing end-use customer's registration for Demand Resource participation shall be deemed to be terminated for the applicable Delivery Year, and the Curtailment Service Provider will be subject to the Reliability Pricing Model provisions, as specified in Attachment DD of the PJM Tariff.

(1) Except that, pursuant to all other PJM Tariff and PJM Manual provisions, PJM will allow participation of all end-use customers registered by Curtailment Service Providers to fulfill Curtailment Service Providers' Demand Resource obligations that were cleared in the Reliability Pricing Model Auctions prior to August 28, 2009.

b. In the absence of a response from the electric distribution company or Load Serving Entity within the referenced ten business day review period, the Office of the Interconnection shall assume that the load to be reduced is not subject to other contractual obligations or to laws or regulations of the Relevant Electric Retail Regulatory Authority that prohibit or condition the end-use customer's participation in PJM's Emergency Load Response Program, and the Office of the Interconnection shall accept the registration, provided it meets all other Emergency Load Response Program requirements.

c. For those registrations terminated pursuant to this section, all Emergency Load Response Participant activity incurred prior to the termination date of the registration shall be settled by PJM in accordance with the terms and conditions contained in the PJM Tariff, PJM Operating Agreement and PJM Manuals.

3. For end-use customers of an electric distribution company that distributed 4 million MWh or less in the previous fiscal year:

a. The Participant completes the Emergency Registration Form located on the PJM website. PJM reviews the application and ensures that the qualifications are met, including verifying that the appropriate metering exists. After confirming that an entity has met all of the qualifications to be an Emergency Load Response Participant, PJM shall notify the appropriate Load Serving Entity and electric distribution company of an Emergency Load Response Participant's registration and request verification as to whether the load that may be reduced is under other contractual obligations and is permitted to participate by the Relevant Electric Retail Regulatory Authority pursuant to the process described below. The electric distribution company and Load Serving Entity have ten business days to respond. Other such contractual obligations may not preclude participation in the program, but may require special consideration by PJM such that appropriate settlements are made within the confines of such existing contracts. If the electric distribution company or Load Serving Entity verifies that the load that may be reduced is permitted or conditionally permitted (which condition the electric distribution company or Load Serving Entity asserts has been satisfied) to participate in the Emergency Load Response Program, then the electric distribution company or Load Serving Entity must provide to the Office of the Interconnection within the referenced ten business day review period either: (a) an order, resolution or ordinance of the Relevant Electric Retail Regulatory Authority permitting or conditionally permitting the end-use customer's participation, (b) an opinion of the Relevant Electric Retail Regulatory Authority's legal counsel attesting to the existence of a regulation or law permitting or conditionally permitting the end-use customer's participation, or (c) an opinion of the state Attorney General, on behalf of the Relevant Electric Retail Regulatory Authority, attesting to the existence of a regulation or law permitting or conditionally permitting the end-use customer's participation.

i. If the electric distribution company or Load Serving Entity denies the Interruptible Load for Reliability (as defined in the Reliability Assurance Agreement) registration before the Interruptible Load

for Reliability registration deadline as established by the Office of the Interconnection for the applicable Delivery Year because the electric distribution company or Load Serving Entity asserts that the Relevant Electric Retail Regulatory Authority has not granted permission or conditional permission for the end-use customer's participation or the electric distribution company or Load Serving Entity asserts that the end-use customer has not satisfied conditional permission requirements, then the existing Emergency Load Response Participant's registration for Interruptible Load for Reliability participation shall be deemed to be terminated for the applicable Delivery Year. If it is able to do so in compliance with all Emergency Load Response Program requirements, including the registration requirements, the participant may submit a new registration to the Office of the Interconnection for consideration if a prior registration has been rejected pursuant to the terms of the Emergency Load Response Program provisions.

ii. If the electric distribution company or Load Serving Entity denies the end-use customer's Demand Resource (as defined in the Reliability Assurance Agreement) registration before June 1 of the applicable Delivery Year and the Curtailment Service Provider does not provide the above referenced Relevant Electric Retail Regulatory Authority evidence to the Office of the Interconnection before June 1 of the applicable Delivery Year demonstrating that the Curtailment Service Provider had Relevant Electric Retail Regulatory Authority permission or conditional permission (which condition the electric distribution company or Load Serving Entity asserts has been satisfied) for the end-use customer's participation and an executed contract with the end-use customer Demand Resource before the date the Demand Resource cleared the applicable Reliability Pricing Model Auction then, unless the below exception applies, the existing end-use customer's registration for Demand Resource registration for Demand Resource participation shall be deemed to be terminated for the applicable Delivery Year and the Curtailment Service Provider will be subject to the Reliability Pricing Model provisions, as specified in Attachment DD of the PJM Tariff.

(1) Except that, pursuant to all other PJM Tariff and PJM Manual provisions, PJM will allow participation of all end-use customers registered by Curtailment Service Providers to fulfill Curtailment Service Providers' Demand Resource obligations that were cleared in the Reliability Pricing Model Auctions prior to August 28, 2009.

b. In the absence of a response from the electric distribution company or Load Serving Entity within the referenced ten business day review period, the Office of

the Interconnection shall reject the registration. If it is able to do so in compliance with all of the Emergency Load Response Program requirements, including the registration section, the Emergency Load Response Participant may submit a new registration to the Office of the Interconnection for consideration if a prior registration has been rejected pursuant to the terms of the Emergency Load Response Program provisions.

c. For those registrations terminated pursuant to this section, all Emergency Load Response participant activity incurred prior to the termination date of the registration shall be settled by PJMSettlement in accordance with the terms and conditions contained in the PJM Tariff, PJM Operating Agreement and PJM Manuals.

4. PJM informs the requesting participant of acceptance into the program and notifies the appropriate Load Serving Entity and electric distribution company of the requesting participant's acceptance into the program, or notifies the requesting participant and appropriate Load Serving Entity and electric distribution company of PJM's rejection of the requesting participant's registration.

5. Any end-use customer intending to run distributed generating units in support of local load for the purpose of participating in this program must represent in writing to PJM that it holds all applicable environmental and use permits for running those generators. Continuing participation in this program will be deemed as a continuing representation by the owner that each time its distributed generating unit is run in accordance with this program, it is being run in compliance with all applicable permits, including any emissions, run-time limit or other constraint on plant operations that may be imposed by such permits.

Emergency Load Response Registrations in Effect as of August 28, 2009

All existing Emergency Load Response Participants' registrations submitted to PJM prior to August 28, 2009 (the effective date of *Wholesale Competition in Regions with Organized Electric Markets,* Order 719-A, 128 FERC ¶ 61,059 (2009) ("Order 719-A")) for Load Management participation in the 2009/2010 Delivery Year will remain effective for that Delivery Year.

Emergency Operations

PJM will initiate the request for load reduction following the declaration of Maximum Emergency Generation and prior to the implementation of Load Management Steps 1 and 2. (Implementation of the Emergency Load Response Program can be used for regional emergencies.) It is implemented whenever generation is needed that is greater than the highest economic incremental cost. PJM posts the request for load reduction on the PJM website, on the Emergency Conditions page, and on eData, and issues a burst email to the Emergency Load Response majordomo. A separate All-Call message is also issued.

Following PJM's request to reduce load, (i) participants in the Energy Only Option voluntarily may reduce load; and (ii) participants in the Full Program Option are required

to reduce load unless they already have reduced load pursuant to the Economic Load Response Program. PJM will dispatch the resources of all Emergency Load Response Program participants (not already dispatched under the Economic Load Response Program) based on the Minimum Dispatch Prices specified in the participants' Emergency Registration Forms.

The Minimum Dispatch Price of a Full Program Option participant that reduces load may set the real time Locational Marginal Price ("LMP") provided that the participant's load reductions are needed to meet demand in the PJM Region. The Minimum Dispatch Price of an Energy Only Option participant that reduces load may set the real time LMP provided that such participant's load reductions are needed to meet demand in the PJM Regions and the Energy Only Option participant's resource satisfies PJM's telemetry requirements.

Operational procedures are described in detail in the ***PJM Manual for Emergency Operations.***

Verification

PJM requires that the load reduction meter data be submitted to PJM within 60 days of the event. If the data are not received within 60 days, no payment for participation is provided. Meter data must be provided for all hours during the day of the Load Management event or the Load Management performance test, and for all hours during any other days as required by the Office of the Interconnection to calculate the load reduction. These data files are to be communicated to PJM either via the Load Response Program web site or email. Files that are emailed must be in the PJM-approved file format. Meter data will be forwarded to the EDC and LSE upon receipt, and these parties will then have ten (10) business days to provide feedback to PJM.

Market Settlements

Payment for reducing load is based on the actual kWh relief provided plus the adjustment for losses, subject to the Reporting and Compliance provisions below. The minimum duration of a load reduction request is two hours. The magnitude of relief provided by Full Program Option participants shall be the amount PJM dispatches up to the kW amount declared on the Emergency Registration Form. The magnitude of relief provided by Energy Only Option participants could be less than, equal to, or greater than the kW amount declared on the Emergency Registration Form.

PJMSettlement pays the applicable LMP to the PJM Member that nominates the load. Payment will be equal to the measured reduction (either measured output of backup generation or the difference between the measured load the hour before the reduction and each hour during the reduction) adjusted for losses times the applicable LMP. If, however, the sum of the hourly energy payments to a participant dispatched by PJM for actual, achieved reductions is not greater than or equal to the offer value (i.e. Minimum

Dispatch Price, minimum down time and shut down costs) then the participant will be made whole up to the offer value for its actual, achieved reductions.

Full Program Option participants that fail to provide a load reduction (as measured as set forth in the Reporting and Compliance provisions below) when dispatched by PJM shall be assessed penalties and/or charges as specified in Attachment DD of the PJM Tariff and the Reliability Assurance Agreement, as applicable.

During emergency conditions, costs for emergency purchases in excess of LMP are allocated among PJM Market Buyers in proportion to their increase in net purchases from the PJM energy market during the hour in the real time market compared to the day-ahead market. Consistent with this pricing methodology, all charges under this program are allocated to purchasers of energy, in proportion to their increase in net purchases from the PJM energy market during the hour from day-ahead to real time.

Program charges and credits will appear on the PJM Members monthly bill, as described in the ***PJM Manual for Operating Agreement Accounting and the PJM Manual for Billing.***

Reporting and Compliance

Actual load reductions of Energy Only Option emergency resources will be added back for the purpose of peak load calculations for capacity for the following Delivery Year.

Actual Emergency Load Response and Economic Load Response load reductions for Load Management resources registered as Emergency Load Response Full Program Option or Capacity Only resources which occur from June 1 through September 30, will be added back for the purpose of calculating peak load for capacity for the following Delivery Year, as set forth in the PJM Manuals and consistent with the load response recognized for compliance as set forth below. Capacity Only resources are Full Program Option resources that do not receive an energy payment for load reductions during an emergency event.

Actual load reductions of Load Management resources registered as Emergency Load Response Full Program Option or Capacity Only resources used to determine Load Management event and test capacity compliance for Firm Service Level and Guaranteed Load Drop end-use customers shall be equal to the load reduction provided to the electric distribution company as follows and in accordance with the PJM Manuals: ~~for the purpose of calculating peak load for capacity, however, shall not exceed the quantity of kW committed and registered as Full Program Option or Capacity Only resources.~~

i) For Guaranteed Load Drop end-use customers, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the metered load ("Load") and then multiplied by the loss factor ("LF") or (b) the current Delivery Year peak load contribution ("PLC") minus the

metered load multiplied by the loss factor ("LF"). A load reduction will only be recognized if the metered load multiplied by the loss factor is less than the current Delivery Year peak load contribution. The calculation is represented by:

Minimum of {(comparison load – Load) * LF, PLC – (Load * LF)}

ii) For Firm Service Level end-use customers the current Delivery Year peak load contribution ("PLC") minus the metered load ("Load") multiplied by the loss factor ("LF"). The calculation is represented by:

PLC – (Load * LF)

iii) For 2011/2012 Delivery Year only, for Guaranteed Load Drop end-use customers, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the Manuals, minus the metered load ("Load") and then multiplied by the loss factor ("LF") or (b) the current Delivery Year peak load contribution ("PLC") multiplied by 1.25 minus the metered load ("Load") multiplied by the loss factor ("LF"). A load reduction will only be recognized if the metered load multiplied by the loss factor is less than the current Delivery Year peak load contribution multiplied by 1.25. The calculation is represented by:

Minimum of {(comparison load – Load) * LF, PLC * 1.25 – (Load * LF)}

PJM will submit any required reports to FERC on behalf of the Load Response Program participants. PJM will also post this document, as well as any other program-related documentation on the PJM website.

PJM will post on its website a report of demand response activity, and will provide a summary thereof to the PJM Markets and Reliability Committee on an annual basis.

As PJM receives evidence from the electric distribution companies or Load Serving Entities pursuant to section 1.3 of PJM Emergency Load Response Program, PJM will post on its website a list of those Relevant Electric Retail Regulatory Authorities that the electric distribution companies or Load Serving Entities assert prohibit or condition retail participation in PJM's Emergency Load Response Program together with a corresponding reference to the Relevant Electric Retail Regulatory Authority evidence that is provided to PJM by the electric distribution companies or Load Serving Entities.

Non-hourly metered Customer Pilot

Non-hourly metered customers may participate in the Emergency Load Response Program on a pilot basis under the following circumstances. The customer or its Curtailment Service Provider or Load Serving Entity must propose an alternate method for measuring hourly demand reductions. The Office of the Interconnection shall

approve alternate measurement mechanisms on a case-by-case basis for a time period specified by the Office of the Interconnection ("Pilot Period"). In the event an alternative measurement mechanism is approved, the Office of the Interconnection shall notify the affected Load Serving Entity(ies) that a proposed alternate measurement mechanism has been approved for a Pilot Period.

Demand reductions by non-hourly metered customers using alternate measurement mechanisms on a pilot basis shall be limited to a combined total of 500 MW of reductions in both the Emergency Load Response Program and the PJM Interchange Energy Market. With the sole exception of the requirement for hourly metering, non-hourly metered customers shall be subject to the rules and procedures for participation in the Emergency Load Response Program. Following completion of a Pilot Period, the alternate method shall be evaluated by the Office of the Interconnection to determine whether such alternate method should be included in the PJM Manuals as an accepted measurement mechanism for demand reductions in the Emergency Load Response Program.

Emergency Load Response Participant Aggregation.

The purpose for aggregation is to allow the participation of End-Use Customers in the Emergency Load Response Program that can provide less than 100 kW of demand response on an individual basis. Emergency Load Response Participant aggregations shall be subject to the following requirements:

i. All End-Use Customers in an aggregation shall be specifically identified;

ii. All End-Use Customers in an aggregation shall be served by the same electric distribution company or Load Serving Entity where the electric distribution company is the Load Serving Entity for all End-Use Customers in the aggregation;

iii. All End-Use Customers in an aggregation that settle at Transmission Zone, existing load aggregate, or node prices shall be located in the same Transmission Zone, existing load aggregate or at the same node, respectively;

iv. Energy settlement will be based on each individual customer's load reductions pursuant to section 3.3A of Schedule 1 of this Agreement, the PJM Reliability Assurance Agreement Among Load Serving Entities in the PJM Region and the PJM Manuals. Capacity compliance will be based on each individual customers' load reductions and then aggregated pursuant to section 3.3A of Schedule 1 of this Agreement, the PJM Reliability Assurance Agreement Among Load Serving Entities in the PJM Region and the PJM Manuals; and

v. Each End-Use Customer site must meet the requirements for market participation by a Demand Resource.

ATTACHMENT DD-1

Preface: The provisions of this Attachment incorporate into the Tariff for ease of reference the provisions of Schedule 6 of the Reliability Assurance Agreement among Load Serving Entities in the PJM Region. As a result, this Attachment will be modified, subject to FERC approval, so that the terms and conditions set forth herein remain consistent with the corresponding terms and conditions of Schedule 6 of the RAA. Capitalized terms used herein that are not otherwise defined in Attachment DD or elsewhere in this Tariff have the meaning set forth in the RAA.

PROCEDURES FOR DEMAND RESOURCES, ILR, AND ENERGY EFFICIENCY

A. Parties can partially or wholly offset the amounts payable for the Locational Reliability Charge with Demand Resources or ILR that are operated under the direction of the Office of the Interconnection. FRR Entities may reduce their capacity obligations with Demand Resources that are operated under the direction of the Office of the Interconnection and detailed in such entity's FRR Capacity Plan. Demand Resources qualifying under the criteria set forth below may be offered for sale or designated as Self-Supply in the Base Residual Auction, included in an FRR Capacity Plan, or offered for sale in any Incremental Auction, for any Delivery Year for which such resource qualifies. In addition, for Delivery Years through May 31, 2012, resources qualifying under the criteria set forth below may be certified as ILR on behalf of a Party that has not elected the FRR Alternative for a Delivery Year no later than three months prior to the first day of such Delivery Year; provided, however, that for the 2011-2012 Delivery Year only, the ILR certification deadline shall be no later than two months prior to the first day of such Delivery Year. Qualified Demand Resources and ILR generally fall in one of three categories, i.e., Guaranteed Load Drop, Firm Service Level, or Direct Load Control, as further specified in section H and the PJM Manuals. Qualified Demand Resources and ILR may be provided by a Demand Resource Provider or ILR Provider (hereinafter, "Provider"), notwithstanding that such Provider is not a Party to this Agreement. Such Providers must satisfy the requirements in section I and the PJM Manuals.

1. A Party must formally notify, in accordance with the requirements of the PJM Manuals and section G of this schedule as applicable, the Office of the Interconnection of the Demand Resource or ILR that it is placing under the direction of the Office of the Interconnection. A Party must further notify the Office of the Interconnection whether the resource is an ILR resource, a Limited Demand Resource, an Extended Summer Demand Resource or an Annual Demand Resource.

2. A period of no more than 2 hours prior notification must apply to interruptible customers.

3. The initiation of load interruption, upon the request of the Office of the Interconnection, must be within the authority of the dispatchers of the Party. No additional approvals should be required.

4. The initiation of load reduction upon the request of the Office of the Interconnection is considered an emergency action and must be implementable prior to a voltage reduction.

5. An entity offering for sale, designating for self-supply, or including in any FRR Capacity Plan any Planned Demand Resource must demonstrate, in accordance with standards and procedures set forth in the PJM Manuals, that such resource shall have the capability to provide a reduction in demand, or otherwise control load, on or before the start of the Delivery Year for which such resource is committed. Providers of Planned Demand Resources must provide a timeline including the milestones, which demonstrates to PJM's satisfaction that the Planned Demand Resources will be available for the start of the Delivery Year, 15 business days prior to a Base Residual Auction or Incremental Auction. PJM may verify the Provider's adherence to the timetable at any time.

6. Selection of a Demand Resource in an RPM Auction results in commitment of capacity to the PJM Region. Demand Resources that are so committed must be registered to participate in the Full Program Option or as a Capacity Only resource of the Emergency Load Response program and thus available for dispatch during PJM-declared emergency events.

B. The Unforced Capacity value of a Demand Resource and ILR will be determined as:

the product of the Nominated Value of the Demand Resource, or the Nominated Value of the ILR, times the DR Factor, times the Forecast Pool Requirement. Nominated Values shall be determined and reviewed in accordance with sections J and K, respectively, and the PJM Manuals. The DR Factor is a factor established by the PJM Board with the advice of the Members Committee to reflect the increase in the peak load carrying capability in the PJM Region due to Demand Resources and ILR. Peak load carrying capability is defined to be the peak load that the PJM Region is able to serve at the loss of load expectation defined in the Reliability Principles and Standards. The DR Factor is the increase in the peak load carrying capability in the PJM Region due to Demand Resources and ILR, divided by the total Nominated Value of Demand Resources and ILR in the PJM Region. The DR Factor will be determined using an analytical program that uses a probabilistic approach to determine reliability. The determination of the DR Factor will consider the reliability of Demand Resources and ILR, the number of interruptions, and the total amount of load reduction.

C. Demand Resources offered and cleared in a Base Residual or Incremental Auction shall receive the corresponding Capacity Resource Clearing Price as determined in such auction, in accordance with Attachment DD of the PJM Tariff. For Delivery Years beginning with the Delivery Year that commences on June 1, 2013, any Demand Resources located in a Zone with multiple LDAs shall receive the Capacity Resource Clearing Price applicable to the location of such resource within such Zone, as identified in such resource's offer. Further, the Demand Resource Provider shall register its resource in the same location within the Zone as specified in

its cleared sell offer, and shall be subject to deficiency charges under Attachment DD of this Tariff to the extent it fails to provide the resource in such location consistent with its cleared offer. For either of the Delivery Year commencing on June 1, 2010 or commencing on June 1, 2012, if the location of a Demand Resource is not specified by a Seller in the Sell Offer on an individual LDA basis in a Zone with multiple LDAs, then Demand Resources cleared by such Seller will be paid a DR Weighted Zonal Resource Clearing Price, determined as follows: (i) for a Zone that includes non-overlapping LDAs, calculated as the weighted average of the Resource Clearing Prices for such LDAs, weighted by the cleared Demand Resources registered by such Seller in each such LDA; or (ii) for a Zone that contains a smaller LDA within a larger LDA, calculated treating the smaller LDA and the remaining portion of the larger LDA as if they were separate LDAs, and weight-averaging in the same manner as (i) above.

D. Certified ILR resources shall receive the Final Zonal ILR Price.

E. The Party, Electric Distributor, Demand Resource Provider, or ILR Provider that establishes a contractual relationship (by contract or tariff rate) with a customer for load reductions is entitled to receive the compensation specified in sections C and D for a committed Demand Resource or certified ILR, notwithstanding that such provider is not the customer's energy supplier.

F. Any Party hereto shall demonstrate that its Demand Resources or ILR performed during periods when load management procedures were invoked by the Office of the Interconnection. The Office of the Interconnection shall adopt and maintain rules and procedures for verifying the performance of such resources, as set forth in section L and the PJM Manuals. In addition, committed Demand Resources and certified ILR that do not comply with the directions of the Office of the Interconnection to reduce load during an emergency shall be subject to the penalty charge set forth in Attachment DD to the PJM Tariff.

G. Parties may elect to place Demand Resources associated with Behind The Meter Generation under the direction of the Office of the Interconnection for a Delivery Year by submitting a Sell Offer for such resource (as Self Supply, or with an offer price) in the Base Residual Auction for such Delivery Year. This election shall remain in effect for the entirety of such Delivery Year. In the event such an election is made, such Behind The Meter Generation will not be netted from load for the purposes of calculating the Daily Unforced Capacity Obligations under this Agreement.

H. PJM recognizes three types of Demand Resource and ILR:

Direct Load Control (DLC) – Load management that is initiated directly by the Provider's market operations center or its agent, employing a communication signal to cycle equipment (typically water heaters or central air conditioners). DLC programs are qualified based on load research and customer subscription data. Providers may rely on the results of load research studies identified in the PJM Manuals to set the per-participant load reduction for DLC programs. Each Provider relying on DLC load management must periodically update its DLC switch operability rates, in accordance with the PJM Manuals.

Firm Service Level (FSL) – Load management achieved by a customer reducing its load to a pre-determined level (the Firm Service Level), upon notification from the Provider's market operations center or its agent.

Guaranteed Load Drop (GLD) – Load management achieved by a customer reducing its load by a pre-determined amount (the Guaranteed Load Drop), upon notification from the Provider's market operations center or its agent. Typically, the load reduction is achieved through running customer-owned backup generators, or by shutting down process equipment.

For each type of Demand Resource and ILR above, there can be two notification periods:

Step 1 (Short Lead Time) – Demand Resource or ILR which must be fully implemented in one hour or less from the time the PJM dispatcher notifies the market operations center of a curtailment event.

Step 2 (Long Lead Time) – Demand Resource or ILR which requires more than one hour but no more than two hours, from the time the PJM dispatcher notifies the market operations center of a curtailment event, to be fully implemented.

I. Each Provider must satisfy (or contract with another LSE, Provider, or EDC to provide) the following requirements:

- A point of contact with appropriate backup to ensure single call notification from PJM and timely execution of the notification process;

- supplemental status reports, detailing Demand Resources and ILR available, as requested by PJM;

- Entry of customer-specific Demand Resource and ILR credit information, for planning and verification purposes, into the designated PJM electronic system.

- Customer-specific compliance and verification information for each PJM-initiated Demand Resource or ILR event, as well as aggregated Provider load drop data for Provider-initiated events, in accordance with established reporting guidelines.

- Load drop estimates for all Demand Resource or ILR events, prepared in accordance with the PJM Manuals.

J. The Nominated Value of each Demand Resource or ILR shall be determined consistent with the process for determination of the capacity obligation for the customer.

The Nominated Value for a Firm Service Level customer will be based on the peak load contribution for the customer, as determined by the 5CP methodology utilized to determine other ICAP obligation values. The maximum Demand Resource or ILR load reduction value for a Firm Service Level customer will be equal to Peak Load Contribution – Firm Contract Level adjusted for system losses.

The Nominated Value for a Guaranteed Load Drop customer will be the guaranteed load drop amount, adjusted for system losses, as established by the customer's contract with the Provider. The maximum credit nominated shall not exceed the customer's Peak Load Contribution.

The Nominated Value for a Direct Load Control program will be based on load research and customer subscription. The maximum value of the program is equal to the approved per-participant load reduction multiplied by the number of active participants, adjusted for system losses. The per-participant impact is to be estimated at long-term average local weather conditions at the time of the summer peak.

Customer-specific Demand Resource or ILR information (EDC account number, peak load, notification period, etc.) will be entered into the designated PJM electronic system to establish credit values. Additional data may be required, as defined in sections K and L.

K. Nominated Values shall be reviewed based on documentation of customer-specific data and Demand Resource or ILR information, to verify the amount of load management available, and to set a maximum allowable Nominated Value. Data is provided by both the zone EDC and the Provider on templates supplied by PJM, and must include the EDC meter number or other unique customer identifier, Peak Load Contribution (5CP), contract firm service level or guaranteed load drop values, applicable loss factor, zone/area location of the load drop, LSE contact information, number of active participants, etc. Such data must be uploaded and approved prior to the first day of the Delivery Year for such resource as a Demand Resource, or certification of such resource as ILR. Providers must provide this information concurrently to host EDCs.

For Firm Service Level and Guaranteed Load Drop customers, the 5CP values, for the zone and affected customers, will be adjusted to reflect an "unrestricted" peak for a zone, based on information provided by the Provider. Load drop levels shall be estimated in accordance with guidelines in the PJM Manuals.

For Direct Load Control programs, the Provider must provide information detailing the number of active participants in each program. Other information on approved DLC programs will be provided by PJM.

L. Compliance is the process utilized to review Provider performance during PJM-initiated Demand Resource and ILR events. ~~The process establishes potential under/over compliance values for the Provider.~~ Compliance will be established for each Provider on an event specific basis for the Provider's Demand Resources or ILR dispatched by the Office of the Interconnection during such event.

PJM will establish and communicate reasonable deadlines for the timely submittal of event data to expedite compliance reviews. Compliance reviews will be completed as soon after the event as possible, with the expectation that reviews of a single event will be completed within two months of the end of the month in which the event took place. Providers are responsible for the submittal of compliance information to PJM for each PJM-initiated event during the compliance period.

Compliance for Direct Load Control programs will consider only the transmission of the control signal. Providers are required to report the time period (during the Demand Resource and ILR event) that the control signal was actually sent.

Compliance is checked on an individual customer basis for FSL, by comparing actual load during the event to the firm service level. Providers must submit actual customer load levels (for the event period) for the compliance report.

Compliance is checked on an individual customer basis for GLD, ~~by comparing actual load dropped during the event to the nominated amount of load drop.~~ and will be based on:

(i) for the 2011/2012 Delivery Year, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the metered load ("Load") and then multiplied by the loss factor ("LF"), or (b) the current Delivery Year peak load contribution ("PLC") multiplied by 1.25 minus the Load multiplied by the LF. A load reduction will only be recognized if the Load multiplied by the LF is less than the PLC multiplied by 1.25.

(ii) for the Delivery Years after 2011/2012, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the Load and then multiplied by the LF, or (b) the PLC minus the Load multiplied by the LF. A load reduction will only be recognized if the Load multiplied by the LF is less than the PLC.

(iii) Providers must submit actual loads and comparison loads for all hours during the day of the Load Management event or the Load Management performance test, and for all hours during any other days as required by the Office of the Interconnection to calculate the load reduction.~~the compliance hours.~~ Comparison loads must be developed from the guidelines in the PJM Manuals, and note which method was employed.

Compliance is averaged over the full hours of a load management event, for each customer or DLC program dispatched by the Office of the Interconnection. Demand Resource or ILR resources may not reduce their load below zero (i.e., export energy into the system). No compliance credit will be given for an incremental load drop below zero. Compliance will be totaled over all FSL and GLD customers and DLC programs to determine a net compliance position for the event for each Provider by Zone, for all Demand Resources committed and ILR Certified by such Provider and dispatched by the Office of the Interconnection in the zone. Deficiencies shall be as further determined in accordance with section 11 of Schedule DD to the PJM Tariff.

M. Energy Efficiency Resources

1. An Energy Efficiency Resource is a project, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during peak periods as described herein) reduction in electric energy consumption at the End-Use Customer's retail site that is not reflected in the peak load forecast prepared for the Delivery Year for which the Energy Efficiency Resource is proposed, and that is fully implemented at all times during such Delivery Year, without any requirement of notice, dispatch, or operator intervention.

2. An Energy Efficiency Resource may be offered as a Capacity Resource in the Base Residual or Incremental Auctions for any Delivery Year beginning on or after June 1, 2012. No later than 30 days prior to the auction in which the resource is to be offered, the Capacity Market Seller shall submit to the Office of the Interconnection a notice of intent to offer the resource into such auction and a measurement and verification plan. The notice of intent shall include all pertinent project design data, including but not limited to the peak-load contribution of affected customers, a full description of the equipment, device, system or process intended to achieve the load reduction, the load reduction pattern, the project location, the project development timeline, and any other relevant data. Such notice also shall state the seller's proposed Nominated Energy Efficiency Value, which shall be the expected average load reduction between the hour ending 15:00 EPT and the hour ending 18:00 EPT during all days from June 1 through August 31, inclusive, of such Delivery Year that is not a weekend or federal holiday. The measurement and verification plan shall describe the methods and procedures, consistent with the PJM Manuals, for determining the amount of the load reduction and confirming that such reduction is achieved. The Office of the Interconnection shall determine, upon review of such notice, the Nominated Energy Efficiency Value that may be offered in the Reliability Pricing Model Auction.

3. An Energy Efficiency Resource may be offered with a price offer or as Self-Supply. If an Energy Efficiency Resource clears the auction, it shall receive the applicable Capacity Resource Clearing Price, subject to section 5 below. A Capacity Market Seller offering an Energy Efficiency Resource must comply with all applicable credit requirements as set forth in Attachment Q to the PJM Tariff. The Unforced Capacity value of an Energy Efficiency Resource offered into an RPM Auction shall be the Nominated Energy Efficiency value times the DR Factor and the Forecast Pool Requirement.

4. An Energy Efficiency Resource that clears an auction for a Delivery Year may be offered in auctions for up to three additional consecutive Delivery Years, but shall not be assured of clearing in any such auction; provided, however, an Energy Efficiency Resource may not be offered for any Delivery Year in which any part of the peak season is beyond the expected life of the equipment, device, system, or process providing the expected load reduction; and provided further that a Capacity Market Seller that offers and clears an Energy Efficiency Resource in a BRA may elect a New Entry Price Adjustment on the same terms as set forth in section 5.14(c) of this Attachment DD.

5. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by

no later than 30 days prior to each Auction an updated project status and measurement and verification plan subject to the criteria set forth in the PJM Manuals.

6. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than the start of such Delivery Year, an updated project status and detailed measurement and verification data meeting the standards for precision and accuracy set forth in the PJM Manuals. The final value of the Energy Efficiency Resource during such Delivery Year shall be as determined by the Office of the Interconnection based on the submitted data.

7. The Office of the Interconnection may audit, at the Capacity Market Seller's expense, any Energy Efficiency Resource committed to the PJM Region. The audit may be conducted any time including the Performance Hours of the Delivery Year.

OPERATING AGREEMENT

Emergency Load Response Program

The Emergency Load Response Program is designed to provide a method by which end-use customers may be compensated by PJM for reducing load during an emergency event. As used in the Emergency Load Response Program, the term "end-use customer" refers to an individual location or aggregation of locations that consume electricity as identified by a unique electric distribution company account number. There are two options for participation in the Emergency Load Response Program:

- Full Program Option

  Participants in the Full Program Option receive an energy payment for load reductions during an emergency event, and a capacity payment pursuant to ~~the Reliability Assurance Agreement~~Attachment DD of the tariff, as applicable.

- Energy Only Option

  Participants in the Energy Only Option receive only an energy payment for load reductions during an emergency event.

Market Settlements

Payment for reducing load is based on the actual kWh relief provided plus the adjustment for losses, subject to the Reporting and Compliance provisions below. The minimum duration of a load reduction request is two hours. The magnitude of relief provided by Full Program Option Participants shall be the amount PJM dispatches up the kW amount declared on the Emergency Registration Form. The magnitude of relief provided by Energy Only Option participants could be less than, equal to, or greater than the kW amount declared on the Emergency Registration Form.

PJMSettlement pays the applicable LMP to the PJM Member that nominates the load. Payment will be equal to the measured reduction (either measured output of backup generation or the difference between the measured load the hour before the reduction and each hour during the reduction) adjusted for losses times the applicable LMP otherwise in use for settlement of the given load or $500/MWh. If, however, the sum of the hourly energy payments to a participant dispatched by PJM for actual, achieved reductions is not greater than or equal to the offer value (i.e. Minimum Dispatch Price, minimum down time and shut down costs) then the participant will be made whole up to the offer value for its actual, achieved reductions.

Full Program Option participants that fail to provide a load reduction (as measured as set forth in the Reporting and Compliance provisions below) when dispatched by PJM shall be assessed penalties and/or charges as specified in Attachment DD of the PJM Tariff and the Reliability Assurance Agreement, as applicable.

During emergency conditions, costs for emergency purchases in excess of LMP are allocated among PJM Market Buyers in proportion to their increase in net purchases from the PJM energy market during the hour in the real time market compared to the day-ahead market. Consistent with this pricing methodology, all charges under this program are allocated to purchasers of energy, in proportion to their increase in net purchases from the PJM energy market during the hour from day-ahead to real time.

Program charges and credits will appear on the PJM Members monthly bill, as described in the ***PJM Manual for Operating Agreement Accounting*** and the ***PJM Manual for Billing***.

Reporting and Compliance

Actual load reductions of Energy Only Option emergency resources will be added back for the purpose of peak load calculations for capacity for the following Delivery Year.

Actual Emergency Load Response and Economic Load Response load reductions for Load Management resources registered as Emergency Load Response Full Program Option or Capacity Only resources which occur from June 1 through September 30, will be added back for the purpose of calculating peak load for capacity for the following Delivery Year, as set forth in the PJM Manuals and consistent with the load response recognized for compliance as set forth below. Capacity Only resources are Full Program Option resources that do not receive an energy payment for load reductions during an emergency event.

Actual load reductions of Load Management resources registered as Emergency Load Response Full Program Option or Capacity Only resources used to determine Load Management event and test capacity compliance for Firm Service Level and Guaranteed Load Drop end-use customers shall be equal to the load reduction provided to the electric distribution company as follows and in accordance with the PJM Manuals: ~~for the purpose of calculating peak load for capacity, however, shall not exceed the quantity of kW committed and registered as Full Program Option or Capacity Only resources.~~

i) For Guaranteed Load Drop end-use customers, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the metered load ("Load") and then multiplied by the loss factor ("LF") or (b) the current Delivery Year peak load contribution ("PLC") minus the metered load multiplied by the loss factor ("LF"). A load reduction will only be recognized if the metered load multiplied by the loss factor is less than the current Delivery Year peak load contribution. The calculation is represented by:

Minimum of {(comparison load – Load) * LF, PLC – (Load * LF)}

ii) For Firm Service Level end-use customers the current Delivery Year peak load contribution ("PLC") minus the metered load ("Load") multiplied by the loss factor ("LF"). The calculation is represented by:

PLC – (Load * LF)

iii) For 2011/2012 Delivery Year only, for Guaranteed Load Drop end-use customers, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the Manuals, minus the metered load ("Load") and then multiplied by the loss factor ("LF") or (b) the current Delivery Year peak load contribution ("PLC") multiplied by 1.25 minus the metered load ("Load") multiplied by the loss factor ("LF"). A load reduction will only be recognized if the metered load multiplied by the loss factor is less

than the current Delivery Year peak load contribution multiplied by 1.25. The calculation is represented by:

Minimum of {(comparison load – Load) * LF, PLC * 1.25 – (Load * LF)}

PJM will submit any required reports to FERC on behalf of the Load Response Program participants. PJM will also post this document, as well as any other program-related documentation on the PJM website.

PJM will post on its website a report of demand response activity, and will provide a summary thereof to the PJM Markets and Reliability Committee on an annual basis.

As PJM receives evidence from the electric distribution companies or Load Serving Entities pursuant to section 1.3 of PJM Emergency Load Response Program, PJM will post on its website a list of those Relevant Electric Retail Regulatory Authorities that the electric distribution companies or Load Serving Entities assert prohibit or condition retail participation in PJM's Emergency Load Response Program together with a corresponding reference to the Relevant Electric Retail Regulatory Authority evidence that is provided to PJM by the electric distribution companies or Load Serving Entities.

RAA

SCHEDULE 6

PROCEDURES FOR DEMAND RESOURCES, ILR, AND ENERGY EFFICIENCY

A. Parties can partially or wholly offset the amounts payable for the Locational Reliability Charge with Demand Resources or ILR that are operated under the direction of the Office of the Interconnection. FRR Entities may reduce their capacity obligations with Demand Resources that are operated under the direction of the Office of the Interconnection and detailed in such entity's FRR Capacity Plan. Demand Resources qualifying under the criteria set forth below may be offered for sale or designated as Self-Supply in the Base Residual Auction, included in an FRR Capacity Plan, or offered for sale in any Incremental Auction, for any Delivery Year for which such resource qualifies. In addition, for Delivery Years through May 31, 2012, resources qualifying under the criteria set forth below may be certified as ILR on behalf of a Party that has not elected the FRR Alternative for a Delivery Year no later than three months prior to the first day of such Delivery Year; provided, however, that for the 2011-2012 Delivery Year only, the ILR certification deadline shall be no later than two months prior to the first day of such Delivery Year. Qualified Demand Resources and ILR generally fall in one of three categories, i.e., Guaranteed Load Drop, Firm Service Level, or Direct Load Control, as further specified in section H and the PJM Manuals. Qualified Demand Resources and ILR may be provided by a Demand Resource Provider or ILR Provider (hereinafter, "Provider"), notwithstanding that such Provider is not a Party to this Agreement. Such Providers must satisfy the requirements in section I and the PJM Manuals.

1. A Party must formally notify, in accordance with the requirements of the PJM Manuals and paragraph G of this schedule as applicable, the Office of the Interconnection of the Demand Resource or ILR that it is placing under the direction of the Office of the Interconnection. A Party must further notify the Office of the Interconnection whether the resource is an ILR resource, a Limited Demand Resource, an Extended Summer Demand Resource or an Annual Demand Resource.

2. A period of no more than 2 hours prior notification must apply to interruptible customers.

3. The initiation of load interruption, upon the request of the Office of the Interconnection, must be within the authority of the dispatchers of the Party. No additional approvals should be required.

4. The initiation of load reduction upon the request of the Office of the Interconnection is considered an emergency action and must be implementable prior to a voltage reduction.

5. An entity offering for sale, designating for self-supply, or including in any FRR Capacity Plan any Planned Demand Resource must demonstrate, in accordance with standards and procedures set forth in the PJM Manuals, that such resource shall have the capability to provide a reduction in demand, or otherwise control load, on or before the start of the Delivery Year for which such resource is committed. Providers of Planned Demand Resources must provide a timeline including the milestones, which demonstrates to PJM's satisfaction that the Planned Demand Resources will be available for the start of the Delivery Year, 15 business days prior to a Base Residual Auction or Incremental Auction. PJM may verify the Provider's adherence to the timetable at any time.

6. Selection of a Demand Resource in an RPM Auction results in commitment of capacity to the PJM Region. Demand Resources that are so committed must be registered to participate in the Full Program Option or as a Capacity Only resource of the Emergency Load Response program and thus available for dispatch during PJM-declared emergency events.

B. The Unforced Capacity value of a Demand Resource and ILR will be determined as:

the product of the Nominated Value of the Demand Resource, or the Nominated Value of the ILR, times the DR Factor, times the Forecast Pool Requirement. Nominated Values shall be determined and reviewed in accordance with sections J and K, respectively, and the PJM Manuals. The DR Factor is a factor established by the PJM Board with the advice of the Members Committee to reflect the increase in the peak load carrying capability in the PJM Region due to Demand Resources and ILR. Peak load carrying capability is defined to be the peak load that the PJM Region is able to serve at the loss of load expectation defined in the Reliability Principles and Standards. The DR Factor is the increase in the peak load carrying capability in the PJM Region due to Demand Resources and ILR, divided by the total Nominated Value of Demand Resources and ILR in the PJM Region. The DR Factor will be determined using an analytical program that uses a probabilistic approach to determine reliability. The determination of the DR Factor will consider the reliability of Demand Resources and ILR, the number of interruptions, and the total amount of load reduction.

C. Demand Resources offered and cleared in a Base Residual or Incremental Auction shall receive the corresponding Capacity Resource Clearing Price as determined in such auction, in accordance with Attachment DD of the PJM Tariff. For Delivery Years beginning with the Delivery Year that commences on June 1, 2013, any Demand Resources located in a Zone with multiple LDAs shall receive the Capacity Resource Clearing Price applicable to the location of such resource within such Zone, as identified in such resource's offer. Further, the Demand Resource Provider shall register its resource in the same location within the Zone as specified in its cleared sell offer, and shall be subject to deficiency charges under Attachment DD of this Tariff to the extent it fails to provide the resource in such location consistent with its cleared offer. For either of the Delivery Year commencing on June 1, 2010 or commencing on June 1, 2012, if the

location of a Demand Resource is not specified by a Seller in the Sell Offer on an individual LDA basis in a Zone with multiple LDAs, then Demand Resources cleared by such Seller will be paid a DR Weighted Zonal Resource Clearing Price, determined as follows: (i) for a Zone that includes non-overlapping LDAs, calculated as the weighted average of the Resource Clearing Prices for such LDAs, weighted by the cleared Demand Resources registered by such Seller in each such LDA; or (ii) for a Zone that contains a smaller LDA within a larger LDA, calculated treating the smaller LDA and the remaining portion of the larger LDA as if they were separate LDAs, and weight-averaging in the same manner as (i) above.

D. Certified ILR resources shall receive the Final Zonal ILR Price.

E. The Party, Electric Distributor, Demand Resource Provider, or ILR Provider that establishes a contractual relationship (by contract or tariff rate) with a customer for load reductions is entitled to receive the compensation specified in sections C and D for a committed Demand Resource or certified ILR, notwithstanding that such provider is not the customer's energy supplier.

F. Any Party hereto shall demonstrate that its Demand Resources or ILR performed during periods when load management procedures were invoked by the Office of the Interconnection. The Office of the Interconnection shall adopt and maintain rules and procedures for verifying the performance of such resources, as set forth in section L and the PJM Manuals. In addition, committed Demand Resources and certified ILR that do not comply with the directions of the Office of the Interconnection to reduce load during an emergency shall be subject to the penalty charge set forth in Attachment DD to the PJM Tariff.

G. Parties may elect to place Demand Resources associated with Behind The Meter Generation under the direction of the Office of the Interconnection for a Delivery Year by submitting a Sell Offer for such resource (as Self Supply, or with an offer price) in the Base Residual Auction for such Delivery Year. This election shall remain in effect for the entirety of such Delivery Year. In the event such an election is made, such Behind The Meter Generation will not be netted from load for the purposes of calculating the Daily Unforced Capacity Obligations under this Agreement.

H. PJM recognizes three types of Demand Resource and ILR:

Direct Load Control (DLC) – Load management that is initiated directly by the Provider's market operations center or its agent, employing a communication signal to cycle equipment (typically water heaters or central air conditioners). DLC programs are qualified based on load research and customer subscription data. Providers may rely on the results of load research studies identified in the PJM Manuals to set the per-participant load reduction for DLC programs. Each Provider relying on DLC load management must periodically update its DLC switch operability rates, in accordance with the PJM Manuals.

Firm Service Level (FSL) – Load management achieved by a customer reducing its load to a pre-determined level (the Firm Service Level), upon notification from the Provider's market operations center or its agent.

Guaranteed Load Drop (GLD) – Load management achieved by a customer reducing its load by a pre-determined amount (the Guaranteed Load Drop), upon notification from the Provider's market operations center or its agent. Typically, the load reduction is achieved through running customer-owned backup generators, or by shutting down process equipment.

For each type of Demand Resource and ILR above, there can be two notification periods:

Step 1 (Short Lead Time) – Demand Resource or ILR which must be fully implemented in one hour or less from the time the PJM dispatcher notifies the market operations center of a curtailment event.

Step 2 (Long Lead Time) – Demand Resource or ILR which requires more than one hour but no more than two hours, from the time the PJM dispatcher notifies the market operations center of a curtailment event, to be fully implemented.

I. Each Provider must satisfy (or contract with another LSE, Provider, or EDC to provide) the following requirements:

- A point of contact with appropriate backup to ensure single call notification from PJM and timely execution of the notification process;
- supplemental status reports, detailing Demand Resources and ILR available, as requested by PJM;
- Entry of customer-specific Demand Resource and ILR credit information, for planning and verification purposes, into the designated PJM electronic system.
- Customer-specific compliance and verification information for each PJM-initiated Demand Resource or ILR event, as well as aggregated Provider load drop data for Provider-initiated events, in accordance with established reporting guidelines.
- Load drop estimates for all Demand Resource or ILR events, prepared in accordance with the PJM Manuals.

J. The Nominated Value of each Demand Resource or ILR shall be determined consistent with the process for determination of the capacity obligation for the customer.

The Nominated Value for a Firm Service Level customer will be based on the peak load contribution for the customer, as determined by the 5CP methodology utilized to determine other ICAP obligation values. The maximum Demand Resource or ILR load

reduction value for a Firm Service Level customer will be equal to Peak Load Contribution – Firm Contract Level adjusted for system losses.

The Nominated Value for a Guaranteed Load Drop customer will be the guaranteed load drop amount, adjusted for system losses, as established by the customer's contract with the Provider. The maximum credit nominated shall not exceed the customer's Peak Load Contribution.

The Nominated Value for a Direct Load Control program will be based on load research and customer subscription. The maximum value of the program is equal to the approved per-participant load reduction multiplied by the number of active participants, adjusted for system losses. The per-participant impact is to be estimated at long-term average local weather conditions at the time of the summer peak.

Customer-specific Demand Resource or ILR information (EDC account number, peak load, notification period, etc.) will be entered into the designated PJM electronic system to establish credit values. Additional data may be required, as defined in sections K and L.

K. Nominated Values shall be reviewed based on documentation of customer-specific data and Demand Resource or ILR information, to verify the amount of load management available, and to set a maximum allowable Nominated Value. Data is provided by both the zone EDC and the Provider on templates supplied by PJM, and must include the EDC meter number or other unique customer identifier, Peak Load Contribution (5CP), contract firm service level or guaranteed load drop values, applicable loss factor, zone/area location of the load drop, LSE contact information, number of active participants, etc. Such data must be uploaded and approved prior to the first day of the Delivery Year for such resource as a Demand Resource, or certification of such resource as ILR. Providers must provide this information concurrently to host EDCs.

For Firm Service Level and Guaranteed Load Drop customers, the 5CP values, for the zone and affected customers, will be adjusted to reflect an "unrestricted" peak for a zone, based on information provided by the Provider. Load drop levels shall be estimated in accordance with guidelines in the PJM Manuals.

For Direct Load Control programs, the Provider must provide information detailing the number of active participants in each program. Other information on approved DLC programs will be provided by PJM.

L. Compliance is the process utilized to review Provider performance during PJM-initiated Demand Resource and ILR events. ~~The process establishes potential under/over compliance values for the Provider.~~ Compliance will be established for each Provider on an event specific basis for the Provider's Demand Resources or ILR dispatched by the Office of the Interconnection during such event.

PJM will establish and communicate reasonable deadlines for the timely submittal of event data to expedite compliance reviews. Compliance reviews will be completed as soon after the event as possible, with the expectation that reviews of a single event will be completed within two months of the end of the month in which the event took place. Providers are responsible for the submittal of compliance information to PJM for each PJM-initiated event during the compliance period.

Compliance for Direct Load Control programs will consider only the transmission of the control signal. Providers are required to report the time period (during the Demand Resource and ILR event) that the control signal was actually sent.

Compliance is checked on an individual customer basis for FSL, by comparing actual load during the event to the firm service level. Providers must submit actual customer load levels (for the event period) for the compliance report.

Compliance is checked on an individual customer basis for GLD, ~~by comparing actual load dropped during the event to the nominated amount of load drop.~~ and will be based on:

(i) for the 2011/2012 Delivery Year, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the metered load ("Load") and then multiplied by the loss factor ("LF"), or (b) the current Delivery Year peak load contribution ("PLC") multiplied by 1.25 minus the Load multiplied by the LF. A load reduction will only be recognized if the Load multiplied by the LF is less than the PLC multiplied by 1.25.

(ii) for the Delivery Years after 2011/2012, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the Load and then multiplied by the LF, or (b) the PLC minus the Load multiplied by the LF. A load reduction will only be recognized if the Load multiplied by the LF is less than the PLC.

(iii) Providers must submit actual loads and comparison loads for all hours during the day of the Load Management event or the Load Management performance test, and for all hours during any other days as required by the Office of the Interconnection to calculate the load reduction.~~the compliance hours.~~ Comparison loads must be developed from the guidelines in the PJM Manuals, and note which method was employed.

Compliance is averaged over the full hours of a load management event, for each customer or DLC program dispatched by the Office of the Interconnection. Demand Resource or ILR resources may not reduce their load below zero (i.e., export energy into the system). No compliance credit will be given for an incremental load drop below zero. Compliance will be totaled over all FSL and GLD customers and DLC programs to

determine a net compliance position for the event for each Provider by Zone, for all Demand Resources committed and ILR Certified by such Provider and dispatched by the Office of the Interconnection in the zone. Deficiencies shall be as further determined in accordance with section 11 of Schedule DD to the PJM Tariff.

M. Energy Efficiency Resources

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

2. An Energy Efficiency Resource may be offered as a Capacity Resource in the Base Residual or Incremental Auctions for any Delivery Year beginning on or after June 1, 2011. No later than 30 days prior to the auction in which the resource is to be offered, the Capacity Market Seller shall submit to the Office of the Interconnection a notice of intent to offer the resource into such auction and a measurement and verification plan. The notice of intent shall include all pertinent project design data, including but not limited to the peak-load contribution of affected customers, a full description of the equipment, device, system or process intended to achieve the load reduction, the load reduction pattern, the project location, the project development timeline, and any other relevant data. Such notice also shall state the seller's proposed Nominated Energy Efficiency Value, which shall be the expected average load reduction between the hour ending 15:00 EPT and the hour ending 18:00 EPT during all days from June 1 through August 31, inclusive, of such Delivery Year that is not a weekend or federal holiday. The measurement and verification plan shall describe the methods and procedures, consistent with the PJM Manuals, for determining the amount of the load reduction and confirming that such reduction is achieved. The Office of the Interconnection shall determine, upon review of such notice, the Nominated Energy Efficiency Value that may be offered in the Reliability Pricing Model Auction.

3. An Energy Efficiency Resource may be offered with a price offer or as Self-Supply. If an Energy Efficiency Resource clears the auction, it shall receive the applicable Capacity Resource Clearing Price, subject to section 5 below. A Capacity Market Seller offering an Energy Efficiency Resource must comply with all applicable credit requirements as set forth in Attachment Q to the PJM Tariff. The Unforced Capacity value of an Energy Efficiency Resource offered into an RPM Auction shall be the Nominated Energy Efficiency value times the DR Factor and the Forecast Pool Requirement.

4. An Energy Efficiency Resource that clears an auction for a Delivery Year may be offered in auctions for up to three additional consecutive Delivery Years, but shall not be assured of clearing in any such auction; provided, however, an Energy Efficiency Resource may not be offered for any Delivery Year in which any part of the peak season is beyond the expected life of the equipment, device, system, or process providing the expected load reduction; and provided further that a Capacity Market Seller that offers and clears an Energy Efficiency Resource in a BRA may elect a New Entry Price Adjustment on the same terms as set forth in section 5.14(c) of this Attachment DD.

5. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than 30 days prior to each Auction an updated project status and measurement and verification plan subject to the criteria set forth in the PJM Manuals.

6. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than the start of such Delivery Year, an updated project status and detailed measurement and verification data meeting the standards for precision and accuracy set forth in the PJM Manuals. The final value of the Energy Efficiency Resource during such Delivery Year shall be as determined by the Office of the Interconnection based on the submitted data.

7. The Office of the Interconnection may audit, at the Capacity Market Seller's expense, any Energy Efficiency Resource committed to the PJM Region. The audit may be conducted any time including the Performance Hours of the Delivery Year.

Attachment B

TARIFF

PJM EMERGENCY LOAD RESPONSE PROGRAM

Emergency Load Response Program

The Emergency Load Response Program is designed to provide a method by which end-use customers may be compensated by PJM for reducing load during an emergency event. As used in the Emergency Load Response Program, the term "end-use customer" refers to an individual location or aggregation of locations that consume electricity as identified by a unique electric distribution company account number. There are two options for participation in the Emergency Load Response Program:

- Full Program Option

  Participants in the Full Program Option receive an energy payment for load reductions during an emergency event, and a capacity payment pursuant to Attachment DD of the tariff, as applicable.

- Energy Only Option

  Participants in the Energy Only Option receive only an energy payment for load reductions during an emergency event.

Participant Qualifications

Two primary types of distributed resources are candidates to participate in either of the two options provided by the Emergency Load Response Program:

On-Site Generators

These generators (including Behind The Meter Generation) can be either synchronized or non-synchronized to the grid. Capacity Resources are not eligible for compensation under this program. Injections into the grid by local generators also will not be eligible for compensation under this program.

Load Reductions

A participant that has the ability to reduce a measurable and verifiable portion of its load, as metered on an EDC account basis.

PJM membership is required to participate in either of the two options provided by the Emergency Load Response Program. Members or Special Members may participate in the Emergency Load Response Program by complying with all of the requirements of the applicable Relevant Electric Retail Regulatory Authority and all other applicable federal, state and local regulatory entities together with the Emergency Load Response provisions

herein, including, but not limited to, the Registration section. Special membership provisions have been established for program participants in the Energy Only Option, as described below. The special membership provisions shall not apply to program participants in the Full Program Option. Any existing PJM Member may act as a third party for non-members, in which case the third party will be referred to as the Curtailment Service Provider (CSP). All payments are made to the PJM Member. Participants must become signatories to the PJM Operating Agreement, as described in the ***PJM Manual for Administrative Services for the Operating Agreement of the PJM Interconnection, L.L.C***. However, for special members the $5,000 annual membership fee, the $1,500 application fee, and liability for Member defaults are waived, along with the following other modifications:

Special Members are limited to be PJM market sellers;
Voting privileges and sector designation are waived;
Thirty day notice for waiting period is waived;
Requirement for 24/7 control center coverage is waived;
No PJM-supported user group capability is permitted.

To participate in either of the two options provided by the Emergency Load Response Program, the distributed resource must:

Be capable of reducing at least 100 kW of load
Be capable of receiving PJM notification to participate during emergency conditions.

Metering Requirements

The Curtailment Service Provider is responsible to ensure that the Emergency Load Response Program Participants have metering equipment that provides integrated hourly kWh values on an electric distribution company account basis. The metering equipment shall either meet the electric distribution company requirements for accuracy or have a maximum error of two percent over the full range of the metering equipment (including Potential Transformers and Current Transformers) and the metering equipment and associated data shall meet the requirements set forth herein and in the PJM Manuals. The Emergency Load Response Participant must meter reductions in demand by using either of the following two methods:

a) Using metering equipment that is capable of recording integrated hourly values for generation running to serve local load (net of that used by the generator); or

b) Using metering equipment that provides actual load change by measuring actual load before and after the reduction request, such that there is a valid integrated hourly value for the hour prior to the event and each hour during the event. This value cannot be estimated nor can it be averaged over some historical period. This load will be metered on an electric distribution company account basis.

Metered load reductions will be adjusted up to consider transmission and distribution losses as submitted by the Curtailment Service Provider and verified by PJM with the electric distribution company.

The installed metering equipment must be one of the following:

a) Metering equipment used for retail electric service;

b) Customer-owned metering equipment or metering equipment acquired by the Curtailment Service Provider, approved by PJM, that is read electronically by PJM, in accordance with the requirements herein and in the PJM Manuals; or

c) Customer-owned metering equipment or metering equipment acquired by the Curtailment Service Provider, approved by PJM, that is read by the customer (or the Curtailment Service Provider), and such readings are then forwarded to PJM, in accordance with the requirements set forth herein and in the PJM Manuals.

Nothing herein changes the existence of one recognized meter by the state commissions as the official billing meter for recording consumption.

Registration

1. Participants must complete the PJM Emergency Load Response Program Registration Form ("Emergency Registration Form") that is posted on the PJM website (www.pjm.com)for each end-use customer, or aggregation of end-use customers, pursuant to the requirements set forth in the PJM Manuals. Because of the required electric distribution company and Load Serving Entity ten business day review period, as described herein, Participants should submit completed PJM Emergency Load Response Program Registration Forms to the Office of the Interconnection no later than eleven business days prior to the applicable Load Management registration deadline as established by the Office of the Interconnection, given that the electric distribution company and load serving entity must comply with a ten business day review period. To the extent that a completed PJM Emergency Load Response Program Registration Form is submitted to the Office of the Interconnection with ten or fewer business days remaining prior to the applicable Load Management registration deadline as established by the Office of the Interconnection, then the registration will be rejected by the Office of the Interconnection unless the electric distribution company or Load Serving Entity has verified the registration prior to the registration deadline. Incomplete PJM Emergency Load Response Program Registration Forms will be rejected by the Office of the Interconnection. The following general steps will be followed:

2. For end-use customers of an electric distribution company that distributed more than 4 million MWh in the previous fiscal year:

a. The participant completes the Emergency Registration Form located on the PJM website. PJM reviews the application and ensures that the qualifications are

met, including verifying that the appropriate metering exists. After confirming that an entity has met all of the qualifications to be an Emergency Load Response Participant, PJM shall notify the appropriate Load Serving Entity and electric distribution company of an Emergency Load Response Participant's registration and request verification as to whether the load that may be reduced is under other contractual obligations or subject to laws or regulations of the Relevant Electric Retail Regulatory Authority that prohibit or condition the end-use customer's participation in PJM's Emergency Load Response Program pursuant to the process described below. The electric distribution company and Load Serving Entity have ten business days to respond. Other such contractual obligations may not preclude participation in the program, but may require special consideration by PJM such that appropriate settlements are made within the confines of such existing contracts. An electric distribution company or Load Serving Entity which seeks to assert that the laws or regulations of the Relevant Electric Retail Regulatory Authority prohibit or condition (which condition the electric distribution company or Load Serving Entity asserts has not been satisfied) an end-use customer's participation in PJM's Emergency Load Response Program shall provide to PJM, within the referenced ten business day review period, either: (a) an order, resolution or ordinance of the Relevant Electric Retail Regulatory Authority prohibiting or conditioning the end-use customer's participation, (b) an opinion of the Relevant Electric Retail Regulatory Authority's legal counsel attesting to the existence of a regulation or law prohibiting or conditioning the end-use customer's participation, or (c) an opinion of the state Attorney General, on behalf of the Relevant Electric Retail Regulatory Authority, attesting to the existence of a regulation or law prohibiting or conditioning the end-use customer's participation.

i. If evidence provided by an electric distribution company or Load Serving Entity to the Office of the Interconnection indicates that a Relevant Electric Retail Regulatory Authority law or regulation prohibits or conditions (which condition the electric distribution company or Load Serving Entity asserts has not been satisfied) the end-use customer's participation and is received by the Office of the Interconnection on or after the Interruptible Load for Reliability registration deadline established by the Office of the Interconnection for the next applicable Delivery Year, then the existing Emergency Load Response Participant's registration for Interruptible Load for Reliability (as defined in the Reliability Assurance Agreement) will remain in effect for the applicable Delivery Year. If evidence provided by an electric distribution company or Load Serving Entity to the Office of the Interconnection indicates that a Relevant Electric Retail Regulatory Authority law or regulation prohibits or conditions (which condition the electric distribution company or Load Serving Entity asserts has not been satisfied) the end-use customer's participation and is received by the Office of the Interconnection before the Interruptible Load for Reliability registration deadline established by the Office of the Interconnection for the applicable

Delivery Year, then the existing Emergency Load Response participant's registration for Interruptible Load for Reliability (as defined in the Reliability Assurance Agreement) participation shall be deemed to be terminated for the applicable Delivery Year.

ii. If evidence provided by an electric distribution company or Load Serving Entity to the Office of the Interconnection indicates that a Relevant Electric Retail Regulatory Authority law or regulation prohibits or conditions (which condition the electric distribution company or Load Serving Entity asserts has not been satisfied) the end-use customer's participation and is received by the Office of the Interconnection on or after June 1 of the applicable Delivery Year, then the existing end-use customer's registration for Demand Resource (as defined in the Reliability Assurance Agreement) will remain in effect for the applicable Delivery Year. If evidence provided by an electric distribution company or Load Serving Entity to the Office of the Interconnection indicates that a Relevant Electric Retail Regulatory Authority law or regulation prohibits or conditions (which condition the electric distribution company or Load Serving Entity asserts has not been satisfied) the end-use customer's participation and is received by the Office of the Interconnection before June 1 of the applicable Delivery Year and the Curtailment Service Provider does not provide supporting documentation to the Office of the Interconnection before June 1 of the applicable Delivery Year demonstrating that the Curtailment Service Provider had an executed contract with the end-use customer for Demand Resource participation before the date the Demand Resource cleared the applicable Reliability Pricing Model Auction, and that the date that the Demand Resource cleared the applicable Reliability Pricing Model Auction was prior to the effective date of the Relevant Electric Retail Regulatory Authority law or regulation prohibiting or conditioning the end-use customer's participation, then, unless the below exception applies, the existing end-use customer's registration for Demand Resource participation shall be deemed to be terminated for the applicable Delivery Year, and the Curtailment Service Provider will be subject to the Reliability Pricing Model provisions, as specified in Attachment DD of the PJM Tariff.

(1) Except that, pursuant to all other PJM Tariff and PJM Manual provisions, PJM will allow participation of all end-use customers registered by Curtailment Service Providers to fulfill Curtailment Service Providers' Demand Resource obligations that were cleared in the Reliability Pricing Model Auctions prior to August 28, 2009.

b. In the absence of a response from the electric distribution company or Load Serving Entity within the referenced ten business day review period, the Office of the Interconnection shall assume that the load to be reduced is not subject to other contractual obligations or to laws or regulations of the Relevant Electric Retail Regulatory Authority that prohibit or condition the end-use customer's participation in PJM's Emergency Load Response Program, and the Office of the Interconnection shall accept the registration, provided it meets all other Emergency Load Response Program requirements.

c. For those registrations terminated pursuant to this section, all Emergency Load Response Participant activity incurred prior to the termination date of the registration shall be settled by PJM in accordance with the terms and conditions contained in the PJM Tariff, PJM Operating Agreement and PJM Manuals.

3. For end-use customers of an electric distribution company that distributed 4 million MWh or less in the previous fiscal year:

a. The Participant completes the Emergency Registration Form located on the PJM website. PJM reviews the application and ensures that the qualifications are met, including verifying that the appropriate metering exists. After confirming that an entity has met all of the qualifications to be an Emergency Load Response Participant, PJM shall notify the appropriate Load Serving Entity and electric distribution company of an Emergency Load Response Participant's registration and request verification as to whether the load that may be reduced is under other contractual obligations and is permitted to participate by the Relevant Electric Retail Regulatory Authority pursuant to the process described below. The electric distribution company and Load Serving Entity have ten business days to respond. Other such contractual obligations may not preclude participation in the program, but may require special consideration by PJM such that appropriate settlements are made within the confines of such existing contracts. If the electric distribution company or Load Serving Entity verifies that the load that may be reduced is permitted or conditionally permitted (which condition the electric distribution company or Load Serving Entity asserts has been satisfied) to participate in the Emergency Load Response Program, then the electric distribution company or Load Serving Entity must provide to the Office of the Interconnection within the referenced ten business day review period either: (a) an order, resolution or ordinance of the Relevant Electric Retail Regulatory Authority permitting or conditionally permitting the end-use customer's participation, (b) an opinion of the Relevant Electric Retail Regulatory Authority's legal counsel attesting to the existence of a regulation or law permitting or conditionally permitting the end-use customer's participation, or (c) an opinion of the state Attorney General, on behalf of the Relevant Electric Retail Regulatory Authority, attesting to the existence of a regulation or law permitting or conditionally permitting the end-use customer's participation.

i. If the electric distribution company or Load Serving Entity denies the Interruptible Load for Reliability (as defined in the Reliability Assurance Agreement) registration before the Interruptible Load

for Reliability registration deadline as established by the Office of the Interconnection for the applicable Delivery Year because the electric distribution company or Load Serving Entity asserts that the Relevant Electric Retail Regulatory Authority has not granted permission or conditional permission for the end-use customer's participation or the electric distribution company or Load Serving Entity asserts that the end-use customer has not satisfied conditional permission requirements, then the existing Emergency Load Response Participant's registration for Interruptible Load for Reliability participation shall be deemed to be terminated for the applicable Delivery Year. If it is able to do so in compliance with all Emergency Load Response Program requirements, including the registration requirements, the participant may submit a new registration to the Office of the Interconnection for consideration if a prior registration has been rejected pursuant to the terms of the Emergency Load Response Program provisions.

ii. If the electric distribution company or Load Serving Entity denies the end-use customer's Demand Resource (as defined in the Reliability Assurance Agreement) registration before June 1 of the applicable Delivery Year and the Curtailment Service Provider does not provide the above referenced Relevant Electric Retail Regulatory Authority evidence to the Office of the Interconnection before June 1 of the applicable Delivery Year demonstrating that the Curtailment Service Provider had Relevant Electric Retail Regulatory Authority permission or conditional permission (which condition the electric distribution company or Load Serving Entity asserts has been satisfied) for the end-use customer's participation and an executed contract with the end-use customer Demand Resource before the date the Demand Resource cleared the applicable Reliability Pricing Model Auction then, unless the below exception applies, the existing end-use customer's registration for Demand Resource registration for Demand Resource participation shall be deemed to be terminated for the applicable Delivery Year and the Curtailment Service Provider will be subject to the Reliability Pricing Model provisions, as specified in Attachment DD of the PJM Tariff.

(1) Except that, pursuant to all other PJM Tariff and PJM Manual provisions, PJM will allow participation of all end-use customers registered by Curtailment Service Providers to fulfill Curtailment Service Providers' Demand Resource obligations that were cleared in the Reliability Pricing Model Auctions prior to August 28, 2009.

b. In the absence of a response from the electric distribution company or Load Serving Entity within the referenced ten business day review period, the Office of

the Interconnection shall reject the registration. If it is able to do so in compliance with all of the Emergency Load Response Program requirements, including the registration section, the Emergency Load Response Participant may submit a new registration to the Office of the Interconnection for consideration if a prior registration has been rejected pursuant to the terms of the Emergency Load Response Program provisions.

c. For those registrations terminated pursuant to this section, all Emergency Load Response participant activity incurred prior to the termination date of the registration shall be settled by PJMSettlement in accordance with the terms and conditions contained in the PJM Tariff, PJM Operating Agreement and PJM Manuals.

4. PJM informs the requesting participant of acceptance into the program and notifies the appropriate Load Serving Entity and electric distribution company of the requesting participant's acceptance into the program, or notifies the requesting participant and appropriate Load Serving Entity and electric distribution company of PJM's rejection of the requesting participant's registration.

5. Any end-use customer intending to run distributed generating units in support of local load for the purpose of participating in this program must represent in writing to PJM that it holds all applicable environmental and use permits for running those generators. Continuing participation in this program will be deemed as a continuing representation by the owner that each time its distributed generating unit is run in accordance with this program, it is being run in compliance with all applicable permits, including any emissions, run-time limit or other constraint on plant operations that may be imposed by such permits.

Emergency Load Response Registrations in Effect as of August 28, 2009

All existing Emergency Load Response Participants' registrations submitted to PJM prior to August 28, 2009 (the effective date of *Wholesale Competition in Regions with Organized Electric Markets,* Order 719-A, 128 FERC ¶ 61,059 (2009) ("Order 719-A")) for Load Management participation in the 2009/2010 Delivery Year will remain effective for that Delivery Year.

Emergency Operations

PJM will initiate the request for load reduction following the declaration of Maximum Emergency Generation and prior to the implementation of Load Management Steps 1 and 2. (Implementation of the Emergency Load Response Program can be used for regional emergencies.) It is implemented whenever generation is needed that is greater than the highest economic incremental cost. PJM posts the request for load reduction on the PJM website, on the Emergency Conditions page, and on eData, and issues a burst email to the Emergency Load Response majordomo. A separate All-Call message is also issued.

Following PJM's request to reduce load, (i) participants in the Energy Only Option voluntarily may reduce load; and (ii) participants in the Full Program Option are required

to reduce load unless they already have reduced load pursuant to the Economic Load Response Program. PJM will dispatch the resources of all Emergency Load Response Program participants (not already dispatched under the Economic Load Response Program) based on the Minimum Dispatch Prices specified in the participants' Emergency Registration Forms.

The Minimum Dispatch Price of a Full Program Option participant that reduces load may set the real time Locational Marginal Price ("LMP") provided that the participant's load reductions are needed to meet demand in the PJM Region. The Minimum Dispatch Price of an Energy Only Option participant that reduces load may set the real time LMP provided that such participant's load reductions are needed to meet demand in the PJM Regions and the Energy Only Option participant's resource satisfies PJM's telemetry requirements.

Operational procedures are described in detail in the ***PJM Manual for Emergency Operations.***

Verification

PJM requires that the load reduction meter data be submitted to PJM within 60 days of the event. If the data are not received within 60 days, no payment for participation is provided. Meter data must be provided for all hours during the day of the Load Management event or the Load Management performance test, and for all hours during any other days as required by the Office of the Interconnection to calculate the load reduction. These data files are to be communicated to PJM either via the Load Response Program web site or email. Files that are emailed must be in the PJM-approved file format. Meter data will be forwarded to the EDC and LSE upon receipt, and these parties will then have ten (10) business days to provide feedback to PJM.

Market Settlements

Payment for reducing load is based on the actual kWh relief provided plus the adjustment for losses, subject to the Reporting and Compliance provisions below. The minimum duration of a load reduction request is two hours. The magnitude of relief provided by Full Program Option participants shall be the amount PJM dispatches up to the kW amount declared on the Emergency Registration Form. The magnitude of relief provided by Energy Only Option participants could be less than, equal to, or greater than the kW amount declared on the Emergency Registration Form.

PJMSettlement pays the applicable LMP to the PJM Member that nominates the load. Payment will be equal to the measured reduction (either measured output of backup generation or the difference between the measured load the hour before the reduction and each hour during the reduction) adjusted for losses times the applicable LMP. If, however, the sum of the hourly energy payments to a participant dispatched by PJM for actual, achieved reductions is not greater than or equal to the offer value (i.e. Minimum

Dispatch Price, minimum down time and shut down costs) then the participant will be made whole up to the offer value for its actual, achieved reductions.

Full Program Option participants that fail to provide a load reduction (as measured as set forth in the Reporting and Compliance provisions below) when dispatched by PJM shall be assessed penalties and/or charges as specified in Attachment DD of the PJM Tariff and the Reliability Assurance Agreement, as applicable.

During emergency conditions, costs for emergency purchases in excess of LMP are allocated among PJM Market Buyers in proportion to their increase in net purchases from the PJM energy market during the hour in the real time market compared to the day-ahead market. Consistent with this pricing methodology, all charges under this program are allocated to purchasers of energy, in proportion to their increase in net purchases from the PJM energy market during the hour from day-ahead to real time.

Program charges and credits will appear on the PJM Members monthly bill, as described in the ***PJM Manual for Operating Agreement Accounting and the PJM Manual for Billing.***

Reporting and Compliance

Actual load reductions of Energy Only Option emergency resources will be added back for the purpose of peak load calculations for capacity for the following Delivery Year.

Actual Emergency Load Response and Economic Load Response load reductions for Load Management resources registered as Emergency Load Response Full Program Option or Capacity Only resources which occur from June 1 through September 30, will be added back for the purpose of calculating peak load for capacity for the following Delivery Year, as set forth in the PJM Manuals and consistent with the load response recognized for compliance as set forth below. Capacity Only resources are Full Program Option resources that do not receive an energy payment for load reductions during an emergency event.

Actual load reductions of Load Management resources registered as Emergency Load Response Full Program Option or Capacity Only resources used to determine Load Management event and test capacity compliance for Firm Service Level and Guaranteed Load Drop end-use customers shall be equal to the load reduction provided to the electric distribution company as follows and in accordance with the PJM Manuals:

i) For Guaranteed Load Drop end-use customers, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the metered load ("Load") and then multiplied by the loss factor ("LF") or (b) the current Delivery Year peak load contribution ("PLC") minus the metered load multiplied by the loss factor ("LF"). A load reduction will only be

recognized if the metered load multiplied by the loss factor is less than the current Delivery Year peak load contribution. The calculation is represented by:

Minimum of {(comparison load – Load) * LF, PLC – (Load * LF)}

ii) For Firm Service Level end-use customers the current Delivery Year peak load contribution ("PLC") minus the metered load ("Load") multiplied by the loss factor ("LF"). The calculation is represented by:

PLC – (Load * LF)

iii) For 2011/2012 Delivery Year only, for Guaranteed Load Drop end-use customers, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the Manuals, minus the metered load ("Load") and then multiplied by the loss factor ("LF") or (b) the current Delivery Year peak load contribution ("PLC") multiplied by 1.25 minus the metered load ("Load") multiplied by the loss factor ("LF"). A load reduction will only be recognized if the metered load multiplied by the loss factor is less than the current Delivery Year peak load contribution multiplied by 1.25. The calculation is represented by:

Minimum of {(comparison load – Load) * LF, PLC * 1.25 – (Load * LF)}

PJM will submit any required reports to FERC on behalf of the Load Response Program participants. PJM will also post this document, as well as any other program-related documentation on the PJM website.

PJM will post on its website a report of demand response activity, and will provide a summary thereof to the PJM Markets and Reliability Committee on an annual basis.

As PJM receives evidence from the electric distribution companies or Load Serving Entities pursuant to section 1.3 of PJM Emergency Load Response Program, PJM will post on its website a list of those Relevant Electric Retail Regulatory Authorities that the electric distribution companies or Load Serving Entities assert prohibit or condition retail participation in PJM's Emergency Load Response Program together with a corresponding reference to the Relevant Electric Retail Regulatory Authority evidence that is provided to PJM by the electric distribution companies or Load Serving Entities.

Non-hourly metered Customer Pilot

Non-hourly metered customers may participate in the Emergency Load Response Program on a pilot basis under the following circumstances. The customer or its Curtailment Service Provider or Load Serving Entity must propose an alternate method for measuring hourly demand reductions. The Office of the Interconnection shall approve alternate measurement mechanisms on a case-by-case basis for a time period

specified by the Office of the Interconnection ("Pilot Period"). In the event an alternative measurement mechanism is approved, the Office of the Interconnection shall notify the affected Load Serving Entity(ies) that a proposed alternate measurement mechanism has been approved for a Pilot Period.

Demand reductions by non-hourly metered customers using alternate measurement mechanisms on a pilot basis shall be limited to a combined total of 500 MW of reductions in both the Emergency Load Response Program and the PJM Interchange Energy Market. With the sole exception of the requirement for hourly metering, non-hourly metered customers shall be subject to the rules and procedures for participation in the Emergency Load Response Program. Following completion of a Pilot Period, the alternate method shall be evaluated by the Office of the Interconnection to determine whether such alternate method should be included in the PJM Manuals as an accepted measurement mechanism for demand reductions in the Emergency Load Response Program.

Emergency Load Response Participant Aggregation.

The purpose for aggregation is to allow the participation of End-Use Customers in the Emergency Load Response Program that can provide less than 100 kW of demand response on an individual basis. Emergency Load Response Participant aggregations shall be subject to the following requirements:

i. All End-Use Customers in an aggregation shall be specifically identified;

ii. All End-Use Customers in an aggregation shall be served by the same electric distribution company or Load Serving Entity where the electric distribution company is the Load Serving Entity for all End-Use Customers in the aggregation;

iii. All End-Use Customers in an aggregation that settle at Transmission Zone, existing load aggregate, or node prices shall be located in the same Transmission Zone, existing load aggregate or at the same node, respectively;

iv. Energy settlement will be based on each individual customer's load reductions pursuant to section 3.3A of Schedule 1 of this Agreement, the PJM Reliability Assurance Agreement Among Load Serving Entities in the PJM Region and the PJM Manuals. Capacity compliance will be based on each individual customers' load reductions and then aggregated pursuant to section 3.3A of Schedule 1 of this Agreement, the PJM Reliability Assurance Agreement Among Load Serving Entities in the PJM Region and the PJM Manuals; and

v. Each End-Use Customer site must meet the requirements for market participation by a Demand Resource.

ATTACHMENT DD-1

Preface: The provisions of this Attachment incorporate into the Tariff for ease of reference the provisions of Schedule 6 of the Reliability Assurance Agreement among Load Serving Entities in the PJM Region. As a result, this Attachment will be modified, subject to FERC approval, so that the terms and conditions set forth herein remain consistent with the corresponding terms and conditions of Schedule 6 of the RAA. Capitalized terms used herein that are not otherwise defined in Attachment DD or elsewhere in this Tariff have the meaning set forth in the RAA.

PROCEDURES FOR DEMAND RESOURCES, ILR, AND ENERGY EFFICIENCY

A. Parties can partially or wholly offset the amounts payable for the Locational Reliability Charge with Demand Resources or ILR that are operated under the direction of the Office of the Interconnection. FRR Entities may reduce their capacity obligations with Demand Resources that are operated under the direction of the Office of the Interconnection and detailed in such entity's FRR Capacity Plan. Demand Resources qualifying under the criteria set forth below may be offered for sale or designated as Self-Supply in the Base Residual Auction, included in an FRR Capacity Plan, or offered for sale in any Incremental Auction, for any Delivery Year for which such resource qualifies. In addition, for Delivery Years through May 31, 2012, resources qualifying under the criteria set forth below may be certified as ILR on behalf of a Party that has not elected the FRR Alternative for a Delivery Year no later than three months prior to the first day of such Delivery Year; provided, however, that for the 2011-2012 Delivery Year only, the ILR certification deadline shall be no later than two months prior to the first day of such Delivery Year. Qualified Demand Resources and ILR generally fall in one of three categories, i.e., Guaranteed Load Drop, Firm Service Level, or Direct Load Control, as further specified in section H and the PJM Manuals. Qualified Demand Resources and ILR may be provided by a Demand Resource Provider or ILR Provider (hereinafter, "Provider"), notwithstanding that such Provider is not a Party to this Agreement. Such Providers must satisfy the requirements in section I and the PJM Manuals.

1. A Party must formally notify, in accordance with the requirements of the PJM Manuals and section G of this schedule as applicable, the Office of the Interconnection of the Demand Resource or ILR that it is placing under the direction of the Office of the Interconnection. A Party must further notify the Office of the Interconnection whether the resource is an ILR resource, a Limited Demand Resource, an Extended Summer Demand Resource or an Annual Demand Resource.

2. A period of no more than 2 hours prior notification must apply to interruptible customers.

3. The initiation of load interruption, upon the request of the Office of the Interconnection, must be within the authority of the dispatchers of the Party. No additional approvals should be required.

4. The initiation of load reduction upon the request of the Office of the Interconnection is considered an emergency action and must be implementable prior to a voltage reduction.

5. An entity offering for sale, designating for self-supply, or including in any FRR Capacity Plan any Planned Demand Resource must demonstrate, in accordance with standards and procedures set forth in the PJM Manuals, that such resource shall have the capability to provide a reduction in demand, or otherwise control load, on or before the start of the Delivery Year for which such resource is committed. Providers of Planned Demand Resources must provide a timeline including the milestones, which demonstrates to PJM's satisfaction that the Planned Demand Resources will be available for the start of the Delivery Year, 15 business days prior to a Base Residual Auction or Incremental Auction. PJM may verify the Provider's adherence to the timetable at any time.

6. Selection of a Demand Resource in an RPM Auction results in commitment of capacity to the PJM Region. Demand Resources that are so committed must be registered to participate in the Full Program Option or as a Capacity Only resource of the Emergency Load Response program and thus available for dispatch during PJM-declared emergency events.

B. The Unforced Capacity value of a Demand Resource and ILR will be determined as:

the product of the Nominated Value of the Demand Resource, or the Nominated Value of the ILR, times the DR Factor, times the Forecast Pool Requirement. Nominated Values shall be determined and reviewed in accordance with sections J and K, respectively, and the PJM Manuals. The DR Factor is a factor established by the PJM Board with the advice of the Members Committee to reflect the increase in the peak load carrying capability in the PJM Region due to Demand Resources and ILR. Peak load carrying capability is defined to be the peak load that the PJM Region is able to serve at the loss of load expectation defined in the Reliability Principles and Standards. The DR Factor is the increase in the peak load carrying capability in the PJM Region due to Demand Resources and ILR, divided by the total Nominated Value of Demand Resources and ILR in the PJM Region. The DR Factor will be determined using an analytical program that uses a probabilistic approach to determine reliability. The determination of the DR Factor will consider the reliability of Demand Resources and ILR, the number of interruptions, and the total amount of load reduction.

C. Demand Resources offered and cleared in a Base Residual or Incremental Auction shall receive the corresponding Capacity Resource Clearing Price as determined in such auction, in accordance with Attachment DD of the PJM Tariff. For Delivery Years beginning with the Delivery Year that commences on June 1, 2013, any Demand Resources located in a Zone with multiple LDAs shall receive the Capacity Resource Clearing Price applicable to the location of such resource within such Zone, as identified in such resource's offer. Further, the Demand Resource Provider shall register its resource in the same location within the Zone as specified in

its cleared sell offer, and shall be subject to deficiency charges under Attachment DD of this Tariff to the extent it fails to provide the resource in such location consistent with its cleared offer. For either of the Delivery Year commencing on June 1, 2010 or commencing on June 1, 2012, if the location of a Demand Resource is not specified by a Seller in the Sell Offer on an individual LDA basis in a Zone with multiple LDAs, then Demand Resources cleared by such Seller will be paid a DR Weighted Zonal Resource Clearing Price, determined as follows: (i) for a Zone that includes non-overlapping LDAs, calculated as the weighted average of the Resource Clearing Prices for such LDAs, weighted by the cleared Demand Resources registered by such Seller in each such LDA; or (ii) for a Zone that contains a smaller LDA within a larger LDA, calculated treating the smaller LDA and the remaining portion of the larger LDA as if they were separate LDAs, and weight-averaging in the same manner as (i) above.

D. Certified ILR resources shall receive the Final Zonal ILR Price.

E. The Party, Electric Distributor, Demand Resource Provider, or ILR Provider that establishes a contractual relationship (by contract or tariff rate) with a customer for load reductions is entitled to receive the compensation specified in sections C and D for a committed Demand Resource or certified ILR, notwithstanding that such provider is not the customer's energy supplier.

F. Any Party hereto shall demonstrate that its Demand Resources or ILR performed during periods when load management procedures were invoked by the Office of the Interconnection. The Office of the Interconnection shall adopt and maintain rules and procedures for verifying the performance of such resources, as set forth in section L and the PJM Manuals. In addition, committed Demand Resources and certified ILR that do not comply with the directions of the Office of the Interconnection to reduce load during an emergency shall be subject to the penalty charge set forth in Attachment DD to the PJM Tariff.

G. Parties may elect to place Demand Resources associated with Behind The Meter Generation under the direction of the Office of the Interconnection for a Delivery Year by submitting a Sell Offer for such resource (as Self Supply, or with an offer price) in the Base Residual Auction for such Delivery Year. This election shall remain in effect for the entirety of such Delivery Year. In the event such an election is made, such Behind The Meter Generation will not be netted from load for the purposes of calculating the Daily Unforced Capacity Obligations under this Agreement.

H. PJM recognizes three types of Demand Resource and ILR:

Direct Load Control (DLC) – Load management that is initiated directly by the Provider's market operations center or its agent, employing a communication signal to cycle equipment (typically water heaters or central air conditioners). DLC programs are qualified based on load research and customer subscription data. Providers may rely on the results of load research studies identified in the PJM Manuals to set the per-participant load reduction for DLC programs. Each Provider relying on DLC load management must periodically update its DLC switch operability rates, in accordance with the PJM Manuals.

Firm Service Level (FSL) – Load management achieved by a customer reducing its load to a pre-determined level (the Firm Service Level), upon notification from the Provider's market operations center or its agent.

Guaranteed Load Drop (GLD) – Load management achieved by a customer reducing its load by a pre-determined amount (the Guaranteed Load Drop), upon notification from the Provider's market operations center or its agent. Typically, the load reduction is achieved through running customer-owned backup generators, or by shutting down process equipment.

For each type of Demand Resource and ILR above, there can be two notification periods:

Step 1 (Short Lead Time) – Demand Resource or ILR which must be fully implemented in one hour or less from the time the PJM dispatcher notifies the market operations center of a curtailment event.

Step 2 (Long Lead Time) – Demand Resource or ILR which requires more than one hour but no more than two hours, from the time the PJM dispatcher notifies the market operations center of a curtailment event, to be fully implemented.

I. Each Provider must satisfy (or contract with another LSE, Provider, or EDC to provide) the following requirements:

- A point of contact with appropriate backup to ensure single call notification from PJM and timely execution of the notification process;

- supplemental status reports, detailing Demand Resources and ILR available, as requested by PJM;

- Entry of customer-specific Demand Resource and ILR credit information, for planning and verification purposes, into the designated PJM electronic system.

- Customer-specific compliance and verification information for each PJM-initiated Demand Resource or ILR event, as well as aggregated Provider load drop data for Provider-initiated events, in accordance with established reporting guidelines.

- Load drop estimates for all Demand Resource or ILR events, prepared in accordance with the PJM Manuals.

J. The Nominated Value of each Demand Resource or ILR shall be determined consistent with the process for determination of the capacity obligation for the customer.

The Nominated Value for a Firm Service Level customer will be based on the peak load contribution for the customer, as determined by the 5CP methodology utilized to determine other ICAP obligation values. The maximum Demand Resource or ILR load reduction value for a Firm Service Level customer will be equal to Peak Load Contribution – Firm Contract Level adjusted for system losses.

The Nominated Value for a Guaranteed Load Drop customer will be the guaranteed load drop amount, adjusted for system losses, as established by the customer's contract with the Provider. The maximum credit nominated shall not exceed the customer's Peak Load Contribution.

The Nominated Value for a Direct Load Control program will be based on load research and customer subscription. The maximum value of the program is equal to the approved per-participant load reduction multiplied by the number of active participants, adjusted for system losses. The per-participant impact is to be estimated at long-term average local weather conditions at the time of the summer peak.

Customer-specific Demand Resource or ILR information (EDC account number, peak load, notification period, etc.) will be entered into the designated PJM electronic system to establish credit values. Additional data may be required, as defined in sections K and L.

K. Nominated Values shall be reviewed based on documentation of customer-specific data and Demand Resource or ILR information, to verify the amount of load management available, and to set a maximum allowable Nominated Value. Data is provided by both the zone EDC and the Provider on templates supplied by PJM, and must include the EDC meter number or other unique customer identifier, Peak Load Contribution (5CP), contract firm service level or guaranteed load drop values, applicable loss factor, zone/area location of the load drop, LSE contact information, number of active participants, etc. Such data must be uploaded and approved prior to the first day of the Delivery Year for such resource as a Demand Resource, or certification of such resource as ILR. Providers must provide this information concurrently to host EDCs.

For Firm Service Level and Guaranteed Load Drop customers, the 5CP values, for the zone and affected customers, will be adjusted to reflect an "unrestricted" peak for a zone, based on information provided by the Provider. Load drop levels shall be estimated in accordance with guidelines in the PJM Manuals.

For Direct Load Control programs, the Provider must provide information detailing the number of active participants in each program. Other information on approved DLC programs will be provided by PJM.

L. Compliance is the process utilized to review Provider performance during PJM-initiated Demand Resource and ILR events. Compliance will be established for each Provider on an event specific basis for the Provider's Demand Resources or ILR dispatched by the Office of the Interconnection during such event.PJM will establish and communicate reasonable deadlines for the timely submittal of event data to expedite compliance reviews. Compliance reviews will be completed as soon after the event as possible, with the expectation that reviews of a single event will be completed within two months of the end of the month in which the event took place. Providers are responsible for the submittal of compliance information to PJM for each PJM-initiated event during the compliance period.

Compliance for Direct Load Control programs will consider only the transmission of the control signal. Providers are required to report the time period (during the Demand Resource and ILR event) that the control signal was actually sent.

Compliance is checked on an individual customer basis for FSL, by comparing actual load during the event to the firm service level. Providers must submit actual customer load levels (for the event period) for the compliance report.

Compliance is checked on an individual customer basis for GLD, and will be based on:

(i) for the 2011/2012 Delivery Year, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the metered load ("Load") and then multiplied by the loss factor ("LF"), or (b) the current Delivery Year peak load contribution ("PLC") multiplied by 1.25 minus the Load multiplied by the LF. A load reduction will only be recognized if the Load multiplied by the LF is less than the PLC multiplied by 1.25.

(ii) for the Delivery Years after 2011/2012, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the Load and then multiplied by the LF, or (b) the PLC minus the Load multiplied by the LF. A load reduction will only be recognized if the Load multiplied by the LF is less than the PLC.

(iii) Providers must submit actual loads and comparison loads for all hours during the day of the Load Management event or the Load Management performance test, and for all hours during any other days as required by the Office of the Interconnection to calculate the load reduction. Comparison loads must be developed from the guidelines in the PJM Manuals, and note which method was employed.

Compliance is averaged over the full hours of a load management event, for each customer or DLC program dispatched by the Office of the Interconnection. Demand Resource or ILR resources may not reduce their load below zero (i.e., export energy into the system). No compliance credit will be given for an incremental load drop below zero. Compliance will be totaled over all FSL and GLD customers and DLC programs to determine a net compliance position for the event for each Provider by Zone, for all Demand Resources committed and ILR Certified by such Provider and dispatched by the Office of the Interconnection in the zone. Deficiencies shall be as further determined in accordance with section 11 of Schedule DD to the PJM Tariff.

M. Energy Efficiency Resources

1. An Energy Efficiency Resource is a project, including installation of more efficient devices or equipment or implementation of more efficient processes or systems,

exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during peak periods as described herein) reduction in electric energy consumption at the End-Use Customer's retail site that is not reflected in the peak load forecast prepared for the Delivery Year for which the Energy Efficiency Resource is proposed, and that is fully implemented at all times during such Delivery Year, without any requirement of notice, dispatch, or operator intervention.

2. An Energy Efficiency Resource may be offered as a Capacity Resource in the Base Residual or Incremental Auctions for any Delivery Year beginning on or after June 1, 2012. No later than 30 days prior to the auction in which the resource is to be offered, the Capacity Market Seller shall submit to the Office of the Interconnection a notice of intent to offer the resource into such auction and a measurement and verification plan. The notice of intent shall include all pertinent project design data, including but not limited to the peak-load contribution of affected customers, a full description of the equipment, device, system or process intended to achieve the load reduction, the load reduction pattern, the project location, the project development timeline, and any other relevant data. Such notice also shall state the seller's proposed Nominated Energy Efficiency Value, which shall be the expected average load reduction between the hour ending 15:00 EPT and the hour ending 18:00 EPT during all days from June 1 through August 31, inclusive, of such Delivery Year that is not a weekend or federal holiday. The measurement and verification plan shall describe the methods and procedures, consistent with the PJM Manuals, for determining the amount of the load reduction and confirming that such reduction is achieved. The Office of the Interconnection shall determine, upon review of such notice, the Nominated Energy Efficiency Value that may be offered in the Reliability Pricing Model Auction.

3. An Energy Efficiency Resource may be offered with a price offer or as Self-Supply. If an Energy Efficiency Resource clears the auction, it shall receive the applicable Capacity Resource Clearing Price, subject to section 5 below. A Capacity Market Seller offering an Energy Efficiency Resource must comply with all applicable credit requirements as set forth in Attachment Q to the PJM Tariff. The Unforced Capacity value of an Energy Efficiency Resource offered into an RPM Auction shall be the Nominated Energy Efficiency value times the DR Factor and the Forecast Pool Requirement.

4. An Energy Efficiency Resource that clears an auction for a Delivery Year may be offered in auctions for up to three additional consecutive Delivery Years, but shall not be assured of clearing in any such auction; provided, however, an Energy Efficiency Resource may not be offered for any Delivery Year in which any part of the peak season is beyond the expected life of the equipment, device, system, or process providing the expected load reduction; and provided further that a Capacity Market Seller that offers and clears an Energy Efficiency Resource in a BRA may elect a New Entry Price Adjustment on the same terms as set forth in section 5.14(c) of this Attachment DD.

5. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than 30 days prior to each Auction an updated project status and measurement and verification plan subject to the criteria set forth in the PJM Manuals.

6. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than the start of such Delivery Year, an updated project status and detailed measurement and verification data meeting the standards for precision and accuracy set forth in the PJM Manuals. The final value of the Energy Efficiency Resource during such Delivery Year shall be as determined by the Office of the Interconnection based on the submitted data.

7. The Office of the Interconnection may audit, at the Capacity Market Seller's expense, any Energy Efficiency Resource committed to the PJM Region. The audit may be conducted any time including the Performance Hours of the Delivery Year.

OPERATING AGREEMENT

Emergency Load Response Program

The Emergency Load Response Program is designed to provide a method by which end-use customers may be compensated by PJM for reducing load during an emergency event. As used in the Emergency Load Response Program, the term "end-use customer" refers to an individual location or aggregation of locations that consume electricity as identified by a unique electric distribution company account number. There are two options for participation in the Emergency Load Response Program:

- Full Program Option

  Participants in the Full Program Option receive an energy payment for load reductions during an emergency event, and a capacity payment pursuant to Attachment DD of the tariff, as applicable.

- Energy Only Option

  Participants in the Energy Only Option receive only an energy payment for load reductions during an emergency event.

Market Settlements

Payment for reducing load is based on the actual kWh relief provided plus the adjustment for losses, subject to the Reporting and Compliance provisions below. The minimum duration of a load reduction request is two hours. The magnitude of relief provided by Full Program Option Participants shall be the amount PJM dispatches up the kW amount declared on the Emergency Registration Form. The magnitude of relief provided by Energy Only Option participants could be less than, equal to, or greater than the kW amount declared on the Emergency Registration Form.

PJMSettlement pays the applicable LMP to the PJM Member that nominates the load. Payment will be equal to the measured reduction (either measured output of backup generation or the difference between the measured load the hour before the reduction and each hour during the reduction) adjusted for losses times the applicable LMP otherwise in use for settlement of the given load or $500/MWh. If, however, the sum of the hourly energy payments to a participant dispatched by PJM for actual, achieved reductions is not greater than or equal to the offer value (i.e. Minimum Dispatch Price, minimum down time and shut down costs) then the participant will be made whole up to the offer value for its actual, achieved reductions.

Full Program Option participants that fail to provide a load reduction (as measured as set forth in the Reporting and Compliance provisions below) when dispatched by PJM shall be assessed penalties and/or charges as specified in Attachment DD of the PJM Tariff and the Reliability Assurance Agreement, as applicable.

During emergency conditions, costs for emergency purchases in excess of LMP are allocated among PJM Market Buyers in proportion to their increase in net purchases from the PJM energy market during the hour in the real time market compared to the day-ahead market. Consistent with this pricing methodology, all charges under this program are allocated to purchasers of energy, in proportion to their increase in net purchases from the PJM energy market during the hour from day-ahead to real time.

Program charges and credits will appear on the PJM Members monthly bill, as described in the ***PJM Manual for Operating Agreement Accounting*** and the ***PJM Manual for Billing***.

Reporting and Compliance

Actual load reductions of Energy Only Option emergency resources will be added back for the purpose of peak load calculations for capacity for the following Delivery Year.

Actual Emergency Load Response and Economic Load Response load reductions for Load Management resources registered as Emergency Load Response Full Program Option or Capacity Only resources which occur from June 1 through September 30, will be added back for the purpose of calculating peak load for capacity for the following Delivery Year, as set forth in the PJM Manuals and consistent with the load response recognized for compliance as set forth below. Capacity Only resources are Full Program Option resources that do not receive an energy payment for load reductions during an emergency event.

Actual load reductions of Load Management resources registered as Emergency Load Response Full Program Option or Capacity Only resources used to determine Load Management event and test capacity compliance for Firm Service Level and Guaranteed Load Drop end-use customers shall be equal to the load reduction provided to the electric distribution company as follows and in accordance with the PJM Manuals:

i) For Guaranteed Load Drop end-use customers, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the metered load ("Load") and then multiplied by the loss factor ("LF") or (b) the current Delivery Year peak load contribution ("PLC") minus the metered load multiplied by the loss factor ("LF"). A load reduction will only be recognized if the metered load multiplied by the loss factor is less than the current Delivery Year peak load contribution. The calculation is represented by:

   Minimum of {(comparison load – Load) * LF, PLC – (Load * LF)}

ii) For Firm Service Level end-use customers the current Delivery Year peak load contribution ("PLC") minus the metered load ("Load") multiplied by the loss factor ("LF"). The calculation is represented by:

   PLC – (Load * LF)

iii) For 2011/2012 Delivery Year only, for Guaranteed Load Drop end-use customers, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the Manuals, minus the metered load ("Load") and then multiplied by the loss factor ("LF") or (b) the current Delivery Year peak load contribution ("PLC") multiplied by 1.25 minus the metered load ("Load") multiplied by the loss factor ("LF"). A load reduction will only be recognized if the metered load multiplied by the loss factor is less than the current Delivery Year peak load contribution multiplied by 1.25. The calculation is represented by:

Minimum of {(comparison load – Load) * LF, PLC * 1.25 – (Load * LF)}

PJM will submit any required reports to FERC on behalf of the Load Response Program participants. PJM will also post this document, as well as any other program-related documentation on the PJM website.

PJM will post on its website a report of demand response activity, and will provide a summary thereof to the PJM Markets and Reliability Committee on an annual basis.

As PJM receives evidence from the electric distribution companies or Load Serving Entities pursuant to section 1.3 of PJM Emergency Load Response Program, PJM will post on its website a list of those Relevant Electric Retail Regulatory Authorities that the electric distribution companies or Load Serving Entities assert prohibit or condition retail participation in PJM's Emergency Load Response Program together with a corresponding reference to the Relevant Electric Retail Regulatory Authority evidence that is provided to PJM by the electric distribution companies or Load Serving Entities.

RAA

SCHEDULE 6

PROCEDURES FOR DEMAND RESOURCES, ILR, AND ENERGY EFFICIENCY

A. Parties can partially or wholly offset the amounts payable for the Locational Reliability Charge with Demand Resources or ILR that are operated under the direction of the Office of the Interconnection. FRR Entities may reduce their capacity obligations with Demand Resources that are operated under the direction of the Office of the Interconnection and detailed in such entity's FRR Capacity Plan. Demand Resources qualifying under the criteria set forth below may be offered for sale or designated as Self-Supply in the Base Residual Auction, included in an FRR Capacity Plan, or offered for sale in any Incremental Auction, for any Delivery Year for which such resource qualifies. In addition, for Delivery Years through May 31, 2012, resources qualifying under the criteria set forth below may be certified as ILR on behalf of a Party that has not elected the FRR Alternative for a Delivery Year no later than three months prior to the first day of such Delivery Year; provided, however, that for the 2011-2012 Delivery Year only, the ILR certification deadline shall be no later than two months prior to the first day of such Delivery Year. Qualified Demand Resources and ILR generally fall in one of three categories, i.e., Guaranteed Load Drop, Firm Service Level, or Direct Load Control, as further specified in section H and the PJM Manuals. Qualified Demand Resources and ILR may be provided by a Demand Resource Provider or ILR Provider (hereinafter, "Provider"), notwithstanding that such Provider is not a Party to this Agreement. Such Providers must satisfy the requirements in section I and the PJM Manuals.

1. A Party must formally notify, in accordance with the requirements of the PJM Manuals and paragraph G of this schedule as applicable, the Office of the Interconnection of the Demand Resource or ILR that it is placing under the direction of the Office of the Interconnection. A Party must further notify the Office of the Interconnection whether the resource is an ILR resource, a Limited Demand Resource, an Extended Summer Demand Resource or an Annual Demand Resource.

2. A period of no more than 2 hours prior notification must apply to interruptible customers.

3. The initiation of load interruption, upon the request of the Office of the Interconnection, must be within the authority of the dispatchers of the Party. No additional approvals should be required.

4. The initiation of load reduction upon the request of the Office of the Interconnection is considered an emergency action and must be implementable prior to a voltage reduction.

5. An entity offering for sale, designating for self-supply, or including in any FRR Capacity Plan any Planned Demand Resource must demonstrate, in accordance with standards and procedures set forth in the PJM Manuals, that such resource shall have the capability to provide a reduction in demand, or otherwise control load, on or before the start of the Delivery Year for which such resource is committed. Providers of Planned Demand Resources must provide a timeline including the milestones, which demonstrates to PJM's satisfaction that the Planned Demand Resources will be available for the start of the Delivery Year, 15 business days prior to a Base Residual Auction or Incremental Auction. PJM may verify the Provider's adherence to the timetable at any time.

6. Selection of a Demand Resource in an RPM Auction results in commitment of capacity to the PJM Region. Demand Resources that are so committed must be registered to participate in the Full Program Option or as a Capacity Only resource of the Emergency Load Response program and thus available for dispatch during PJM-declared emergency events.

B. The Unforced Capacity value of a Demand Resource and ILR will be determined as:

the product of the Nominated Value of the Demand Resource, or the Nominated Value of the ILR, times the DR Factor, times the Forecast Pool Requirement. Nominated Values shall be determined and reviewed in accordance with sections J and K, respectively, and the PJM Manuals. The DR Factor is a factor established by the PJM Board with the advice of the Members Committee to reflect the increase in the peak load carrying capability in the PJM Region due to Demand Resources and ILR. Peak load carrying capability is defined to be the peak load that the PJM Region is able to serve at the loss of load expectation defined in the Reliability Principles and Standards. The DR Factor is the increase in the peak load carrying capability in the PJM Region due to Demand Resources and ILR, divided by the total Nominated Value of Demand Resources and ILR in the PJM Region. The DR Factor will be determined using an analytical program that uses a probabilistic approach to determine reliability. The determination of the DR Factor will consider the reliability of Demand Resources and ILR, the number of interruptions, and the total amount of load reduction.

C. Demand Resources offered and cleared in a Base Residual or Incremental Auction shall receive the corresponding Capacity Resource Clearing Price as determined in such auction, in accordance with Attachment DD of the PJM Tariff. For Delivery Years beginning with the Delivery Year that commences on June 1, 2013, any Demand Resources located in a Zone with multiple LDAs shall receive the Capacity Resource Clearing Price applicable to the location of such resource within such Zone, as identified in such resource's offer. Further, the Demand Resource Provider shall register its resource in the same location within the Zone as specified in its cleared sell offer, and shall be subject to deficiency charges under Attachment DD of this Tariff to the extent it fails to provide the resource in such location consistent with its cleared offer. For either of the Delivery Year commencing on June 1, 2010 or commencing on June 1, 2012, if the

location of a Demand Resource is not specified by a Seller in the Sell Offer on an individual LDA basis in a Zone with multiple LDAs, then Demand Resources cleared by such Seller will be paid a DR Weighted Zonal Resource Clearing Price, determined as follows: (i) for a Zone that includes non-overlapping LDAs, calculated as the weighted average of the Resource Clearing Prices for such LDAs, weighted by the cleared Demand Resources registered by such Seller in each such LDA; or (ii) for a Zone that contains a smaller LDA within a larger LDA, calculated treating the smaller LDA and the remaining portion of the larger LDA as if they were separate LDAs, and weight-averaging in the same manner as (i) above.

D. Certified ILR resources shall receive the Final Zonal ILR Price.

E. The Party, Electric Distributor, Demand Resource Provider, or ILR Provider that establishes a contractual relationship (by contract or tariff rate) with a customer for load reductions is entitled to receive the compensation specified in sections C and D for a committed Demand Resource or certified ILR, notwithstanding that such provider is not the customer's energy supplier.

F. Any Party hereto shall demonstrate that its Demand Resources or ILR performed during periods when load management procedures were invoked by the Office of the Interconnection. The Office of the Interconnection shall adopt and maintain rules and procedures for verifying the performance of such resources, as set forth in section L and the PJM Manuals. In addition, committed Demand Resources and certified ILR that do not comply with the directions of the Office of the Interconnection to reduce load during an emergency shall be subject to the penalty charge set forth in Attachment DD to the PJM Tariff.

G. Parties may elect to place Demand Resources associated with Behind The Meter Generation under the direction of the Office of the Interconnection for a Delivery Year by submitting a Sell Offer for such resource (as Self Supply, or with an offer price) in the Base Residual Auction for such Delivery Year. This election shall remain in effect for the entirety of such Delivery Year. In the event such an election is made, such Behind The Meter Generation will not be netted from load for the purposes of calculating the Daily Unforced Capacity Obligations under this Agreement.

H. PJM recognizes three types of Demand Resource and ILR:

Direct Load Control (DLC) – Load management that is initiated directly by the Provider's market operations center or its agent, employing a communication signal to cycle equipment (typically water heaters or central air conditioners). DLC programs are qualified based on load research and customer subscription data. Providers may rely on the results of load research studies identified in the PJM Manuals to set the per-participant load reduction for DLC programs. Each Provider relying on DLC load management must periodically update its DLC switch operability rates, in accordance with the PJM Manuals.

Firm Service Level (FSL) – Load management achieved by a customer reducing its load to a pre-determined level (the Firm Service Level), upon notification from the Provider's market operations center or its agent.

Guaranteed Load Drop (GLD) – Load management achieved by a customer reducing its load by a pre-determined amount (the Guaranteed Load Drop), upon notification from the Provider's market operations center or its agent. Typically, the load reduction is achieved through running customer-owned backup generators, or by shutting down process equipment.

For each type of Demand Resource and ILR above, there can be two notification periods:

Step 1 (Short Lead Time) – Demand Resource or ILR which must be fully implemented in one hour or less from the time the PJM dispatcher notifies the market operations center of a curtailment event.

Step 2 (Long Lead Time) – Demand Resource or ILR which requires more than one hour but no more than two hours, from the time the PJM dispatcher notifies the market operations center of a curtailment event, to be fully implemented.

I. Each Provider must satisfy (or contract with another LSE, Provider, or EDC to provide) the following requirements:

- A point of contact with appropriate backup to ensure single call notification from PJM and timely execution of the notification process;
- supplemental status reports, detailing Demand Resources and ILR available, as requested by PJM;
- Entry of customer-specific Demand Resource and ILR credit information, for planning and verification purposes, into the designated PJM electronic system.
- Customer-specific compliance and verification information for each PJM-initiated Demand Resource or ILR event, as well as aggregated Provider load drop data for Provider-initiated events, in accordance with established reporting guidelines.
- Load drop estimates for all Demand Resource or ILR events, prepared in accordance with the PJM Manuals.

J. The Nominated Value of each Demand Resource or ILR shall be determined consistent with the process for determination of the capacity obligation for the customer.

The Nominated Value for a Firm Service Level customer will be based on the peak load contribution for the customer, as determined by the 5CP methodology utilized to determine other ICAP obligation values. The maximum Demand Resource or ILR load

reduction value for a Firm Service Level customer will be equal to Peak Load Contribution – Firm Contract Level adjusted for system losses.

The Nominated Value for a Guaranteed Load Drop customer will be the guaranteed load drop amount, adjusted for system losses, as established by the customer's contract with the Provider. The maximum credit nominated shall not exceed the customer's Peak Load Contribution.

The Nominated Value for a Direct Load Control program will be based on load research and customer subscription. The maximum value of the program is equal to the approved per-participant load reduction multiplied by the number of active participants, adjusted for system losses. The per-participant impact is to be estimated at long-term average local weather conditions at the time of the summer peak.

Customer-specific Demand Resource or ILR information (EDC account number, peak load, notification period, etc.) will be entered into the designated PJM electronic system to establish credit values. Additional data may be required, as defined in sections K and L.

K. Nominated Values shall be reviewed based on documentation of customer-specific data and Demand Resource or ILR information, to verify the amount of load management available, and to set a maximum allowable Nominated Value. Data is provided by both the zone EDC and the Provider on templates supplied by PJM, and must include the EDC meter number or other unique customer identifier, Peak Load Contribution (5CP), contract firm service level or guaranteed load drop values, applicable loss factor, zone/area location of the load drop, LSE contact information, number of active participants, etc. Such data must be uploaded and approved prior to the first day of the Delivery Year for such resource as a Demand Resource, or certification of such resource as ILR. Providers must provide this information concurrently to host EDCs.

For Firm Service Level and Guaranteed Load Drop customers, the 5CP values, for the zone and affected customers, will be adjusted to reflect an "unrestricted" peak for a zone, based on information provided by the Provider. Load drop levels shall be estimated in accordance with guidelines in the PJM Manuals.

For Direct Load Control programs, the Provider must provide information detailing the number of active participants in each program. Other information on approved DLC programs will be provided by PJM.

L. Compliance is the process utilized to review Provider performance during PJM-initiated Demand Resource and ILR events. Compliance will be established for each Provider on an event specific basis for the Provider's Demand Resources or ILR dispatched by the Office of the Interconnection during such event. PJM will establish and communicate reasonable deadlines for the timely submittal of event data to expedite compliance reviews. Compliance reviews will be completed as soon after the event as possible, with the expectation that reviews of a single event will be completed within two months of the

end of the month in which the event took place. Providers are responsible for the submittal of compliance information to PJM for each PJM-initiated event during the compliance period.

Compliance for Direct Load Control programs will consider only the transmission of the control signal. Providers are required to report the time period (during the Demand Resource and ILR event) that the control signal was actually sent.

Compliance is checked on an individual customer basis for FSL, by comparing actual load during the event to the firm service level. Providers must submit actual customer load levels (for the event period) for the compliance report.

Compliance is checked on an individual customer basis for GLD, and will be based on:

(i) for the 2011/2012 Delivery Year, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the metered load ("Load") and then multiplied by the loss factor ("LF"), or (b) the current Delivery Year peak load contribution ("PLC") multiplied by 1.25 minus the Load multiplied by the LF. A load reduction will only be recognized if the Load multiplied by the LF is less than the PLC multiplied by 1.25.

(ii) for the Delivery Years after 2011/2012, the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the Load and then multiplied by the LF, or (b) the PLC minus the Load multiplied by the LF. A load reduction will only be recognized if the Load multiplied by the LF is less than the PLC.

(iii) Providers must submit actual loads and comparison loads for all hours during the day of the Load Management event or the Load Management performance test, and for all hours during any other days as required by the Office of the Interconnection to calculate the load reduction. Comparison loads must be developed from the guidelines in the PJM Manuals, and note which method was employed.

Compliance is averaged over the full hours of a load management event, for each customer or DLC program dispatched by the Office of the Interconnection. Demand Resource or ILR resources may not reduce their load below zero (i.e., export energy into the system). No compliance credit will be given for an incremental load drop below zero. Compliance will be totaled over all FSL and GLD customers and DLC programs to determine a net compliance position for the event for each Provider by Zone, for all Demand Resources committed and ILR Certified by such Provider and dispatched by the Office of the Interconnection in the zone. Deficiencies shall be as further determined in accordance with section 11 of Schedule DD to the PJM Tariff.

M. Energy Efficiency Resources

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

2. An Energy Efficiency Resource may be offered as a Capacity Resource in the Base Residual or Incremental Auctions for any Delivery Year beginning on or after June 1, 2011. No later than 30 days prior to the auction in which the resource is to be offered, the Capacity Market Seller shall submit to the Office of the Interconnection a notice of intent to offer the resource into such auction and a measurement and verification plan. The notice of intent shall include all pertinent project design data, including but not limited to the peak-load contribution of affected customers, a full description of the equipment, device, system or process intended to achieve the load reduction, the load reduction pattern, the project location, the project development timeline, and any other relevant data. Such notice also shall state the seller's proposed Nominated Energy Efficiency Value, which shall be the expected average load reduction between the hour ending 15:00 EPT and the hour ending 18:00 EPT during all days from June 1 through August 31, inclusive, of such Delivery Year that is not a weekend or federal holiday. The measurement and verification plan shall describe the methods and procedures, consistent with the PJM Manuals, for determining the amount of the load reduction and confirming that such reduction is achieved. The Office of the Interconnection shall determine, upon review of such notice, the Nominated Energy Efficiency Value that may be offered in the Reliability Pricing Model Auction.

3. An Energy Efficiency Resource may be offered with a price offer or as Self-Supply. If an Energy Efficiency Resource clears the auction, it shall receive the applicable Capacity Resource Clearing Price, subject to section 5 below. A Capacity Market Seller offering an Energy Efficiency Resource must comply with all applicable credit requirements as set forth in Attachment Q to the PJM Tariff. The Unforced Capacity value of an Energy Efficiency Resource offered into an RPM Auction shall be the Nominated Energy Efficiency value times the DR Factor and the Forecast Pool Requirement.

4. An Energy Efficiency Resource that clears an auction for a Delivery Year may be offered in auctions for up to three additional consecutive Delivery Years, but shall not be assured of clearing in any such auction; provided, however, an Energy Efficiency Resource may not be offered for any Delivery Year in which any part

of the peak season is beyond the expected life of the equipment, device, system, or process providing the expected load reduction; and provided further that a Capacity Market Seller that offers and clears an Energy Efficiency Resource in a BRA may elect a New Entry Price Adjustment on the same terms as set forth in section 5.14(c) of this Attachment DD.

5. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than 30 days prior to each Auction an updated project status and measurement and verification plan subject to the criteria set forth in the PJM Manuals.

6. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than the start of such Delivery Year, an updated project status and detailed measurement and verification data meeting the standards for precision and accuracy set forth in the PJM Manuals. The final value of the Energy Efficiency Resource during such Delivery Year shall be as determined by the Office of the Interconnection based on the submitted data.

7. The Office of the Interconnection may audit, at the Capacity Market Seller's expense, any Energy Efficiency Resource committed to the PJM Region. The audit may be conducted any time including the Performance Hours of the Delivery Year.