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December 19, 2019

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E., Room 1A
Washington, D.C. 20426-0001

Re: PJM Interconnection, L.L.C., Docket No. ER20-646-000
Governing Document Standard Naming Convention and Formatting Revisions

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and the Federal Energy Regulatory Commission's ("Commission") Regulations, 18 C.F.R. Part 35, PJM Interconnection, L.L.C. ("PJM") submits for filing proposed non-substantive, clerical, and ministerial revisions to the PJM Open Access Transmission Tariff ("Tariff"), the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement"), and Reliability Assurance Agreement Among Load Serving Entities in the PJM Region ("RAA") (collectively, the "Governing Documents"). The PJM stakeholders endorsed and/or approved these proposed revisions by acclamation with no objections or abstentions. PJM requests that the Commission issue an order accepting all revisions proposed here by no later than February 18, 2020, which is more than sixty (60) days from today, with an effective date of February 18, 2020.

I. BACKGROUND AND NEED FOR FILING

Several years ago, PJM adopted a standard naming convention for use when citing to the Tariff, Operating Agreement, and RAA. The standard naming convention promotes consistency in the way cross references to Tariff, Operating Agreement, and RAA provisions are cited within each of the Governing Documents. The standard naming convention takes the following form:

the agreement name (*e.g.*, Tariff, Operating Agreement, RAA), subpart (*e.g.*, Attachment, Appendix, Part, Schedule), section number (*e.g.*, section 5.14). Since the Governing Documents predate the standard naming convention, many provisions contain cross references that do not adhere to the standard.¹ PJM's use of a standard naming convention supports PJM's efforts to incorporate additional user-friendly features (for example, hyperlinks to Governing Document cross references and defined terms) into the Governing Documents available for viewing on the PJM website.

II. PROPOSED REVISIONS

The proposed revisions apply PJM's standard naming convention to enhance clarity as to Tariff, Operating Agreement, and RAA provisions being cross referenced within the Governing Documents, and conforms citations to a format that lists the agreement name (*e.g.*, Tariff, Operating Agreement, RAA), subpart (*e.g.*, Attachment, Appendix, Part, Schedule), and section number (*e.g.*, section 5.14). The below chart provides representative examples of the non-substantive standard naming convention revisions proposed in this filing:

Governing Document Provision	Excerpt of Current Language	Proposed Revisions to the Current Language Reflecting in Redline Changes per the Standard Naming Convention
Operating Agreement, section 3.3(a)	In accordance with Section 10.1 of this Agreement . . .	In accordance with Operating Agreement , sSection 10.1—of this Agreement . . .

¹ This is the second filing of non-substantive, clerical, and ministerial revisions seeking to apply the standard naming convention. *See PJM Interconnection, L.L.C.*, Docket No. ER18-1905-000 (June 29, 2018) (providing additional examples where the standard naming convention has been applied). PJM has also, on occasion, incorporated standard naming convention revisions in other filings.

Operating Agreement, section 8.1.3(b)	A request pursuant to section 8.1.3(a) of this Agreement . . .	A request pursuant to section 8.1.3(a) above, — of — this Agreement . . .
Operating Agreement, section 11.4	. . . set forth in Schedule 6 to this Agreement.”	. . . set forth in Operating Agreement , Schedule 6 to this Agreement.
Operating Agreement, section 18.9	. . . Attachment K-Appendix of the PJM Tariff, Attachment DD of the PJM Tariff, Schedule 1 of the Operating Agreement, and the Reliability Assurance Agreement. Tariff , Attachment K- Appendix of the PJM Tariff , Tariff , Attachment DD of the PJM — Tariff , Operating Agreement , Schedule 1 of the Operating Agreement , and the Reliability Assurance Agreement. . .
Tariff, Part II, section 13, Preamble	As set forth in Attachment K, Section D, . . .	As set forth in Tariff , Attachment K, s Section D, . . .
Tariff, Part II, section 13.2	Except as provided in Section 17.8 and 17.9 . . .	Except as provided in Tariff , Part II , s Section 17.8 and Tariff, Part II, section 17.9 . . .
Tariff, Part II, section 19.8	Sections 19.3, 205, and 206 . . .	Tariff, Part II , s Sections 19.3, Tariff, Part VI, section 205, and Tariff, Part VI, section 206 . . .

Tariff, Part III, section 28.2	. . . in Schedule 6 of the Operating Agreement; in Operating Agreement , Schedule 6 of the Operating Agreement; . . .
Tariff, Attachment K, section A4	. . . in accordance with Section 5 of Attachment K – Appendix. in accordance with Tariff , Section 5 of Attachment K – Appendix, section 5. . . .
RAA, Article 2	Unless this Agreement is terminated as provided in Section 3.3, . . .	Unless this Agreement is terminated as provided in RAA , Article 3 , sSection 3.3, . . .
RAA, Article 5.2	The provisions of Section 15.1 of the Operating Agreement . . .	The provisions of Operating Agreement , sSection 15.1 of the Operating Agreement . . .
RAA, Article 7.2	. . . as determined pursuant to Schedule 8 of this Agreement, times the Final Zonal Capacity Price for such Zone, as determined pursuant to Attachment DD of the PJM Tariff.	. . . as determined pursuant to RAA , Schedule 8 of this Agreement , times the Final Zonal Capacity Price for such Zone, as determined pursuant to Tariff , Attachment DD of the PJM Tariff.
RAA, Schedule 4.1	Based on the guidelines set forth in Schedule 4, . . .	Based on the guidelines set forth in RAA , Schedule 4, . . .

III. STAKEHOLDER PROCESS

PJM shared the proposed revisions with the Governing Document Enhancement & Clarification Subcommittee in October 2019. The proposed revisions were also presented to the PJM Markets and Reliability Committee (“MRC”) on October 31, 2019. On December 5, 2019, the MRC and the PJM Members Committee endorsed and/or approved the proposed Governing Document revisions by acclamation with no objections or abstentions.

IV. PROPOSED EFFECTIVE DATE

PJM proposes an effective date of February 18, 2020 (which is more than 60 days from today’s filing) for the proposed Tariff, Operating Agreement, and RAA revisions in this filing. PJM requests that the Commission issue an order on this filing by February 18, 2020.

V. DOCUMENTS ENCLOSED

This filing consists of the following:

1. This transmittal letter;
2. Electronic versions of the revisions to the Tariff, Operating Agreement, and RAA in marked (showing the changes) form (as Attachment A); and
3. Electronic versions of the revisions to the Tariff, Operating Agreement, and RAA in clean form (as Attachment B).

VI. CORRESPONDENCE AND COMMUNICATIONS

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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VII. 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,² 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 Region³ alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the 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.

² See 18C.F.R §§ 35.2(e) and 385.2010(f)(3).

³ PJM already maintains, updates and regularly uses e-mail lists for all PJM Members and affected state commissions.

VIII. CONCLUSION

For the reasons discussed herein, PJM respectfully requests that the Commission issue an order accepting the proposed revisions to PJM's Tariff, Operating Agreement, and RAA by no later than February 18, 2020, with a February 18, 2020 effective date.

Respectfully submitted,

/s/ Mark J. Stanisz

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Attachment A

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

(Marked /Redlined Format)

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

II. POINT-TO-POINT TRANSMISSION SERVICE

References to section numbers in this Part II refer to sections of this Part II, unless otherwise specified.

Preamble

The Transmission Provider will provide Firm and Non-Firm Point-To-Point Transmission Service pursuant to the applicable terms and conditions of this Tariff. Point-To-Point Transmission Service is for the receipt of capacity and energy at designated Point(s) of Receipt and the transfer of such capacity and energy to designated Point(s) of Delivery. PJMSettlement shall be the Counterparty to the Point-To-Point Transmission Service transactions under this Tariff. As set forth in Tariff, Attachment K, sSection D, Point-To-Point Transmission Service transactions may give rise to several component charges and credits, which may offset one another, and such component charges and credits are not separate transactions from Transmission Service transactions.

13.2 Reservation Priority:

Except as provided in [Tariff, Part II, sSection 17.8](#) and [Tariff, Part II, section 17.9](#),

(i) Firm Point-To-Point Transmission Service shall be available on a first-come, first-served basis, i.e., in the chronological sequence in which each Transmission Customer has requested service according to the provisions of [Tariff, Part II, sSection 17](#). However, Pre-Confirmed Applications for Short-Term Point-to-Point Transmission Service will receive priority over earlier-submitted requests that are not Pre-Confirmed and that have equal or shorter duration.

(ii) If the Transmission System becomes oversubscribed, requests for Long-Term Firm Point-To-Point Transmission Service or Network Integration Transmission Service may preempt requests for monthly transmission service up to two months before the commencement of monthly service. Otherwise, requests for longer term service will not preempt requests for shorter term service. Preemption of monthly service, if any, shall take place sequentially beginning with preemption of the most recent request for monthly service. Monthly requests with equal reservation priority will be preempted on a pro-rata basis. The Transmission Provider shall promptly notify an Eligible Customer with a reservation for monthly service if the reservation is preempted. Such customer shall not have any right of first refusal to match the request for Long-Term Firm Point-To-Point Transmission Service or Network Integration Transmission Service in order to avoid losing its reservation priority. Except in the event of preemption of monthly service as stated in this section, after the Transmission Customer confirms a reservation, service will commence pursuant to the terms of [Tariff, Part II](#) ~~of the Tariff~~.

(iii) Firm Point-To-Point Transmission Service will always have a reservation priority over Non-Firm Point-To-Point Transmission Service under the Tariff. All Long-Term Firm Point-To-Point Transmission Service will have equal reservation priority with Native Load Customers and Network Customers. Reservation priorities for existing firm service customers are provided in [Tariff, Part I, sSection 2.2](#).

13.3 Use of Firm Transmission Service by a Transmission Owner:

Each Transmission Owner will be subject to the rates, terms and conditions of Tariff, Part II ~~of the Tariff~~ when making Third-Party Sales under (i) agreements executed on or after March 1, 1997 or (ii) agreements executed prior to the aforementioned date that the Commission requires to be unbundled, by the date specified by the Commission. Each Transmission Owner will maintain separate accounting, pursuant to Tariff, Part I, sSection 8, for any use of the Point-To-Point Transmission Service to make Third-Party Sales.

13.4 Service Agreements:

The Transmission Provider shall offer a standard form Firm Point-To-Point Transmission Service Agreement (Tariff, Attachment A) to an Eligible Customer when it submits a Completed Application for Long-Term Firm Point-To-Point Transmission Service. The Transmission Provider shall offer a standard form Firm Point-To-Point Transmission Service Agreement (Tariff, Attachment A) to an Eligible Customer when it first submits a Completed Application for Short-Term Firm Point-To-Point Transmission Service pursuant to the Tariff. Executed Service Agreements that contain the information required under the Tariff shall be filed with the Commission in compliance with applicable Commission regulations. An Eligible Customer that uses Transmission Service at a Point of Receipt or Point of Delivery that it has not reserved and that has not executed a Service Agreement will be deemed, for purposes of assessing any appropriate charges and penalties, to have executed the appropriate Service Agreement.

13.5 Transmission Customer Obligations for Facility Additions or Redispatch Costs:

In cases where the Transmission Provider determines that the Transmission System is not capable of providing Long-Term Firm Point-To-Point Transmission Service without (1) degrading or impairing the reliability of service to Native Load Customers, Network Customers and other Transmission Customers taking Firm Point-To-Point Transmission Service, or (2) interfering with the Transmission Provider's ability to meet prior firm contractual commitments to others, the Transmission Owner(s) will be obligated to expand or upgrade the Transmission System pursuant to the terms of [Tariff, Part II, sSection 15.4](#). The Transmission Customer must agree to compensate the Transmission Provider for any necessary transmission facility additions pursuant to the terms of [Tariff, Part II, sSection 27](#). To the extent the Transmission Provider can relieve any system constraint by redispatching resources available to the PJM Region, it shall do so, provided that the Eligible Customer agrees to compensate the Transmission Provider pursuant to the terms of [Tariff, Part II, sSection 27](#) and agrees to compensate the Transmission Owner for any necessary transmission facility additions. Any redispatch, Network Upgrade or Direct Assignment Facilities costs to be charged to the Transmission Customer on an incremental basis under the Tariff will be specified in the Service Agreement prior to initiating service.

13.7

Classification of Firm Transmission Service:

(a) The Transmission Customer taking Firm Point-To-Point Transmission Service may (1) change its Receipt and Delivery Points to obtain service on a non-firm basis consistent with the terms of [Tariff, Part II, sSection 22.1](#) or (2) request a modification of the Points of Receipt or Delivery on a firm basis pursuant to the terms of [Tariff, Part II, sSection 22.2](#).

(b) The Transmission Customer may purchase transmission service to make sales of capacity and energy from multiple generating units that are on the Transmission Provider's Transmission System. For such a purchase of transmission service, the resources will be designated as multiple Points of Receipt, unless the multiple generating units are at the same generating plant in which case the units would be treated as a single Point of Receipt.

(c) The Transmission Provider shall provide firm deliveries of capacity and energy from the Point(s) of Receipt to the Point(s) of Delivery. Each Point of Receipt at which firm transmission capacity is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Service Agreement for Long-Term Firm Transmission Service along with a corresponding capacity reservation associated with each Point of Receipt. Points of Receipt and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Firm Transmission. Each Point of Delivery at which firm transfer capability is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Service Agreement for Long-Term Firm Transmission Service along with a corresponding capacity reservation associated with each Point of Delivery. Points of Delivery and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Firm Transmission. The greater of either (1) the sum of the capacity reservations at the Point(s) of Receipt, or (2) the sum of the capacity reservations at the Point(s) of Delivery shall be the Transmission Customer's Reserved Capacity. The Transmission Customer will be billed for its Reserved Capacity under the terms of Schedule 7. The Transmission Customer may not exceed its firm capacity reserved at each Point of Receipt and each Point of Delivery except as otherwise specified in Section 22. In the event the Transmission Customer (including Third Party Sales by a Transmission Owner) exceeds its firm capacity reserved at any Point of Receipt or Point of Delivery or uses Transmission Service at a Point of Receipt or Point of Delivery that it has not reserved, except as otherwise specified in [Tariff, Part II, sSection 22](#), the Transmission Customer shall pay a penalty equal to twice the rate set forth in [Tariff, Schedule 7](#) as follows:

The unreserved use penalty for a single hour of unreserved use shall be based on the rate for daily Firm Point-To-Point Transmission Service. If there is more than one assessment for a given duration (e.g., daily) for the Transmission Customer, the penalty shall be based on the next longest duration (e.g., weekly). The unreserved penalty charge for multiple instances of unreserved use (i.e., more than one hour) within a day shall be based on the daily rate Firm Point-To-Point Transmission Service. The unreserved penalty charge for multiple instances of unreserved use isolated to one calendar week

shall be based on the charge for weekly Firm Point-To-Point Transmission Service. The unreserved use penalty charge for multiple instances of unreserved use during more than one week during a calendar month shall be based on the charge for monthly Firm Point-To-Point Transmission Service.

The Transmission Provider shall distribute all unreserved use penalties incurred under this section in a given hour to the Transmission Customers that: (1) were using transmission service in the same hour in which the unreserved use penalty was incurred; and (2) did not incur unreserved use penalties under this section during the hour in which the penalties were incurred. The Transmission Provider shall distribute the unreserved use penalties to each such Transmission Customer pro-rata based on the total Tariff, Schedule 1A charges for all such Transmission Customers for all the hours of the day in which the penalty was incurred.

14.1 Term:

Non-Firm Point-To-Point Transmission Service will be available for periods ranging from one (1) hour to one (1) month. However, a Purchaser of Non-Firm Point-To-Point Transmission Service will be entitled to reserve a sequential term of service (such as a sequential monthly term without having to wait for the initial term to expire before requesting another monthly term) so that the total time period for which the reservation applies is greater than one month, subject to the requirements of Tariff, Part II, s~~S~~ection 18.3.

14.2 Reservation Priority:

Non-Firm Point-To-Point Transmission Service shall be available from transfer capability in excess of that needed for reliable service to Native Load Customers, Network Customers and other Transmission Customers taking Long-Term and Short-Term Firm Point-To-Point Transmission Service. A higher priority will be assigned first to requests or reservations with a longer duration of service and second to Pre-Confirmed Applications. In the event the Transmission System is constrained, competing requests of the same Pre-Confirmation status and equal duration will be prioritized based on the highest price offered by the Eligible Customer for the Transmission Service. Eligible Customers that have already reserved shorter term service have the right of first refusal to match any longer term request before being preempted. A longer term competing request for Non-Firm Point-To-Point Transmission Service will be granted if the Eligible Customer with the right of first refusal does not agree to match the competing request: (a) immediately for hourly Non-Firm Point-To-Point Transmission Service after notification by the Transmission Provider; and (b) within 24 hours (or earlier if necessary to comply with the scheduling deadlines provided in [Tariff, Part II](#), section 14.6) for Non-Firm Point-To-Point Transmission Service other than hourly transactions after notification by the Transmission Provider. Transmission service for Network Customers from resources other than designated Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service. Non-Firm Point-To-Point Transmission Service over secondary Point(s) of Receipt and Point(s) of Delivery will have the lowest reservation priority under the Tariff.

14.3 Use of Non-Firm Point-To-Point Transmission Service by a Transmission Owner:

Each Transmission Owner will be subject to the rates, terms and conditions of Tariff, Part II ~~of the Tariff~~ when making Third-Party Sales under (i) agreements executed on or after March 1, 1997 or (ii) agreements executed prior to the aforementioned date that the Commission requires to be unbundled, by the date specified by the Commission. The Transmission Owner will maintain separate accounting, pursuant to Tariff, Part I, sSection 8, for any use of Non-Firm Point-To-Point Transmission Service to make Third-Party Sales.

14.4 Service Agreements:

The Transmission Provider shall offer a standard form Non-Firm Point-To-Point Transmission Service Agreement (Tariff, Attachment B) to an Eligible Customer when it first submits a Completed Application for Non-Firm Point-To-Point Transmission Service pursuant to the Tariff. Executed Service Agreements that contain the information required under the Tariff shall be filed with the Commission in compliance with applicable Commission regulations.

14.5 Classification of Non-Firm Point-To-Point Transmission Service:

Non-Firm Point-To-Point Transmission Service shall be offered under terms and conditions contained in Tariff, Part II ~~of the Tariff~~. The Transmission Provider and the Transmission Owners undertake no obligation under the Tariff to plan the Transmission System in order to have sufficient capacity for Non-Firm Point-To-Point Transmission Service. Parties requesting Non-Firm Point-To-Point Transmission Service for the transmission of firm power do so with the full realization that such service is subject to availability and to Curtailment or Interruption under the terms of the Tariff. In the event the Transmission Customer (including Third Party Sales by a Transmission Owner) exceeds its non-firm capability reserved at any Point of Receipt or Point of Delivery, the Transmission Customer shall pay the rate set forth in Tariff, Schedule 8 for the delivery period (i.e., monthly, weekly, daily or hourly) for which the Transmission Customer is reserving capacity multiplied by an adjusted reserved capacity (for pricing purposes only) equal to the highest level used by the Transmission Customer at such Point of Receipt or Point of Delivery as integrated over a 60 minute period. Non-Firm Point-To-Point Transmission Service shall include transmission of energy on an hourly basis and transmission of scheduled short-term capacity and energy on a daily, weekly or monthly basis, but not to exceed one month's reservation for any one Application, under Tariff, Schedule 8.

15.1 General Conditions:

The Transmission Provider will provide Firm and Non-Firm Point-To-Point Transmission Service over, on or across the Transmission System to any Transmission Customer that has met the requirements of Tariff, Part II, s~~S~~ection 16.

15.2 Determination of Available Transfer Capability:

A description of the Transmission Provider's specific methodology for assessing available transfer capability posted on the Transmission Provider's OASIS (Tariff, sSection 4) is contained in Tariff, Attachment C ~~of the Tariff~~. The Transmission Provider will not provide Short-Term Firm Point-To-Point Transmission Service in excess of the transfer capability posted on OASIS pursuant to Tariff, Part II, sSection 17.9. In the event sufficient transfer capability may not exist to accommodate a request for Long-Term Firm Point-To-Point Transmission Service, and such request does not commence and terminate within the 18 month ATC horizon, the Transmission Provider will respond by performing (in coordination with the affected Transmission Owner or Transmission Owners to the extent necessary) a Firm Transmission Feasibility Study as described in Tariff, Part II, sSection 19. If a request for Long-Term Firm Point-to-Point Transmission Service falls entirely within the ATC horizon, the request will be evaluated based on the posted ATC.

15.3 Initiating Service in the Absence of an Executed Service Agreement:

If the Transmission Provider and the Transmission Customer requesting Firm or Non-Firm Point-To-Point Transmission Service cannot agree on all the terms and conditions of the Point-To-Point Service Agreement, the Transmission Provider shall file with the Commission, within thirty (30) days after the date the Transmission Customer provides written notification directing the Transmission Provider to file, an unexecuted Point-To-Point Service Agreement containing terms and conditions deemed appropriate by the Transmission Provider for such requested Transmission Service. The Transmission Provider shall commence providing Transmission Service subject to the Transmission Customer agreeing to (i) compensate the Transmission Provider at whatever rate the Commission ultimately determines to be just and reasonable, and (ii) comply with the terms and conditions of the Tariff including posting appropriate security deposits in accordance with the terms of [Tariff, Part II, s](#)Section 17.3.

15.4 ———Obligation to Provide Transmission Service that Requires Expansion or Modification of the Transmission System or Redispatch:

(a) If the Transmission Provider determines that it cannot accommodate a Completed Application for Long-Term Firm Point-To-Point Transmission Service because of insufficient capability on the Transmission System, the Transmission Owners will be obligated and shall use due diligence to expand or modify, the Transmission System to provide the requested Firm Transmission Service consistent with the planning obligations in Operating Agreement, Schedule 6 ~~of the Operating Agreement~~, provided the Transmission Customer agrees to compensate the Transmission Provider or the affected Transmission Owner(s) for such costs pursuant to the terms of Tariff, Part II, sSection 27. The Transmission Provider and the affected Transmission Owners will conform to Good Utility Practice and the planning obligations in Operating Agreement, Schedule 6 ~~of the Operating Agreement~~ in determining the need for new facilities and the affected Transmission Owner(s) will conform to Good Utility Practice in the design and construction of such facilities. The obligation applies only to those facilities that the Transmission Owners have the right to expand or modify.

(b) If the Transmission Provider determines that it cannot accommodate a Completed Application for Long-Term Firm Point-To-Point Transmission Service because of insufficient capability on its Transmission System, the Transmission Provider will use due diligence to provide redispatch until Network Upgrades are completed for the Transmission Customer.

16.1 Conditions Required of Transmission Customers:

Point-To-Point Transmission Service shall be provided by the Transmission Provider only if the following conditions are satisfied by the Transmission Customer:

- a. The Transmission Customer has pending a Completed Application for service;
- b. The Transmission Customer meets the creditworthiness criteria set forth in Tariff, Part I, s~~Section~~ 11;
- c. The Transmission Customer will have arrangements in place for any other transmission service necessary to effect the delivery from the generating source to the Transmission Provider prior to the time service under Tariff, Part II~~-of the Tariff~~ commences;
- d. The Transmission Customer agrees to pay for any facilities constructed and chargeable to such Transmission Customer under Tariff, Part II~~-of the Tariff~~, whether or not the Transmission Customer takes service for the full term of its reservation;
- e. The Transmission Customer provides the information required by the Transmission Provider's planning process established in Operating Agreement, Schedule 6~~of the Operating Agreement; and~~
- f. ~~_____~~The Transmission Customer has executed a Point-To-Point Service Agreement or has agreed to receive service pursuant to Tariff, Part II, s~~Section~~ 15.3.

16.2 Transmission Customer Responsibility for Third-Party Arrangements:

Any scheduling arrangements that may be required by other electric systems shall be the responsibility of the Transmission Customer requesting service. The Transmission Customer shall provide, unless waived by the Transmission Provider, notification to the Transmission Provider identifying such systems and authorizing them to schedule the capacity and energy to be transmitted by the Transmission Provider pursuant to Tariff, Part II ~~of the Tariff~~ on behalf of the Receiving Party at the Point of Delivery or the Delivering Party at the Point of Receipt. However, the Transmission Provider will undertake reasonable efforts to assist the Transmission Customer in making such arrangements, including without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice.

17.1 Application:

A request for Firm Point-To-Point Transmission Service for periods of one year or longer must contain a written Application to: PJM Interconnection, L.L.C., 2750 Monroe Blvd., Audubon, PA 19403, at least sixty (60) days in advance of the calendar month in which service is to commence. The Transmission Provider will consider requests for such firm service on shorter notice when feasible. Requests for firm service for periods of less than one year shall be subject to the expedited procedures set forth in [Tariff, Part II, sSection 17.8](#). All Firm Point-To-Point Transmission Service requests should be submitted by entering the information listed below on the Transmission Provider's OASIS. Prior to implementation of the Transmission Provider's OASIS, a Completed Application may be submitted by (i) transmitting the required information to the Transmission Provider by telefax, or (ii) providing the information by telephone over the Transmission Provider's time recorded telephone line. Each of these methods will provide a time-stamped record for establishing the Queue Position of the Completed Application.

17.2 Completed Application:

A Completed Application shall provide all of the information included in 18 C.F.R. § 2.20 including but not limited to the following:

- (i) The identity, address, telephone number and facsimile number of the entity requesting service;
- (ii) A statement that the entity requesting service is, or will be upon commencement of service, an Eligible Customer under the Tariff;
- (iii) The location of the Point(s) of Receipt and Point(s) of Delivery and the identities of the Delivering Parties and the Receiving Parties;
- (iv) The location of the generating facility(ies) supplying the capacity and energy and the location of the load ultimately served by the capacity and energy transmitted. The Transmission Provider will treat this information as confidential except to the extent that disclosure of this information is required by this Tariff, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practice or pursuant to Applicable Regional Entity transmission information sharing agreements. The Transmission Provider shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations;
- (v) A description of the supply characteristics of the capacity and energy to be delivered;
- (vi) An estimate of the capacity and energy expected to be delivered to the Receiving Party;
- (vii) The Service Commencement Date and the term of the requested Transmission Service;
- (viii) The transmission capacity requested for each Point of Receipt and each Point of Delivery on the Transmission Provider's Transmission System; customers may combine their requests for service in order to satisfy the minimum transmission capacity requirement;
- (ix) A statement indicating that, if the Eligible Customer submits a Pre-Confirmed Application, the Eligible Customer will execute a Service Agreement upon receipt of notification that Transmission Provider can provide the requested Transmission Service; and
- (x) Any additional information required by the Transmission Provider's planning process established in Operating Agreement, Schedule 6 ~~of the Operating Agreement~~.

The Transmission Provider shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations.

17.3 Compliance with Credit Policy:

A party requesting Transmission Service shall provide the information specified in, and otherwise comply with, the “PJM Credit Policy” set forth in Tariff, Attachment Q hereto.

17.4 Notice of Deficient Application:

If an Application fails to meet the requirements of the Tariff, the Transmission Provider shall notify the entity requesting service within fifteen (15) days of receipt of the reasons for such failure. The Transmission Provider will attempt to remedy minor deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, the Transmission Provider shall return the Application, along with any deposit, with interest. Upon receipt of a new or revised Application that fully complies with the requirements of Tariff, Part II ~~of the Tariff~~, the Eligible Customer shall be assigned a new Queue Position consistent with the date of the new or revised Application.

17.5 Response to a Completed Application:

Following receipt of a Completed Application for Firm Point-To-Point Transmission Service, the Transmission Provider shall make a determination of available transfer capability as required in Tariff, Part II, sSection 15.2. With respect to Short-Term Firm Point-To-Point Transmission Service, the Transmission Provider shall notify the Eligible Customer as soon as practicable, but not later than thirty (30) days after the date of receipt of a Completed Application, whether it will be able to provide service. With respect to Long-Term Firm Point-To-Point Transmission Service, the Transmission Provider shall notify the Eligible Customer as soon as practicable, but not later than thirty (30) days after the date of receipt of a Completed Application either (i) if it will be able to provide service without performing a Firm Transmission Feasibility Study or (ii) if such a study is needed to evaluate the impact of the Application pursuant to Tariff, Part II, sSection 19.1; provided that, if, in connection with the request, Transmission Provider must provide notification to an existing customer pursuant to Tariff, Part I, sSection 2.3 ~~of the Tariff~~, the foregoing deadline shall be extended to forty-five (45) days after the date of receipt of a Completed Application. Responses by the Transmission Provider must be made as soon as practicable to all completed applications and the timing of such responses must be made on a non-discriminatory basis.

17.6 Execution of Service Agreement:

Whenever the Transmission Provider determines that a Firm Transmission Feasibility Study is not required and that the service can be provided, it shall notify the Eligible Customer as soon as practicable but no later than thirty (30) days after receipt of the Completed Application. Where a Firm Transmission Feasibility Study is required, the provisions of Tariff, Part II, sSection 19 will govern the execution of a Service Agreement. Failure of an Eligible Customer to execute and return the Service Agreement or request the filing of an unexecuted service agreement pursuant to Tariff, Part II, sSection 15.3, within fifteen (15) days after it is tendered by the Transmission Provider will be deemed a withdrawal and termination of the Application and any deposit submitted shall be refunded with interest. Nothing herein limits the right of an Eligible Customer to file another Application after such withdrawal and termination.

17.8 Reservation of Short-Term Firm Point-To-Point Transmission Service:

Requests for monthly service shall be submitted no earlier than 12:00 a.m. EPT of the first calendar day of the month, which is seventeen (17) months before the date service is requested to commence; requests for weekly service shall be submitted no earlier than 12:00 a.m. EPT of the day, which is fourteen (14) days before the date service is to commence; and requests for daily service shall be submitted no earlier than 12:00 a.m. EPT of the day, which is seven (7) days before the date service is to commence. Requests for monthly service shall be submitted no later than 12:00 a.m. EPT of the date which is fourteen (14) days before service is to commence; requests for weekly service shall be submitted no later than 12:00 a.m. EPT of the date which is than seven (7) days before the service is to commence; and requests for daily service shall be submitted no later than 2:00 p.m. EPT the Business Day before service is to commence. All requests received during the first thirty (30) minutes following the above-specified times shall be deemed to have been received simultaneously. Designations of new Network Resources under [Tariff, Part III](#), section 30.2 that will use interface capacity and that are for a period of less than one year will be processed together with, and in the same manner as, requests for Short-Term Firm Point-To-Point Transmission Service.

17.9 Increases in Transfer Capability for Short-Term Transmission Service:

Each hour, the Transmission Provider shall post on the Transmission Provider's OASIS, the capability of the Transmission System then available to accommodate firm Transmission Service and Network Integration Service for each of the following seventeen (17) months. Reservations with respect to any increases in transfer capability reflected in such posting may be made commencing at the time of posting. All requests for monthly Short-Term Firm Point-To-Point Transmission Service and monthly designation pursuant to [Tariff, Part III](#), section 30.2 of a new Network Resource that will use interface capacity received during the first thirty (30) minutes after each posting shall be deemed to have been submitted simultaneously. The Transmission Provider shall respond to the requests no later than seven (7) Business Days from the time of request for monthly service and no later than two (2) Business Days from the time of the request for weekly service. The Transmission Provider shall respond to requests within four (4) normal business hours of receipt for daily service if feasible.

18.4 Determination of Available Transfer Capability:

Following receipt of a tendered schedule the Transmission Provider will make a determination on a non-discriminatory basis of available transfer capability pursuant to Tariff, Part II, sSection 15.2. Such determination shall be made as soon as reasonably practicable after receipt, but not later than the following time periods for the following terms of service (i) fifteen (15) minutes for hourly service, (ii) thirty (30) minutes for daily service, (iii) four (4) hours for weekly service, and (iv) twelve (12) hours for monthly service.

19.1 Notice of Need for Firm Transmission Feasibility Study:

After receiving a request for service, the Transmission Provider shall determine on a non-discriminatory basis whether a Firm Transmission Feasibility Study is needed. The purpose of the Firm Transmission Feasibility Study shall be to assess whether the Transmission System has sufficient available capability to provide the requested service. If the Transmission Provider determines that a Firm Transmission Feasibility Study is necessary to evaluate the requested service, it shall so inform the Eligible Customer, as soon as practicable. In such cases, the Transmission Provider shall within thirty (30) days of receipt of a Completed Application, tender a Firm Transmission Feasibility Study Agreement pursuant to which the Eligible Customer shall agree to reimburse the Transmission Provider for the required Firm Transmission Feasibility Study. For a service request to remain a Completed Application, the Eligible Customer shall execute the Firm Transmission Feasibility Study Agreement and return it to the Transmission Provider within fifteen (15) days. If the Eligible Customer elects not to execute the Firm Transmission Feasibility Study Agreement, its application shall be deemed withdrawn and its deposit, pursuant to [Tariff, Part II, sSection 17.3](#), shall be returned with interest.

19.2 Firm Transmission Feasibility Study Agreement and Cost Reimbursement:

- (i) The Firm Transmission Feasibility Study Agreement will clearly specify the Transmission Provider's estimate (determined in coordination with the affected Transmission Owner(s)) of the actual cost, and time for completion of the Firm Transmission Feasibility Study. The charge shall not exceed the actual cost of the study. In performing the Firm Transmission Feasibility Study, the Transmission Provider shall rely, to the extent reasonably practicable, on existing transmission planning studies. The Eligible Customer will not be assessed a charge for such existing studies; however, the Eligible Customer will be responsible for charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of the Eligible Customer's request for service on the Transmission System.
- (ii) If in response to multiple Eligible Customers requesting service in relation to the same competitive solicitation, a single Firm Transmission Feasibility Study is sufficient for the Transmission Provider to accommodate the requests for service, the costs of that study shall be pro-rated among the Eligible Customers.
- (iii) The Transmission Provider shall reimburse the affected Transmission Owner(s) for their study costs, if any, in connection with a Firm Transmission Feasibility Study.
- (iv) For Firm Transmission Feasibility Studies that the Transmission Provider conducts on behalf of a Transmission Owner, the Transmission Owner shall record the cost of the Firm Transmission Feasibility Studies pursuant to Tariff, Part I, s~~S~~ection 8.

19.3 Firm Transmission Feasibility Study Procedures:

After receiving a signed Firm Transmission Feasibility Study Agreement and the applicable deposit of \$20,000, the Transmission Provider shall conduct a Firm Transmission Service Feasibility Study to make a preliminary determination of the type and scope of and Direct Assignment Facilities, Local Upgrades, and Network Upgrades that will be necessary to accommodate the Completed Application and provide the Eligible Customer a preliminary estimate of the time that will be required to construct any necessary facilities and upgrades and the Eligible Customer's cost responsibility, estimated consistent with Tariff, Part VI, sSection 217~~-of the Tariff~~. The Transmission Service Feasibility Study assesses the practicality and cost of accommodating the requested service. The analysis is limited to load-flow analysis of probable contingencies. The Transmission Provider shall provide a copy of the Transmission Service Feasibility Study and, to the extent consistent with the Office of the Interconnection's confidentiality obligations in Operating Agreement, sSection 18.17~~-of the Operating Agreement~~, related work papers to the Eligible Customer and the affected Transmission Owner(s). Upon completion, the Transmission Provider shall make the completed Transmission Service Feasibility Study publicly available. The Transmission Provider shall conduct Transmission Service Feasibility Studies two times each year in conjunction with the Interconnection Feasibility Studies conducted under Tariff, Part IV, sSection 36.2.

The Transmission Provider will use the same due diligence in completing the Firm Transmission Feasibility Study for an Eligible Customer as it uses when completing studies for a Transmission Owner. The Transmission Provider shall notify the Eligible Customer immediately upon completion of the Firm Transmission Feasibility Study whether a System Impact Study will be needed to more fully assess and identify the Network Upgrades and/or Local Upgrades that will be needed to accommodate all or part of the Eligible Customer's request for service or that no costs are likely to be incurred for new transmission facilities or upgrades. In the event that Transmission Provider determines that a System Impact Study will be needed, the procedures and other terms of Tariff, Part VI shall apply to the Completed Application.

19.4 Retaining Queue Position:

Except when the Transmission Provider determines that a System Impact Study is needed, in order for a request to remain a Completed Application, within thirty (30) days after its receipt of the completed Firm Transmission Feasibility Study, the Eligible Customer must execute a Service Agreement or request the filing of an unexecuted Service Agreement pursuant to Tariff, Part II, sSection 15.3, or the Completed Application shall be deemed terminated and withdrawn.

19.8 Penalties for Failure to Meet Deadlines:

Tariff, Part II, sections 19.3, Tariff, Part VI, section 205, and Tariff, Part VI, section 206 require a Transmission Provider to use due diligence to meet study completion deadlines for Firm Transmission Feasibility Studies, System Impact Studies, and Facilities Studies for Eligible Customers.

(i) The Transmission Provider is required to file a notice with the Commission in the event that more than twenty (20) percent of non-Affiliates' Firm Transmission Feasibility Studies, System Impact Studies, and Facilities Studies for Eligible Customers completed by the Transmission Provider in any two consecutive calendar quarters are not completed within the completion deadlines, consistent with ~~sections~~ Tariff, Part II, section 19.3, Tariff, Part VI, section 205, and Tariff, Part VI, section 206. Such notice must be filed within thirty (30) days of the end of the calendar quarter triggering the notice requirement.

(ii) For the purposes of calculating the percent of non-Affiliates' Firm Transmission Feasibility Studies, System Impact Studies, and Facilities Studies for Eligible Customers processed outside of the study completion deadlines set forth in ~~sections~~ Tariff, Part II, section 19.3, Tariff, Part VI, section 205, and Tariff, Part VI, section 206 for such studies for Eligible Customers, the Transmission Provider shall consider all Firm Transmission Feasibility Studies, System Impact Studies, and Facilities Studies for Eligible Customers that it completes for non-Affiliates during the calendar quarter. The percentage should be calculated by dividing the number of those studies which are completed on time by the total number of completed studies. The Transmission Provider may provide an explanation in its notification filing to the Commission if it believes there are extenuating circumstances that prevented it from meeting the study completion deadlines.

(iii) The Transmission Provider is subject to an operational penalty if it completes ten (10) percent or more of non-Affiliates' Firm Transmission Feasibility Studies, System Impact Studies, and Facilities Studies for Eligible Customers outside of the study completion deadlines set forth in ~~sections~~ Tariff, Part II, section 19.3, Tariff, Part VI, section 205, and Tariff, Part VI, section 206 for such studies for Eligible Customers, for each of the two calendar quarters immediately following the quarter that triggered its notification filing to the Commission. The operational penalty will be assessed for each calendar quarter for which an operational penalty applies, starting with the calendar quarter immediately following the quarter that triggered the Transmission Provider's notification filing to the Commission. The operational penalty will continue to be assessed each quarter until the Transmission Provider completes at least ninety (90) percent of all non-Affiliates' Firm Transmission Feasibility Studies, System Impact Studies and Facilities Studies for Eligible Customers within the study completion deadlines, set forth in ~~sections~~ Tariff, Part II, section 19.3, Tariff, Part VI, section 205, and Tariff, Part VI, section 206 for such studies for Eligible Customers.

(iv) For penalties assessed in accordance with subsection (iii) above, the penalty amount for each Firm Transmission Feasibility Study, System Impact Study, or Facilities

Study for Eligible Customers shall be equal to \$500 for each day the Transmission Provider takes to complete that study beyond the study completion deadline.

22.1 Modifications On a Non-Firm Basis:

The Transmission Customer taking Firm Point-To-Point Transmission Service may request the Transmission Provider to provide transmission service on a non-firm basis over Receipt and Delivery Points other than those specified in the Service Agreement (“Secondary Receipt and Delivery Points”), in amounts not to exceed its firm capacity reservation, without incurring an additional Non-Firm Point-To-Point Transmission Service charge or executing a new Service Agreement, subject to the following conditions.

- (a) Service provided over Secondary Receipt and Delivery Points will be non-firm only, on an as-available basis and will not displace any firm or non-firm service reserved or scheduled by third-parties under the Tariff or by a Transmission Owner on behalf of its Native Load Customers.
- (b) The sum of all Firm and non-firm Point-To-Point Transmission Service provided to the Transmission Customer at any time pursuant to this section shall not exceed the Reserved Capacity in the relevant Service Agreement under which such services are provided.
- (c) The Transmission Customer shall retain its right to schedule Firm Point-To-Point Transmission Service at the Receipt and Delivery Points specified in the relevant Service Agreement in the amount of its original capacity reservation.
- (d) Service over Secondary Receipt and Delivery Points on a non-firm basis shall not require the filing of an Application for Non-Firm Point-To-Point Transmission Service under the Tariff. However, all other requirements of Tariff, Part II ~~of the Tariff~~ (except as to transmission rates) shall apply to transmission service on a non-firm basis over Secondary Receipt and Delivery Points.

22.2 Modification On a Firm Basis:

Any request by a Transmission Customer to modify Receipt and Delivery Points on a firm basis shall be treated as a new request for service in accordance with Tariff, Part II, sSection 17 hereof, except that such Transmission Customer shall not be obligated to pay any additional deposit if the capacity reservation does not exceed the amount reserved in the existing Service Agreement. While such new request is pending, the Transmission Customer shall retain its priority for service at the existing firm Receipt and Delivery Points specified in its Service Agreement.

23.1 Procedures for Assignment or Transfer of Service:

A Transmission Customer may sell, assign, or transfer all or a portion of its rights under its Service Agreement, but only to another Eligible Customer (the Assignee). The Transmission Customer that sells, assigns or transfers its rights under its Service Agreement is hereafter referred to as the Reseller. Compensation to Resellers shall be at rates established by agreement between the Reseller and the Assignee.

The Assignee must execute a service agreement with the Transmission Provider and PJMSettlement governing reassignments of transmission service prior to the date on which the reassigned service commences. PJMSettlement shall charge the Reseller, as appropriate, at the rate stated in the Reseller's Service Agreement with the Transmission Provider and PJMSettlement or the associated OASIS schedule and credit the Reseller with the price reflected in the Assignee's Service Agreement with the Transmission Provider and PJMSettlement or the associated OASIS schedule; provided that, such credit shall be reversed in the event of non-payment by the Assignee. If the Assignee does not request any change in the Point(s) of Receipt or the Point(s) of Delivery, or a change in any other term or condition set forth in the original Service Agreement, the Assignee will receive the same services as did the Reseller and the priority of service for the Assignee will be the same as that of the Reseller. The Assignee will be subject to all terms and conditions of this Tariff. If the Assignee requests a change in service, the reservation priority of service will be determined by the Transmission Provider pursuant to [Tariff, Part II, s](#)Section 13.2.

23.3 Information on Assignment or Transfer of Service:

In accordance with [Tariff, Part I, sSection 4](#), all sales or assignments of capacity must be conducted through or otherwise posted on the Transmission Provider's OASIS on or before the day the reassigned service commences and are subject to [Tariff, Part II, sSection 23.1](#). Resellers may also use the Transmission Provider's OASIS to post transmission capacity available for resale.

24.1 Transmission Customer Obligations:

Unless otherwise agreed, the Transmission Customer shall be responsible for installing and maintaining compatible metering and communications equipment to accurately account for the capacity and energy being transmitted under Tariff, Part II ~~of the Tariff~~ and to communicate the information to the Transmission Provider. Such equipment shall remain the property of the Transmission Customer.

25 Compensation for Transmission Service

Rates for Firm and Non-Firm Point-To-Point Transmission Service are provided in the Schedules appended to the Tariff: Firm Point-To-Point Transmission Service (Tariff, Schedule 7); and Non-Firm Point-To-Point Transmission Service (Tariff, Schedule 8). Customers may also be subject to Transmission Enhancement Charges as provided in Tariff, Schedule 12~~-appended to the Tariff~~. Each Transmission Owner shall use Tariff, Part II~~-of the Tariff~~ to make its Third-Party Sales. Each Transmission Owner shall account for such use at the applicable Tariff rates, pursuant to Tariff, Part I, sSection 8.

Owner shall use Tariff, Part II~~-of the Tariff~~ to make its Third-Party Sales. Each Transmission Owner shall account for such use at the applicable Tariff rates, pursuant to Tariff, Part I, sSection 8.

III. NETWORK INTEGRATION TRANSMISSION SERVICE

References to section numbers in this Part III refer to sections of this Part III, unless otherwise specified.

Preamble

The Transmission Provider will provide Network Integration Transmission Service pursuant to the applicable terms and conditions contained in the Tariff and Service Agreement. Network Integration Transmission Service allows the Network Customer to integrate, economically dispatch and regulate its current and planned Network Resources to serve its Network Load in a manner comparable to that in which each Transmission Owner utilizes the Transmission System to serve its Native Load Customers. Network Integration Transmission Service also may be used by the Network Customer to deliver economy energy purchases to its Network Load from non-designated resources on an as-available basis without additional charge. Transmission service for sales to non-designated loads will be provided pursuant to the applicable terms and conditions of Tariff, Part II ~~of the Tariff~~. PJMSettlement shall be the Counterparty to the Network Integration Transmission Service transactions under this Tariff. As set forth in Tariff, Attachment K, sSection D, Network Integration Transmission Service transactions may give rise to several component charges and credits, which may offset one another, and such component charges and credits are not separate transactions from Network Integration Transmission Service transactions.

28.1 Scope of Service:

Network Integration Transmission Service is a transmission service that allows Network Customers to efficiently and economically utilize their Network Resources (as well as other non-designated generation resources) to serve their Network Load located in the PJM Region and any additional load that may be designated pursuant to Tariff, Part III, s~~Section 31.3~~~~of the Tariff~~. The Network Customer taking Network Integration Transmission Service must obtain or provide Ancillary Services pursuant to Tariff, Part I, s~~Section 3~~.

28.2 Transmission Provider Responsibilities:

In order to provide the Network Customer with Network Integration Transmission Service over the Transmission Provider's Transmission Systems: (a) the Transmission Provider will plan and operate the Transmission System in accordance with Good Utility Practice and its planning obligations in Operating Agreement, Schedule 6~~-of the Operating Agreement~~; and (b) the Transmission Owners will be obligated to construct and maintain the Transmission System in accordance with the terms and conditions of the Tariff, the Operating Agreement, and Good Utility Practice. Each Transmission Owner, on behalf of its Native Load Customers, shall be required to designate resources and loads in the same manner as any Network Customer under Tariff, Part III~~-of this Tariff~~. This information must be consistent with the information used by the Transmission Provider to calculate available transfer capability. The Transmission Provider shall include the Network Customer's Network Load in the Transmission System planning and the Transmission Owners shall, consistent with the terms and conditions of the Tariff, the Operating Agreement, and Good Utility Practice, endeavor to construct and place into service sufficient transfer capability to deliver the Network Customer's Network Resources to serve its Network Load on a basis comparable to the delivery of each Transmission Owner's own generating and purchased resources to its Native Load Customers.

28.4 Secondary Service:

The Network Customer may use the Transmission Provider's Transmission System to deliver energy to its Network Loads from resources that have not been designated as Network Resources. Such energy shall be transmitted, on an as-available basis, at no additional charge. Secondary service shall not require the filing of an Application for Network Integrated Transmission Service under the Tariff. However, all other requirements of Tariff, Part III ~~of the Tariff~~ (except for transmission rates) shall apply to secondary service. Deliveries from resources other than Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service under Tariff, Part II ~~of the Tariff~~.

28.6 Restrictions on Use of Service:

The Network Customer shall not use Network Integration Transmission Service for (i) sales of capacity and energy to non-designated loads, or (ii) direct or indirect provision of transmission service by the Network Customer to third parties. All Network Customers taking Network Integration Transmission Service shall use Point-To-Point Transmission Service under Tariff, Part II ~~of the Tariff~~ for any Third-Party Sale which requires use of the Transmission Provider's Transmission System. The Transmission Provider shall specify any appropriate charges and penalties and all related terms and conditions applicable in the event that a Network Customer uses Network Integration Transmission Service or secondary service pursuant to Tariff, Part III, s~~S~~ection 28.4 to facilitate a wholesale sale that does not serve a Network Load.

29.1 Condition Precedent for Receiving Service:

Subject to the terms and conditions of Tariff, Part III ~~of the Tariff~~, the Transmission Provider will provide Network Integration Transmission Service to any Eligible Customer, provided that (i) the Eligible Customer completes an Application for service as provided under Tariff, Part III ~~of the Tariff~~ or, with respect to a state required retail access program, provides the information required under the Service Agreement, (ii) the Eligible Customer and the Transmission Provider in coordination with the affected Transmission Owners complete the technical arrangements set forth in Tariff, Part III, sSections 29.3 and Tariff, Part III, section 29.4, (iii) the Eligible Customer executes a Service Agreement pursuant to Tariff, Attachment F or Tariff, Attachment F-1 for service under Tariff, Part III ~~of the Tariff~~ or requests in writing that the Transmission Provider file a proposed unexecuted Service Agreement with the Commission, and (iv) the Eligible Customer executes a Network Operating Agreement with the Transmission Provider pursuant to Tariff, Attachment G, or requests in writing that the Transmission Provider file a proposed unexecuted Network Operating Agreement.

29.2 Application Procedures:

An Eligible Customer requesting service under Tariff, Part III~~-of the Tariff~~ must submit an Application to the Transmission Provider as far as possible in advance of the month in which service is to commence. Unless subject to the procedures in Tariff, Part I, sSection 2, Completed Applications for Network Integration Transmission Service will be assigned a Queue Position according to the date and time the Application is received, with the earliest Application receiving the highest priority. Applications should be submitted by entering the information listed below (except for applications for Network Integration Transmission Service pursuant to state required retail access programs for which Transmission Customers shall provide the information required under the Service Agreement) on the Transmission Provider's OASIS. Prior to implementation of the Transmission Provider's OASIS, a Completed Application may be submitted by (i) transmitting the required information to the Transmission Provider by telefax, or (ii) providing the information by telephone over the Transmission Provider's time recorded telephone line. For applications pursuant to state required retail access programs, the information required under the Service Agreement should be submitted on the Transmission Provider's specified electronic information system established for such programs. Each of these methods will provide a time-stamped record for establishing the service priority of the Application. A Completed Application (other than applications for Network Integration Transmission Service pursuant to a state required retail access program, which shall be governed by Tariff, Attachment F-1 and the specifications thereto) shall provide all of the information included in 18 C.F.R. § 2.20 including but not limited to the following:

- (i) The identity, address, telephone number and facsimile number of the party requesting service;
- (ii) A statement that the party requesting service is, or will be upon commencement of service, an Eligible Customer under the Tariff;
- (iii) A description of the Network Load at each delivery point. This description should separately identify and provide the Eligible Customer's best estimate of the total loads to be served at each transmission voltage level, and the loads to be served from each Transmission Provider substation at the same transmission voltage level. The description should include a ten (10) year forecast of summer and winter load and resource requirements beginning with the first year after the service is scheduled to commence;
- (iv) The amount and location of any interruptible loads included in the Network Load. This shall include the summer and winter capacity requirements for each interruptible load (had such load not been interruptible), that portion of the load subject to interruption, the conditions under which an interruption can be implemented and any limitations on the amount and frequency of interruptions. An Eligible Customer should identify the amount of interruptible customer load (if any) included in the 10 year load forecast provided in response to (iii) above;

(v) A description of Network Resources (current and 10-year projection). For each on-system Network Resource, such description shall include:

- Unit size and amount of capacity from that unit to be designated as Network Resource
- VAR capability (both leading and lagging) of all generators
- Operating restrictions
 - Any periods of restricted operations throughout the year
 - Maintenance schedules
 - Minimum loading level of unit
 - Normal operating level of unit
 - Any must-run unit designations required for system reliability or contract reasons
- Approximate variable generating cost (\$/MWH) for redispatch computations
- Arrangements governing sale and delivery of power to third parties from generating facilities located in the Transmission Provider Control Areas, where only a portion of unit output is designated as a Network Resource
- For each off-system Network Resource, such description shall include:
 - Identification of the Network Resource as an off-system resource
- Amount of power to which the customer has rights
 - Identification of the control area from which the power will originate
 - Delivery point(s) to the Transmission Provider's Transmission System
 - Transmission arrangements on the external transmission system(s)
- Operating restrictions, if any
 - Any periods of restricted operations throughout the year
 - Maintenance schedules
 - Minimum loading level of unit

- Normal operating level of unit
- Any must-run unit designations required for system reliability or contract reasons
- Approximate variable generating cost (\$/MWH) for redispatch computations;

(vi) Description of Eligible Customer's transmission system:

- Load flow and stability data, such as real and reactive parts of the load, lines, transformers, reactive devices and load type, including normal and emergency ratings of all transmission equipment in a load flow format compatible with that used by the Transmission Provider
- Operating restrictions needed for reliability
- Operating guides employed by system operators
- Contractual restrictions or committed uses of the Eligible Customer's transmission system, other than the Eligible Customer's Network Loads and Resources
- Location of Network Resources described in subsection (v) above
- 10 year projection of system expansions or upgrades
- Transmission System maps that include any proposed expansions or upgrades
- Thermal ratings of Eligible Customer's Control Area ties with other Control Areas;

(vii) Service Commencement Date and the term of the requested Network Integration Transmission Service. The minimum term for Network Integration Transmission Service is one year except that, for service provided with respect to a state required retail access program, the minimum term is one day;

(viii) A statement signed by an authorized officer from or agent of the Network Customer attesting that all of the network resources listed pursuant to Tariff, Part III, sSection 29.2(v) satisfy the following conditions: (1) the Network Customer owns the resource, has committed to purchase generation pursuant to an executed contract, or has committed to purchase generation where execution of a contract is contingent upon the availability of transmission service under Tariff, Part III ~~of the Tariff~~; and (2) the Network Resources do not include any resources, or any portion thereof, that are committed for sale to non-designated third party load or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis, except for purposes of fulfilling obligations under a reserve sharing program; and

(ix) Any additional information required of the Transmission Customer as specified in the Transmission Provider's planning process established in Operating Agreement, Schedule 6 ~~of the Operating Agreement~~.

In addition, a party requesting Transmission Service shall provide the information specified in, and otherwise comply with, the "PJM Credit Policy" set forth in Tariff, Attachment Q hereto. Unless the Parties agree to a different time frame, the Transmission Provider must acknowledge the request within ten (10) days of receipt. The acknowledgement must include a date by which a response, including a Service Agreement, will be sent to the Eligible Customer. If an Application fails to meet the requirements of this section, the Transmission Provider shall notify the Eligible Customer requesting service within fifteen (15) days of receipt and specify the reasons for such failure. Wherever possible, the Transmission Provider will attempt to remedy deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, the Transmission Provider shall return the Application without prejudice to the Eligible Customer filing a new or revised Application that fully complies with the requirements of this section. The Eligible Customer will be assigned a new Queue Position consistent with the date of the new or revised Application. The Transmission Provider shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations.

29.2A Determination of Available Transfer Capability:

A description of the Transmission Provider's specific methodology for assessing available transfer capability posted on the Transmission Provider's OASIS (Tariff, Part I, sSection 4) is contained in Tariff, Attachment C ~~of the Tariff~~. In the event sufficient transfer capability may not exist to accommodate a request for Network Integration Transmission Service, and such request does not commence and terminate within the 18 month ATC horizon, the Transmission Provider will respond by performing (in coordination with the affected Transmission Owner or Transmission Owners to the extent necessary) a Firm Transmission Feasibility Study as described in Tariff, Part III, sSection 32. If a request for Long-Term Firm Network Integration Transmission Service falls entirely within the ATC horizon, the request will be evaluated based on the posted ATC.

30.2 Designation of New Network Resources:

The Network Customer may designate a new Network Resource by providing the Transmission Provider with as much advance notice as practicable (notwithstanding the requirements in this Tariff, Part III, section 30.2, the applicable requirements of Tariff, Attachment DD ~~of the Tariff~~, the Reliability Assurance Agreement, and the PJM Manuals regarding the designation of Network Resources shall apply). A request for Transmission Service associated with designation of a new Network Resource must be made through the Transmission Provider's OASIS by a request for modification of service pursuant to an Application under Tariff, Part III, sSection 29. This request must include a statement that the new network resource satisfies the following conditions: (1) the Network Customer owns the resource, has committed to purchase generation pursuant to an executed contract, or has committed to purchase generation where execution of a contract is contingent upon the availability of transmission service under Tariff, Part III ~~of the Tariff~~; and (2) the Network Resources do not include any resources, or any portion thereof, that are committed for sale to non-designated third party load or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis, except for purposes of fulfilling obligations under a reserve sharing program. The Network Customer's request will be deemed deficient if it does not include this statement and the Transmission Provider will follow the procedures for a deficient application as described in Tariff, Part III, sSection 29.2 ~~of the Tariff~~. In the event the Network Resource to be designated consists of new generation facilities in the PJM Region, the Network Customer or the owner of the generating facilities also must submit an Interconnection Request pursuant to Tariff, Part IV ~~of the Tariff~~. In the event the Network Resource to be designated is Behind The Meter Generation, the designation must be made before the commencement of a Planning Period as that term is defined in the Operating Agreement and will remain in effect for the entire Planning Period. In the event the Network Resource to be designated will use interface capacity and is for a period of less than one year, the designation request must be submitted in accordance with the time requirements set forth in Tariff, Part II, sections 17.8 and Tariff, Part II, section 17.9 and will be processed together with, and in the same manner as, requests for Short-Term Firm Point-To-Point Transmission Service.

30.3 Termination of Network Resources:

The Network Customer may terminate the designation of all or part of a generating resource as a Network Resource at any time by providing notification to the Transmission Provider through eRPM as soon as reasonably practicable, but not later than the firm scheduling deadline for the period of termination.* Any request for termination of Network Resource status must be submitted on eRPM, and should indicate whether the request is for indefinite or temporary termination. A request for indefinite termination of Network Resource status must indicate the date and time that the termination is to be effective, and the identification and capacity of the resource(s) or portions thereof to be indefinitely terminated. A request for temporary termination of Network Resource status must include the following:

- (i) Effective date and time of temporary termination;
- (ii) Effective date and time of redesignation, following period of temporary termination;
- (iii) Identification and capacity of resource(s) or portions thereof to be temporarily terminated;
- (iv) Resource description and attestation for redesignating the network resource following the temporary termination, in accordance with [Tariff, Part III, sSection 30.2](#); and
- (v) Identification of any related transmission service requests to be evaluated concomitantly with the request for temporary termination, such that the requests for undesignation and the request for these related transmission service requests must be approved or denied as a single request. The evaluation of these related transmission service requests must take into account the termination of the network resources identified in (iii) above, as well as all competing transmission service requests of higher priority.

As part of a temporary termination, a Network Customer may only redesignate the same resource that was originally designated, or a portion thereof. Requests to redesignate a different resource and/or a resource with increased capacity will be deemed deficient and the Transmission Provider will follow the procedures for a deficient application as described in [Tariff, Part III, sSection 29.2-of the Tariff](#).

** Pursuant to the notice granting extension of effective date, 120 FERC ¶ 61,222 (2007), the effective date for the language “but not later than the firm scheduling deadline for the period of termination” was extended pending further order by the Commission.*

30.4 **Operation of Network Resources:**

The Network Customer shall not operate its designated Network Resources located in the Network Customer's or Transmission Provider's Control Area(s) such that the output of those facilities exceeds its designated Network Load plus Non-Firm Sales delivered pursuant to Tariff, Part II~~of the Tariff~~, plus net sales of energy through the interchange energy market established under the Operating Agreement, plus losses plus power sales under a reserve sharing program, plus sales that permit curtailment without penalty to serve its designated Network Load. This limitation shall not apply to changes in the operation of a Transmission Provider in response to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. For all Network Resources not physically connected with the Transmission Provider's Transmission System, the Network Customer may not schedule delivery of energy in excess of the Network Resource's capacity, as specified in the Network Customer's Application pursuant to Tariff, Part III, sSection 29, unless the Network Customer supports such delivery within the Transmission Provider's Transmission System by either obtaining Point-to-Point Transmission Service or utilizing secondary service pursuant to Tariff, Part III, sSection 28.4. The Transmission Provider shall specify the rate treatment and all related terms and conditions applicable in the event that a Network Customer's schedule at the delivery point for a Network Resource not physically interconnected with the Transmission Provider's Transmission System exceeds the Network Resource's designated capacity, excluding energy delivered using secondary service or Point-to-Point Transmission Service.

30.5 Network Customer Redispatch Obligation:

As a condition to receiving Network Integration Transmission Service, the Network Customer agrees to redispatch its Network Resources as requested by the Transmission Provider pursuant to Tariff, Part III, sSection 33.2. To the extent practical, the redispatch of resources pursuant to this section shall be on a least cost, non-discriminatory basis- among all Network Customers and the Transmission Owners.

30.7 Limitation on Designation of Network Resources:

The Network Customer must demonstrate that it owns or has committed to purchase generation pursuant to an executed contract in order to designate a generating resource as a Network Resource. Alternatively, the Network Customer may establish that execution of a contract is contingent upon the availability of transmission service under Tariff, Part III ~~of the Tariff~~.

31.2 New Network Loads Connected With the Transmission Provider:

The Network Customer shall provide the Transmission Provider with as much advance notice as reasonably practicable of the designation of new Network Load that will be added to the Transmission System. A designation of new Network Load must be made through a modification of service pursuant to a new Application. The affected Transmission Owners, in accordance with the terms and conditions of the Tariff and the Operating Agreement, will use due diligence to install any transmission facilities required to interconnect a new Network Load designated by the Network Customer. The costs of new facilities required to interconnect a new Network Load shall be determined in accordance with the procedures provided in [Tariff, Part III, sSection 32.4](#) and shall be charged to the Network Customer in accordance with Commission policies.

31.3 Network Load Not Physically Interconnected with the Transmission Provider:

This section applies to both initial designation pursuant to Tariff, Part III, sSection 31.1 and the subsequent addition of new Network Load not physically interconnected with the Transmission Provider. To the extent that the Network Customer desires to obtain transmission service for a load outside the Transmission Provider's Transmission System, the Network Customer shall have the option of (1) electing to include the entire load as Network Load for all purposes under Tariff, Part III~~-of the Tariff~~ and designating Network Resources in connection with such additional Network Load, or (2) excluding that entire load from its Network Load and purchasing Point-To-Point Transmission Service under Tariff, Part II~~-of the Tariff~~. To the extent that the Network Customer gives notice of its intent to add a new Network Load as part of its Network Load pursuant to this section the request must be made through a modification of service pursuant to a new Application.

31.6 Annual Load and Resource Information Updates:

The Network Customer shall provide the Transmission Provider with annual updates of Network Load and Network Resource forecasts consistent with those included in its Application for Network Integration Transmission Service under Tariff, Part III ~~of the Tariff~~ including, but not limited to, any information provided under Tariff, Part III, section 29.2(ix) pursuant to the Transmission Provider's planning process in Operating Agreement, Schedule 6 ~~of the Operating Agreement~~. The Network Customer also shall provide the Transmission Provider with timely written or electronic notice of material changes in any other information provided in its Application relating to the Network Customer's Network Load, Network Resources, its transmission system or other aspects of its facilities or operations affecting the Transmission Provider's ability to provide reliable service.

31.7 Establishing and Changing Network Load Energy Settlement Area Definitions:

(a) Prior to the 2015/2016 Planning Period, the Energy Settlement Area for a Network Customer's Network Load in a given electric distribution company's fully metered franchise area(s) or service territory(ies) shall be the aggregate load buses in a Zone, as defined in subsection (c) below, or, with respect to Non-Zone Network Load, to the border of the PJM Region, unless the Network Customer defines a more specific Energy Settlement Area in accordance with the procedures set forth in the PJM Manuals. Commencing with the 2015/2016 Planning Period, the Energy Settlement Area for a Network Customer's Network Load in a given electric distribution company's fully metered franchise area(s) or service territory(ies) shall be the aggregate load buses specifying the Residual Metered Load distribution for that franchise area(s) or service territory(ies), as defined in subsection (c) below, or with respect to Non-Zone Network Load to the border of the PJM Region, unless the Network Customer defines a more specific nodal Energy Settlement Area in accordance with the procedures set forth in the PJM Manuals.

(b) A Network Customer may change the definition of its existing Network Load Energy Settlement Area in accordance with the procedures set forth in the PJM Manuals and the Network Customer's existing rights under the Tariff. Notwithstanding any other relevant provision(s) of this Tariff, advance notice of any such change described in the PJM Manuals must be provided to the Transmission Provider and the effective date of such change shall coincide with the first day of a Planning Period, as defined in the Operating Agreement. If system upgrades are required to effect a Network Load Energy Settlement Area change, all required upgrades shall be completed prior to the requested effective date of the change; if all required system upgrades are not completed prior to the requested effective date, the effective date shall be the first day of the Planning Period that immediately follows completion of all system upgrades. A Network Customer may not change the definition of its existing Network Load Energy Settlement Area to a less specific Energy Settlement Area, except in circumstances where there has been a physical change to the relevant transmission system infrastructure, as set forth in the PJM Manuals, such that settlement according to the previously defined Energy Settlement Area is no longer possible.

(c) The distribution of load buses in an Energy Settlement Area for the determination of a Transmission Loss Charge and Transmission Congestion Charge per Tariff, Part I, sSections 5.1 and Tariff, Part I, section 5.4 ~~of this Schedule~~ are determined as follows.

- (i) *Zonal aggregate determination.* The default distribution of load buses for a Zone for the Day-ahead Energy Market is the State Estimator distribution of load for that Zone at 8:00 a.m. one week prior to the Operating Day (i.e. if the Operating Day is Monday, the default distribution is from 8:00 a.m. on Monday of the previous week). Should the Office of the Interconnection experience technical limitations that would restrict the ability to obtain the State Estimator distribution of load for a Zone at 8:00 a.m. one week prior to the Operating Day or if the required data is not available, a State Estimator distribution of load from the most recently available day of the week that the Operating Day falls on will be used (i.e., if the Operating Day is Monday, the Office of the Interconnection will utilize

the State Estimator distribution of load from the most recent Monday for which data is available). If the default distribution does not accurately reflect the distribution of load for the Zone for the relevant electric distribution company for the Day-ahead Energy Market, it may specify another more accurate distribution of load buses for the Zone in the Office of the Interconnection's internet-based software application. The distribution of load buses for a Zone for the Real-time Energy Market is the State Estimator distribution of load for that Zone for each hour during the Operating Day.

- (ii) *Residual Metered Load aggregate determination.* The default distribution of load buses for a Residual Metered Load aggregate for the Day-ahead Energy Market is the distribution of the real-time Residual Metered Load at each bus within the Residual Metered Load aggregate at 8:00 a.m. one week prior to the Operating Day. Should the Office of the Interconnection experience technical limitations that would restrict the ability to obtain the bus distribution of the real-time Residual Metered Load aggregate at 8:00 a.m. one week prior to the Operating Day or if the required data is not available, a distribution of the real-time Residual Metered Load aggregate from the most recently available day of the week that the Operating Day falls on will be used (i.e., if the Operating Day is Monday, the Office of the Interconnection will utilize the bus distribution of the real-time Residual Metered Load aggregate from the most recent Monday for which data is available). The distribution of load buses for a Residual Metered Load aggregate for the Real-time Energy Market is the Residual Metered Load at each bus in the Residual Metered Load aggregate for each hour during the Operating Day. Residual Metered Load is determined by reducing the electric distribution company's revenue meter calculated load at each bus in its fully metered franchise area(s) or service territory(ies) as determined in [Tariff, Part I, sSections 5.1.3\(e\)\(i\) and Tariff, Part I, section 5.4.3\(e\)\(i\)](#) ~~of this Schedule~~ by the nodally priced load of other entities assigned to each load bus in the electric distribution company's fully metered franchise area(s) or service territory(ies) via hourly load contracts as specified in [Tariff, Part I, sSections 5.1.3\(e\)\(ii\) and Tariff, Part I, section 5.4.3\(e\)\(ii\)](#) ~~of this Schedule~~.
- (iii) *Nodal aggregate determination.* The distribution of load buses for nodal load in the Day-ahead Energy Market and Real-time Energy Market is determined by a fixed aggregate definition that represents the composition of the nodal load at a single identifiable bus or set of identifiable buses, as agreed upon by the Load Serving Entity responsible for the load and the electric distribution company in whose fully metered franchise area(s) or service territory(ies) the load is located, per the nodal pricing settlement rules defined in the PJM Manuals.

32.2 Firm Transmission Feasibility Study Agreement and Cost Reimbursement:

- (i) The Firm Transmission Feasibility Study Agreement will clearly specify the Transmission Provider's estimate (determined in coordination with the affected Transmission Owner(s)) of the actual cost, and time for completion of the Firm Transmission Feasibility Study. The charge shall not exceed the actual cost of the study. In performing the Firm Transmission Feasibility Study, the Transmission Provider shall rely, to the extent reasonably practicable, on existing transmission planning studies. The Eligible Customer will not be assessed a charge for such existing studies; however, the Eligible Customer will be responsible for charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of the Eligible Customer's request for service on the Transmission System.
- (ii) If in response to multiple Eligible Customers requesting service in relation to the same competitive solicitation, a single Firm Transmission Feasibility Study is sufficient for the Transmission Provider to accommodate the service requests, the costs of that study shall be pro-rated among the Eligible Customers.
- (iii) The Transmission Provider shall reimburse the affected Transmission Owner(s) for their study costs, if any, in connection with a Firm Transmission Feasibility Study.
- (iv) For Firm Transmission Feasibility Studies that the Transmission Provider conducts on behalf of a Transmission Owner, the Transmission Owner shall record the cost of the Firm Transmission Feasibility Studies pursuant to Tariff, Part I, s~~S~~ection 8.

32.3 Firm Transmission Feasibility Study Procedures:

After receiving a signed Firm Transmission Feasibility Study Agreement and the applicable deposit of \$20,000, the Transmission Provider shall conduct a Firm Transmission Service Feasibility Study to make a preliminary determination of the type and scope of and Direct Assignment Facilities, Local Upgrades, and Network Upgrades that will be necessary to accommodate the Completed Application and provide the Eligible Customer a preliminary estimate of the time that will be required to construct any necessary facilities and upgrades and the Eligible Customer's cost responsibility, estimated consistent with Tariff, Part VI, sSection 217~~of the Tariff~~. The Transmission Service Feasibility Study assesses the practicality and cost of accommodating the requested service. The analysis is limited to load-flow analysis of probable contingencies. The Transmission Provider shall provide a copy of the Transmission Service Feasibility Study and, to the extent consistent with the Office of the Interconnection's confidentiality obligations in Operating Agreement, sSection 18.17~~of the Operating Agreement~~, related work papers to the Eligible Customer and the affected Transmission Owner(s). Upon completion, the Transmission Provider shall make the completed Transmission Service Feasibility Study publicly available. The Transmission Provider shall conduct Transmission Service Feasibility Studies two times each year in conjunction with the Interconnection Feasibility Studies conducted under Tariff, Part III, sSection 36.2.

The Transmission Provider will use the same due diligence in completing the Firm Transmission Feasibility Study for an Eligible Customer as it uses when completing studies for a Transmission Owner. The Transmission Provider shall notify the Eligible Customer immediately upon completion of the Firm Transmission Feasibility Study whether a System Impact Study will be needed to more fully assess and identify the Network Upgrades and/or Local Upgrades that will be needed to accommodate all or part of the Eligible Customer's request for service or that no costs are likely to be incurred for new transmission facilities or upgrades. In the event that Transmission Provider determines that a System Impact Study will be needed, the procedures and other terms of Tariff, Part VI shall apply to the Completed Application.

32.5 Penalties for Failure to Meet Study Deadlines:

Tariff, Part II, sSection 19.8 defines penalties that apply for failure to meet the study completion due diligence deadlines for Firm Transmission Feasibility Studies, System Impact Studies, and Facilities Studies for Eligible Customers. These same requirements and penalties apply to service under Tariff, Part III~~-of the Tariff~~.

33.3 Cost Responsibility for Relieving Transmission Constraints:

Whenever the Transmission Provider implements least-cost redispatch procedures in response to a transmission constraint, the Transmission Owners and the Network Customers will bear the costs of such redispatch in accordance with Tariff, Attachment K.

34.1 Monthly Demand Charge:

(a) The Network Customer shall pay a monthly Demand Charge for Zone Network Load and Non-Zone Network Load, which shall be determined as follows:

MDC = Sum of MDCZ for all Zones plus the MDCNZ for Non-Zone Network Load

MDCZ = Sum of DDCZ for each day of the calendar month for the Zone

DDCZ = DCPZ X RTZ/365

MDCNZ = Sum of DDCNZ for each day of the calendar month for Non-Zone Network Load

DDCNZ = DCPNZ X RTNZ/365

Where:

MDC is the monthly demand charge

MDCZ is the monthly demand charge for a Zone

DDCZ is the daily demand charge for a Zone

DCPZ is the daily load of the Network Customer located within a Zone coincident with the annual peak of the Zone (as adjusted pursuant to [Tariff, Part III, sections 34.2 and Tariff, Part III, section 34.3](#) ~~below~~).

RTZ is the rate for Network Integration Transmission Service from Attachment H for the Zone in which the Zone Network Load is located, stated in dollars per megawatt per year

MDCNZ is the monthly demand charge for Non-Zone Network Load

DDCNZ is the daily demand charge for Non-Zone Network Load

DCPNZ is the daily transmission responsibility for Non-Zone Network Load

RTNZ is the rate for Network Integration Transmission Service for Non-Zone Network Load from [Tariff](#), Attachment H-A, stated in dollars per megawatt per year

The zonal daily load (DCPZ) of the Network Customer shall be the sum of the Network Customer's individual wholesale and retail customer Zone Network Loads (including losses) at the time of the annual peak of the Zone in which the load is located. For Non-Zone Network Load, the daily transmission responsibility of the Network Customer shall be the sum of the

Network Customer's Network Load at the border of the PJM Region at the time of the annual peak of such region; provided that Non-Zone Network Load that is subject to charges for network integration transmission service under the open-access transmission tariff of the Midwest Independent Transmission System Operator, Inc. shall be excluded from this calculation if such load commenced being served on or after April 1, 2004 pursuant to an application for service submitted on or after November 17, 2003.

34.3 Netting of Non-Retail Behind The Meter Generation.

Netting of Behind The Meter Generation for Network Customers with regard to Non-Retail Behind The Meter Generation shall be subject to the following limitations:

For calendar year 2006, 100 percent of the operating Non-Retail Behind The Meter Generation shall be netted, provided that the total amount of Non-Retail Behind The Meter Generation in the PJM Region does not exceed 1500 megawatts (“Non-Retail Threshold”). For each calendar year thereafter, the Non-Retail Threshold shall be proportionately increased based on load growth in the PJM Region but shall not be greater than 3000 megawatts. Load growth shall be determined by Transmission Provider based on the most recent forecasted weather-adjusted coincident summer peak of the PJM Region divided by the weather-adjusted coincident peak for the previous summer for the same area. After the load growth factor is applied, the Non-Retail Threshold will be rounded up or down to the nearest whole megawatt and the rounded number shall be the Non-Retail Threshold for the current year and shall be the base amount for calculating the Non-Retail Threshold for the succeeding year. If the total amount of Non-Retail Behind The Meter Generation in the PJM Region exceeds the Non-Retail Threshold, the amount of operating Non-Retail Behind The Meter Generation that the Network Customer may net shall be adjusted according to the following formula:

$$\text{Network Customer Netting Credit} = (\text{NRT} / \text{PJM NRBTMG}) * \text{Network Customer operating NRBTMG}$$

Where: NRBTMG is Non-Retail Behind The Meter Generation

NRT is the Non-Retail Threshold

PJM NRBTMG is the total amount of Non-Retail Behind The Meter Generation in the PJM Region

The total amount of Non-Retail Behind The Meter Generation that is eligible for netting in the PJM Region is 3000 megawatts. Once this 3000 megawatt limit is reached, any additional Non-Retail Behind The Meter Generation which operates in the PJM Region will be ineligible for netting under this section.

In addition, the Network Customer NRBTMG Netting Credit shall be adjusted pursuant to [Tariff](#), Schedule 15-~~of this Tariff~~, if applicable.

A Network Customer shall be required to report to the Transmission Provider such information as is required to facilitate the determination of its NRBTMG Netting Credit in accordance with the procedures set forth in the PJM Manuals.

The annual peaks for purposes of the above calculation shall be determined from the twelve month period ending October 31 of the calendar year preceding the calendar year in which the billing month occurs. For new Network Load that was not connected to the Transmission System during such entire twelve month period, the Transmission Provider in coordination with

the affected Transmission Owners and electric distribution companies shall determine the appropriate peak load responsibility to be used until the annual peaks are determined for the next twelve month period ending October 31.

(b) Nothing herein shall entitle any Transmission Owner or Network Customer to establish a zone that is smaller than or a portion of a Zone set forth in Tariff, Attachment J.

34.4 Redispatch Charge:

The Network Customer and each Transmission Owner shall pay any redispatch costs as set forth in Tariff, Attachment K.

35.2 Network Operating Agreement:

The terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Tariff, Part III~~-of the Tariff~~ shall be specified in the Network Operating Agreement. The Network Operating Agreement shall provide for the Parties and the Transmission Owners to (i) operate and maintain equipment necessary for integrating the Network Customer within the Transmission Provider's Transmission System (including, but not limited to, remote terminal units, metering, communications equipment and relaying equipment), (ii) transfer data between the Transmission Provider and the Network Customer (including, but not limited to, heat rates and operational characteristics of Network Resources, generation schedules for units outside the Transmission Provider's Transmission System, interchange schedules, unit outputs for redispatch required under Tariff, Part III, sSection 33, voltage schedules, loss factors and other real time data), (iii) use software programs required for data links and constraint dispatching, (iv) exchange data on forecasted loads and resources necessary for long-term planning, and (v) address any other technical and operational considerations required for implementation of Tariff, Part III~~-of the Tariff~~, including scheduling protocols. The Network Operating Agreement will recognize that the Network Customer shall either (i) operate as a Control Area under applicable guidelines of the Electric Reliability Organization (ERO) as defined in 18 C.F.R. § 39.1, (ii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with the Transmission Provider, or (iii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with another entity, consistent with Good Utility Practice, which satisfies the applicable reliability guidelines of the ERO. The Transmission Provider shall not unreasonably refuse to accept contractual arrangements with another entity for Ancillary Services. The Network Operating Agreement is included in Tariff, Attachment G.

ATTACHMENT C

Methodology To Assess Available Transfer Capability

The Transmission Provider will be solely responsible for determinations of Available Transfer Capability (ATC). The Transmission Provider will post firm and non-firm ATC projections on the OASIS for interfaces between neighboring Balancing Authorities and the PJM Region, and other path locations of significant commercial interest will be added as appropriate.

ATC of a particular path is an approximate indication of the anticipated transmission transfer capability remaining on the transmission network that could be scheduled for further commercial activity relative to the designated path under the conditions studied. Specific study of conditions, including source and sink of generation and load, is required before firm transmission service commitments can be made.

Transfer capability of the transmission network is limited by physical and electrical characteristics of the system including thermal equipment loading, voltage, and stability considerations and provisions of coordination agreements. Transfer capability is evaluated based on base system loading and an assessment of critical contingencies on the transmission system. The critical contingencies will be defined as appropriate. The Transmission Provider's calculation of transfer capability will be consistent with the principles in the NERC standards. These calculations will be performed through a combination of planning and operational analyses, employing both Energy Management System real-time functionality and off-line analytical tools as appropriate. Firm and non-firm ATC will be determined consistent with NERC standards, taking into account the Transmission Reliability Margin (TRM), Existing Transmission Commitments (ETC) and Capacity Benefit Margin (CBM) (see below) in order to preserve the emergency capability of the PJM Region to serve load serving entities. Firm ATC on any path will be limited to assure that emergency import capability will be available to Network Customers when needed through the reservation of capacity benefit margin, equivalent to a firm point-to-point transmission service reservation for delivery from systems outside of the PJM Region to serve the load serving entities within such region.

Determination of ATC requires that base system conditions be identified and modeled for the period being analyzed. These conditions include projected demand, anticipated generation availability, anticipated transmission system facility availability, expected energy transactions, and information about neighboring regions that affect the transfer capability of the PJM Region. For hourly through monthly calculations, these conditions are based on the Transmission Provider's operational assessments of load trends, unit commitment profiles, maintenance schedules and ETC. Long-term calculations are based on planning loads, expected maintenance schedules, typical generation patterns, and ETC.

Any dispute regarding a determination of ATC by the Transmission Provider, or regarding the data used by the Transmission Provider in such a determination, shall be resolved pursuant to the dispute resolution procedures of Tariff, Part I, s~~Section 12-of this tariff.~~

ATC and AFC Calculations Using Flowgate Methodology

The Available Flowgate Capability (AFC) calculation methodology used by the Transmission Provider is the Flowgate Methodology as described in the Available Transfer Capability Implementation Document (ATCID). The ATCID is included on the PJM OASIS page under ATC information. The Flowgate Methodology uses analytical tools to examine critical flowgates over the PJM Region and adjacent regions (per seams agreements) and converts AFC values into particular path ATC values, which are posted on the PJM OASIS. For Firm and Non-firm Transmission Service ATC calculations, the Transmission Provider shall account for Postbacks of redirected services, unscheduled service, and counterflows. PJM critical flowgates may include, but are not limited to thermal flowgates, voltage/stability flowgates, coordinated flowgates, and reciprocal coordinated flowgates.

Overview and Process Flow Diagram

The process for the Transmission Provider's AFC/ATC calculation is illustrated in the Exhibit 1 flow diagram. The text that follows describes the inputs, outputs and processes performed within each of the sub-processes contained in Exhibit 1. The Transmission Provider calculates Firm and Non-firm Transmission Service ATC for the scheduling horizon (same day and real-time), operating horizon (day ahead and pre-schedule), and planning horizon (beyond the operating horizon).

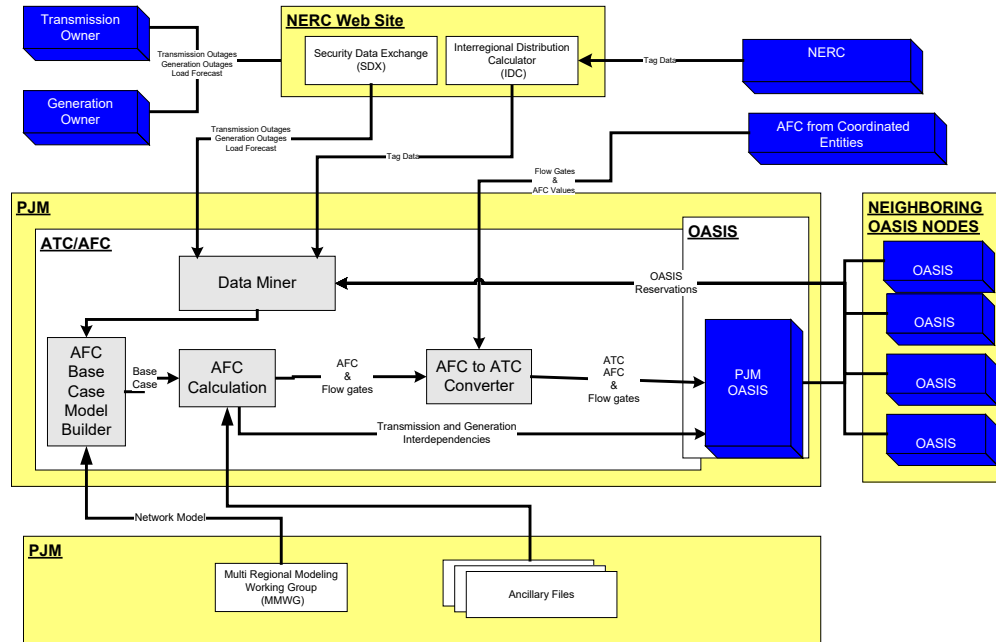


Exhibit 1

AFC Flowgate Methodology

Determining AFC and ATC using the Flowgate Methodology is a multi-step integrated process which is described in detail in the ATCID. PJM uses the following mathematical algorithms to calculate AFC and ATC. The actual detailed AFC and ATC algorithms are available on the PJM OASIS website at the following link:

<ftp://ftp.pjm.com/oasis/afc-atc-algorithms.pdf>

$$\text{AFC} = \text{flowgate rating} - \text{ETC} - \text{TRM} - \text{CBM} + \text{Postbacks} + \text{counterflows}.$$

The AFC Calculation is the amount of unused transfer capability on a flowgate after accounting for base case conditions represented by solved base case flows and applying the impacts of non-base case commitments and flowgate specific margins.

$$\text{ATC} = \text{Minimum}\{\text{AFC}_1 / \text{Transfer Response Factor}, \dots, \text{AFC}_n / \text{Transfer Response Factor}\}$$

The AFC to ATC converter translates the flowgate AFC values into path ATC values for posting to the OASIS. The ATC calculation is the minimum AFC of a set of limiting flowgates divided by the transfer response factor or distribution factor on the respective flowgate for a specific Point of Receipt/Point of Delivery pair. The Available Share of Total Flowgate Capability (ASTFC) as prescribed by a congestion management process agreement (e.g., the CMP included in the Joint Operating Agreement between the Midwest Independent Transmission System Operator, Inc. and PJM) may be less than the calculated AFC. The posted AFC is set by the ASTFC or the calculated AFC, whichever is most limiting.

An overview of the major components of this process is described below:

- The AFC to ATC converter process utilizes the coordination entity calculated AFC values for non-PJM flowgates. AFC values for coordination entity flowgates calculated by the coordination entity overwrite values that the Transmission Provider's process determines for these Flowgates.
- The Transmission Provider supplies coordination entities with similar values for PJM Flowgates for inclusion in the coordination entity's AFC process.
- Values provided to the OASIS from the AFC/ATC process are continually updated on the OASIS to reflect the reservations or schedules that were accepted or confirmed since the last complete calculation cycle.

Data Miner

Transmission Provider, through data miner process, gathers data from the Transmission Provider and external sources to use as inputs to the AFC/ATC process. These external sources are included in the Transmission Provider's ATCID.

Model Builder

The Transmission Provider develops and maintains seasonal models for the next 18 months. These seasonal models will be developed from the NERC MMWG case library modified for any known model updates. The Transmission Provider's AFC/ATC calculations are based on these seasonal models. The model builder portion of the AFC/ATC engine modifies these seasonal base cases to reflect anticipated conditions such as forecasted load levels, outages, generation dispatch files, and base case transfers (reservations and/or schedules as appropriate) for the AFC/ATC time horizon. The base case models are refined to reflect transmission outages and generation unavailability as provided by the NERC SDX data. Load levels are appropriately adjusted to reflect the modeled conditions using the NERC SDX data. Relevant balancing authorities external to the PJM footprint will be modeled at the appropriate load level with the generation scaled to match loads.

The Transmission Provider develops monthly, weekly, daily, and hourly AFC cases. These cases serve as the base case models for the AFC calculation for a specific period. Solved base case models for monthly, weekly, daily, and hourly time frames are developed multiple times each day consistent with NERC standards.

The Transmission Provider models some flowgates without contingencies and some with contingencies.

The flowgates modeled without contingencies are the Power Transfer Distribution Factor (PTDF) flowgates, which are flowgates where a single facility or multiple transmission facilities are monitored for a limiting condition. The limiting condition can be due to thermal loading above 100% of the normal rating or due to a thermal rating above 100% of the surrogate rating representing an equivalent voltage or stability limit.

The flowgates modeled with contingencies are the Outage Transfer Distribution Factor (OTDF) flowgates, which are flowgates where a single facility or multiple transmission facilities are monitored for a limiting condition after a contingency event has been simulated to have occurred (one or multiple facilities for the loss of another facility or facilities). The limiting condition monitored can be due to thermal loading above 100% of the 4 hour emergency rating.

For flowgates owned by other parties, Transmission Provider uses the limit provided by that party, subject to the terms of the AFC Coordination and Congestion Management Process sections of the applicable agreements between Transmission Provider and the other parties.

AFC Calculation

The Transmission Provider's AFC/ATC calculation implements the following principles for firm and non-firm ATC calculations: (1) for firm ATC calculations, the Transmission Provider shall account only for firm commitments; (2) for non-firm ATC calculations, the Transmission Provider shall account for both firm and non-firm commitments. Reservations from the PJM and non-PJM OASIS sites are utilized. Flow based analysis will be used to determine and update flowgate loadings for reservations not modeled in the base case and to determine response factors on each flowgate. Flowgate loadings and response factors will be used to determine the individual path ATC values.

- The Transmission Provider recognizes physical network limitations (i.e., flowgates) on PJM and appropriate non-PJM systems in the determination of the path ATC values.
- AFC values received from coordination entities are calculated by those entities according to their AFC methodology.

AFC to ATC Conversion

To calculate ATC, which represents a transfer capability in MW available for sale between a specific Point of Delivery and Point of Receipt, the Transmission Provider will first calculate an AFC for each flowgate. An AFC is defined as follows:

- The available capability in MW on a flowgate, determined by the transmission provider, that is available for further commercial activity. The available capability determined will be dependent on the generation, loads and transmission configuration assumed for the time period studied.

- The AFC accounts for thermal, voltage and stability limits under both pre and post contingency conditions, along with any existing transmission commitments, TRM and CBM.
- The AFC is used to determine the amount of MWs that can be transferred between a specific set of source and sink points. An AFC is skipped using on-the-path logic if the flowgate owner is either the Point of Receipt or Point of Delivery on the path being calculated. The non-firm ATC calculation for the willing-to-pay congestion product on the OASIS includes only external flowgates.
- Counterflow and Postbacks are considered in the calculation of AFC.

Coordination with Neighboring Systems

The Transmission Provider exchanges data with neighboring systems. The Transmission Provider provides transmission reservations, AFC values for Transmission Provider flowgates, and other data. This coordination results in comparable inputs to the AFC calculations. The Transmission Provider utilizes similar information provided by coordinating entities.

Treatment of Existing Transmission Commitments

ETC is committed use of the transmission system, including: (1) Transmission Provider's reservations in accepted or confirmed status; (2) native load commitments; Network Integration Transmission Service; (3) grandfathered transmission rights; (4) Firm Point-To-Point Transmission Service reservations; and if required (5) rollover rights associated with long-term firm service (Point-To-Point Transmission Service and Network Integration Service or grandfathered transmission rights). Existing commitments modeled in the load flow base cases determine the initial flows on the facilities. To the extent there are existing transactions that qualify for rollover rights, they are incorporated in the committed usage.

PJM OASIS reservations that are withdrawn, retracted (not confirmed) or annulled are removed from the ETC and any resulting changes to ATC are incorporated in the next OASIS posting of ATC calculated values. The Transmission Provider's firm and non-firm ATC calculations also account for permanently redirected services, unscheduled service, and counterflows. In the scheduling and operating horizons, reservation impacts are substituted with scheduled impacts. That is, the reservation impact component of ETC is set to zero and the schedule impacts component of ATC is used. In the planning horizon, reservation impacts are used because requests to schedule are often not received in this horizon. That is, the reservation impact component of ETC is set based on Transmission Service Requests for which Transmission Provider has committed to provide service and the schedule impacts component of ATC is set to zero. Additional information is included on this subject in the Transmission Provider's ATCID.

External Flowgates

Flowgates are used in the AFC and ATC calculations. PJM adds or eliminates external flowgates based on the Joint Operating Agreement Between the Midwest Independent

Transmission System Operator, Inc. And PJM Interconnection, L.L.C. (“Midwest ISO JOA”, Article V (FERC Electric Tariff, First Revised Rate Schedule No. 38, *see*, Section 4.2 – Cost of Data and Information Exchange up to and including Section 5.1.12 – Coordination of Transmission Reliability Margin Values); Joint Operating Agreement Among And Between PJM Interconnection, L.L.C., And Progress Energy Carolinas (“PEC JOA”), Article Five (FERC Electric Tariff, First Revised Rate Schedule No. 50, *see*, Article 9 – Coordinated Transmission Planning Studies up to and including Article 12 – Managing Parallels Flow on the VACAR/PJM Interface); and Joint Reliability Coordination Agreement Among And Between Midwest Independent Transmission System Operator, Inc., PJM Interconnection, L.L.C., And Tennessee Valley Authority (“JRCA”), Article Five (the JRCA is not a filed FERC rate schedule; however, Article Five of the JRCA is identical to Article V of the Midwest ISO JOA and Article Five of the PEC JOA). PJM adds or eliminates internal flowgates, at least annually, based on a review of historic operating constraints including flowgates that have been in Transmission Loading Relief (TLR) and other operating conditions as deemed appropriate.

Internal Flowgates

Transmission Provider determines base case flows using the AFC engine. Transmission Provider runs the AFC engine hourly (except in the case of a technical error, system error or planned system outage). The base run includes native and network load (from the load forecast), transmission service that is expected to be scheduled (grandfathered, point-to-point and imports from designated Network Resources), outages and load forecast. Base case flow inputs are updated at least once per day. In the scheduling and operating horizons, Transmission Provider updates scheduled transmission service for each run of the AFC engine. Transmission Provider models all grandfathered agreements and other non-Tariff use of the transmission system as firm service or load. Transmission Provider does not segregate non-Tariff service in the AFC calculation.

On an annual basis (or sooner if required by NERC MOD Standards), PJM shall review internal flowgates using the following methodology:

- a. The Transmission Provider shall include all flowgates in its footprint that have initiated a TLR event in the 12 months prior to the annual review.
- b. The Transmission Provider shall include applicable System Operating Limit (SOL) and Interconnection Reliability Operating Limits (IROL) flowgates per NERC TOP-002 R-12 standards (or successor). Any facility that PJM monitors that is not considered an IROL facility is consider a SOL. Applicable SOL and IROL flowgates shall include at a minimum those flowgates identified in the TRM process described in this Attachment C AFC process.
- c. The Transmission Provider shall add or remove flowgates to its AFC process in accordance with NERC MOD standards.

The Transmission Provider may eliminate flowgates that do not continue to meet the criteria above.

A reservation with rollover rights is reflected in ETC in the amount of transmission service reserved as if the customer has exercised its rollover right. If the deadline for a customer to exercise its rollover right for a given reservation has passed, and the customer did not exercise its rollover right, the amount associated with the unexercised rollover right no longer is included in the amount of reservations.

Treatment of Capacity Benefit Margin

Explanation of CBM

Transmission Provider uses the NERC approved definition of CBM, which is the amount of firm transmission transfer capability preserved by Transmission Provider for Load-Serving Entities (LSEs), whose loads are located on that Transmission Provider's system, to enable access by the LSEs to generation from interconnected systems to meet generation reliability requirements. The transmission transfer capability preserved as CBM is intended to be used by an LSE only in times of emergency generation deficiencies. Additional information is included in the Transmission Provider's Capacity Benefit Margin Implementation Document (CBMID) posted on the PJM OASIS page under ATC Information.

The CBM is a reliability margin applied to the flowgate in the AFC Calculation. CBM is only applied to firm ATC calculations where the PJM Region is the delivery point. The Transmission Provider consistently applies CBM in planning and operations and does not double count for this reliability margin (i.e., this margin is not included in TRM). For non-PJM flowgates, the Transmission Provider uses the CBM values provided by coordination entities for the AFC calculation on these flowgates.

Through the sharing of installed generating capacity via transmission interconnections, systems have relied on transmission import capability to reduce their required installed generating capacity necessary to provide reliable service to Network Customers. In order to ensure that PJM has the ability to import external generation for the purpose of serving Network Customers, a portion of the transfer capability will be set aside. CBM is set aside on paths based on the expected delivery of energy from entities with which the Transmission Provider has emergency energy agreements at the time of the Transmission Provider's forecast peak load. This capability, known as the Capacity Benefit Margin, is a reflection of the mutual benefit of interconnected operations and reservation of this margin allows a system to reduce its installed generating capacity below that which may have otherwise been required if transmission interconnections did not exist.

The CBM is determined through the auspicious of the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region (PJM Rate Schedule FERC No. 44) (RAA). Capitalized terms in this section that are not defined in this section or [Tariff, Part I](#), section 1 ~~of the Tariff~~ are defined in the RAA.

CBM is determined through the Transmission Planning Evaluation of Import Capability. This evaluation establishes the amount of emergency power that can be reliably transferred to the PJM Region from adjacent regions in the event of a PJM Region generation capacity deficiency. To determine the import transfer limit, several emergency scenarios are replicated and the limit

represents a normalization of expected values. This transfer limit determines the PJM Region tie benefit that is subsequently used in calculating the PJM Region reserve requirement. An annual recalculation of the PJM Region import capability is not required, since the import capability far exceeds the CBM value specified in RAA, Schedule 4 ~~of the RAA~~.

CBM is a key input into the annual resource adequacy study performed by Transmission Provider. The purpose of this study is to determine the PJM Region Installed Reserve Margin (IRM) required by the PJM Region to satisfy a one day in 10 year Loss of Load Expectation (LOLE). Transmission Provider uses a probabilistic methodology to perform the resource adequacy study. The study assumptions and results are subject to stakeholder review and comment. The resulting IRM is expressed as a percentage of the forecasted annual peak load.

The CBM assessment in the PJM Region is a unique method that is regionally specific because interface capability greatly exceeds CBM and because Transmission Provider centrally secures capacity for the PJM Region capacity market.

Transmission Provider's annual resource adequacy study is based on the probabilistic methods and criteria described in RAA, Schedule 11 ~~of the RAA~~, the Operating Agreement and in the PJM Manuals. The resource adequacy study considers the following data and forecasts as necessary:

1. Seasonal peak load forecasts for each Planning Period as calculated by Transmission Provider in accordance with the PJM Manuals reflecting (a) load forecasts with a 50 percent probability of being too high or too low and (b) summer peak diversities determined by Transmission Provider from recent experience.
2. Forecasts of aggregate seasonal load shape of the parties bound by the RAA which are consistent with forecast averages of 52 weekly peak loads prepared by Transmission Provider.
3. Variability of loads within each week, due to weather, economic forecast uncertainty, and other recurring and random factors, as determined by Transmission Provider.
4. Generating unit capability and types for every existing and proposed unit.
5. Generator Forced Outage rates for existing mature generating units based on data submitted by generation owners, and for immature and proposed units based upon forecast rates related to unit types, capabilities and other pertinent characteristics.
6. Generator Maintenance Outage factors and planned outage requirements based on forecasts and historical data submitted by the generation owners.
7. Miscellaneous adjustments to capacity due to all causes, as determined by the Office of the Interconnection, based on forecasts submitted by the generation owners.
8. The emergency capacity assistance available due to interconnections of the PJM Region with other balancing authorities, as limited by the capacity benefit margin considered in

the determination of available transfer capability and the probable availability of generation in excess of load requirements in such areas.

The value of the capacity benefit margin as filed as part of the RAA periodically is reviewed by Transmission Provider, in consultation with the Members Committee, and can be modified, if necessary, to balance external emergency capacity assistance and internal installed capacity reserves so as to minimize the total cost of the capacity reserves of the RAA participants, consistent with the Reliability Principles and Standards.

Use of CBM in an Emergency

The procedures for the use of CBM in an emergency, are described in Section 2 of PJM Manual 13: Emergency Operations and are consistent with NERC and ReliabilityFirst Corporation's Energy Emergency Alert defined in NERC's EOP-002 standards. Transmission Provider is responsible for declaring the existence of an emergency, and for directing the operations of the PJM Members as necessary to manage, alleviate, or end a capacity shortage. Transmission Provider uses CBM in an emergency only on behalf of LSEs. LSEs only use CBM through the Transmission Provider's use of CBM on the LSEs behalf.

Emergency use of CBM will be considered use of Network Integration Transmission Service and there will be no additional charge for such use. Because an area is in an EEA 2 and Transmission Provider is taking steps to avoid shedding firm load, the use of CBM will have a NERC curtailment priority of 7 and will only be curtailed with other firm uses on a proportional basis.

Transmission Provider utilizes CBM on behalf of LSEs as described below.

- Transmission Provider reviews the level of dependency on external transactions to serve the load in the PJM Region. Transmission Provider shall log occurrences where CBM is implemented. Transmission Provider shall notify external systems via the Reliability Coordinator Information System (defined in NERC EOP-002) or successor, a communications tool located at the NERC website to post potential or actual alert information, and Transmission Provider Members via the Transmission Provider's website and issue appropriate NERC alert levels consistent with NERC EOP- 002.
- CBM shall be used only after the following steps have been taken: all non-firm sales have been terminated, direct-control load management has been implemented, and customer interruptible demands have been interrupted. Due to the nature of emergencies, Transmission Provider may skip or reorder the steps in accordance with Good Utility Practice. CBM may be used to reestablish Operating Reserves.
- CBM shall only be used if the PJM Region is experiencing a generation deficiency to increase generation in the PJM Region. Transmission Provider shall use CBM, on behalf of an LSE, in order to exercise emergency energy agreements and to implement approved emergency energy bids. Transmission Provider does not displace Non-Firm Point-To-Point Transmission Service and/or secondary service, described in Tariff, Part III, section 28.4 ~~of the Tariff~~, imports until the Transmission System is constrained. If the

Transmission System is constrained, CBM is used by Transmission Provider to displace such imports to provide more reliable service to load during capacity deficiencies.

- Unused CBM is included in the AFC/ATC calculations as Non-Firm Point-To-Point Transmission Service and/or secondary service, described in [Tariff, Part III](#), section 28.4.

Transmission Planning Evaluation of Import Capability

The Transmission Provider conducted an Expected Import Capability Study (EICS) to evaluate the emergency import limits of the Transmission Provider under summer peak conditions. That study showed the Transmission Provider's import capability limit. This limit is evaluated annually to assess whether the CBM value should be changed. This evaluation is discussed in the annual PJM Reserve Requirement Study (RRS). While the Transmission Provider can import more than the CBM value issued in the study, the additional import capability is reflected in ATC through the OASIS postings. This allows the additional import capability to be used in the marketplace. The reliability benefit of CBM saturates near the limit issued in the RRS.

Treatment of Transmission Reliability Margin (TRM)

The Transmission Reliability Margin (TRM) is a reliability margin applied to the flowgate in the AFC Calculation. TRM accounts for the inherent uncertainty in system conditions and its associated effects on ATC calculations and the need for operating flexibility to ensure reliable system operation as system conditions change. The Transmission Provider, following the NERC MOD-008-1, or successor Reliability Standard, calculates TRM for flowgates and may include uncertainty items using a process described in the Transmission Reliability Margin Implementation Document (TRMID). The flowgates are identified following NERC MOD-030-2, or successor Reliability Standard, through processes described in the ATCID. Both the TRMID and ATCID are posted PJM OASIS page under ATC Information.

Transmission Provider calculates TRM using the following methodology:

1. TRM shall be set using components of uncertainty identified in the TRMID for all PJM flowgates except as noted below.
2. TLR and IROL. TRM shall be considered using components of uncertainty identified in the TRMID for all flowgates that had TLR issued in the 12 months prior to Transmission Provider's annual TRM re-evaluation and are Interconnection Reliability Operating Limits (IROLs) located in PJM Manual 37: Reliability Coordination.
3. Constrained Operations. TRM may be set using components of uncertainty identified in the TRMID for flowgates that were bound constrained in the 12 months prior to Transmission Provider's annual TRM re-evaluation.

4. Current and Expected Operating Conditions. During times of unusual circulation or other operating conditions, Transmission Provider may set a larger TRM than indicated in sections 1, 2, and 3 above.
5. Historic Conditions. Notwithstanding sections 1, 2, and 3 above, Transmission Provider may set TRM on specific flowgates consistent with components of uncertainty identified in the TRMID and NERC MOD-008-1, or successor Reliability Standard.
6. For non-PJM flowgates, the Transmission Provider uses the TRM values provided by coordination entities for the PJM AFC calculation on these flowgates in accordance with applicable agreement with such entities.

Transmission Provider uses data from Transmission Provider's Energy Management System (EMS) historic database, IROL and NERC's Interchange Distribution Calculator (IDC) in the calculation of TRM.

Transmission Provider uses TRM in all AFC calculations. Transmission Provider includes TRM in the AFC/ATC calculation to provide a reasonable level of assurance that the interconnected transmission network will be secure. TRM is not scheduled against or explicitly used for the delivery of energy. It is preserved as a reliability margin to reflect the uncertainty of the operation of the electric system (i.e., to prevent oversubscription of the transmission system). Transmission Provider flowgates with their TRM, CBM, and ratings are posted on the PJM OASIS paged under ATC Information at:

<ftp://ftp.pjm.com/oasis/fgates-definitions-posting.csv>

Total Transfer Capability (TTC)

The Total Transfer Capability (TTC) is the amount of transfers that can be reliably delivered across the interconnected transmission system for the forecasted conditions. The Transmission Provider uses the network AFC methodology to calculate ATC, which does not use TTC as an input. The flowgate rating is an equivalent starting point in the AFC calculation. However, a TTC value is derived as an output and is posted.

ATTACHMENT C-1

Conversion of Service in the ATSI Zone

The Office of the Interconnection is scheduled to become the Transmission Provider for the ATSI Zone under the terms of this Tariff on June 1, 2011 and the open access transmission tariff of the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") shall be superseded with respect to the ATSI Zone. Reservations purchased on the Midwest ISO nodes prior to the integration of the ATSI Zone shall be converted to the appropriate service under this Tariff and subject to the rates, terms and conditions of this Tariff. In addition, interconnection requests under the Midwest ISO tariff pending prior to the integration of the ATSI Zone shall be converted to requests for interconnection under this Tariff. This Attachment sets forth the principles that shall govern such conversions of service.

For service with an export from the ATSI Zone and an import to the remainder of the PJM Region (or vice-versa), the transmission service will be converted into a single reservation under this Tariff. For service with an export from the ATSI Zone and an import to the Midwest ISO Region (or vice-versa), the transmission service cannot be converted into a single reservation. Customers who have reservations that need to be converted will be contacted directly by the Office of the Interconnection. Not all transmission service provided under the Midwest ISO tariff exactly matches a service under this Tariff. Differences include variations in product definitions and PJM Region LMP pricing points. These variances in transmission requests will be converted into the defined product types explained below. The guidelines for the conversion of service are as follows:

1. All existing reservations will retain the same capacity (in megawatts) and will be converted to a comparable PJM product and duration with the applicable point of receipt, point of delivery, and path. Firm Point-to-Point Transmission Service redirected on a non-firm basis to Secondary Receipt or Delivery Points under the Midwest ISO tariff prior to the ATSI integration date will be converted to service under this tariff on the basis of the original firm points of receipt and delivery. Firm Point-to-Point Transmission Service redirected on a firm basis under Tariff, Part II, section 22.2 (Modification on a Firm Basis) (or equivalent) of the Midwest ISO tariff prior to the ATSI integration date will be converted to service under this tariff on the basis of the modified firm points of receipt and delivery.
2. All ATSI Zone Midwest ISO reservations extending past the integration date must select Source and Sink LMP pricing points, where applicable, willing to pay through (or not), a new product if applicable. Willing to pay congestion (or not) must be determined no later than 12:00 noon EPT, 30 days prior to the ATSI integration start date. In the event the customer does not choose within the allotted deadline above, PJM will convert the service to the most closely analogous service under the PJM Tariff, in PJM's judgment. Willing to pay congestion is optional for non-firm and non-designated transmission service; Firm service, by definition, is willing to pay congestion. All converted service (as they exist) will be placed on the PJM OASIS no later than 30 days prior to the ATSI integration start date.

3. All Midwest ISO ATSI Zone import reservations will be converted to one of the following service types as defined by this Tariff or on the PJM OASIS: Spot market, Non-Firm Point-to-Point, Firm Point-to-Point, Network Designated or Network Non-Designated. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.

All service with an export to the ATSI Zone and an import to the Midwest ISO will be represented with new PJM reservations with one of the following service types as defined by this Tariff or on the PJM OASIS: Non-Firm Point-to-Point, or Firm Point-to-Point. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.

4. All existing ATSI Zone Midwest ISO extended transmission requests (i.e. monthly, weekly, daily) that span multiple months will be converted to their largest individual components as defined on the PJM OASIS. For example, a monthly request from October 1 to December 1 will be converted to two individual monthly requests, October 1 to November 1, and November 1 to December 1; and a daily request from January 1 of one year to January 1 of the next year will be converted to yearly service.
5. Sliding monthly service (i.e. monthly service that does not run from the first day of the given month to the last day of the given month) will be converted to weekly and daily service.
6. Sliding weekly service (i.e. weekly service that does not run from Monday at 00:00 to Sunday at 23:59) will be converted to daily service.
7. Transmission service that is not currently confirmed on the Midwest ISO OASIS nodes and is in an active state such as “Received”, “Queued” or “Study” will be transferred to the integrated PJM OASIS node and will maintain its initial queued date.
8. All “Grandfathered” requests that exist on the ATSI Zone Midwest ISO OASIS nodes will require a reservation on the PJM OASIS node.
9. To facilitate the OASIS transition, from one month prior to the respective integration start date until such integration start date, requests for service that are active on or after such date one month prior to the integration start date should be made on both the pre-integration transmission owner or OASIS nodes and the PJM OASIS nodes.
10. Reservations will be converted based on the priority of the product.
11. Although the Office of the Interconnection will attempt to convert existing transmission reservations into comparable reservations on the PJM OASIS, there will be unique instances where this will not be possible (e.g., reliability issues, etc.). In this case, reservations will be reviewed on a case-by-case basis. Transmission service that is not currently accepted on the ATSI Zone Midwest ISO OASIS nodes and is in an active state

such as “Received”, “Queued” or “Study” will be assigned the same status and queue position on the PJM OASIS as it had on the Midwest ISO OASIS prior to conversion.

12. Converted Point-to-Point and Network transmission service reservations that intersect with or begin after the integration commencement date will be posted to the PJM OASIS web page on a weekly basis. The web page will identify the original ATSI Zone Midwest ISO reservation and the new PJM OASIS reservation.
13. An Interconnection Request pending under the Midwest ISO OATT at the time of the integration of the ATSI Zone shall be assigned the same priority date under this Tariff as such request had under the Midwest ISO’s OATT immediately prior to such integration. The Interconnection Request will be assigned a PJM queue identifier such that the Interconnection Customer’s priority date relative to existing PJM queued Interconnection Requests can be easily determined. All such Interconnection Requests will be integrated into PJM’s existing Interconnection Queue(s), effective on the ATSI integration start date, and will be subject to the generation interconnection procedures under Part IV and Part VI of this Tariff. On the ATSI integration date, PJM will assume the technical studies that have been started by the Midwest ISO. After the studies are complete, the Interconnection Customer will be required to pay for any Network Upgrades and/or Local Upgrades that are needed for the unit to qualify for Capacity Interconnection Rights under the this Tariff.

ATTACHMENT C-2

Conversion of Service in the Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc. (“DEOK”) Zone

The Office of the Interconnection is scheduled to become the Transmission Provider for the Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc. (“DEOK”) Zone under the terms of this Tariff on January 1, 2012 and the open access transmission tariff of the Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”) shall be superseded with respect to the DEOK Zone. Reservations purchased on the Midwest ISO nodes prior to the integration of the DEOK Zone into PJM shall be converted to the appropriate service under this Tariff and subject to the rates, terms and conditions of this Tariff. In addition, interconnection requests under the Midwest ISO tariff pending prior to the integration of the DEOK Zone into PJM shall be converted to requests for interconnection under this Tariff. This Attachment sets forth the principles that shall govern such conversions of service.

For service with an export from the DEOK Zone and an import to the remainder of the PJM Region (or vice-versa), the transmission service will be converted into a single reservation under this Tariff. For service with an export from the DEOK Zone and an import to the Midwest ISO Region (or vice-versa), the transmission service cannot be converted into a single reservation. Customers who have reservations that need to be converted will be contacted directly by the Office of the Interconnection. Not all transmission service provided under the Midwest ISO tariff exactly matches a service under this Tariff. Differences include variations in product definitions and PJM Region LMP pricing points. These variances in transmission requests will be converted into the defined product types explained below. The guidelines for the conversion of service are as follows:

1. All existing reservations will retain the same capacity (in megawatts) and will be converted to a comparable PJM product and duration with the applicable point of receipt, point of delivery, and path. Firm Point-to-Point Transmission Service redirected on a non-firm basis to Secondary Receipt or Delivery Points under the Midwest ISO tariff prior to the DEOK integration date will be converted to service under this tariff on the basis of the original firm points of receipt and delivery. Firm Point-to-Point Transmission Service redirected on a firm basis under [Tariff, Part II, section 22.2](#) (Modification on a Firm Basis) (or equivalent) of the Midwest ISO tariff prior to the DEOK integration date will be converted to service under this tariff on the basis of the modified firm points of receipt and delivery.
2. All DEOK Zone Midwest ISO reservations extending past the integration date must select Source and Sink LMP pricing points, where applicable, and willing to pay congestion (or not), if applicable. Willing to pay congestion (or not) must be determined no later than 12:00 noon EPT, 30 days prior to the DEOK integration start date. In the event the customer does not choose within the allotted deadline above, PJM will convert the service to the most closely analogous service under the PJM Tariff, in PJM’s judgment. Willing to pay congestion is optional for non-firm and non-designated transmission service; Firm service, by definition, is willing to pay congestion. All

converted service (as they exist) will be placed on the PJM OASIS no later than 30 days prior to the DEOK integration start date.

3. All Midwest ISO DEOK Zone import reservations will be converted to one of the following service types as defined by this Tariff or on the PJM OASIS: Spot market, Non-Firm Point-to-Point, Firm Point-to-Point, Network Designated or Network Non-Designated. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.

All service with an export from the DEOK Zone into the Midwest ISO will be represented with new PJM reservations with one of the following service types as defined by this Tariff or on the PJM OASIS: Non-Firm Point-to-Point, or Firm Point-to-Point. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.

4. All existing DEOK Zone Midwest ISO extended transmission requests (i.e. monthly, weekly, daily) that span multiple months will be converted to their largest individual components as defined on the PJM OASIS. For example, a monthly request from October 1 to December 1 will be converted to two individual monthly requests, October 1 to November 1, and November 1 to December 1; and a daily request from January 1 of one year to January 1 of the next year will be converted to yearly service.
5. Sliding monthly service (i.e. monthly service that does not run from the first day of the given month to the last day of the given month) will be converted to weekly and daily service.
6. Sliding weekly service (i.e. weekly service that does not run from Monday at 00:00 to Sunday at 23:59) will be converted to daily service.
7. Transmission service that is not currently confirmed on the Midwest ISO DEOK Zone OASIS nodes and is in an active state such as “Received”, “Queued” or “Study” will be transferred to the integrated PJM OASIS node and will maintain its initial queued date.
8. All “Grandfathered” requests that exist on the DEOK Zone Midwest ISO OASIS nodes will require a reservation on the PJM OASIS node.
9. To facilitate the OASIS transition, from one month prior to the integration start date until such integration start date, requests for service that are active on or after such date one month prior to the integration start date should be made on both the pre-integration transmission owner or OASIS nodes and the PJM OASIS nodes.
10. Reservations will be converted based on the priority of the product.
11. Although the Office of the Interconnection will attempt to convert existing transmission reservations into comparable reservations on the PJM OASIS, there will be unique instances where this will not be possible (e.g., reliability issues, etc.). In this case,

reservations will be reviewed on a case-by-case basis. Transmission service that is not currently accepted on the DEOK Zone Midwest ISO OASIS nodes and is in an active state such as “Received”, “Queued” or “Study” will be assigned the same status and queue position on the PJM OASIS as it had on the Midwest ISO OASIS prior to conversion.

12. Converted Point-to-Point and Network transmission service reservations that intersect with or begin after the integration commencement date will be posted to the PJM OASIS web page on a weekly basis. The web page will identify the original DEOK Zone Midwest ISO reservation and the new PJM OASIS reservation.
13. An Interconnection Request pending under the Midwest ISO OATT at the time of the integration of the DEOK Zone shall be assigned the same priority date under this Tariff as such request had under the Midwest ISO’s OATT immediately prior to such integration. The Interconnection Request will be assigned a PJM queue identifier such that the Interconnection Customer’s priority date relative to existing PJM queued Interconnection Requests can be easily determined. All such Interconnection Requests will be integrated into PJM’s existing Interconnection Queue(s), effective on the DEOK integration start date, and will be subject to the generation interconnection procedures under Tariff, Part IV and Tariff, Part VI ~~of this Tariff~~. On the DEOK integration date, PJM will assume the technical studies that have been started by the Midwest ISO. After the studies are complete, the Interconnection Customer will be required to pay for any Network Upgrades and/or Local Upgrades that are needed for the unit to qualify for Capacity Interconnection Rights under the this Tariff.

ATTACHMENT C-3

Conversion of Service in the EKPC Zone

The Office of the Interconnection is scheduled to become the Transmission provider for the EKPC Zone under the terms of this Tariff on June 1, 2013 and the EKPC tariff shall be superseded with respect to the EKPC Zone. Reservations purchased on the EKPC OASIS nodes prior to the integration of the EKPC Zone which remain in place following the integration date shall be converted to the appropriate service under this Tariff and subject to the rates, terms and conditions of this Tariff. In addition, interconnection requests under the EKPC tariff pending prior to the integration of the EKPC Zone shall be converted to requests for interconnection under this Tariff. This Attachment sets forth the principles that shall govern such conversions of service.

Customers who have reservations that need to be converted will be contacted directly by the Office of the Interconnection. Not all transmission service provided under the EKPC tariff exactly matches a service under this Tariff. Differences include variations in product definitions and PJM Region LMP pricing points. These variances in transmission requests will be converted into the defined product types explained below. The guidelines for the conversion of service are as follows:

1. All existing reservations will retain the same capacity (in megawatts) and will be converted to a comparable PJM product and duration with the applicable point of receipt, point of delivery and path. Firm Point-to-Point Transmission Service redirected on a non-firm basis to Secondary Receipt or Delivery Points under the EKPC tariff prior to the EKPC integration date will be converted to service under this Tariff on the basis of the original firm points of receipt and delivery. Firm Point-to-Point Transmission Service redirected on a firm basis under [Tariff, Part II](#), section 22.2 (Modification on a Firm Basis) (or equivalent) of the EKPC tariff prior to the EKPC integration date will be converted to service under this Tariff on the basis of the modified firm points of receipt and delivery.
2. All EKPC reservations extending past the integration date must select Source and Sink LMP pricing points corresponding to the appropriate interface, where applicable, willing to pay through (or not), a new product if applicable. Willing to pay congestion (or not) must be determined no later than 12:00 noon EPT, 30 days prior to the EKPC integration start date. In the event the customer does not choose within the allotted deadline above, PJM will convert the service to the most closely analogous service under the PJM Tariff, in PJM's judgment. Willing to pay congestion is optional for non-firm and non-designated transmission service; Firm service, by definition, is willing to pay congestion. All converted service (as they exist) will be placed on the PJM OASIS no later than 30 days prior to the EKPC integration start date.

3. All EKPC import reservations will be converted to one of the following service types as defined by this Tariff or on the PJM OASIS. Spot market, Non-Firm Point-to-Point, Network Designated or Network Non-Designated. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.
4. All existing EKPC Zone extended transmission requests (*i.e.* monthly, weekly, daily) that span multiple months will be converted to their largest individual components as defined on the PJM OASIS. For example, a monthly request from October 1 to December 1 will be converted to two individual monthly requests, October 1 to November 1, and November 1 to December 1; and daily request from January 1 of one year to January 1 of the next year will be converted to yearly service.
5. Sliding monthly service (*i.e.*, monthly service that does not run from the first day of the given month to the last day of the given month) will be converted to weekly and daily service.
6. Sliding weekly service (*i.e.*, weekly service that does not run from Monday at 00:00 to Sunday at 23:59) will be converted to daily service.
7. Transmission service that is not currently confirmed on the EKPC OASIS nodes and is in active status such as “Received,” “Queued” or “Study” will be transferred to the integrated PJM OASIS node and will maintain its initial queued date.
8. All “Grandfathered” requests that exist on the EKPC OASIS nodes will require a reservation on the PJM OASIS node.
9. To facilitate the OASIS transition, from one month prior to the respective integration start date until such integration start date, requests for service that are active on or after such date one month prior to the integration start date should be made on both the pre-integration transmission owner or OASIS nodes and the PJM OASIS nodes.
10. Reservations will be converted based on the priority of the product.
11. Although the Office of the Interconnection will attempt to convert existing transmission reservations into comparable reservations on the PJM OASIS, there will be unique instances where this will not be possible (*e.g.*, reliability issues, etc.). In this case, reservations will be reviewed on a case-by-case basis. Transmission service that is not currently accepted on the EKPC Zone OASIS nodes and is in active state such as “Received,” “Queued” or “Study” will be assigned the same status and queue position on the PJM OASIS as it had on the EKPC OASIS prior to conversion.
12. Converted Point-to-Point and Network transmission service reservations that extend beyond or begin after the integration commencement date will be posted to the PJM

OASIS web page on an as-needed basis. The web page will identify the original EKPC Zone reservation and the new PJM OASIS reservation.

13. An Interconnection Request pending under the EKPC tariff at the time of the integration of the EKPC Zone shall be assigned the same priority date under this Tariff as such request had under the EKPC tariff immediately prior to such integration. The Interconnection Request will be assigned a PJM queue identifier such that the Interconnection Customer's priority date relative to existing PJM queued Interconnection Requests can be easily determined. All such Interconnection Requests will be integrated into PJM's existing Interconnection Queue(s), effective on the EKPC integration start date, and will be subject to the generation interconnection procedures under Tariff, Parts IV and Tariff, Part VI ~~of this Tariff~~. On the EKPC integration date, PJM will assume the technical studies that have been started under the EKPC tariff. After the studies are complete, the Interconnection Customer will be required to pay for any Network Upgrades and/or Local Upgrades that are needed for the generating unit to qualify for Capacity Interconnection Rights under this Tariff.

ATTACHMENT C-4

Conversion of Service in the OVEC Zone

The Office of the Interconnection is scheduled to become the Transmission Provider for the OVEC Zone under the terms of this Tariff on March 1, 2018 and the OVEC tariff shall be superseded with respect to the OVEC Zone. Except for certain Grandfathered Arrangements,¹ reservations purchased on the OVEC OASIS nodes prior to the integration of the OVEC Zone which remain in place following the integration date shall be converted to the appropriate service under this Tariff and subject to the rates, terms and conditions of this Tariff. In addition, requests for interconnection under the OVEC tariff pending prior to the integration of the OVEC Zone shall be converted to Interconnection Requests under this Tariff. This Attachment sets forth the principles that shall govern such conversions of service.

Customers who have reservations that need to be converted will be contacted directly by the Office of the Interconnection. Not all transmission service provided under the OVEC tariff exactly matches a service under this Tariff. Differences include variations in product definitions and PJM Region locational marginal prices (“LMP”) pricing points. PJM will convert transmission service and requests for service into the defined product types explained below. The guidelines for the conversion of service are as follows:

1. Existing reservations will retain the same capacity (in whole megawatts) and will be converted to a comparable PJM product and duration with the applicable point of receipt, point of delivery and path. Firm Point-to-Point Transmission Service redirected on a non-firm basis to Secondary Receipt or Delivery Points under the OVEC tariff prior to the OVEC integration date will be converted to service under this Tariff on the basis of the original firm points of receipt and delivery. Firm Point-to-Point Transmission Service redirected on a firm basis under [Tariff, Part II](#), section 22.2 (Modification on a Firm Basis) (or equivalent) of the OVEC tariff prior to the OVEC integration date will be converted to service under this Tariff on the basis of the modified firm points of receipt and delivery.
2. OVEC reservations extending past the integration date must: (1) select Source and Sink LMP pricing points corresponding to the appropriate interface, where applicable; and (2) willing to pay through (or not). Willing to pay congestion (or not) must be determined no later than 12:00 noon EPT, 30 days prior to the OVEC integration start date. In the event the customer does not choose within the allotted deadline above, PJM will convert the service to the most closely analogous service under the PJM Tariff, in PJM’s judgment.

¹ Under the Inter-Company Power Agreement dated July 10, 1953 and as subsequently amended (“ICPA”), OVEC has reservations to export power and energy to the LG&E-KU control area boundary equal to 9.63% of output from the Kyger Creek and Clifty Creek generating facilities, representing the share held under the ICPA by Sponsoring Companies that do not currently participate in the PJM market as members (namely, LG&E/KU and SIGECO). The maximum delivery amount under the ICPA to these non-PJM Sponsoring Companies is 222 MW, exclusive of losses. As pre-Order No. 888 service, these deliveries will be maintained as “Grandfathered Arrangements.”

Willing to pay congestion is optional for non-firm and non-designated transmission service; Firm service, by definition, is willing to pay congestion. All converted service (as they exist) will be placed on the PJM OASIS no later than 30 days prior to the OVEC integration start date.

3. PJM will, in collaboration with OVEC, convert OVEC import reservations to one of the following service types as defined by this Tariff or on the PJM OASIS. Spot market, Non-Firm Point-to-Point, Network Designated or Network Non-Designated. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.

Transmission service reservations with an export from the OVEC Zone will be represented with new PJM reservations with one of the following service types as defined by this Tariff or on the PJM OASIS: Non-Firm Point-to-Point, or Firm Point-to-Point. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.

4. Existing OVEC Zone extended transmission requests (*i.e.* monthly, weekly, daily) that span multiple months will be converted to their largest individual components as defined on the PJM OASIS. For example, a monthly request from October 1 to December 1 will be converted to two individual monthly requests, October 1 to November 1, and November 1 to December 1; and daily request from January 1 of one year to January 1 of the next year will be converted to yearly service.
5. Sliding monthly service (*i.e.*, monthly service that does not run from the first day of the given month to the last day of the given month) will be converted to weekly and daily service.
6. Sliding weekly service (*i.e.*, weekly service that does not run from Monday at 00:00 to Sunday at 23:59) will be converted to daily service.
7. Transmission service that is not currently confirmed on the OVEC OASIS nodes and is in active status such as “Received,” “Queued” or “Study” will be transferred to the integrated PJM OASIS node and will maintain its initial queued date.
8. “Grandfathered” reservations that exist on the OVEC OASIS nodes will require a reservation on the PJM OASIS node. OVEC or the transmission customer must provide PJM with a copy of the grandfathered agreement. Absent the grandfathered agreement, PJM will convert grandfathered service to service under the Tariff and a new service agreement will be required per the terms of the Tariff. With respect to the Grandfathered Arrangements, these reservations will not be converted to service under the PJM Tariff, and throughout the term of the ICPA, PJM will not assess any charge for these grandfathered transmission deliveries under the ICPA from the OVEC Zone to the LG&E/KU boundary, including any rates or charges that are otherwise assessed to transmission service reservations and scheduled export transaction from PJM pursuant to the PJM Tariff, including, but not limited to Ancillary Service charges, Regional

Transmission Expansion Plan (“RTEP”), LMP, congestion, and other administrative costs.

9. The customer for each converted transmission service reservation and request must secure a transmission service agreement with PJM per the terms of the Tariff.
10. To facilitate the OASIS transition, from one month prior to the respective integration start date until such integration start date, requests for service that are active on or after such date one month prior to the integration start date should be made on both the pre-integration transmission owner or OASIS nodes and the PJM OASIS nodes.
11. Reservations will be converted based on the priority of the product.
12. Although the Office of the Interconnection will attempt to convert existing transmission reservations into comparable reservations on the PJM OASIS, there will be unique instances where this will not be possible (*e.g.*, reliability issues, etc.). In this case, reservations will be reviewed on a case-by-case basis. Transmission service that is not currently accepted on the OVEC Zone OASIS nodes and is in active state such as “Received,” “Queued” or “Study” will be assigned the same status and queue position on the PJM OASIS as it had on the OVEC OASIS prior to conversion.
13. A list of converted Point-to-Point and Network transmission service reservations that extend beyond or begin after the integration commencement date will be posted to the PJM OASIS web page on an as-needed basis. The list will identify the original OVEC Zone reservation and the new PJM OASIS reservation.
14. An Interconnection Request pending under the OVEC tariff at the time of the integration of the OVEC Zone shall be assigned the same priority date under this Tariff as such request had under the OVEC tariff immediately prior to such integration. The Interconnection Request will be assigned a PJM queue identifier such that the Interconnection Customer’s priority date relative to existing PJM queued Interconnection Requests can be easily determined. All such Interconnection Requests will be integrated into PJM’s existing Interconnection Queue(s), effective on the OVEC integration start date, and will be subject to the generation interconnection procedures under Tariff, Parts IV and ~~Tariff, Part VI of this Tariff~~. On the OVEC integration date, PJM will assume the technical studies that have been started under the OVEC tariff. After the studies are complete, the Interconnection Customer will be required to pay for any Network Upgrades and/or Local Upgrades that are needed for the generating unit to qualify for Capacity Interconnection Rights under this Tariff.

ATTACHMENT K

Transmission Congestion and Loss Charges and Credits

Preface.

This Attachment and Tariff, Attachment K---Appendix specify the manner in which all Transmission Customers, Network Customers, and Transmission Owners using the Transmission System to serve their Native Load Customers and Market Participants submitting Virtual Transactions will be charged for the costs of congestion and losses on the Transmission System, the manner in which all FTR Holders share in the allocation of revenues received as Transmission Congestion Charges-, and the manner in which Network Service Users, Market Participants in the PJM Interchange Energy Market and Transmission Customers share in the allocation of Transmission Loss Charges. In addition, Tariff, Attachment K---Appendix incorporates into the Tariff for ease of reference the provisions of Operating Agreement, Schedule 1--of the Operating Agreement ("Schedule 1"). Capitalized terms used in this Attachment which are not defined in the Tariff or in this Attachment, but which are defined in Operating Agreement, Schedule 1 shall have the meanings set forth in Operating Agreement, Schedule 1.

4.

In determining the total billable amount of Transmission Congestion Charges, the Office of the Interconnection, on behalf of PJMSettlement, shall take into account and set-off against each other both positive Transmission Congestion Charges and negative Transmission Congestion Charges in accordance with Tariff, Section 5 of Attachment K--Appendix, section 5. PJMSettlement shall exclude transactions on the PJM Interchange Energy Market in issuing a statement, invoice, or payment for the net amount owed for Transmission Congestion Charges for any period.

In determining the total billable amount of Transmission Loss Charges, the Office of the Interconnection, on behalf of PJMSettlement, shall take into account and set-off against each other both positive Transmission Loss Charges and negative Transmission Loss Charges in accordance with Tariff, Section 5 of Attachment K--Appendix, section 5. PJMSettlement shall exclude transactions on the PJM Interchange Energy Market in issuing a statement, invoice, or payment for the net amount owed for Transmission Loss Charges for any period.

1.

Financial Transmission Rights may be acquired by purchase in the Financial Transmission Rights auctions or in the secondary market provided for in ~~Tariff, Section 7 of~~ Attachment K--Appendix, section 7.

Each holder of an FTR shall receive the total Transmission Congestion Credits determined in accordance with ~~Section 5 of Tariff, Attachment K--Appendix,~~ section 5.

Each Network Service User and Transmission Customer shall receive an allocation of Transmission Loss Credits in accordance with ~~Section 5 of Tariff, Attachment K--Appendix,~~ section 5.

ATTACHMENT X

Seams Elimination Cost Assignment Charges

- 1) Except where modified by the terms of a Commission order, Transmission Customers taking Transmission Service to deliver capacity and/or energy to loads located in the zones or sub-zones listed in the table below shall pay the Seams Elimination Charge/Cost Adjustments/Assignment ("SECA") charge applicable to such zone or sub-zone.
- 2) The SECA charges under this Attachment X are designed to collect the MISO transmission owners' lost revenues shown in the Midwest Independent Transmission System Operator, Inc. ("MISO") Open Access Transmission Tariff ("OATT"), effective December 1, 2004 (except as otherwise noted), subject to refunds to reflect decreases in the amount of lost revenues claimed by a MISO transmission owner following FERC review, as well as the lost revenues among the PJM Transmission Owners, shown in Tariff, Attachment R ~~of this Tariff~~, effective December 1, 2004 (except as otherwise noted), subject to refunds to reflect decreases in the amount of lost revenues claimed by a PJM Transmission Owner. The SECA charges under this Attachment are also subject to refund or surcharge, effective December 1, 2004, to reflect any FERC-ordered increases, decreases or other changes in the amount allocated to, or within, a PJM zone.
- 3) For purposes of this Attachment, a "MISO Existing Transaction" shall mean through-and-out transmission service under the MISO OATT, serving load located within a PJM zone during the period that this Attachment is in effect where the reservation requests were made prior to November 17, 2003 or service commenced before April 1, 2004. Transmission Customers paying SECA charges under this Attachment are eligible for a credit to reflect the revenues received by MISO under a MISO Existing Transaction. All such credits will reduce the amounts to be collected as SECA charges under this Attachment and paid to MISO. PJM in consultation with MISO shall develop and publish the procedures for determining whether a transaction qualifies for a credit and how the monthly crediting amount is to be implemented.
- 4) SECA charges under this Attachment shall be recalculated to reflect: a) the addition of transmission zones or sub-zones to PJM, effective upon the date of integration of such new transmission zones; b) 2003 calendar year lost revenues, effective April 1, 2005; c) the annual revisions of the billing determinants used by PJM to calculate charges to Transmission Customers for Network Integration.
- 5) The SECA charges (in both PJM and MISO) are effective as of December 1, 2004 (except as otherwise noted); however, PJM shall begin billing under this Attachment when PJM and MISO have both certified to the Commission that they are prepared to implement, under effective MISO OATT and PJM Tariff provisions, billings and settlements for payments to PJM Transmission Owners and MISO transmission owners. PJM shall distribute 100% of the revenues that PJM collects pursuant to the charges that PJM collects under this Attachment X for MISO transmission owners to MISO. MISO shall be responsible for distributing these revenues to transmission owners within MISO. PJM shall distribute revenues that PJM collects under this

Attachment for PJM Transmission Owners in accordance with Tariff, Attachment R ~~of this~~
~~Tariff~~.

**SECA Charges
(\$/MW-mo.)**

		SECA Rates To Collect MISO Transmission Owner Lost Revenues	SECA Rates To Collect PJM Transmission Owner Lost Revenues
Zone	Pricing Zone or Sub-zone	\$/MW-mo.	\$/MW-mo.
PJM Pre- Expansion Zones	Allegheny Power	\$26.16	\$85.27
	Atlantic City Electric Company	\$26.16	\$85.27
	Baltimore Gas & Electric	\$26.16	\$85.27
	Delmarva Power & Light	\$26.16	\$85.27
	Metropolitan Edison Company, Jersey Central Power and Light Company and Pennsylvania Electric Company	\$26.16	\$85.27
	PECO Energy Company	\$26.16	\$85.27
	Potomac Electric Power Company	\$26.16	\$85.27
	PPL Group	\$26.16	\$85.27
	Public Service Electric and Gas Company	\$26.16	\$85.27
	Rockland Electric Company	\$26.16	\$85.27
ComEd	ComEd	\$29.82	\$37.31
	City of Batavia, Illinois	\$852.30	\$0.00
	City of Rock Falls, Illinois	\$1,179.87	\$0.00
	City of St. Charles, Illinois	\$897.69	\$0.00
	City of Winnetka, Illinois	\$2,205.13	\$0.00
Dominion Virginia Power	Dominion Virginia Power	\$1.58	\$79.00
	Central Virginia Elec. Coop	\$0.00	\$199.25
	Old Dominion Elec. Coop	\$6.06	\$582.95
	Southeastern Power Adm.	\$0.00	\$122.85
	Pepco Energy Services	\$0.00	\$0.00

		SECA Rates To Collect MISO Transmission Owner Lost Revenues	SECA Rates To Collect PJM Transmission Owner Lost Revenues
Zone	Pricing Zone or Sub-zone	\$/MW-mo.	\$/MW-mo.
AEP-East	AEP, Musser Companies of West Virginia, Old Dominion Electric Coop, Ohio Municipal Electric Group, City of Radford, VA, City of Sturgis, MI, West Virginia Power	\$ 24.40	\$50.90
	Strategic Energy Retail	\$130.92	\$960.35
	FE Solutions Retail	\$12,163.78	\$0.00
	Ormet	\$935.07	\$21,252.34
	AMP-Ohio (AMP-Ohio NTS, City of Columbus, Ohio, City of Dover Ohio, City of Orrville, Ohio, City of Shelby, Ohio, City of St. Mary's, Ohio)	\$208.44	\$212.47
	AMP-Ohio (Ohio Municipal Electric Group)	\$18.18	\$75.49
	Central Virginia Electric Coop	\$236.19	\$88.59
	City of Dowagiac, Michigan	\$ 0.00	\$163.64
	Hoosier Energy REC, Inc.	\$785.41	\$0.00
	Wabash Valley Power Association	\$166.27	\$126.19
	Blue Ridge Power Agency	\$25.93	\$90.55
	Indiana Municipal Power Agency	\$63.10	\$42.15
Dayton	Dayton	\$20.93	\$54.79
	AMP-Ohio	\$274.55	\$137.42

		SECA Rates To Collect MISO Transmission Owner Lost Revenues	SECA Rates To Collect PJM Transmission Owner Lost Revenues
Zone	Pricing Zone or Sub-zone	\$/MW-mo.	\$/MW-mo.
	Buckeye	\$0.00	\$777.79
	City of Piqua, Ohio	\$29.19	\$121.04
Duke Energy Washington County Ohio (DEWO) ²	DEWO	\$23,791.62	\$88,202.55
Duke Energy Lawrence Ohio ²	DELO		\$12.40
Sugar Creek ²	Mirant	\$1.05	\$0.00

6) The SECA charges for the Duquesne zone, beginning April 1, 2005, shall be calculated as follows:

a) The following sub-zones shall apply to the Duquesne zone: Dominion Energy Direct Sales, Dominion Resources, FirstEnergy Solutions Corp., Green Mountain Power, Strategic Energy, ValuSource/Duquesne Light Energy, Constellation NewEnergy, Pepco Energy Services, Reliant Energy Services, Tractebel Energy Marketing, Duquesne POLR I, Duquesne FPS, Duquesne HPS, Duquesne POLR III, Zinc Corp., Pitcairn. Sub-zones may be added to the Duquesne zone should a new electric generation supplier or wholesale customer commence transmission service to serve load within the Duquesne zone during the period of the SECA recovery.

b) SECA charges applicable to the Duquesne sub-zones shall be calculated beginning April 1, 2005 in accordance with the following formula:

i) For each of the sub-zones within the Duquesne zone for which the MWhs of energy (measured at the transmission level) delivered to end-use load in the Duquesne zone in the applicable month of 2005 or 2006 were less than those delivered to load in the corresponding month of 2003, the applicable SECA rate for that sub-zone shall be calculated in accordance with the following formula:

$$SZC_i = (SZO_i / 12) \times (SZMWHMonthCurr_i / SZMWHMonth03_i)$$

ii) For each of the sub-zones within the Duquesne zone for which the MWhs of energy (measured at the transmission level) delivered to end-use load in the Duquesne zone in the applicable month of 2005 or 2006 were greater than those delivered to load in the

² Assumes 1 MW of load.

corresponding month of 2003, the applicable SECA rate for that sub-zone shall be calculated in accordance with the following formulas:

$$\|SZC_j = (SZO_j/12) + [(SZMWHMonthCurr_j - SZMWHMonth03_j) \times SZARMonthCurr]\|$$

and

$$SZARMonthCurr = \frac{\sum_{i=1}^{All} [SZO_i/12 - SZC_i]}{\sum_{j=1}^{All} [SZMWHMonthCurr_j - SZMWHMonth03_j]}$$

where:

All quantities and rates with a subscript i refer to quantities or rates for which the MWhs of energy (measured at the transmission level) delivered to end-use load in the Duquesne zone in the applicable month of 2005 or 2006 were less than those delivered to load in the corresponding month of the 2003 test year.

All quantities and rates with a subscript j refer to quantities or rates for which the MWhs of energy (measured at the transmission level) delivered to end-use load in the Duquesne zone in the applicable month of 2005 or 2006 were greater than those delivered to load in the corresponding month of the 2003 test year.

SZC_i = The sub-zonal charge for the applicable month of 2005 or 2006 applicable to sub-zone i where, for that sub-zone, fewer MWhs of energy were delivered in the applicable month of 2005 than were delivered to load in the same sub-zone in the corresponding month of the 2003 test year.

SZO_i = The annual SECA obligation for sub-zone i calculated based on the 2003 test year NERC transmission tag data, re-sales of energy within the Duquesne zone, and other applicable adjustments.

$SZMWHMonthCurr_i$ = MWhs of energy delivered to end-use load in sub-zone i in the applicable month of 2005 or 2006.

$SZMWHMonth03_i$ = MWhs of energy delivered to end-use load in sub-zone i in the month of the 2003 test year that corresponds to $SZMWHMonthCurr_i$.

SZC_j = The sub-zonal charge for the applicable month of 2005 or 2006 applicable to sub-zone j where, for that sub-zone, more MWhs of energy were delivered in the applicable month of 2005 or 2006 than were delivered to load in the same sub-zone in the corresponding month of the 2003 test year.

SZO_j = The annual SECA obligation for sub-zone j calculated based on the 2003 test year NERC transmission tag data, re-sales of energy within the Duquesne zone, and other applicable adjustments.

$SZMWHMonthCurr_j$ = MWhs of energy delivered to end-use load in sub-zone j in the applicable month of 2005 or 2006.

$SZMWHMonth03_j$ = MWhs of energy delivered to end-use load in sub-zone j in the month of the 2003 test year that correspond to $SZMWHMonthCurr_j$.

$SZARMonthCurr$ = The average per MWh rate applicable to all additional MWhs served within a sub-zone in 2005 or 2006, where the MWhs served in the applicable month of 2005 or 2006 were greater than those served in the sub-zone in the corresponding month of the 2003 test year.

For the purposes of this calculation, the Duquesne POLR load (POLR I, POLR III, Duquesne HPS and Duquesne FPS) will be considered a single sub-zone.

- 7) The charges under this Attachment X shall terminate on March 31, 2006; provided, however, that if the SECAs to recover PJM transmission owners' lost revenues do not become effective on December 1, 2004, such SECAs shall continue for 16 months from the date the charges become effective.

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

3.3 Counterparty.

(a) In accordance with Operating Agreement, s~~Section 10.1 of this Agreement~~, the Office of the Interconnection shall implement this Agreement and administer the PJM Tariff. Under the Tariff and this Operating Agreement, the LLC administers the provision of transmission service and associated ancillary services to customers and operates and administers various centralized electric power and energy markets. In obtaining transmission service and in these centralized markets, customers conduct transactions with PJMSettlement as a counterparty. Market participants also may conduct bilateral transactions with other market participants and they may self-supply power and energy to the electric loads they serve. Such bilateral and self-supply arrangements are not transactions with PJMSettlement.

(b) For purposes of contracting with customers and conducting financial settlements regarding the use of the transmission capacity of the Transmission System, the LLC has established PJMSettlement. The LLC also has established PJMSettlement as the entity that is the Counterparty with respect to the agreements and transactions in the centralized markets that the LLC administers under the Tariff and the Operating Agreement (i.e., the agreements and transactions that are not bilateral arrangements between market participants or self-supply). PJMSettlement will serve as the Counterparty to Financial Transmission Rights and Auction Revenue Rights instruments held by a Market Participant. Any subsequent bilateral transfer of these instruments by the Market Participant to another Market Participant shall require the consent of PJMSettlement, but shall not implicate PJMSettlement as a contracting party with respect to such subsequent bilateral transfer.

(c) As specified in Operating Agreement, s~~Section 11~~ and Operating Agreement, Schedule 4, Members agree that PJMSettlement is the Counterparty to certain transactions as specified in this Operating Agreement and the PJM Tariff.

(d) As a party to the Consolidated Transmission Owners Agreement, the LLC has acquired the right to use the transmission capacity of the transmission system that is required to provide service under the PJM Tariff and the authorization to resell transmission service using such capacity on the transmission system. Under the Consolidated Transmission Owners Agreement, the LLC compensates the Transmission Owners for the use of their transmission capacity by distributing certain revenues to the Transmission Owners as set forth in the PJM Tariff and the Consolidated Transmission Owners Agreement. The LLC has assigned its right to use the transmission capacity of the Transmission System to PJMSettlement. Accordingly, PJMSettlement shall compensate the Transmission Owners for the use of the transmission capacity required to provide service under the PJM Tariff and this Agreement.

(e) Unless otherwise expressly stated in the PJM Tariff or this Agreement, PJMSettlement shall be the Counterparty to the customers purchasing Transmission Service and Network Integration Transmission Service, and to the other transactions with customers and other entities under the PJM Tariff and this Agreement.

(f) PJMSettlement shall not be a contracting party to other non-transmission transactions that are (i) bilateral transactions between market participants, or (ii) self-supplied or self-scheduled transactions reported to the LLC.

(g) Notwithstanding the foregoing, PJMSettlement shall not be the Counterparty with respect to agreements and transactions regarding the LLC's administration of Tariff, Parts IV and Tariff, Part VI, Tariff, Schedules 1, Tariff, Schedule 9 (excluding Schedule 9-PJMSettlement), Tariff, Schedule 10-NERC, Tariff, Schedule 10-RFC, Tariff, Schedule 14, Tariff, Schedule 16, Tariff, Schedule 16-A, and Tariff, Schedule 17 ~~of the PJM Tariff~~.

(h) Confidentiality. PJMSettlement shall be bound by the same confidentiality requirements as the LLC.

(i) PJMSettlement Costs. All costs of the services provided by PJMSettlement for the benefit of Market Participants and Transmission Customers shall be included in the charges for Administrative Services set forth in Schedule 9-PJMSettlement of the PJM Tariff.

(j) Amendment of Previously Effective Arrangements.

(i) Transmission Service Agreements. Transmission Service Agreements in effect at the time this ~~s~~Section 3.3 becomes effective shall be deemed to be revised to include PJMSettlement as a Counterparty to the Transmission Service Agreement in the same manner and to the same extent as agreements entered after the effective date of this ~~s~~Section 3.3.

(ii) Reliability Pricing Model. PJMSettlement shall be the Counterparty to the transactions arising from the cleared Base Residual Auctions and Incremental Auctions that occurred prior to the effective date of this ~~s~~Section 3.3 and for which delivery will occur after the effective date of this ~~s~~Section 3.3 in the same manner and to the same extent as transactions arising from auctions cleared after the effective date of this ~~s~~Section 3.3.

(iii) Auction Revenue Rights and Financial Transmission Rights. PJMSettlement shall be the Counterparty with respect to the rights and obligations arising from Auction Revenue Rights and Financial Transmission Rights acquired in an auction or assigned by PJM prior to the effective date of this ~~s~~Section 3.3 to the same extent as with respect to rights and obligations arising from auctions or assignments of Auction Revenue Rights and Financial Transmission Rights after the effective date of this ~~s~~Section 3.3.

4.1 Effective Date and Termination.

(a) The existence of the LLC commenced on March 31, 1997, as provided in the Certificate of Formation and Certificate of Conversion which were filed with the Recording Office on March 31, 1997. This Agreement shall amend and restate the Operating Agreement of PJM Interconnection, LLC as of the Effective Date.

(b) The LLC shall continue in existence until terminated in accordance with the terms of this Agreement. The withdrawal or termination of any Member is subject to the provisions of Operating Agreement, sSection 18.18~~-of this Agreement~~.

(c) Any termination of this Agreement or withdrawal of any Member from the Agreement shall be filed with the FERC pursuant to Section 205 of the Federal Power Act and shall become effective only upon the FERC's approval, acceptance without suspension, or, if suspended, the expiration of the suspension period before the FERC has issued an order on the merits of the filing.

5.1 Funding of Working Capital and Capital Contributions.

(a) The Office of the Interconnection shall attempt to obtain financing of up to twenty-five percent (25%) of the approved annual operating budget of the LLC adopted by the PJM Board pursuant to Operating Agreement, sSection 7.5.2-of this Agreement to meet the working capital needs of the LLC, which shall be limited to such working capital needs that arise from timing in cash flows from interchange accounting, tariff administration and payment of the operating costs of the Office of the Interconnection. Such financing, which shall be non-recourse to the Members of the LLC and which shall be for a stated term without penalty for prepayment, may be obtained by borrowing the amount required at market-based interest rates, negotiated on an arm's-arm's length basis, (i) from a Member or Members or (ii) from a commercial lender, supported, if necessary, by credit enhancements provided by a Member or Members; provided, however, no Member shall be obligated to provide such financing or credit enhancements. The LLC shall make such filings and seek such approvals as necessary in order for the principal, interest and fees related to any such borrowing to be repaid through charges under the PJM Tariff as appropriate under Operating Agreement, Schedule 3-of this Agreement.

(b) In the event financing of the working capital needs of the Office of the Interconnection is unavailable on commercially reasonable terms, the PJM Board may require the Members to contribute capital in the aggregate up to five million two hundred thousand dollars (\$5,200,000) for the working capital needs that could not be financed; provided that in such event each Member's obligation to contribute additional capital shall be in proportion to its Weighted Interest, multiplied by the amount so requested by the PJM Board. Each Member that contributes such capital shall be entitled to earn a return on the contribution to the extent such contribution has not been repaid, which return shall be at a fair market rate as determined by the PJM Board but in no event less than the current interest rate established pursuant to 18 C.F.R. § 35.19a(a)(2)(iii); provided further, that any Member not wanting to contribute the requested capital contribution may withdraw from the LLC upon 90 days written notice as provided in Operating Agreement, sSection 18.18.2-of this Agreement.

(c) Authority to borrow capital for LLC Operations. Nothing in sSection 5.1(a) and (b) above, shall be construed to restrict the authority of the PJM Board to authorize the LLC to borrow or raise capital in excess of twenty-five percent of the approved annual operating budget of the LLC, for working capital or otherwise, as the PJM Board deems appropriate to fund the operations of the LLC, in accordance with the general powers of the LLC under Operating Agreement, sSection 3.2 to enter into obligations of any kind to accomplish the purposes of the LLC. Nor shall anything in sSection 5.1(a) and (b) above, in any way restrict the authority of the PJM Board to authorize the LLC to grant to lenders such security interests or other rights in assets or revenues received under the PJM Tariff with respect to the costs of operating the LLC and the Office of the Interconnection and to take such other actions as it deems necessary and appropriate to obtain such financing in accordance with such general powers of the LLC under Operating Agreement, sSection 3.2.

6.2 Return of Capital Contributions.

- (a) In the event Members are required to contribute capital to the LLC in accordance with Operating Agreement, sSection 5.1 ~~herein~~, the LLC shall request the Transmission Owners to recover such working capital through charges under the ~~PJM~~ Tariff as provided in Operating Agreement, Schedule 3 ~~of this Agreement~~. In the event all or a portion of the working capital is recovered pursuant to the ~~PJM~~ Tariff, such amount(s) shall be returned to the Members in accordance with their actual contributions.
- (b) Except for return of capital contributions and liquidating distributions as provided in the foregoing section and Operating Agreement, sSection 6.3 ~~herein~~, respectively, the LLC does not intend to make any distributions of cash or other assets to its Members.

7.1 Composition.

There shall be an LLC Board of Managers, referred to herein as the “PJM Board,” composed of nine voting members, with the President as a non-voting member. The nine voting Board Members shall be elected by the Members Committee. A Nominating Committee, consisting of one representative elected annually from each sector of the Members Committee established under Operating Agreement, sSection 8.1 and three voting Board Members (provided that one such Board Member shall serve only as a non-voting member of the Nominating Committee), shall retain an independent consultant, which shall be directed to prepare a list of persons qualified and willing to serve on the PJM Board. Not later than 30 days prior to each Annual Meeting of the Members, the Nominating Committee shall distribute to the representatives on the Members Committee one nominee from among the list proposed by the independent consultant for each vacancy or expiring term on the PJM Board, along with information on the background and experience of the nominees appropriate to evaluating their fitness for service on the PJM Board; provided, however, that the Nominating Committee in its discretion may nominate, without retaining an independent consultant, a Board member whose term is expiring and who desires to serve an additional term. Elections for the PJM Board shall be held at each Annual Meeting of the Members, for the purpose of selecting the initial PJM Board in accordance with the provisions of Operating Agreement, sSection 7.3(a), or selecting a person to fill the seat of a Board Member whose term is expiring. Should the Members Committee fail to elect a full PJM Board from the nominees proposed by the Nominating Committee, then the Nominating Committee shall propose a further nominee from the list prepared by the independent consultant (or a replacement consultant) for each remaining vacancy on the PJM Board for consideration by the Members at the next regular meeting of the Members Committee.

7.3 Term of Office.

(a) The persons serving as the Board of Managers of the LLC immediately prior to the Effective Date shall continue in office until the first Annual Meeting of the Members. At the first Annual Meeting of the Members, the then current members of the PJM Board who desire to continue in office shall be elected by the Members to serve until the second Annual Meeting of the Members or until their successors are elected, along with such additional persons as necessary to meet the composition requirements of Operating Agreement, sSection 7.1 and the qualification requirements of Operating Agreement, sSection 7.2.

(b) A Board Member shall serve for a term of three years commencing with the Annual Meeting of the Members at which the Board Member was elected; provided, however, that two of the Board Members elected at the first Annual Meeting of the Members following the Effective Date shall be chosen by lot to serve a term of one year, three of such Board Members shall be chosen by lot to serve a term of two years and the final two such Board Members shall serve a term of three years; provided further, however, that the initial term of one of the two Board Members elected to fill one of the two new Board seats added in 2003 shall be chosen by lot to serve a term of four years and the initial term of the other Board Member elected to fill the other new Board seat added in 2003 shall serve a term of five years.

(c) Vacancies on the PJM Board occurring between Annual Meetings of the Members shall be filled by vote of the then remaining Board Members; a Board Member so selected shall serve until the next Annual Meeting at which time a person shall be elected to serve the balance of the term of the vacant Board Seat. Removal of a Board Member shall require the approval of the Members Committee.

7.5 Operating and Capital Budgets; Sources and Uses of Funds.

7.5.1 Finance Committee.

(a) Not later than December 1 of each year, the entities specified below shall select the members of a Finance Committee. The Finance Committee shall be composed of two representatives elected from each sector of the Members Committee as defined in Operating Agreement, section 8.1, one representative of the Office of the Interconnection selected by the President, and two Board Members selected by the PJM Board. The Office of the Interconnection representative shall be the Chair of the Finance Committee. The Chair of the Finance Committee and the two PJM Board Members on the Finance Committee shall not vote on the recommendations of the Finance Committee to the PJM Board and Members Committee. Each Member Representative of the PJM Finance Committee shall be entitled to vote on final recommendations to the PJM Board and the PJM Members Committee. The Member Representatives shall represent the interests of their respective sectors. In accordance with Operating Agreement, sections 7.7 and Operating Agreement, section 11.1 ~~of the Operating Agreement~~, the Members Representatives shall avoid undue influence by any Member or group of Members on the operations of PJM and Member management of the business of PJM.

(b) The purpose of the PJM Finance Committee is to review PJM's consolidated financial statements, budgeted and actual capital costs, operating budgets and expenses, and cost management initiatives and in an advisory capacity to submit to the PJM Board its analysis of and recommendations on PJM's annual budgets and on other matters pertaining to the appropriate level of PJM's rates, proposed major new investments and allocation and disposition of funds consistent with PJM's duties and responsibilities as specified in Operating Agreement, Section 7.7 ~~of this Agreement~~. The Finance Committee shall also review and comment upon any additional or amended budgets prepared by the Office of the Interconnection at the request of the PJM Board or the Members Committee. Copies of the Finance Committee's submissions to the PJM Board shall be provided to the Members Committee.

(c) The Office of the Interconnection shall prepare annual operating and capital budgets and multi-year projections of expenses and capital in accordance with processes and procedures established by the PJM Board, and shall timely submit its budgets to the Finance Committee for review. The Office of the Interconnection shall also provide the Finance Committee with such additional financial information regarding other matters pertaining to the appropriate level of PJM's rates, proposed major new investments and allocation and disposition of funds as may be reasonably requested by the Finance Committee to assist it with its review. PJM shall provide complete and transparent financial data and reporting to all Members through the PJM Finance Committee, such data and reporting to include but not necessarily be limited to: unaudited quarterly PJM financial statements; audited annual PJM financial statements; quarterly PJM FERC Form 3-Q; annual PJM FERC Form 1; and PJM budget and forecast data and Results.

7.5.2 Adoption of Budgets.

The PJM Board shall adopt, upon consideration of the advice and recommendations of the Finance Committee, operating and capital budgets for the LLC, and shall distribute to the

Members for their information final annual budgets for the following fiscal year not later than 60 days prior to the beginning of each fiscal year of the LLC.

7.7 Duties and Responsibilities of the PJM Board.

In accordance with this Agreement, the PJM Board shall supervise and oversee all matters pertaining to the PJM Region and the LLC, and carry out such other duties as are herein specified, including but not limited to the following duties and responsibilities:

- i) As its primary responsibility, ensure that the President, the other officers of the LLC, and Office of the Interconnection perform the duties and responsibilities set forth in this Agreement, including but not limited to those set forth in Operating Agreement, sSections 9.2, Operating Agreement, section 9.3, Operating section through 9.4, -and Operating Agreement, sSection 10.4 in a manner consistent with (A) the safe and reliable operation of the PJM Region, (B) the creation and operation of a robust, competitive, and non-discriminatory electric power market in the PJM Region, and (C) the principle that a Member or group of Members shall not have undue influence over the operation of the PJM Region;
- ii) Select the Officers of the LLC;
- iii) Adopt budgets for the LLC;
- iv) Approve The Regional Transmission Expansion Plan in accordance with the provisions of the Regional Transmission Expansion Planning Protocol set forth in Operating Agreement, Schedule 6-of this Agreement;
- v) On its own initiative or at the request of a User Group as specified herein, submit to the Members Committee such proposed amendments to this Agreement or any Schedule hereto, or a proposed new Schedule, as it may deem appropriate;
- vi) Petition FERC to modify any provision of this Agreement or any Schedule or practice hereunder that the PJM Board believes to be unjust, unreasonable, or unduly discriminatory under section 206 of the Federal Power Act, subject to the right of any Member or the Members to intervene in any resulting proceedings;
- vii) Review for consistency with the creation and operation of a robust, competitive and non-discriminatory electric power market in the PJM Region any change to rate design or to non-rate terms and conditions proposed by Transmission Owners for filing under section 205 of the Federal Power Act;
- viii) If and to the extent it shall deem appropriate, intervene in any proceeding at FERC initiated by the Members in accordance with Operating Agreement, sSection 11.5(b), and participate in other state and federal regulatory proceedings relating to the interests of the LLC;
- ix) Review, in accordance with Operating Agreement, sSection 15.1.3, determinations of the Office of the Interconnection with respect to events of default;

- x) Assess against the other Members in proportion to their Default Allocation Assessment an amount equal to any payment to PJMSettlement and the Office of the Interconnection, including interest thereon, as to which a Member is in default;
- xi) Establish reasonable sanctions for failure of a Member to comply with its obligations under this Agreement;
- xii) Direct the Office of the Interconnection on behalf of the LLC and PJMSettlement to take appropriate legal or regulatory action against a Member (A) to recover any unpaid amounts due from the Member to the Office of the Interconnection under this Agreement and to make whole any Members subject to an assessment as a result of such unpaid amount, or (B) as may otherwise be necessary to enforce the obligations of this Agreement;
- xiii) [Reserved.]
- xiv) [Reserved.]
- xv) Solicit the views of Members on, and commission from time to time as it shall deem appropriate independent reviews of, (a) the performance of the PJM Interchange Energy Market, (b) compliance by Market Participants with the rules and requirements of the PJM Interchange Energy Market, and (c) the performance of the Office of the Interconnection under performance criteria proposed by the Members Committee and approved by the PJM Board; and
- xvi) Terminate a Member as may be appropriate under the terms of this Agreement.

8.1 Sectors.

8.1.1 Designation.

Voting on the Senior Standing Committees shall be by sectors. The Senior Standing Committee shall be composed of five sectors, one for Generation Owners, one for Other Suppliers, one for Transmission Owners, one for Electric Distributors, and one for End-Use Customers, provided that there are at least five Members in each Sector. Except as specified in Operating Agreement, sSection 8.1.2, each Voting Member shall have one vote. Each Voting Member shall, within thirty (30) days after the Effective Date or, if later, thirty (30) days after becoming a Member, and thereafter not later than 10 days prior to the Annual Meeting of the Members for each annual period beginning with the Annual Meeting of the Members, submit to the President a sealed notice of the sector in which it is qualified to vote or, if qualified to participate in more than one sector, its rank order preference of the sectors in which it wishes to vote, and shall be assigned to its highest-ranked sector that has the minimum number of Members specified above. If a Member is assigned to a sector other than its highest-ranked sector in accordance with the preceding sentence, its higher sector preference or preferences shall be honored as soon as a higher-ranked sector has five or more Members. A Voting Member may designate as its voting sector any sector for which it or its Affiliate or Related Party Members is qualified. The sector designations of the Voting Members shall be announced by the Office of the Interconnection at the Annual Meeting and shall apply to all Senior Standing Committees.

8.1.2 Related Parties.

The Members in a group of Related Parties shall each be entitled to a vote, provided that all the Members in a group of Related Parties that chooses to exercise such rights shall be assigned to the Electric Distributor sector.

8.1.3 Sector Challenge.

(a) Any Member (“Challenging Member”) may request that PJM review the qualification of another Member (“Challenged Member”) in the Challenging Member’s sector to participate in that sector. Any five Members may request that PJM review the qualification of another Member to participate in the sector in which that Member is presently assigned.

(b) A request pursuant to section 8.1.3(a) ~~above, of this Agreement~~ (“Challenge”) shall be submitted in writing and shall describe the basis for the Challenge, which shall include, but not limited to, the reasons why the Challenged Member may not have any Active and Significant Business Interests in its present sector. Except for new Members, a Challenge must be submitted within 30 days after the Annual Meeting of the Members. For new Members, a Challenge must be submitted within 30 days after the meeting in which they are introduced.

(c) PJM shall review the Challenge and inform the Challenged Member of the Challenge by providing a copy of the Challenge to the Challenged Member as soon as practicable, and in no case later than 10 working days after PJM receives the Challenge.

(d) The Challenged Member shall submit to PJM a list of the sectors in which it is qualified to vote and its rank order preference of those sectors. PJM may also request information from the Challenged Member to assist in determining the Active and Significant Business Interests of Challenged Member. The Challenged Member shall respond to any such request within 60 days from the date of the request, which shall be the date the request was issued by PJM.

(e) Considering the sector definitions and Active and Significant Business Interests, PJM, in its sole discretion, shall determine if the Challenged Member meets the requirements to participate in its present sector. PJM shall make this determination within the later of 30 days after receiving the information provided pursuant to section 8.1.3(d) ~~above of this Agreement~~, or 10 days after the next scheduled meeting of the Members Committee.

(f) If the Challenged Member does not meet the requirements for its present sector, PJM shall assign the Challenged Member to the next highest preferred sector for which it is qualified in accordance with the rank order preference established by the Challenged Member pursuant to section 8.1.3(d) ~~above of this Agreement~~.

(g) PJM shall notify the Challenged Member and Challenging Member as soon as practicable after making a determination pursuant to section 8.1.3(e) ~~above of this Agreement~~, and shall announce the outcome of any such determination at the Members Committee meeting following PJM's decision. PJM shall disclose the identity of the Challenging Party and the Challenged Party when making the announcement.

(h) If a sector is required pursuant to ~~s~~Section 8.1.3(e) ~~above~~, it shall become effective on the date of the Members Committee meeting following PJM's decision.

(i) Until PJM rules on a Challenge, the Challenged Member shall remain in its present sector and shall be permitted to vote in that sector.

8.2 Representatives.

8.2.1 Appointment.

Each Member may appoint one representative to serve on each of the Standing Committees, potentially a different person for each committee, with authority to act for that Member with respect to actions or decisions thereof. Each Member may appoint up to three alternate representatives to each such committee to act for that Member at meetings thereof in the absence of the representative. A Member participating in the PJM Interchange Energy Market through an agent may be represented on the Standing Committee by that agent. A Member shall appoint its representatives and alternates by giving written notice thereof to the Office of the Interconnection. Members that are Affiliates or Related Parties may each appoint a representative and alternate representatives to each of the Standing Committees, but shall vote on Senior Standing Committees as specified in Operating Agreement, sSection 8.1.

8.2.2 Regulatory Authorities.

FERC and any other federal agency with regulatory authority over a Member and each State electric utility regulatory commission with regulatory jurisdiction within the PJM Region, may nominate one representative to serve as an ex officio non-voting member on each of the Standing Committees.

8.2.3 State Offices of Consumer Advocate.

(a) Each State Consumer Advocate may nominate one representative to serve as an ex officio member on each of the Standing Committees. Upon a written request by a State Consumer Advocate to the Office of the Interconnection, and upon the payment of the fee prescribed by Operating Agreement, Schedule 3, section (b) ~~of Schedule 3 to this Agreement~~, a State Consumer Advocate may designate a representative to each of the Standing Committees who, subject to subparagraph b, shall be entitled to cast one (1) non-divisible vote in the End-Use Customer Sector in Senior Standing Committees. As an ex officio member, a State Consumer Advocate shall have no liability under this Agreement, other than the annual fee required by Operating Agreement, Schedule 3. The State Consumer Advocates shall not be entitled to indemnification by the other Members under any provisions of this Agreement. Additionally, the State Consumer Advocates shall not be eligible to participate in any markets managed by PJM under the terms contained in this Agreement.

(b) Each State Consumer Advocate shall be entitled to cast only one (1) vote in the Senior Standing Committees per State or the District of Columbia. If more than one representative from a given state has been nominated to be a voting member of the Senior Standing Committees, all State Offices of Consumer Advocate from such state that have nominated representatives to vote at the Senior Standing Committees shall designate to the Office of the Interconnection one (1) representative who shall be entitled to vote on all of their behalf's, prior to being permitted to vote at any meetings of the Senior Standing Committees.

8.2.4 Initial Representatives.

Initial representatives to the Members Committee shall be appointed no later than 30 days after the Effective Date; provided, however, that each representative to the Management Committee under the Operating Agreement of PJM Interconnection, L.L.C. as in effect immediately prior to the Effective Date shall automatically become a representative to the Members Committee on the Effective Date unless replaced as specified in [sSection 8.2.5 below](#). An entity becoming a Member shall appoint a representative to each Standing Committee no later than 30 days after becoming a Member.

8.2.5 Change of or Substitution for a Representative.

Any Member may change its representative or alternate on the Standing Committees at any time by providing written notice to the Office of the Interconnection identifying its replacement representative or alternate. Any representative to the Standing Committees may, by written notice to the applicable Chair, designate a substitute representative from that Member to act for him or her with respect to any matter specified in such notice.

8.3 Meetings.

8.3.1 Regular and Special Meetings.

The Standing Committees shall hold regular meetings, no less frequently than once each calendar quarter at such time and at such place as shall be fixed by the Chair thereof. The Members Committee may adopt bylaws, including rules of procedure, governing its meetings and activities and the meetings and activities of the other Standing Committees, and other committees, subcommittees, task forces, working groups and other bodies under its auspices. The Members Committee shall hold an Annual Meeting of the Members each calendar year at such time and place as shall be specified by the Chair. At the Annual Meeting of the Members, Board Members as necessary shall be elected. The Standing Committees may hold special meetings for one or more designated purposes within the scope of the authority of the applicable committee when called by the Chair on the Chair's own initiative, or at the request of five or more representatives on the applicable committee. The notice of a regular or special meeting shall be distributed to the representatives as specified in Operating Agreement, sSection 18.14 ~~of this Agreement~~ not later than seven days prior to the meeting, shall state the time and place of the meeting, and shall include an agenda sufficient to notify the representatives of the substance of matters to be considered at the meeting; provided, however, that meetings may be called on shorter notice at the discretion of the Chair as the Chair shall deem necessary to deal with an emergency or to meet a deadline for action.

8.3.2 Attendance.

Regular and special meetings may be conducted in person or by telephone, or other electronic means as authorized by the Members Committee. The attendance in person or by telephone or other electronic means of a representative or a duly designated substitute shall be required in order to vote.

8.3.3 Quorum.

The attendance as specified in Operating Agreement, Ssection 8.3.2 of a majority of the Voting Members from each of at least three sectors that each have at least five Members shall constitute a quorum at any meeting of the Members Committee; however, a quorum shall only require ten Voting Members from any sector that has more than 20 Voting Members. At the beginning of any meeting of the Members Committee, a determination shall be made if a quorum is present. Once the determination is made that a quorum is present at the beginning of the meeting, a quorum will be deemed to continue during the entire scheduled time of the meeting, as specified in the notice of the meeting that is published and distributed as specified in Operating Agreement, sSection 8.3.1 ~~of this Agreement~~. Actions taken during this scheduled time will be deemed to have been taken with a quorum present, and quorum calls are not permitted during this scheduled time. Other than actions taken during the scheduled time for meeting of the Members Committee in accordance with this rule, no action may be taken by the Members Committee at a meeting unless a quorum is present. However, if a meeting of the Members Committee extends beyond its scheduled time, any Voting Members then present shall have the right to request a quorum call. The Voting Members then present shall have the power to

adjourn the meeting from time to time until a quorum shall be present. At the discretion of the Chair, administrative or reporting items may be accomplished if a quorum is not deemed to be present. A quorum shall not be required to conduct a meeting of any Committee other than the Members Committee; however, the Chair of any committee other than the Members Committee, in his discretion, may declare adjourned any meeting which fewer than ten Members attend.

8.4 Manner of Acting.

- (a) The procedures for the conduct of meetings of the Standing Committees may be stated in bylaws adopted by the Members Committee.
- (b) In a Senior Standing Committee, each Sector shall be entitled to cast one and zero one-hundredths (1.00) Sector Votes. Each Voting Member shall be entitled to cast one (1) non-divisible vote in its sector. In the case of a Voting Member comprised of Affiliates or Related Parties, any representative, alternate or substitute of any of the Affiliated or Related Parties may cast the vote of the Voting Member. The Sector Vote of each sector shall be split into an affirmative component based on votes for the pending motion, and a negative component based on votes against the pending motion, in direct proportion to the votes cast within the sector for and against the pending motion, rounded to two decimal places.
- (c) The sum of affirmative Sector Votes necessary to pass a pending motion in a Senior Standing Committee shall be greater than (but not merely equal to) the product of .667 multiplied by the number of sectors that have at least five Members and that participated in the vote; provided, however, that the sum of the affirmative Sector Votes necessary to pass a motion to elect a Board Member or to elect the Chair or Vice Chair of the Members Committee shall be greater than (but not merely equal to) the product of .5 multiplied by the number of sectors that have at least five Members and that participated in the vote.
- (d) Voting Members not in attendance at the meeting as specified in Operating Agreement, Section 8.3.2 ~~of this Agreement~~ or abstaining shall not be counted as affirmative or negative votes.

8.6 Senior, Standing, and Other Committees.

The Members Committee shall establish and maintain the Markets and Reliability Committee as a Senior Standing Committee. The Members Committee also shall establish and maintain the Market Implementation Committee (under the Markets and Reliability Committee), and Planning Committee and Operating Committee (both under the Markets and Reliability Committee) as Standing Committees. The Members Committee may establish or dissolve other Standing Committees from time to time. The President shall appoint the Chair and Vice Chair of each Senior Standing Committee and Standing Committee and, after consultation with the Chair of a Standing Committee, the President shall appoint the Chair and Vice Chair of any other committees.

8.6.1 Markets and Reliability Committee.

The Markets and Reliability Committee shall be established by and report to the Members Committee.

The Markets and Reliability Committee shall provide advice and recommendations concerning the reliable and secure operation of the PJM Interchange Energy Market and Ancillary Services markets, mechanisms to provide an efficient marketplace for products needed for resource adequacy and operating security, and otherwise as directed by the Members Committee. The Markets and Reliability Committee also addresses matters related to the reliable and secure operation of the PJM system and planning strategies to assure the continued ability of the Members to operate reliably and economically, consistent with reliability principles and standards.

Voting on the Markets and Reliability Committee shall be by sectors in accordance with Operating Agreement, Sections 8.1 and Operating Agreement, section 8.4 ~~of this Agreement~~.

Neither the Markets and Reliability Committee nor the Members Committee shall have authority to control or direct the actions of the PJM Board or the Office of the Interconnection with regard to the short-term reliability of grid operations within the PJM Region. The responsibilities of the Markets and Reliability Committee shall, more specifically, include, but not be limited to, the following:

- (a) The Markets and Reliability Committee shall develop and approve a Markets and Reliability Committee Annual Plan including prioritization of planned activities and initiation of activities supporting the approved plan.
- (b) The Markets and Reliability Committee shall provide advice and recommendations concerning issues pertaining to the operation and administration of the PJM markets, including but not limited to amendments to PJM's Operating Agreement, the PJM-Tariff, or market rules and procedures as necessary or appropriate to foster competition and assure the fair, reliable and efficient operation and administration of the PJM markets, as well as the reliable operation of the grid.
- (c) The Markets and Reliability Committee shall provide advice and recommendations as are

necessary or appropriate to assure a high level of economy of service in the operation of the PJM Interchange Energy Market and other markets, in accordance with established market operation principles, practices and procedures, recognizing individual participant requirements for services, contractual obligations and other pertinent factors.

(d) The Markets and Reliability Committee shall provide advice and recommendations concerning studies and analyses relating to the overall efficacy of the PJM Interchange Energy Market and in carrying out actions as may be initiated as a result thereof.

(e) The Markets and Reliability Committee shall provide advice and recommendations concerning revisions to the Operating Agreement, the Reliability Assurance Agreement, and the PJM Tariff that pertain to its areas of responsibility.

(f) The Markets and Reliability Committee shall make annual and timely recommendations concerning the generating capacity reserve requirement and related demand-side valuation factors for consideration by the Members Committee, in order to assist the Members Committee in making recommendations to the PJM Board of Managers.

(g) The Markets and Reliability Committee shall provide direction to the Market Implementation Committee, which committee shall report to the Markets and Reliability Committee. The Market Implementation Committee shall provide advice and recommendations to the Markets and Reliability Committee directed to the advancement and promotion of competitive wholesale electricity markets in the PJM Region, and perform such other functions as the Markets and Reliability Committee may direct from time to time.

(h) The Markets and Reliability Committee shall provide direction to the Operating Committee and Planning Committee, which committees shall report to the Markets and Reliability Committee. The Operating Committee shall advise the Markets and Reliability Committee and PJM on matters pertaining to the reliable and secure operation of the PJM Region and the PJM Interchange Energy Market, as appropriate, and other matters as the Markets and Reliability Committee may request. The Planning Committee shall advise the Markets and Reliability Committee and PJM on matters pertaining to system reliability, security, economy of service, and planning strategies and policies and other matters as the Markets and Reliability Committee may request. The Markets and Reliability Committee shall review technical recommendations and changes initiated by the Operating Committee and Planning Committees and provide comments as needed.

(i) The Markets and Reliability Committee shall perform such other functions, directly or through delegation to a Standing Committee, subcommittee, working group or task force reporting to the Markets and Reliability Committee, as the Members Committee may direct.

(j) The Markets and Reliability Committee shall create subcommittees, working groups or task forces when needed to assist in carrying out the duties and responsibilities of the Markets and Reliability Committee.

8.6.2 [Reserved.]

8.6.3 Other Committees and Bodies.

The Standing Committees may form, select the membership, and oversee the activities, of such other committees, subcommittees, task forces, working groups or other bodies as it shall deem appropriate, to provide advice and recommendations to the Standing Committees or Office of the Interconnection. Each such group shall terminate automatically upon completion of its assigned tasks and, if not terminated, shall terminate two years after formation unless reauthorized by the Standing Committee that directed its formation.

8.7 User Groups.

- (a) Any five or more Members sharing a common interest may form a User Group, and may invite such other Members to join the User Group as the User Group shall deem appropriate. Notification of the formation of a User Group shall be provided to all ~~M~~members of the Members Committee.
- (b) The Members Committee shall create a User Group composed of representatives of bona fide public interest and environmental organizations that are interested in the activities of the LLC and are willing and able to participate in such a User Group.
- (c) Meetings of User Groups shall be open to all Members and the Office of the Interconnection. Notices and agendas of meetings of a User Group shall be provided to all Members that ask to receive them.
- (d) Any recommendation or proposal for action adopted by affirmative vote of three-fourths or more of the Members of a User Group shall be submitted to the Chair of the Members Committee. The Chairman shall refer the matter for consideration by the applicable Standing Committee as appropriate for consideration at that Committee's next regular meeting, occurring not earlier than 30 days after the referral, for a recommendation to the Members Committee for consideration at its next regular meeting.
- (e) If the Members Committee does not adopt a recommendation or proposal submitted by a User Group, upon vote of nine-tenths or more of the members of the User Group the recommendation or proposal may be submitted to the PJM Board for its consideration in accordance with Operating Agreement, Ssection 7.7(v).

8.8 Powers of the Members Committee.

The Members Committee, acting by adoption of a motion as specified in Operating Agreement, sSection 8.4, shall have the power to take the actions specified in this Agreement, including:

- i) Elect the members of the PJM Board;
- ii) In accordance with the provisions of Operating Agreement, sSection 18.6 ~~of this Agreement~~, amend any portion of this Agreement, including the Schedules hereto, or create new Schedules, and file any such amendments or new Schedules with FERC or other regulatory body of competent jurisdiction;
- iii) Adopt bylaws that are consistent with this Agreement, as amended or restated from time to time;
- iv) Terminate this Agreement; and
- v) Provide advice and recommendations to the PJM Board and the Office of the Interconnection.

9.2 President.

The PJM Board shall appoint a President and Chief Executive Officer of the LLC (the “President”). The President shall direct and supervise the day-to-day operation of the LLC, and shall report to the PJM Board. The President shall be responsible for directing and supervising the Office of the Interconnection in the performance of the duties and responsibilities specified in Operating Agreement, sSection 10.4. The President shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the LLC, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board to some other officer or agent of the LLC. In the absence of the President or in the event of his or her inability or refusal to act, and if a vice president has been appointed by the PJM Board, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the PJM Board in its Minutes) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall perform such other duties and have such other powers as the PJM Board may from time to time prescribe.

10.2.1 Financial Interests:

No Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof, shall own, control or hold with power to vote Prohibited Securities subject to the following:

1. Each Office of the Interconnection Board Member, officer, or employee or spouse or dependent children thereof, shall divest of those Prohibited Securities within six (6) months of: (i) the time of his affiliation or employment with the Office of the Interconnection, (ii) the time a new Member is added to this Agreement, a new Eligible Customer begins taking service under the Tariff or a Nonincumbent Developer is pre-qualified as eligible to be a Designated Entity pursuant to ~~schedule 6 of this Operating~~ Agreement, Schedule 6, where the Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof owns such Prohibited Securities; or (iii) the time of receipt of such Prohibited Securities (*e.g.* marriage, bequest, gift, etc.).

2. Nothing in this ~~s~~Section 10.2.1 shall be interpreted to preclude a Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof, from indirectly owning publicly traded Prohibited Securities through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted towards, or principally comprised of, entities in the electric industry or the electric utility industry, or any segments thereof) under which the Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof, does not control the purchase or sale of such Prohibited Securities. Any such ownership, including the nature and conditions of the interest, must be disclosed to the Office of the Interconnection's director, regulatory oversight and compliance who will report it to the PJM Board.

3. Ownership of Prohibited Securities as part of a pension plan or fund of a Member, Eligible Customer or Nonincumbent Developer shall be permitted. Any such ownership, including the nature and conditions of the interest, must be disclosed to the Office of the Interconnection's director, regulatory oversight and compliance who will report it to the PJM Board.

4. Ownership of Prohibited Securities by a spouse of a Board Member, officer or employee of the Office of the Interconnection who is employed by a Member, Eligible Customer or Nonincumbent Developer and is required to purchase and maintain ownership of Securities of such Member, Eligible Customer or Nonincumbent Developer as a part of his or her employment shall be permitted. Any such ownership by a spouse, including the nature and conditions of the interest, must be disclosed to the Office of the Interconnection's director, regulatory oversight and compliance who will report it to the PJM Board.

5. A Board Member shall disclose to the PJM Board if the Board Member is aware that he or she, or an immediate family member, has a financial interest in a Member, Eligible Customer or Nonincumbent Developer, or their Affiliates that is subject to a matter before the PJM Board. The chair of the PJM Board Governance Committee and the Office of the

Interconnection legal counsel shall consult with the Board Member to determine whether the PJM Board Member should be recused from the PJM Board deliberations and decision making regarding the matter before the PJM Board.

10.3 Confidential Information.

The Office of the Interconnection shall comply with the requirements of Operating Agreement, sSection 18.17 with respect to any proprietary or confidential information received from or about any Member.

10.4 Duties and Responsibilities.

The Office of the Interconnection, under the direction of the President as supervised and overseen by the PJM Board, shall carry out the following duties and responsibilities, in accordance with the provisions of this Agreement:

- i) Administer and implement this Agreement;
- ii) Perform such functions in furtherance of this Agreement as the PJM Board, acting within the scope of its duties and responsibilities under this Agreement, may direct;
- iii) Prepare, maintain, update and disseminate the PJM Manuals;
- iv) Comply with NERC, and Applicable Regional Entity operation and planning standards, principles and guidelines;
- v) Maintain an appropriately trained workforce, and such equipment and facilities, including computer hardware and software and backup power supplies, as necessary or appropriate to implement or administer this Agreement;
- vi) Direct the operation and coordinate the maintenance of the facilities of the PJM Region used for both load and reactive supply, so as to maintain reliability of service and obtain the benefits of pooling and interchange consistent with this Agreement, and the Reliability Assurance Agreement;
- vii) Direct the operation and coordinate the maintenance of the bulk power supply facilities of the PJM Region with such facilities and systems of others not party to this Agreement in accordance with agreements between the LLC and such other systems to secure reliability and continuity of service and other advantages of pooling on a regional basis;
- viii) Perform interchange accounting and maintain records pertaining to the operation of the PJM Interchange Energy Market and the PJM Region;
- ix) Notify the Members of the receipt of any application to become a Member, and of the action of the Office of the Interconnection on such application, including but not limited to the completion of integration of a new Member's system into the PJM Region, as specified in [Operating Agreement, sSection 11.6\(f\)](#);
- x) Calculate the Weighted Interest and Default Allocation Assessment of each Member;
- xi) Maintain accurate records of the sectors in which each Voting Member is entitled to vote, and calculate the results of any vote taken in the Members Committee;
- xii) Furnish appropriate information and reports as are required to keep the Members regularly informed of the outlook for, the functioning of, and results achieved by the PJM Region;

xiii) File with FERC on behalf of the Members any amendments to this Agreement or the Schedules hereto, any new Schedules hereto, and make any other regulatory filings on behalf of the Members or the LLC necessary to implement this Agreement;

xiv) At the direction of the PJM Board, submit comments to regulatory authorities on matters pertinent to the PJM Region;

xv) Consult with the standing or other committees established pursuant to Operating Agreement, sSection 8.6(a) on matters within the responsibility of the committee;

xvi) Perform operating studies of the bulk power supply facilities of the PJM Region and make such recommendations and initiate such actions as may be necessary to maintain reliable operation of the PJM Region;

xvii) Accept, on behalf of the Members, notices served under this Agreement;

xviii) Perform those functions and undertake those responsibilities transferred to it under the Consolidated Transmission Owners Agreement including (A) directing the operation of the transmission facilities of the parties to the Consolidated Transmission Owners Agreement (B) administering the PJM Tariff, and (C) administering the Regional Transmission Expansion Planning Protocol set forth inas Operating Agreement, Schedule 6 ~~to this Agreement~~;

xix) Perform those functions and undertake those responsibilities transferred to it under the Reliability Assurance Agreement, as specified in Operating Agreement, Schedule 8 ~~of this Agreement~~;

xx) Monitor the operation of the PJM Region, ensure that appropriate Emergency plans are in place and appropriate Emergency drills are conducted, declare the existence of an Emergency, and direct the operations of the Members as necessary to manage, alleviate or end an Emergency;

xxi) Incorporate the grid reliability requirements applicable to nuclear generating units in the PJM Region planning and operating principles and practices;

xxii) Initiate such legal or regulatory proceedings as directed by the PJM Board to enforce the obligations of this Agreement; and

xxiii) Select an individual to serve as the Alternate Dispute Resolution Coordinator as specified in the PJM Dispute Resolution Procedures.

11.3 Member Responsibilities.

11.3.1 General.

To facilitate and provide for the work of the Office of the Interconnection and of the several committees appointed by the Members Committee, each Member shall, to the extent applicable;

(a) Maintain complete and accurate records, if any, required to meet the purposes of this section and, subject to the provisions of this Agreement for the protection of the confidentiality of proprietary or commercially sensitive information, provide, as reasonably requested, data (excluding transactional data), documents, or records, to the Office of the Interconnection required for the following purposes: (i) maintenance of correct and updated Member and Affiliate Information, including appropriate personnel contacts, PJM committee representatives, organizational structure and other information as reasonably requested by the Office of the Interconnection to ensure the accuracy and completeness of Member records, (ii) maintenance of correct and updated Member and Affiliate Information on unit ownership, unit offer determination, unit offer submissions and unit operation, (iii) coordination of operations, (iv) accounting for all interchange transactions, (v) preparation of required reports, (vi) coordination of planning, including those data required for capacity accounting under the Reliability Assurance Agreement; (vii) preparation of maintenance schedules, (viii) analysis of system disturbances, and (ix) such other purposes, including those set forth in Operating Agreement, Schedule 2, as will contribute to the reliable and economic operation of the PJM Region and the administration by the Office of the Interconnection of the Agreement, the PJM Tariff and PJM Manuals – For the purposes of this subsection, Member and Affiliate Information means information regarding Members and either: (1) their direct and/or indirect subsidiaries subject to the jurisdiction of the FERC, or (2) their Related Parties;

(b) Provide such recording, telemetering, revenue quality metering, communication and control facilities as are required for the coordination of its operations with the Office of the Interconnection and those of the other Members and to enable the Office of the Interconnection to operate the PJM Region and otherwise implement and administer this Agreement, including equipment required in normal and Emergency operations and for the recording and analysis of system disturbances;

(c) Provide adequate and properly trained personnel to (i) permit participation in the coordinated operation of the PJM Region (ii) meet its obligation on a timely basis for supply of records and data, (iii) serve on committees and participate in their investigations, and (iv) share in the representation of the Interconnection in inter-regional and national reliability activities. Minimum training for Members that operate Market Operations Centers and local control centers shall include compliance with the applicable training standards and requirements in PJM Manual 40, Control Center Requirements, including the PJM System Operator Training Requirements in Attachment C;

(d) Share in the costs of committee activities and investigations (including costs of consultants, computer time and other appropriate items), communication facilities used by all the Members (in addition to those provided in the Office of the Interconnection), and such other

expenses as are approved for payment by the PJM Board, such costs to be recovered as provided in Operating Agreement, Schedule 3;

(e) Comply with the requirements of the PJM Manuals and all directives of the Office of the Interconnection to take any action for the purpose of managing, alleviating or ending an Emergency, and authorize the Office of the Interconnection to direct the transfer or interruption of the delivery of energy on their behalf to meet an Emergency and to implement agreements with other Control Areas interconnected with the PJM Region for the mutual provision of service to meet an Emergency, and be subject to the emergency procedure charges specified in Operating Agreement, Schedule 9 ~~of this Agreement~~ for any failure to follow the Emergency instructions of the Office of the Interconnection. In addressing any Emergency, the Office of the Interconnection shall comply with the terms of any reserve sharing agreements in effect for any part of the PJM Region.

11.3.2 Facilities Planning and Operation.

Consistent with and subject to the requirements of this Agreement, the PJM Tariff, the governing agreements of each Applicable Regional Entity, the Reliability Assurance Agreement, the Consolidated Transmission Owners Agreement, and the PJM Manuals, each Member shall cooperate with the other Members in the coordinated planning and operation of the facilities of its System within the PJM Region so as to obtain the greatest practicable degree of reliability, compatible economy and other advantages from such coordinated planning and operation. In furtherance of such cooperation each Member shall, as applicable:

(a) Consult with the other Members and the Office of the Interconnection, and coordinate the installation of its electric generation and Transmission Facilities with those of such other Members so as to maintain reliable service in the PJM Region;

(b) Coordinate with the other Members, the Office of the Interconnection and with others in the planning and operation of the regional facilities to secure a high level of reliability and continuity of service and other advantages;

(c) Cooperate with the other Members and the Office of the Interconnection in the implementation of all policies and procedures established pursuant to this Agreement for dealing with Emergencies, including but not limited to policies and procedures for maintaining or arranging for a portion of a Member's Generation Capacity Resources, at least equal to the applicable levels established from time to time by the Office of the Interconnection, to have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system;

(d) Cooperate with the members of each Applicable Regional Entity to augment the reliability of the bulk power supply facilities of the region and comply with Applicable Regional Entities and NERC operating and planning standards, principles and guidelines and the PJM Manuals implementing such standards, principles and guidelines;

- (e) Obtain or arrange for transmission service as appropriate to carry out this Agreement;
- (f) Cooperate with the Office of the Interconnection's coordination of the operating and maintenance schedules of the Member's generating and Transmission Facilities with the facilities of other Members to maintain reliable service to its own customers and those of the other Members and to obtain economic efficiencies consistent therewith;
- (g) Cooperate with the other Members and the Office of the Interconnection in the analysis, formulation and implementation of plans to prevent or eliminate conditions that impair the reliability of the PJM Region; and
- (h) Adopt and apply standards adopted pursuant to this Agreement and conforming to NERC, and Applicable Regional Entity standards, principles and guidelines and the PJM Manuals, for system design, equipment ratings, operating practices and maintenance practices.

11.3.3 Electric Distributors.

In addition to any of the foregoing responsibilities that may be applicable, each Member that is an Electric Distributor, whether or not that Member votes in the Members Committee in the Electric Distributor sector or meets the eligibility requirements for any other sector of the Members Committee, shall:

- (a) Accept, comply with or be compatible with all standards applicable within the PJM Region with respect to system design, equipment ratings, operating practices and maintenance practices as set forth in the PJM Manuals, or be subject to an interconnected Member's requirements relating to the foregoing, so that sufficient electrical equipment, control capability, information and communication are available to the Office of the Interconnection for planning and operation of the PJM Region;
- (b) Assure the continued compatibility of its local system energy management system monitoring and telecommunications systems to satisfy the technical requirements of interacting automatically or manually with the Office of the Interconnection as it directs the operation of the PJM Region;
- (c) Maintain or arrange for a portion of its connected load to be subject to control by automatic underfrequency, under-voltage, or other load-shedding devices at least equal to the levels established pursuant to the Reliability Assurance Agreement, or be subject to another Member's control for these purposes;
- (d) Provide or arrange for sufficient reactive capability and voltage control facilities to conform to Good Utility Practice and (i) to meet the reactive requirements of its system and customers and (ii) to maintain adequate voltage levels and the stability required by the bulk power supply facilities of the PJM Region;

- (e) Shed connected load, share Generation Capacity Resources and take such other coordination actions as may be necessary in accordance with the directions of the Office of the Interconnection in Emergencies;
- (f) Maintain or arrange for a portion of its Generation Capacity Resources at least equal to the level established pursuant to the Reliability Assurance Agreement to have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system;
- (g) Provide or arrange through another Member for the services of a 24-hour local control center to coordinate with the Office of the Interconnection, each such control center to be furnished with appropriate telemetry equipment as specified in the PJM Manuals, and to be staffed by system operators trained and delegated sufficient authority to take any action necessary to assure that the system for which the operator is responsible is operated in a stable and reliable manner. In addition to meeting any training standards and requirements specified in this Agreement, local control center staff shall be required to meet applicable training standards and requirements in PJM Manual 40, Control Center Requirements, including the PJM System Operator Training Requirements in Attachment C;
- (h) Provide to the Office of the Interconnection all System, accounting, customer tracking, load forecasting (including all load to be served from its System) and other data necessary or appropriate to implement or administer this Agreement, and the Reliability Assurance Agreement; and
- (i) Comply with the underfrequency relay obligations and charges specified in Operating Agreement, Schedule 7 ~~of this Agreement~~.

11.3.4 Reports to the Office of the Interconnection.

Each Member shall report as promptly as possible to the Office of the Interconnection any changes in its operating practices and procedures relating to the reliability of the bulk power supply facilities of the PJM Region. The Office of the Interconnection shall review such reports, and if any change in an operating practice or procedure of the Member is not in accord with the established operating principles, practices and procedures for the PJM Region and such change adversely affects such region and regional reliability, it shall so inform such Member, and the other Members through their representative on the Operating Committee, and shall direct that such change be modified to conform to the established operating principles, practices and procedures.

11.4 Regional Transmission Expansion Planning Protocol.

The Members shall participate in regional transmission expansion planning in accordance with the Regional Transmission Expansion Planning Protocol set forth in Operating Agreement, Schedule 6 ~~to this Agreement~~.

11.5 Member Right to Petition.

(a) Nothing herein shall deprive any Member of the right to petition FERC to modify any provision of this Agreement or any Schedule or practice hereunder that the petitioning Member believes to be unjust, unreasonable, or unduly discriminatory under section 206 of the Federal Power Act, subject to the right of any other Member (a) to oppose said proposal, or (b) to withdraw from the LLC pursuant to Operating Agreement, sSection 4.1.

(b) Nothing herein shall be construed as affecting in any way the right of the Members, acting pursuant to a vote of the Members Committee as specified in Operating Agreement, sSection 8.4, unilaterally to make an application to FERC for a change in any rate, charge, classification, tariff or service, or any rule or regulation related thereto, under section 205 of the Federal Power Act and pursuant to the rules and regulations promulgated by FERC thereunder, subject to the right of any Member that voted against such change in any rate, charge, classification, tariff or service, or any rule or regulation related thereto, to intervene in opposition to any such application.

11.6 Membership Requirements.

- (a) To qualify as a Member, an entity shall:
 - i) Be a Transmission Owner a Generation Owner, an Other Supplier, an Electric Distributor, or an End-Use Customer; and
 - ii) Accept the obligations set forth in this Agreement.
- (b) Certain Members that are Load Serving Entities are parties to the Reliability Assurance Agreement. Upon becoming a Member, any entity that is a Load Serving Entity in the PJM Region and that wishes to become a Market Buyer shall also simultaneously execute the Reliability Assurance Agreement.
- (c) An entity that wishes to become a party to this Agreement shall apply, in writing, to the President setting forth its request, its qualifications for membership, its agreement to supply data as specified in this Agreement, its agreement to pay all costs and expenses in accordance with Operating Agreement, Schedule 3, and providing all information specified pursuant to the Schedules to this Agreement for entities that wish to become Market Participants. Any such application that meets all applicable requirements shall be approved by the President within sixty (60) days.
- (d) Nothing in this Operating Agreement, sSection 11 is intended to remove, in any respect, the choice of participation by other utility companies or organizations in the operation of the PJM Region through inclusion in the System of a Member.
- (e) An entity whose application is accepted by the President pursuant to sSection 11.6(c) above shall execute a supplement to this Agreement in substantially the form prescribed in Operating Agreement, Schedule 4, which supplement shall be countersigned by the President. The entity shall become a Member effective on the date the supplement is countersigned by the President.
- (f) Entities whose applications contemplate expansion or rearrangement of the PJM Region may become Members promptly as described in sSections 11.6(c) and 11.6(e) above, but the integration of the applicant's system into all of the operation and accounting provisions of this Agreement and the Reliability Assurance Agreement, shall occur only after completion of all required installations and modifications of metering, communications, computer programming, and other necessary and appropriate facilities and procedures, as determined by the Office of the Interconnection. The Office of the Interconnection shall notify the other Members when such integration has occurred.
- (g) Entities that become Members will be listed in Operating Agreement, Schedule 12 ~~of this Agreement~~.
- (h) In accordance with this Agreement, Members agree that PJMSettlement shall be the Counterparty with respect to certain transactions under the PJM Tariff and this Agreement.

14B.4 Additional Billing and Payment Provisions With Respect to the Counterparty

(a) Each Member shall receive from PJMSettlement (and not from any other party), and shall pay to PJMSettlement (and not to any other party), the amounts specified in the PJM Tariff and this Agreement for services and transactions for which PJMSettlement is the Counterparty, and PJMSettlement shall be correspondingly obliged and entitled.

(b) **Payment netting.** If, during the settlement period, amounts in respect of obligations associated with transactions for which PJMSettlement are owed, and would otherwise be paid, by both a Member and PJMSettlement to each other, then the respective obligations to pay such amounts will automatically be cancelled and replaced by a single obligation upon the Member or PJMSettlement (as the case may be) that would have had to pay the larger aggregate amount to pay the net amount (if any) to the other.

(c) **Conditions for payment by the Counterparty.**

(i) A Member shall be entitled to payment from PJMSettlement during the settlement period if, and only if, during the settlement period there is no amount in default due and payable by that Member to PJMSettlement with respect to transactions for which PJMSettlement is a Counterparty and not paid or recovered and so long as an amount in default, or any part of it, remains owing to PJMSettlement, that Member will not request, demand or claim to be entitled to payment by PJMSettlement.

(ii) Subject to Operating Agreement, section 15, a defaulting Member shall be entitled to payment from PJMSettlement with respect to transactions for which PJMSettlement is the Counterparty, if, and only if, all amounts, liabilities and other obligations due, owing, incurred or payable by that defaulting Member to PJMSettlement or the LLC, whether those liabilities or obligations are actual or contingent, present or future, joint or several (including, without limitation, all interest (after as well as before judgment) and expenses) have been paid or recovered and until that time the defaulting Member will not request, demand or claim to be entitled to payment by PJMSettlement or the LLC.

(d) **Set-off.**

(i) If during the settlement period an amount is due and, but for Operating Agreement, section 14B.4(c), would have been payable from PJMSettlement to a Member, but before that settlement period there was due from that Member an amount in default (as defined in Operating Agreement, section 15) that has not been paid or recovered, then notwithstanding Operating Agreement, section 14B.4(c), the amount owing by PJMSettlement shall be automatically and unconditionally set off against the amount(s) in default.

- (ii) If in respect of any non-paying Member there is more than one amount in default, then any amount due and payable from PJMSettlement shall be set off against the amounts in default in the order in which they originally became due and payable.

(e) **Liability of PJMSettlement.**

- (i) The liability of PJMSettlement to make payments during the settlement period shall be limited so that the aggregate of such payments does not exceed the aggregate amount of payments that has been paid to or recovered by PJMSettlement, from Members (including by way of realization of financial security) in respect of that settlement period.
- (ii) Where in relation to any settlement period, the aggregate amount that PJMSettlement pays to Members with respect to transactions for which PJMSettlement is the Counterparty is less than the amount to which those Members, but for the operation of section 14B(e)(i), would have been entitled: if and to the extent that, after the required time during the settlement period, PJMSettlement or the LLC is paid and recovers (including collection of such amount through Default Allocation Assessments) amounts from any Member, PJMSettlement shall to the extent of such receipts make payments (to certain Members) in accordance with the provisions of Operating Agreement, section 15.2.1.

15.1 Failure to Meet Obligations.

15.1.1 Termination of Market Buyer Rights.

The Office of the Interconnection shall terminate a Market Buyer's right to make purchases from the PJM Interchange Energy Market, the PJM Capacity Credit Market or any other market operated by PJM if it determines that the Market Buyer does not continue to meet the obligations set forth in this Agreement, including but not limited to the obligation to be in compliance with PJM's creditworthiness requirements and the obligation to make timely payment, provided that the Office of the Interconnection has notified the Market Buyer of any such deficiency and afforded the Market Buyer a reasonable opportunity to cure pursuant to [sSection 15.1.3 below](#). The Office of the Interconnection shall reinstate a Market Buyer's right to make purchases from the PJM Interchange Energy Market and PJM Capacity Credit Market upon demonstration by the Market Buyer that it has come into compliance with the obligations set forth in this Agreement.

15.1.2 Termination of Market Seller Rights.

The Office of the Interconnection shall not accept offers from a Market Seller that has not complied with the prices, terms, or operating characteristics of any of its prior scheduled transactions in the PJM Interchange Energy Market, unless such Market Seller has taken appropriate measures to the satisfaction of the Office of the Interconnection to ensure future compliance.

15.1.3 Payment of Bills.

A Member shall make full and timely payment, in accordance with the terms specified by the Office of the Interconnection, of all bills rendered in connection with or arising under or from this Agreement, any service or rate schedule, any tariff, or any services performed by the Office of the Interconnection or transactions with PJMSettlement, notwithstanding any disputed amount, but any such payment shall not be deemed a waiver of any right with respect to such dispute. Any Member that fails to make full and timely payment to PJMSettlement (of amounts owed either directly to PJMSettlement or PJMSettlement as agent for the LLC) or otherwise fails to meet its financial or other obligations to a Member, PJMSettlement, or the LLC under this Agreement, shall, in addition to any requirement set forth in [this sSection 15.1](#) and upon expiration of the 2-day period specified below be in default.

15.1.4 Breach Notification and Remedy

If the Office of the Interconnection concludes, upon its own initiative or the recommendation of or complaint by the Members Committee or any Member, that a Member is in breach of any obligation under this Agreement, including, but not limited to, the obligation to make timely payment and the obligation to meet PJM's creditworthiness standards and to otherwise comply with PJM's credit policies, the Office of the Interconnection shall so notify such Member. The notified Member may remedy such asserted breach by: (i) paying all amounts assertedly due, along with interest on such amounts calculated in accordance with the methodology specified for interest on refunds in FERC's regulations at 18 C.F.R. § 35.19a(a)(2)(iii); and (ii) demonstration

to the satisfaction of the Office of the Interconnection that the Member has taken appropriate measures to meet any other obligation of which it was deemed to be in breach; provided, however, that any such payment or demonstration may be subject to a reservation of rights, if any, to subject such matter to the PJM Dispute Resolution Procedures; and provided, further, that any such determination by the Office of the Interconnection may be subject to review by the PJM Board upon request of the Member involved or the Office of the Interconnection.

15.1.5 Default Notification and Remedy

If a Member has not remedied a breach by the 2nd Business Day following receipt of the Office of the Interconnection's notice, or receipt of the PJM Board's decision on review, if applicable, then the Member shall be in default and, in addition to such other remedies as may be available to the LLC or PJMSettlement:

- i) A defaulting Market Participant shall be precluded from buying or selling in the PJM Interchange Energy Market, the PJM Capacity Credit Market, or any other market operated by PJM until the default is remedied as set forth above;
- ii) A defaulting Member shall not be entitled to participate in the activities of any committee or other body established by the Members Committee or the Office of the Interconnection; and
- iii) A defaulting Member shall not be entitled to vote on the Members Committee or any other committee or other body established pursuant to this Agreement.
- iv) PJM shall notify all other members of the default.

15.1.6 Reinstatement of Member Following Default and Remedy

a. A Member that has been declared in default, solely of PJM's creditworthiness standards, or fails to otherwise comply with PJM's credit policies once within any 12 month period may be reinstated in full after remedying such default.

b. A Member that has been declared in default of this Agreement for failing to: (i) make timely payments when due once during any prior 12 month period, or (ii) adhere to PJM's creditworthiness standards and credit policies, twice during any prior 12 month period, may be subject to the following restrictions:

- a) Loss of stakeholder privileges, including voting privileges, for 12 months following such default; and
- b) Loss of the allowance of unsecured credit for 12 months following such default

c. A Member that has been declared in default of this Agreement for failing to: (i) make timely payments when due twice during any prior 12 month period, or (ii) adhere to PJM's creditworthiness standards and credit policies, three times during any prior 12 month period,

shall, except as provided for below, not be eligible to be reinstated as a Member to this Agreement and its membership rights pursuant to this Agreement shall be terminated in accordance with Operating Agreement, sSection 4.1(c) ~~of this Agreement~~, notwithstanding whether such default has been remedied. Furthermore:

- a) PJMSettlement shall close out and liquidate all of the Member's current and forward positions in accordance with the provisions of this Agreement; and
- b) A Member terminated in accordance with these provisions shall be precluded from seeking future membership under this Agreement;

d. A Member may appeal a determination made pursuant to the foregoing procedures utilizing PJM's dispute resolution procedure as set forth in Operating Agreement, Schedule 5 ~~of this Agreement~~, (provided, however, that a Member's decision to utilize these procedures shall not operate to stay the ability of PJM to exercise any and all of its rights under this Agreement and the PJM Tariff) -and may be reinstated provided that the Member can demonstrate the following:

- a) that it has otherwise consistently complied with its obligations under this Agreement and the PJM Tariff; and
- b) the failure to comply was not material; and
- c) the failure to comply was due in large part to conditions that were not in the common course of business.

15.2 Enforcement of Obligations.

If the Office of the Interconnection sends a notice to the PJM Board that a Member has failed to perform an obligation under this Agreement, the PJM Board, on behalf of the LLC and PJMSettlement, shall initiate such action against such Member to enforce such obligation as the PJM Board shall deem appropriate. Subject to the procedures specified in Section 15.1, a Member's failure to perform such obligation shall be deemed to be a default under this Agreement. In order to remedy a default, but without limiting any rights the LLC or PJMSettlement may have against the defaulting Member, the PJM Board may assess against, and collect from, the Members not in default, in proportion to their Default Allocation Assessment, an amount equal to the amount that the defaulting Member has failed to pay to PJMSettlement or the LLC (less amounts covered by Financial Security, held by PJMSettlement, on behalf of itself and as agent for the LLC, or indemnifications paid to the LLC or PJMSettlement), along with appropriate interest. Such assessment shall in no way relieve the defaulting Member of its obligations. In addition to any amounts in default, the defaulting Member shall be liable to the LLC and PJMSettlement for all reasonable costs incurred in enforcing the defaulting Member's obligations.

15.2.1 Collection by the Office of the Interconnection.

PJMSettlement is authorized to pursue collection through such actions, legal or otherwise, as it reasonably deems appropriate, including but not limited to the prosecution of legal actions and assertion of claims on behalf of the affected Members in the state and federal courts as well as under the United States Bankruptcy Code. Prior to initiating formal legal action in state or federal court to pursue collection, PJMSettlement shall provide to the Members Committee an explanation of its intended action. Upon the duly seconded motion of any Member, the Members Committee may conduct a vote to afford PJMSettlement a sense of the membership as regards to PJMSettlement's intended action to pursue collection. PJMSettlement shall consider any such vote before initiating formal legal action and at all times during the course of any collection effort evaluate the expected benefits in pursuing such effort in light of any changed circumstances. After deducting the costs of collection, any amounts recovered by PJMSettlement shall be distributed to the Members who have paid their Default Allocation Assessment in proportion to the Default Allocation Assessment paid by each Member.

15.2.2 Default Allocation Assessment.

(a) "Default Allocation Assessment" shall be equal to $(0.1(1/N) + 0.9(A/Z))$, where:

N = the total number of Members, calculated as of five o'clock p.m. eastern prevailing time on the date PJM declares a Member in default, excluding ex officio Members, State Consumer Advocates, Emergency and Economic Load Response Program Special Members, and municipal electric system Members that have been granted a waiver under Operating Agreement, section 17.2 ~~of this Agreement~~.

A = for Members comprising factor "N" above, the Member's gross activity as determined by summing the absolute values of the charges and credits for each of the Activity

Line Items identified in section 15.2.2(b) ~~below of this Agreement~~ as accounted for and billed pursuant to Operating Agreement, Schedule 1, section 3 ~~of Schedule 1 of this Agreement~~ for the month of default and the two previous months.

Z = the sum of factor A for all Members excluding ex officio Members, State Consumer Advocates, Emergency and Economic Load Response Program Special Members, and municipal electric system Members that have been granted a waiver under Operating Agreement, section 17.2 ~~of this Agreement~~.

The assessment value of $(0.1(1/N))$ shall not exceed \$10,000 per Member per calendar year, cumulative of all defaults, or more than once per Member default if Default Allocation Assessment charges for a single Member default span multiple calendar years. For this purpose, a default by an individual Member that spans multiple billing periods without cure shall be considered a single default. If one or more defaults arise that cause the value to exceed \$10,000 per Member, then the excess shall be reallocated through the gross activity factor.

(b) Activity Line Items shall be each of the line items on the PJM monthly bills net of load reconciliation adjustments and adjustments applicable to activity for the current billing month appearing on the same bill.

16.2 LLC Indemnified Parties.

(a) The LLC will indemnify and hold harmless the PJM Board, the LLC's officers, employees and agents, and any representatives of the Members serving on the Members Committee and any other committee created under Operating Agreement, sSection 8 of this Agreement (all such Board Members, officers, employees, agents and representatives for purposes of this Operating Agreement, sSection 16 being referred to as "LLC Indemnified Parties"), of and from any and all actions, claims, demands, costs (including consequential or indirect damages, economic losses and all court costs and reasonable attorneys' fees) and liabilities to any third parties, arising from, or in any way connected with, the performance of the LLC under this Agreement, or the fact that such LLC Indemnified Party was serving in such capacity, except to the extent that such action, claim, demand, cost or liability results from the willful misconduct of any LLC Indemnified Party with respect to participation in the misconduct. To the extent any dispute arises between any Member and the LLC arising from, or in any way connected with, the performance of the LLC under this Agreement, the Member and the LLC shall follow the PJM Dispute Resolution Procedures. To the extent that any such action, claim, demand, cost or liability arises from a Member's contractual or other obligation to provide electric service directly or indirectly to said third party, which obligation to provide service is limited by the terms of any tariff, service agreement, franchise, statute, regulatory requirement, court decision or other limiting provision, the Member designates the LLC and each LLC Indemnified Party a beneficiary of said limitation.

(b) An LLC Indemnified Party shall not be personally liable for monetary damages for any breach of fiduciary duty by such LLC Indemnified Party, except that an LLC Indemnified Party shall be liable to the extent provided by applicable law (i) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, or (ii) for any transaction from which the LLC Indemnified Party derived an improper personal benefit. Notwithstanding (i) and (ii), indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the LLC if and to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses that such court shall deem proper. If applicable law is hereafter construed or amended to authorize the further elimination or limitation of the liability of LLC Indemnified Parties, then the liability of the LLC Indemnified Parties, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by law. No amendment to or repeal of this section shall apply to or have any effect on the liability or alleged liability of any LLC Indemnified Party or with respect to any acts or omissions occurring prior to such amendment or repeal. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the LLC, and with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(c) The LLC may pay expenses incurred by an LLC Indemnified Party in defending a civil, criminal, administrative or investigative action, suit or proceeding in advance of the final

disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such LLC Indemnified Party to repay such amount if it shall ultimately be determined that such LLC Indemnified Party is not entitled to be indemnified by the LLC as authorized in this Section.

(d) In the event the LLC incurs liability under this ~~s~~Section 16.2 that is not adequately covered by insurance, such amounts shall be recovered pursuant to the PJM Tariff as provided in Operating Agreement, Schedule 3 ~~of this Agreement~~.

16.6 Gross Negligence or Willful Misconduct.

Neither PJMSettlement, the LLC, nor the LLC Indemnified Parties shall be liable to the Members or any of them, or to any third party or other person, for any claims, demands or costs arising from, or in any way connected with, the performance of PJMSettlement or the LLC under this Agreement other than actions, claims or demands based on gross negligence or willful misconduct; provided, however, that nothing herein shall limit or reduce the obligations of PJMSettlement or the LLC to the Members or any of them under the express terms of this Agreement or the PJM Tariff, including, but not limited to, those set forth in Operating Agreement, sSections 6.2 and Operating Agreement, section 6.3~~of this Agreement~~.

17.2 Municipal Electric Systems.

Any provisions of Operating Agreement, sSection 17.1 notwithstanding, if any Member that is a municipal electric system believes in good faith that the provisions of Operating Agreement, sSections 5.1(b) and Operating Agreement, section 16.1 ~~of this Agreement~~ may not lawfully be applied to that Member under applicable state law governing municipal activities, the Member may request a waiver of the pertinent provisions of the Agreement. Any such request for waiver shall be supported by an opinion of counsel for the Member to the effect that the provision of the Agreement as to which waiver is sought may not lawfully be applied to the Member under applicable state law. The PJM Board shall have the right to have the opinion of the Member's counsel reviewed by counsel to the LLC. If the PJM Board concludes that either or both of Operating Agreement, sSections 5.1(b) and Operating Agreement, section 16.1 ~~of this Agreement~~ may not lawfully be applied to a municipal electric system Member, it shall waive the application of the affected provision or provisions to such municipal Member. Any Member not permitted by law to indemnify the other Members shall not be indemnified by the other Members.

18.6 Amendment.

(a) Except as provided by law or otherwise set forth herein, this Agreement, including any Schedule hereto, may be amended, or a new Schedule may be created, only upon: (i) submission of the proposed amendment to the PJM Board for its review and comments; (ii) approval of the amendment or new Schedule by the Members Committee, after consideration of the comments of the PJM Board, in accordance with Operating Agreement, sSection 8.4, or written agreement to an amendment of all Members not in default at the time the amendment is agreed upon; and (iii) approval and/or acceptance for filing of the amendment by FERC and any other regulatory body with jurisdiction thereof as may be required by law. If and as necessary, the Members Committee may file with FERC or other regulatory body of competent jurisdiction any amendment to this Agreement or to its Schedules or a new Schedule not filed by the Office of the Interconnection.

(b) Notwithstanding the foregoing, an applicant eligible to become a Member in accordance with the procedures specified in this Agreement shall become a Member by executing a counterpart of this Agreement without the need for amendment of this Agreement or execution of such counterpart by any other Member.

(c) Each of the following fundamental changes to the LLC shall require or be deemed to require an amendment to this Agreement and shall require the prior approval of FERC:

- i) Adoption of any plan of merger or consolidation;
- ii) Adoption of any plan of sale, lease or exchange of assets relating to all, or substantially all, of the property and assets of the LLC;
- iii) Adoption of any plan of division relating to the division of the LLC into two or more corporations or other legal entities;
- iv) Adoption of any plan relating to the conversion of the LLC into a stock corporation;
- v) Adoption of any proposal of voluntary dissolution; or
- vi) Taking any action which has the purpose or effect of the adoption of any plan or proposal described in items (i), (ii), (iii), (iv) or (v) above.

18.9 Catastrophic Force Majeure.

Performance of any obligation arising under this Agreement, owed by a Member to either PJM or to another Member (either directly or indirectly), shall not be excused or suspended by reason of an event of force majeure unless such event constitutes an event of Catastrophic Force Majeure. An event of Catastrophic Force Majeure shall excuse a Member from performing obligations arising under this Agreement during the period such Member's performance is prevented by any event of Catastrophic Force Majeure, provided such event was not caused by such Member's fault or negligence. - An event of Catastrophic Force Majeure may suspend but shall not excuse any payment obligation owed by a Member. -Any excuse or exception to a performance obligation expressly provided for by specific terms of this Agreement, the PJM Tariff, or the Reliability Assurance Agreement shall apply according to their terms and remain in full force and effect without regard to this provision. - Unless expressly referenced in any section of this Agreement, the PJM Tariff, or the Reliability Assurance Agreement, this provision shall not apply, and not supersede, other force majeure provisions that are expressly applicable to specific obligations arising under any sections of those documents. This provision shall apply in its entirety to all rules, rights and obligations specified in Tariff, Attachment K-Appendix~~of the PJM Tariff, Tariff, Attachment DD~~of the PJM Tariff, Operating Agreement, Schedule 1~~of the Operating Agreement~~, and the Reliability Assurance Agreement. Other than this provision, no other force majeure provisions in this Agreement, the PJM Tariff, or the Reliability Assurance Agreement shall apply in any manner to Tariff, Attachment K-Appendix~~of the PJM Tariff, Tariff, Attachment DD~~of the PJM Tariff, Operating Agreement, Schedule 1~~of the Operating Agreement~~, and the Reliability Assurance Agreement.

18.18 Termination and Withdrawal.

18.18.1 Termination.

Upon termination of this Agreement, final settlement for obligations under this Agreement shall include the accounting for the period ending with the last day of the last month for which the Agreement was effective.

18.18.2 Withdrawal.

Subject to the requirements of Operating Agreement, sSection 4.1(c) ~~of this Agreement~~ and Operating Agreement, Schedule 1, sSection 1.4.6 ~~of the Schedule 1 to this Agreement~~, any Member may withdraw from this Agreement upon 90 days notice to the Office of the Interconnection.

18.18.3 Winding Up.

Any provision of this Agreement that expressly or by implication comes into or remains in force following the termination or expiration of this Agreement shall survive such ~~termination~~ or expiration. The surviving provisions shall include, but shall not be limited to: (i) those provisions necessary to permit the orderly conclusion, or continuation pursuant to another agreement, of transactions entered into prior to the decision to terminate this Agreement, (ii) those provisions necessary to conduct final billing, collection, and accounting with respect to all matters arising hereunder, and (iii) the indemnification provisions as applicable to periods prior to such termination or expiration.

IN WITNESS whereof, the Members have caused this Agreement to be executed by their duly authorized representatives.

**SCHEDULE 3 -
ALLOCATION OF THE COST AND EXPENSES
OF THE OFFICE OF THE INTERCONNECTION**

(a) Each group of Affiliates, each group of Related Parties, and each Member that is not in such a group shall pay an annual membership fee, the proceeds of which shall be used to defray the costs and expenses of the LLC, including the Office of the Interconnection. The amount of the annual fee as of the Effective Date shall be \$5,000. The annual membership fee shall be charged on a calendar year basis. In the year that a new membership commences, the annual membership fee may be reduced, at the election of the entity joining, by 1/12th for each full month that has passed prior to membership commencing. If the entity seeking to join elects to pay a prorated annual membership fee as provided here, it shall not be permitted to vote at meetings until the first day following the date that its entry as a new Member is announced at a Members Committee meeting, provided that if an entity's membership is terminated and it seeks to rejoin within twelve months, it will be subject to the full \$5,000 annual membership fee. Annual membership fees shall not be refunded, in whole or in part, upon termination of membership. Each group of Affiliates, each group of Related Parties, and each Member that does not timely pay its annual membership fee by January 1 shall be deemed to have given notice of its intent to withdrawal from PJM Membership in accordance with Operating Agreement, s~~Section 18.18.2-of this Agreement~~. PJM shall provide the affected group of Affiliates, group of Related Parties and/or Member with notification (electronic or otherwise) of its intent to apply this provision and the affected group of Affiliates, group of Related Parties and/or Member shall have 90 days therefrom to make payment of its annual membership fee before its withdrawal from PJM Membership becomes effective.

(b) Each group of State Offices of Consumer Advocates from the same state or the District of Columbia and each State Consumer Advocate that nominates its representative to vote on the Members Committee but is not in such a group shall pay an annual fee, the proceeds of which shall be used to defray the costs and expenses of the LLC, including the Office of the Interconnection. The amount of the annual fee shall be \$500. The annual membership fee shall be charged on a calendar year basis and shall not be subject to proration for memberships commencing during a calendar year.

(c) The amount of the annual fees provided for herein shall be adjusted from time to time by the PJM Board to keep pace with inflation.

(d) All remaining costs of the operation of the LLC and the Office of the Interconnection and the expenses, including, without limitation, the costs of any insurance and any claims not covered by insurance, associated therewith as provided in this Agreement shall be costs of PJM Interconnection, L.L.C. Administrative Services and shall be recovered as set forth in Tariff, Schedule 9~~-to the PJM Tariff~~. Such costs may include costs associated with debt service, including the costs of funding reserve accounts or meeting coverage or similar requirements that financing covenants may necessitate.

(e) An entity accepted for membership in the LLC shall pay all costs and expenses associated with additions and modifications to its own metering, communication, computer, and

other appropriate facilities and procedures needed to effect the inclusion of the entity in the operation of the Interconnection, and for additional services requested by Members from the LLC, PJMSettlement or the Office of the Interconnection that are not required for the operation of the LLC or the Office of the Interconnection.

2.2 Interpretation.

To the extent permitted by applicable law, the PJM Dispute Resolution Procedures are to be interpreted to effectuate the objectives set forth in Operating Agreement, sSection 2.1. To the extent permitted by these PJM Dispute Resolution Procedures, the Alternate Dispute Resolution Coordinator shall coordinate with the established dispute resolution committee of an Applicable Regional Entity, where appropriate, in order to conserve administrative resources and to avoid duplication of dispute resolution staffing.

4.2 Binding Decision.

Except as specified in Operating Agreement, Schedule 5, sSection 4.1, the resolution by arbitration of any dispute under this Agreement shall not be binding.

1.3 Establishment of Committees.

(a) The Planning Committee shall be open to participation by (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region and the State Consumer Advocates; and (v) any other interested entities or persons and shall provide technical advice and assistance to the Office of the Interconnection in all aspects of its regional planning functions. The Transmission Owners shall supply representatives to the Planning Committee, and other Members may provide representatives as they deem appropriate, to provide the data, information, and support necessary for the Office of the Interconnection to perform studies as required and to develop the Regional Transmission Expansion Plan.

(b) The Transmission Expansion Advisory Committee established by the Office of the Interconnection will meet periodically with representatives of the Office of the Interconnection to provide advice and recommendations to the Office of the Interconnection to aid in the development of the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee participants shall be given an opportunity to provide advice and recommendations for consideration by the Office of the Interconnection regarding sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives in the studies and analyses to be conducted by the Office of the Interconnection. The Transmission Expansion Advisory Committee participants shall be given the opportunity to review and provide advice and recommendations on the projects to be included in the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee meetings shall include discussions addressing interregional planning issues, as required. The Transmission Expansion Advisory Committee shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates; and (v) any other interested entities or persons. The Transmission Expansion Advisory Committee shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (PJM Manual M-14 series) and by the rules and procedures applicable to PJM committees.

(c) The Subregional RTEP Committees established by the Office of the Interconnection shall facilitate the development and review of the Local Plans. The Subregional RTEP Committees will be responsible for the initial review of the Subregional RTEP Projects, and to provide recommendations to the Transmission Expansion Advisory Committee concerning the Subregional RTEP Projects. A Subregional RTEP Committee may of its own accord or at the request of a Subregional RTEP Committee participant, also refer specific Subregional RTEP Projects to the Transmission Expansion Advisory Committee for further review, advice and recommendations.

(d) The Subregional RTEP Committees shall be responsible for the timely review of the criteria, assumptions and models used to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements, proposed solutions and written comments prior to finalizing the Local Plan, the coordination and integration of the Local Plans into the RTEP, and addressing any stakeholder issues unresolved in the Local Plan process. The Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the criteria, assumptions, and models used in local planning activities prior to finalizing the Local Plan. The Subregional RTEP Committees shall also be responsible for the timely review of the Transmission Owners' criteria, assumptions, and models used to identify Supplemental Projects that will be considered for inclusion in the Local Plan for each Subregional RTEP Committee. The Subregional RTEP Committees meetings shall include discussions addressing interregional planning issues, as required. Once finalized, the Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the Local Plans as integrated into the RTEP, prior to the submittal of the final Regional Transmission Expansion Plan to the PJM Board for approval. In addition, the Subregional RTEP Committees will provide sufficient opportunity to review and provide written comments to the Transmission Owners on any Supplemental Projects included in the Local Plan, in accordance with Additional Procedures for Planning of Supplemental Projects set forth in Tariff, Attachment M-3-~~of~~ ~~the PJM Tariff~~.

(e) The Subregional RTEP Committees shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates and (v) any other interested entities or persons.

(f) Each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting to review the criteria, assumptions and models to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements. Each Subregional RTEP Committee shall schedule and facilitate an additional Subregional RTEP Committee meeting, per planning cycle, and as required to review the identified criteria violations and potential solutions. The Subregional RTEP Committees may facilitate additional meetings to incorporate more localized areas in the subregional planning process. At the discretion of the Office of the Interconnection, a designated Transmission Owner may facilitate Subregional RTEP Committee meeting(s), or the additional meetings incorporating the more localized areas.

(g) The Subregional RTEP Committees shall schedule and facilitate meetings regarding Supplemental Projects, as described in the Tariff, Attachment M-3.

(h) The Subregional RTEP Committees shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional

Planning Process Manual (Manual M-14 series) and by the rules and procedures applicable to PJM committees.

1.6 Approval of the Final Regional Transmission Expansion Plan.

(a) Based on the studies and analyses performed by the Office of the Interconnection under ~~this Operating Agreement~~, Schedule 6, the PJM Board shall approve the Regional Transmission Expansion Plan in accordance with the requirements of ~~this Operating Agreement~~, Schedule 6. The PJM Board shall approve the cost allocations for transmission enhancements and expansions consistent with ~~Tariff~~, Schedule 12 ~~of the PJM Tariff~~. Supplemental Projects shall be integrated into the Regional Transmission Expansion Plan approved by the PJM Board but shall not be included for cost allocation purposes.

(b) The Office of the Interconnection shall publish the current, approved Regional Transmission Expansion Plan on the PJM Internet site. Within 30 days after each occasion when the PJM Board approves a Regional Transmission Expansion Plan, or an addition to such a plan, that designates one or more Transmission Owner(s) or Designated Entity(ies) to construct such expansion or enhancement, the Office of the Interconnection shall file with FERC a report identifying the expansion or enhancement, its estimated cost, the entity or entities that will be responsible for constructing and owning or financing the project, and the market participants designated under ~~Operating Agreement, Schedule 6, s~~Section 1.5.6(1) ~~above~~ to bear responsibility for the costs of the project.

(c) If a Regional Transmission Expansion Plan is not approved, or if the transmission service requested by any entity is not included in an approved Regional Transmission Expansion Plan, nothing herein shall limit in any way the right of any entity to seek relief pursuant to the provisions of Section 211 of the Federal Power Act.

(d) Following PJM Board approval, the final Regional Transmission Expansion Plan shall be documented, posted publicly and provided to the Applicable Regional Entities.

1.7 Obligation to Build.

(a) Subject to the requirements of applicable law, government regulations and approvals, including, without limitation, requirements to obtain any necessary state or local siting, construction and operating permits, to the availability of required financing, to the ability to acquire necessary right-of-way, and to the right to recover, pursuant to appropriate financial arrangements and tariffs or contracts, all reasonably incurred costs, plus a reasonable return on investment, Transmission Owners or Designated Entities designated as the appropriate entities to construct, own and/or finance enhancements or expansions specified in the Regional Transmission Expansion Plan shall construct, own and/or finance such facilities or enter into appropriate contracts to fulfill such obligations. Except as provided in Operating Agreement, Schedule 6, s~~Section 1.5.8(k) of this Schedule 6~~, nothing herein shall require any Transmission Owner to construct, finance or own any enhancements or expansions specified in the Regional Transmission Expansion Plan for which the plan designates an entity other than a Transmission Owner as the appropriate entity to construct, own and/or finance such enhancements or expansions.

(b) Nothing herein shall prohibit any Transmission Owner from seeking to recover the cost of enhancements or expansions on an incremental cost basis or from seeking approval of such rate treatment from any regulatory agency with jurisdiction over such rates.

(c) The Office of the Interconnection shall be obligated to collect on behalf of the Transmission Owner(s) or Designated Entity(ies) all charges established under Tariff, Schedule 12 ~~of the PJM Tariff~~ in connection with facilities which the Office of the Interconnection designates one or more Transmission Owners or Designated Entity(ies) to build pursuant to this Regional Transmission Expansion Planning Protocol. Such charges shall compensate the Transmission Owner(s) or Designated Entity(ies) for all costs related to such RTEP facilities under a FERC-approved rate and will include any FERC-approved incentives.

(d) In the event that a Transmission Owner declines to construct an economic transmission enhancement or expansion developed under s~~Sections 1.5.6(d) and 1.5.7 of this Schedule 6~~ that such Transmission Owner is designated by the Regional Transmission Expansion Plan to construct (in whole or in part), the Office of the Interconnection shall promptly file with the FERC a report on the results of the pertinent economic planning process in order to permit the FERC to determine what action, if any, it should take.

SCHEDULE 6-A

Interregional Transmission Coordination Between the SERTP and PJM Regions

The Office of the Interconnection, through its regional transmission planning process, coordinates with the public utility transmission providers of Southeastern Regional Transmission Planning (“SERTP,” and individually, “SERTP Transmission Provider,” and collectively, “SERTP Transmission Providers”), as the transmission providers and planners for the SERTP region to address transmission planning coordination issues related to interregional transmission projects. The interregional transmission coordination procedures include a detailed description of the process for coordination between the SERTP Transmission Providers and the Office of the Interconnection, to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than transmission projects included in the respective regional transmission plans. The interregional transmission coordination procedures are hereby provided in this Schedule 6-A with additional materials provided on the PJM Regional Planning website.

The Office of the Interconnection and each of the SERTP Transmission Providers shall:

- (1) Coordinate and share the results of the SERTP Transmission Providers’ and the Office of the Interconnection’s regional transmission plans to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than separate regional transmission projects;
- (2) Identify and jointly evaluate transmission projects that are proposed to be located in both transmission planning regions;
- (3) Exchange, at least annually, planning data and information; and
- (4) Maintain a website and e-mail list for the communication of information related to the coordinated planning process.

The SERTP Transmission Providers and the Office of the Interconnection developed a mutually agreeable method for allocating between the two transmission planning regions the costs of new interregional transmission projects that are located within both transmission planning regions. Such cost allocation method satisfies the six interregional cost allocation principles set forth in Order No. 1000 and are included in ~~this Tariff, Schedule 12-B of the PJM Open Access Transmission Tariff (“Schedule 12-B”).~~

For purposes of this Schedule 6-A, each of the SERTP Transmission Provider’s transmission planning process is the process described in each of the SERTP Transmission Providers’ open access transmission tariffs; the Office of the Interconnection’s regional transmission planning process is the process described in ~~Operating Agreement, Schedule 6 of this Agreement.~~ References to the respective transmission planning processes in each of the SERTP Transmission Providers’ open access transmission tariffs are intended to identify the activities described in those tariff provisions. References to the respective regional transmission plans in this Schedule 6-A are intended to identify, for the Office of the Interconnection, the PJM

Regional Transmission Expansion Plan (“RTEP”), as defined in applicable PJM documents and, for the each SERTP Transmission Providers, the SERTP regional transmission plan which includes the applicable ten (10) year transmission expansion plan. Unless noted otherwise, sSection references in this Schedule 6-A refer to sSections within this Schedule 6-A.

Nothing in this Schedule 6-A is intended to affect the terms of any bilateral planning or operating agreements between transmission owners and/or transmission service providers that exist as of the effective date of this Schedule 6-A or that are executed at some future date.

INTERREGIONAL TRANSMISSION PLANNING PRINCIPLES

Representatives of the SERTP and the Office of the Interconnection will meet no less than once per year to facilitate the interregional coordination procedures described below (as applicable). Representatives of the SERTP and the Office of the Interconnection may meet more frequently during the evaluation of project(s) proposed for purposes of interregional cost allocation between the SERTP and the Office of the Interconnection. For purposes of this Schedule 6-A, an “interregional transmission project” means a facility or set of facilities that would be physically located in both the SERTP and PJM regions and would interconnect to transmission facilities in both the SERTP and PJM regions. The facilities to which the project is proposed to interconnect may be either existing transmission facilities or transmission projects included in the regional transmission plan that are currently under development.

1. Coordination

1.1 Review of Respective Regional Transmission Plans: Biennially, the Office of the Interconnection and the SERTP Transmission Providers shall review each other’s current regional transmission plan(s) and engage in the data exchange and joint evaluation described in sSections 2 and 3 below.

1.1.1 The review of each region’s regional transmission plan(s), which plans include the transmission needs and planned upgrades of the transmission providers in each region, shall occur on a mutually agreeable timetable, taking into account each region’s transmission planning process timeline.

1.2 Review of Proposed Interregional Transmission Projects: The SERTP Transmission Providers and the Office of the Interconnection will also coordinate with regard to the evaluation of interregional transmission projects identified by the SERTP Transmission Providers and the Office of the Interconnection as well as interregional transmission projects proposed for Interregional Cost Allocation Purposes (“Interregional CAP”), pursuant to sSections 3 below and Tariff, Schedule 12-B of the PJM Open Access Transmission Tariff. Initial coordination activities regarding new interregional proposals will typically begin during the third calendar quarter. The SERTP Transmission Providers and the Office of the Interconnection will exchange status updates for new interregional transmission project proposals or proposals currently under consideration as needed. These status updates will generally include, if applicable: (i) an update of the region’s evaluation of the proposal; (ii) the

latest calculation of Regional Benefits (as defined in [Tariff](#), Schedule 12-B); (iii) the anticipated timeline for future assessments; and (iv) reevaluations related to the proposal.

1.3 Coordination of Assumptions Used in Joint Evaluation: The SERTP Transmission Providers and the Office of the Interconnection will coordinate assumptions used in joint evaluations, as necessary, which includes items such as:

- 1.3.1 Expected timelines/milestones associated with the joint evaluation
- 1.3.2 Study assumptions
- 1.3.3 Regional benefit calculations

1.4 Posting of Materials on Regional Planning Websites: The SERTP Transmission Providers and the Office of the Interconnection will coordinate with respect to the posting of materials related to the interregional coordination procedures described in this Schedule 6-A on each region's regional planning website.

2. Data Exchange

2.1 At least annually, each of the SERTP Transmission Providers and the Office of the Interconnection shall exchange power-flow models and associated data used in the regional transmission planning processes to develop their respective then-current regional transmission plan(s). This exchange will occur when such data is available in each of the transmission planning processes, typically during the first calendar quarter. Additional transmission-based models and data may be exchanged between the SERTP Transmission Providers and the Office of the Interconnection as necessary and if requested. For purposes of the interregional coordination activities outlined in this Schedule 6-A, only data and models used in the development of the SERTP Transmission Provider's and the Office of the Interconnection's then-current regional transmission plans and used in their respective regional transmission planning processes will be exchanged. This data will be posted on the pertinent regional transmission planning process' websites, consistent with the posting requirements of the respective regional transmission planning processes, and is considered CEII. The Office of the Interconnection shall notify the SERTP Transmission Providers of such posting.

2.2 The RTEP will be posted on the Office of the Interconnection's Regional Planning website pursuant to the Office of the Interconnection's regional transmission planning process. The Office of the Interconnection shall notify the SERTP Transmission Providers of such posting so that the SERTP Transmission Providers may retrieve these transmission plans. Each of the SERTP Transmission Providers will exchange its then-current regional plan(s) in a similar manner according to its regional transmission planning process.

3. Joint Evaluation

3.1 Identification of Interregional Transmission Projects: The SERTP Transmission Providers and the Office of the Interconnection shall exchange planning models and data and current regional transmission plans as described in [Section 2 above](#). Each SERTP Transmission Provider and the Office of the Interconnection will review one another's then-current regional transmission plan(s) in accordance with the coordination procedures described

in sSection 1 above and their respective regional transmission planning processes. If through this review, a SERTP Transmission Provider and the Office of the Interconnection identify a potential interregional transmission project that could be more efficient or cost effective than projects included in the respective regional plans, the SERTP Transmission Provider and the Office of the Interconnection will jointly evaluate the potential project pursuant to sSection 3.3 below.

3.2 Identification of Interregional Transmission Projects by Stakeholders:

Stakeholders may propose projects that may be more efficient or cost-effective than projects included in the SERTP Transmission Providers' and the Office of the Interconnection's regional transmission plans pursuant to the procedures in each region's regional transmission planning processes. The SERTP Transmission Providers and Office of the Interconnection will evaluate interregional transmission projects proposed by stakeholders pursuant to sSection 3.3 below.

3.3 Evaluation of Interregional Transmission Projects: The SERTP Transmission Providers and the Office of the Interconnection shall act through their respective regional transmission planning processes to evaluate potential interregional transmission projects and to determine whether the inclusion of any potential interregional transmission projects in each region's regional transmission plan would be more efficient or cost-effective than projects included in the respective then-current regional transmission plans. Such analysis shall be consistent with accepted planning practices of the respective regions and the methods utilized to produce each region's respective regional transmission plan(s). The Office of the Interconnection will evaluate potential interregional transmission projects consistent with Operating Agreement, Schedule 6 and the PJM Manuals 14A entitled Generation and Transmission Interconnection Process~~Process~~New Services Request Process and 14B entitled PJM Region Transmission Planning Process on the PJM Website at <http://www.pjm.com/documents/manuals.aspx>. To the extent possible and as needed, assumptions and models will be coordinated between the SERTP Transmission Providers and the Office of the Interconnection, as described in sSection 1 above. Data shall be exchanged to facilitate this evaluation using the procedures described in sSection 2 above.

3.4 Evaluation of Interregional Transmission Projects Proposed for Interregional Cost Allocation Purposes: Interregional transmission projects proposed for Interregional CAP must be submitted in both the SERTP and PJM regional transmission planning processes. The project submittals must satisfy the applicable requirements for submittal of interregional transmission projects, including those in Operating Agreement, Schedule 6 ~~of this Agreement~~ and Tariff, Schedule 12-B ~~of the PJM Tariff~~. The submittals in the respective regional transmission planning processes must identify the project proposal as interregional in scope and identify SERTP and PJM as the regions in which the project is proposed to interconnect. The Office of the Interconnection will determine whether the submittal for the proposed interregional transmission project satisfies all applicable requirements. Upon finding that the project submittal satisfies all such applicable requirements, the Office of the Interconnection will notify the SERTP Transmission Provider. Upon both regions so notifying one another that the project is eligible for consideration pursuant to their respective regional transmission planning processes, the SERTP Transmission Provider and the Office of the Interconnection will jointly evaluate the proposed interregional projects.

3.4.1 If an interregional transmission project is proposed in the SERTP and Office of Interconnection for Interregional CAP, the initial evaluation of the project will typically begin during the third calendar quarter, with analysis conducted in the same manner as analysis of interregional projects identified pursuant to sSections 3.1 and 3.2 above. Further evaluation shall also be performed pursuant to this sSection 3.4. Projects proposed for Interregional CAP shall also be subject to the requirements of Tariff, Schedule 12-B.

3.4.2. Each region, acting through its regional transmission planning process, will evaluate proposals to determine whether the interregional transmission project(s) proposed for Interregional CAP addresses transmission needs that are currently being addressed with projects in its regional transmission plan(s) and, if so, which projects in the regional transmission plan(s) could be displaced by the proposed project(s).

3.4.3. Based upon its evaluation, each region will quantify a Regional Benefit based upon the transmission costs that each region is projected to avoid due to its transmission projects being displaced by the proposed project. For purposes of this Schedule 6-A, “Regional Benefit” means: (i) for the SERTP Transmission Providers, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included and (ii) for the Office of the Interconnection, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included. The Regional Benefit is not necessarily the same as the benefits used for purposes of regional cost allocation.

3.5 Inclusion of Interregional Projects Proposed for Interregional CAP in Regional Transmission Plans: An interregional transmission project proposed for Interregional CAP in the SERTP and Office of the Interconnection will be included in the respective regional plans for purposes of cost allocation only after it has been selected by both the SERTP and Office of the Interconnection regional processes to be included in their respective regional plans for purposes of cost allocation.

3.5.1. To be selected in both the SERTP and Office of the Interconnection regional plans for purposes of cost allocation means that each region has performed all evaluations, as prescribed in its regional transmission planning processes, necessary for a project to be included in its regional transmission plans for purposes of cost allocation.

- For SERTP: All requisite approvals are obtained, as prescribed in the SERTP regional transmission planning process, necessary for a project to be included in the SERTP regional transmission plan for purposes of cost allocation. This includes any requisite regional benefit to cost (“BTC”) ratio calculations performed pursuant to the respective regional transmission planning processes. For purposes of the SERTP, the anticipated allocation of costs of the interregional transmission project for use in the regional BTC ratio calculation shall be based upon the ratio of the SERTP’s Regional Benefit to the sum of the Regional Benefits identified for both the SERTP and the Office of the Interconnection; and

- For the Office of Interconnection: All requisite approvals are obtained, as prescribed in the PJM regional transmission planning process, necessary for a project to be included in the RTEP for purposes of cost allocation.

3.6 Removal from Regional Plans: An interregional transmission project may be removed from the SERTP's or Office of the Interconnection's regional plan for purposes of cost allocation: (i) if the developer fails to meet developmental milestones; (ii) pursuant to the reevaluation procedures specified in the respective regional transmission planning processes; or (iii) if the project is removed from one of the region's regional transmission plan(s) pursuant to the requirements of its regional transmission planning process.

3.6.1 The Office of the Interconnection, shall notify the SERTP Transmission Provider if an interregional project or a portion thereof is likely to be removed from its regional transmission plan.

4. Transparency

4.1 The Office of the Interconnection shall post procedures for coordination and joint evaluation on the Regional Planning website.

4.2 Access to the data utilized will be made available through the Regional Planning website subject to the appropriate clearance, as applicable (such as CEII and confidential non-CEII). Both planning regions will make available, on their respective regional websites, links to where stakeholders can register (if applicable/available) for the stakeholder committees or distribution lists of the other planning region.

4.3 PJM will provide status updates of SERTP interregional activities to the TEAC including:

- Facilities to be evaluated
- Analysis performed
- Determinations/results.

4.4 Stakeholders will have an opportunity to provide input and feedback within the respective regional planning processes of SERTP and the Office of the Interconnection related to interregional facilities identified, analysis performed, and any determination/results. Stakeholders may participate in either or both regions' regional planning processes to provide their input and feedback regarding the interregional coordination between the SERTP and the Office of the Interconnection.

4.5 The Office of the Interconnection will post a list on the Regional Planning Website of interregional transmission projects proposed for purposes of cost allocation in both the SERTP and PJM that are not eligible for consideration because they do not satisfy the regional project threshold criteria of one or both of the regions as well as post an explanation of the thresholds the proposed interregional project failed to satisfy.

SCHEDULE 6-B
Interregional Transmission Coordination Between
PJM, New York Independent System Operator, Inc. and ISO New England Inc.

PJM, its Transmission Owners, and any other interested parties shall coordinate system planning activities with neighboring planning regions, (*i.e.*, New York Independent System Operator, Inc. and ISO New England Inc.) (“ISO/RTO Regions”) pursuant to the Northeastern Planning Protocol (“Protocol”) identified ~~at in section 1.5.5(b) of Operating Agreement,~~ Schedule 6, section 1.5.5(b) herein.

The Interregional Planning Protocol includes a description of the committee structure, processes, and procedures through which system planning activities are openly and transparently coordinated by the ISO/RTO Regions. The objective of the interregional planning process is to contribute to the on-going reliability and the enhanced operational and economic performance of the ISO/RTO Regions through: (i) exchange of relevant data and information; (ii) coordination of procedures to evaluate certain interconnection and transmission service requests; (iii) periodic comprehensive interregional assessments; (iv) identification and evaluation of potential Interregional Transmission Projects that can address regional needs in a manner that may be more efficient or cost-effective than separate regional solutions, in accordance with the requirements of Order No. 1000.

Section 9 of the Protocol indicates that the cost allocation for identified interregional transmission projects between PJM and NYISO shall be conducted in accordance with the Joint Operating Agreement Among and Between New York Independent System Operator, Inc. and PJM Interconnection, L.L.C. referenced ~~at in Operating Agreement, Schedule 6,~~ section 1.5.5(b). ~~of this Schedule 6~~

The planning activities of the ISO/RTO Regions shall be conducted consistent with the planning criteria of each ISO/RTO Region. The ISO/RTO Regions shall periodically produce a Northeastern Coordinated System Plan that integrates the system plans of all of the ISO/RTO Regions.

1.3 Allocation of Costs When PJM is the Registered Entity

- (a) If NERC assesses a monetary penalty against PJM as the Registered Entity for a violation of a NERC Reliability Standard(s), and the conduct of a Member or Members contributed to the Reliability Standard violation(s) at issue, then PJM may directly allocate such penalty costs or a portion thereof to the Member or Members whose conduct contributed to the Reliability Standards violation(s), provided that all of the following conditions have been satisfied:
 - (1) The Member or Members received notice and an opportunity to fully participate in the underlying Compliance Monitoring and Enforcement Program proceeding;
 - (2) This Compliance Monitoring and Enforcement Program proceeding produced a finding, subsequently filed with FERC, that the Member contributed, either in whole or in part, to the NERC Reliability Standards violation(s); and
 - (3) A root cause finding by NERC filed with the FERC identifying the Member's or Members' conduct as causing or contributing to the Reliability Standards violation charged against PJM as the Registered Entity.
- (b) PJM will notify the Member or Members found to have contributed to a violation, either in whole or in part, in the Compliance Monitoring and Enforcement Program. Such notification shall set forth in writing PJM's intent to invoke this ~~s~~Section 1.3 and directly assign the costs associated with a monetary penalty to the Member or Members and the underlying factual basis supporting a penalty cost assignment including the conduct contributing to the violation and the violations of the PJM Governing Agreement assigned tasks leading to the issuance of a penalty against the Registered Entity.
- (c) A failure by a Member or Members to participate in the Compliance Monitoring and Enforcement Program proceedings will not prevent PJM from directly assigning the costs associated with a monetary penalty to the responsible Member or Members provided all other conditions set forth herein have been satisfied.
- (d) PJM shall notify the Members or Members that PJM believes the criteria for direct assignment and allocation of costs under this Schedule have been satisfied.
- (e) Where the Regional Entity's and/or NERC's root cause finds that more than one party's conduct contributed to the Reliability Standards violation(s), PJM shall inform all involved Members and shall make an initial apportionment for purposes of the cost allocation on a basis reasonably proportional to the parties' relative fault consistent with such NERC's root cause analysis.

- (f) Should Member or Members disagree with PJM regarding PJM's initial apportionment of the fault, the Dispute Resolution Procedures in Operating Agreement, s~~Section 5 of the Operating Agreement~~ shall not apply, but the parties' senior management shall first meet in an attempt to informally resolve the issue. If the disagreement cannot be resolved informally within ten (10) Business Days (or such other deadline as mutually agreed) then the following provisions shall apply:
- (i) If an involved Member so elects, an informal non-binding proceeding shall be conducted within 30 days before a dispute resolution board consisting of officers of two (2) PJM Members who are not parties to the dispute and who are selected by a random drawing of names from the pool of available PJM Members and one (1) member of the PJM Board of Managers. Such dispute resolution board shall decide on the procedures to be used for the proceeding. The final recommendation of the dispute resolution board shall be made in private session within three (3) Business Days of the termination of the proceeding. The recommendation of the dispute resolution board shall be made by simple majority vote. The dispute resolution board may, but shall not be required to, provide a written basis for its recommendation; or
 - (ii) If an involved Member selects not to participate in the informal non-binding proceeding, then the matter shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act. In the FERC proceeding, the involved Member shall request that FERC determine how the costs associated with the monetary penalty should be allocated. However, if there are multiple involved Members, and if any one of them desires a proceeding described in s~~Section 1.3(f)(i)~~ above, such proceeding shall first be conducted with respect to the Member(s) desiring such a proceeding.
- (g) If PJM and the involved Member(s) agree on a proportion of penalty cost allocation, such agreement shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act.
- (h) Notwithstanding anything to the contrary contained herein, if the Member or Members fail to pay their share of the Reliability Standard violation costs within 30 days of receipt of the notice required in paragraph 1.3-(b) above, and the FERC issues a final order or orders which supports the NERC's root cause findings regarding the Member's or Members' conduct causing or contributing to the violation and PJM's initial determinations in paragraph 1.3-(f) above, such payment shall be due with interest calculated at the FERC authorized rate from the date of payment of the penalty by the Registered Entity. Provided, however, if the Member or Members pays their share of the Reliability Standard violation costs within 30 days of receipt of the notice required in paragraph 1.3-(b) above, and the FERC issues a final order or orders which does not support the NERC's

| root cause findings regarding the Member's or Members' conduct causing or contributing to the violation and PJM's initial determinations in paragraph 1.3-(f) above, such payment shall be refunded in full with interest calculated at the FERC authorized rate from the date of payment of the penalty by the Member or Members.

1.4 Allocation of Costs When a PJM Member is the Registered Entity

- (a) If NERC assesses a monetary penalty against a Member as the Registered Entity for a violation of a NERC Reliability Standard(s), and the conduct of PJM contributed to the Reliability Standard violation(s) at issue, then such Member may directly allocate such penalty costs or portion thereof to PJM to the extent PJM's conduct contributed to the Reliability Standards violation(s), provided that the following conditions have been satisfied:
 - (1) PJM received notice and an opportunity to fully participate in the underlying Compliance Monitoring and Enforcement Program proceeding;
 - (2) This Compliance Monitoring and Enforcement Program proceeding produced a finding, subsequently filed with FERC, that PJM contributed, either in whole or in part, to the NERC Reliability Standards violation(s); and
 - (3) A root cause finding by NERC has been filed at the FERC identifying PJM's conduct as causing or contributing to the Reliability Standards violation charged against the Member as the Registered Entity.
- (b) The Member shall notify PJM if PJM is found to have contributed to a violation, either in whole or in part in the Compliance Monitoring and Enforcement Program. Such notification shall set forth in writing the Member's intent to invoke this ~~S~~section 1.4 and directly assign the costs associated with a monetary penalty to PJM and the underlying factual basis supporting a penalty cost assignment including the conduct contributing to the violation and the violations of the PJM Governing Agreement assigned tasks leading to the issuance of a penalty against the Registered Entity.
- (c) A failure by PJM to participate in the Compliance Monitoring and Enforcement Program proceedings will not prevent the Member from directly assigning the costs associated with a monetary penalty to PJM provided all other conditions set forth herein have been satisfied.
- (d) The Member shall notify PJM that the Member believes the criteria for direct assignment and allocation of costs under this Schedule have been satisfied.
- (e) Where the Regional Entity's and/or NERC's root cause analysis finds more -than one party's conduct contributed to the Reliability Standards violation(s), the Member shall inform PJM and make an initial apportionment for purposes of the cost allocation on a basis reasonably proportional to PJM's relative fault consistent with such root cause analysis.
- (f) Should PJM disagree with the Member regarding the Member's initial apportionment of the fault, the Dispute Resolution Procedures in Operating Agreement, Schedule 5 ~~of the Operating Agreement~~ shall not apply, but the parties' senior management shall first meet in an attempt to informally resolve the issue. If the disagreement cannot be resolved

informally within ten (10) Business Days (or other such deadline as mutually agreed) then the following provisions shall apply:

- i. If PJM so elects, an informal non-binding proceeding shall be conducted within 30 days before a dispute resolution board consisting of officers of two (2) PJM Members who are not parties to the dispute and who are selected by a random drawing of names from the pool of available PJM Members and one (1) member of the PJM Board of Managers. Such dispute resolution board shall decide on the procedures to be used for the proceeding. The final recommendation of the dispute resolution board shall be made in private session within three (3) Business Days of the termination of the proceeding. The recommendation of the dispute resolution board shall be made by simple majority vote. The dispute resolution board may, but shall not be required to, provide a written basis for its recommendation; or
 - ii. If PJM selects not to participate in the informal non-binding proceeding, the matter shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act. In the FERC proceeding, PJM shall request that the FERC determine how the costs associated with the monetary penalty should be assigned.
- (g) If the PJM and the involved Member(s) agree on a proportion of penalty cost allocation, such agreement shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act.
- (h) Notwithstanding anything to the contrary contained herein, if PJM fails to pay its share of the Reliability Standard violation costs within 30 days of receipt of the notice required in paragraph 1.4-(b) above, and the FERC issues a final order or orders which supports the NERC's root cause findings regarding PJM's conduct causing or contributing to the violation and the Member's initial determinations in paragraph 1.4-(f) above, such payment shall be due with interest calculated at the FERC authorized rate from the date of payment of the penalty by the Registered Entity. Provided, however, if PJM pays its share of the Reliability Standard violation costs within 30 days of receipt of the notice required in paragraph 1.4-(b) above, and the FERC issues a final order or orders which does not support the NERC's root cause findings regarding PJM's conduct causing or contributing to the violation and the Member's initial determinations in paragraph 1.4-(f) above, such payment shall be refunded in full with interest calculated at the FERC authorized rate from the date of payment of the penalty by PJM.

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

ARTICLE 2 -- PURPOSE

This Agreement is intended to ensure that adequate Capacity Resources, including planned and Existing Generation Capacity Resources, planned and existing Demand Resources, and Energy Efficiency Resources will be planned and made available to provide reliable service to loads within the PJM Region, to assist other Parties during Emergencies and to coordinate planning of such resources consistent with the Reliability Principles and Standards. Further, it is the intention and objective of the Parties to implement this Agreement in a manner consistent with the development of a robust competitive marketplace. To accomplish these objectives, this Agreement is among all of the Load Serving Entities within the PJM Region. Unless this Agreement is terminated as provided in [RAA, Article 3, s](#)~~S~~ection 3.3, every entity which is or will become a Load Serving Entity within the PJM Region is to become and remain a Party to this Agreement or to an agreement (such as a requirements supply agreement) with a Party pursuant to which that Party has agreed to act as the agent for the Load Serving Entity for purposes of satisfying the obligations under this Agreement related to the load within the PJM Region of that Load Serving Entity. Nothing herein is intended to abridge, alter or otherwise affect the emergency powers the Office of the Interconnection may exercise under the Operating Agreement and PJM Tariff.

3.3 Termination.

3.3.1 Rights to Terminate.

This Agreement may be terminated by a vote in the Members Committee to terminate the Agreement by an affirmative Sector Vote as specified in the Operating Agreement and upon the receipt of all Required Approvals related to the termination of this Agreement. Any such termination must be approved by the PJM Board and filed with the FERC and shall become effective only upon the FERC's approval.

3.3.2 Obligations upon Termination.

Any provision of this Agreement that expressly or by implication comes into or remains in force following the termination of this Agreement shall survive such termination. The surviving provisions shall include, but shall not be limited to: (a) final settlement of the obligations of each Party under RAA, Articles 8 and RAA, Article 12~~of this Agreement~~, including the accounting for the period ending with the last day of the month for which the Agreement is effective, (b) the provisions of this Agreement necessary to conduct final billings, collections and accounting with respect to all matters arising hereunder and (c) the indemnification provisions as applicable to periods prior to such termination.

5.1 Withdrawal of a Party.

5.1.1 Notice.

Upon written notice to the Office of the Interconnection, any Party may withdraw from this Agreement, effective upon the completion of its obligations hereunder and the documentation by such Party, to the satisfaction of the Office of the Interconnection, that such Party is no longer a Load Serving Entity.

5.1.2 Determination of Obligations.

A Party's obligations hereunder shall be completed as of the end of the last month for which such Party's obligations have been set at the time said notice is received, except as provided in RAA, Article 13, or unless the Members Committee determines that the remaining Parties will be able to adjust their obligations and commitments related to the performance of this Agreement consistent with such earlier withdrawal date as may be requested by the withdrawing Party, without undue hardship or cost, while maintaining the reliability of the PJM Region.

5.1.3 Survival of Obligations upon Withdrawal.

(a) The obligations of a Party upon its withdrawal from this Agreement and any obligations of that Party under this Agreement at the time of its withdrawal shall survive the withdrawal of the Party from this Agreement. Upon the withdrawal of a Party from this Agreement, final settlement of the obligations of such Party under RAA, Articles 7 and RAA, Article 11 of this Agreement shall include the accounting through the date established pursuant to RAA, Article 5, sSections 5.1.1 and RAA, Article 5, section 5.1.2.

(b) Any Party that withdraws from this Agreement shall pay all costs and expenses associated with additions, deletions and modifications to communication, computer, and other affected facilities and procedures, including any filing fees, to effect the withdrawal of the Party from the Agreement.

(c) Prior to withdrawal, a withdrawing Party desiring to remain interconnected with the PJM Region shall enter into a control area to control area interconnection agreement with the Office of the Interconnection and the transmission owner or Electric Distributor within the PJM Region with which its facilities are interconnected.

5.1.4 Regulatory Review.

Any withdrawal from this Agreement shall be filed with FERC and shall become effective only upon FERC's approval.

5.2 Breach by a Party.

The provisions of Operating Agreement, sSection 15.1 ~~of the Operating Agreement~~ shall apply to a Party's (a) failure to pay any amount due under this Agreement when due or (b) breach of any material obligation under this Agreement. In addition to the remedies available to the Office of the Interconnection set forth in Operating Agreement, sSection 15.1 ~~of the Operating Agreement~~, if the Party fails to cure such non-payment or breach, the Office of the Interconnection and the remaining Parties may, without an election of remedies, exercise all remedies available at law or in equity or other appropriate proceedings. Such proceedings may include (a) the commencement of a proceeding before the appropriate state regulatory commission(s) to request suspension or revocation of the breaching Party's license or authorization to serve retail load within the state(s) and/or (b) bringing any civil action or actions or recovery of damages that may include, but not be limited to, all amounts due and unpaid by the breaching Party, and all costs and expenses reasonably incurred in the exercise of its remedies hereunder (including, but not limited to, reasonable attorneys' fees).

7.1 Forecast Pool Requirement and Unforced Capacity Obligations.

(a) The Forecast Pool Requirement shall be established to ensure a sufficient amount of capacity to meet the forecast load plus reserves adequate to provide for the unavailability of Generation Capacity Resources, load forecasting uncertainty, and planned and maintenance outages. RAA, Schedule 4 sets forth guidelines with respect to the Forecast Pool Requirement.

(b) Unless the Party and its customer that is also a Load Serving Entity agree that such customer is to bear direct responsibility for the obligations set forth in this Agreement, (i) any Party that supplies Full Requirements Service to a Load Serving Entity within the PJM Region shall be responsible for all of that Load Serving Entity's capacity obligations under this Agreement for the period of such Full Requirements Service and (ii) any Party that supplies Partial Requirements Service to a Load Serving Entity within the PJM Region shall be responsible for such portion of the capacity obligations of that Load Serving Entity as agreed by the Party and the Load Serving Entity so long as the Load Serving Entity's full capacity obligation under this Agreement is allocated between or among Parties to this Agreement.

7.2 Responsibility to Pay Locational Reliability Charge.

Except to the extent its capacity obligations are satisfied through the FRR Alternative, each Party shall pay, as to the loads it serves in each Zone during a Delivery Year, a Locational Reliability Charge for each such Zone during such Delivery Year. The Locational Reliability Charge shall equal such Party's Daily Unforced Capacity Obligation in a Zone, as determined pursuant to RAA, Schedule 8~~-of this Agreement~~, times the Final Zonal Capacity Price for such Zone, as determined pursuant to Tariff, Attachment DD~~-of the PJM Tariff~~.

7.5 Capacity Plans and Deliverability.

Each Party electing to provide Capacity Resources to meet its obligations hereunder shall submit to the Office of the Interconnection its plans (or revisions to previously submitted plans), as prescribed by RAA, Schedule 7, or, in the case of a Party electing the FRR Alternative, as prescribed by RAA, Schedule 8.1, to install or contract for Capacity Resources. As set forth in RAA, Schedule 10, each Party must designate its Capacity Resources as Network Resources or Points of Receipt under the PJM Tariff to allow firm delivery of the output of its Capacity Resources to the Party's load within the PJM Region and each Party must obtain any necessary Firm Transmission Service in an amount sufficient to deliver Capacity Resources from outside the PJM Region to the border of the PJM Region to reliably serve the Party's load within the PJM Region.

7.6 Nature of Resources.

Each Party electing to Self-Supply resources, or electing the FRR Alternative, shall provide or arrange for specific, firm Capacity Resources that are capable of supplying the energy requirements of its own load on a firm basis without interruption for economic conditions and with such other characteristics that are necessary to support the reliable operation of the PJM Region, as set forth in more detail in [RAA, Schedules 6](#), [RAA, Schedule 9](#) and [RAA, Schedule 10](#).

9.3 Data Submissions.

Each Party shall submit to the Office of the Interconnection the data and other information necessary for the performance of this Agreement as may be more fully described, -in RAA, Schedule 11 ~~hereof~~.

9.4 Charges for Failures to Comply.

(a) An emergency procedure charge, as set forth in Tariff, Attachment DD ~~to the PJM Tariff~~, shall be imposed on any Party that fails to comply with the directions of the Office of the Interconnection in times of Emergencies.

(b) A data submission charge, as set forth in RAA, Schedule 12, shall be imposed on any Party that fails to submit the data, plans or other information required by this Agreement in a timely or accurate manner as provided in RAA, Schedule 11.

9.5 Metering.

Each Party shall comply with the metering standards for the PJM Region, as set forth in the PJM Manuals, as well as any further metering requirements applicable to Price Responsive Demand, where such is relied upon for an adjustment to peak load pursuant to RAA, Schedule 6.1 ~~of this Agreement~~.

10.2 Cost Responsibility.

The costs determined under RAA, Article 10, sSection 10.1(a) shall be allocated to and recovered from the Parties to this Agreement and other entities pursuant to Tariff, Schedule 9-5 ~~of the PJM Tariff~~.

11.1 Periodic Billing.

Each Party shall receive a statement periodically setting forth (i) any amounts due from or to that Party as a result of any charges imposed pursuant to this Agreement and (ii) that Party's share of any costs allocated to that Party pursuant to RAA, Article 10. To the extent practical, such statements are to be coordinated with any billings or statements required pursuant to the Operating Agreement or PJM Tariff.

12.1 Indemnification.

(a) Each Party agrees to indemnify and hold harmless each of the other Parties, its officers, directors, employees or agents (other than PJM Interconnection, L.L.C., its board or the Office of the Interconnection) for all actions, claims, demands, costs, damages and liabilities asserted by third parties against the Party seeking indemnification and arising out of or relating to acts or omissions in connection with this Agreement of the Party from which indemnification is sought, except (i) to the extent that such liabilities result from the willful misconduct of the Party seeking indemnification and (ii) that each Party shall be responsible for all claims of its own employees, agents and servants growing out of any workmen's compensation law. Nothing herein shall limit a Party's indemnity obligations under Operating Agreement, section Article 16 of the Operating Agreement.

(b) The amount of any indemnity payment under this ~~s~~Section 12.1 shall be reduced (including, without limitation, retroactively) by any insurance proceeds or other amounts actually recovered by the Party seeking indemnification in respect of the indemnified actions, claims, demands, costs, damages or liabilities. If any Party shall have received an indemnity payment in respect of an indemnified action, claim, demand, cost, damage, or liability and shall subsequently actually receive insurance proceeds or other amounts in respect of such action, claim, demand, cost, damage, or liability, then such Party shall pay to the Party that made such indemnity payment the lesser of the amount of such insurance proceeds or other amounts actually received and retained or the net amount of the indemnity payments actually received previously.

13.2 Consequences of Assignment.

Upon the assignment of all of its rights and obligations hereunder to a successor consistent with the provisions of RAA, Article 13, sSection 13.1, the assignor shall be deemed to have withdrawn from this Agreement.

15.2 Continuing Representations and Warranties.

Each Party represents and warrants to the other Parties that throughout the term of this Agreement:

- (a) the Party is a Load Serving Entity;
- (b) the Party satisfies the requirements of RAA, Schedule 2;
- (c) the Party is in compliance with the Reliability Principles and Standards;
- (d) the Party is a signatory, or its principals are signatories, to the agreements set forth in RAA, Schedule 3;
- (e) the Party is in good standing in the jurisdiction where incorporated; and
- (f) the Party will endeavor in good faith to obtain any corporate or regulatory authority necessary to allow the Party to fulfill its obligations hereunder.

16.4 Amendment.

This Agreement may be amended only by action of the PJM Board. Notwithstanding the foregoing, an Applicant eligible to become a Party in accordance with the procedures set forth in RAA, Article 4 shall become a Party by executing a counterpart of this Agreement without the need for execution of such counterpart by any other Party. The PJM Office of the Interconnection shall file with FERC any amendment to this Agreement approved by the PJM Board.

C. Response

Upon completion of the analysis, the Office of the Interconnection will inform the entity of (a) the estimated costs and expenses associated with modifications to communication, computer and other facilities and procedures, including any filing fees, needed to include the entity as a Party, (b) the entity's share of any costs pursuant to RAA, Article 10, and (c) the earliest date upon which the entity could become a Party. In addition, a counterpart of the Agreement shall be forwarded for execution.

C. Methodology

Each year, the Forecast Pool Requirement for at least each of the next five Planning Periods shall be projected by applying suitable probability methods to the data and forecasts provided by the Parties and obtained from Electric Distributors, as described in RAA, Schedule 11, the Operating Agreement and in the PJM Manuals. The projection of the Forecast Pool Requirement shall consider the following data and forecasts as necessary:

1. Seasonal peak load forecasts for each Planning Period as calculated by PJM in accordance with the PJM Manuals reflecting (a) load forecasts with a 50 percent probability of being too high or too low and (b) summer peak diversities determined by the Office of the Interconnection from recent experience.
2. Forecasts of aggregate seasonal load shape of the Parties which are consistent with forecast averages of 52 weekly peak loads prepared by the Parties and obtained from Electric Distributors for their respective systems.
3. Variability of loads within each week, due to weather and other recurring and random factors, as determined by the Office of the Interconnection.
4. Generating unit capability and types for every existing and proposed unit.
5. Generator Forced Outage rates for existing mature generating units, as determined by the Office of the Interconnection, based on data submitted by the Parties for their respective systems, from recent experience, and for immature and proposed units based upon forecast rates related to unit types, capabilities and other pertinent characteristics.
6. Generator Maintenance Outage factors and planned outage schedules as determined by the Office of the Interconnection based on forecasts and historical data submitted by the Parties for their respective systems.
7. Miscellaneous adjustments to capacity due to all causes, as determined by the Office of the Interconnection, based on forecasts submitted by the Parties for their respective systems.
8. The emergency capacity assistance available as a function of interconnections of the PJM Region with other Control Areas, as limited by the capacity benefit margin considered in the determination of available transfer capability and the probable availability of generation in excess of load requirements in such areas.

SCHEDULE 4.1

DETERMINATION OF THE FORECAST POOL REQUIREMENT

A. Based on the guidelines set forth in RAA, Schedule 4, the Forecast Pool Requirement shall be determined as set forth in this Schedule 4.1 on an unforced capacity basis.

$$\text{FPR} = (1 + \text{IRM}/100) * (1 - \text{Pool-wide average EFOR}_D/100)$$

where

average EFOR_D = the average equivalent demand forced outage rate for the PJM Region, stated in percent and determined in accordance with Section B hereof

IRM = the PJM Region Installed Reserve Margin approved by the PJM Board for that Planning Period, stated in percent. Studies by the Office of the Interconnection to determine IRM shall not exclude outages that are deemed to be outside plant management control under NERC guidelines.

B. The PJM Region equivalent demand forced outage rate ("average EFOR_D ") shall be determined as the capacity weighted EFOR_D for all units expected to serve loads within the PJM Region during the Delivery Year, as determined pursuant to RAA, Schedule 5.

E. Conditions on Purchases and Sales of Capacity Resources by FRR Entities

1. An FRR Entity may not include in its FRR Capacity Plan for any Delivery Year any Capacity Resource that has cleared in any auction under Tariff, Attachment DD ~~of the PJM Tariff~~ for such Delivery Year. Nothing herein shall preclude an FRR Entity from including in its FRR Capacity Plan any Capacity Resource that has not cleared such an auction for such Delivery Year. Furthermore, nothing herein shall preclude an FRR Entity from including in its FRR Capacity Plan a Capacity Resource obtained from a different FRR Entity, provided, however, that each FRR Entity shall be individually responsible for meeting its capacity obligations hereunder, and provided further that the same megawatts of Unforced Capacity shall not be committed to more than one FRR Capacity Plan for any given Delivery Year.
2. An FRR Entity that designates Capacity Resources in its FRR Capacity Plan(s) for a Delivery Year based on the Threshold Quantity may offer to sell Capacity Resources in excess of that needed for the Threshold Quantity in any auction conducted under Tariff, Attachment DD ~~of the PJM Tariff~~ for such Delivery Year, but may not offer to sell Capacity Resources in the auctions for any such Delivery Year in excess of an amount equal to the lesser of (a) 25% times the Unforced Capacity equivalent of the Installed Reserve Margin for such Delivery Year multiplied by the Preliminary Forecast Peak Load for which such FRR Entity is responsible under its FRR Capacity Plan(s) for such Delivery Year, or (b) 1300 MW.
3. An FRR Entity that designates Capacity Resources in its FRR Capacity Plan(s) for a Delivery Year based on the Threshold Quantity may not offer to sell such resources in any Reliability Pricing Model auction, but may use such resources to meet any increased capacity obligation resulting from unanticipated growth of the loads in its FRR Capacity Plan(s), subject to the limitations described in RAA, Schedule 8.1, section D, S~~subsection D.2~~^{above}, or may sell such resources to serve loads located outside the PJM Region, or to another FRR Entity, subject to subsection E.1 above.
4. A Party that has selected the FRR Alternative for only part of its load in the PJM Region pursuant to RAA, Schedule 8.1, section B, S~~subsection B.2~~^{of this Schedule} that designates Capacity Resources as Self-Supply in a Reliability Pricing Model Auction to meet such Party's expected Daily Unforced Capacity Obligation under RAA, Schedule 8 shall not be required, solely as a result of such designation, to identify Capacity Resources in its FRR Capacity Plan(s) based on the Threshold Quantity; provided, however, that such Party may not so designate Capacity Resources in an amount in excess of the lesser of (a) 25% times such Party's total expected Unforced Capacity obligation (under both RAA, Schedule 8 and RAA, Schedule 8.1), or (b) 200 MW. A Party that wishes to avoid the foregoing limitation must identify Capacity Resources in its FRR Capacity Plan(s) based on the Threshold Quantity.

SCHEDULE 10.1

LOCATIONAL DELIVERABILITY AREAS AND REQUIREMENTS

The capacity obligations imposed under this Agreement recognize the locational value of Capacity Resources. To ensure that such locational value is properly recognized and quantified, the Office of the Interconnection shall follow the procedures in this Schedule.

A. The Locational Deliverability Areas for the purposes of determining locational capacity obligations hereunder, but not necessarily for the purposes of the Regional Transmission Expansion Planning Protocol, shall consist of the following Zones (as defined in [RAA](#), Schedule 15), combinations of such Zones, and portions of such Zones:

- EKPC
- Cleveland
- ATSI
- DEOK
- Dominion
- Penelec
- ComEd
- AEP
- Dayton
- Duquesne
- APS
- AE
- BGE
- DPL
- PECO
- PEPCO
- PSEG
- JCPL
- MetEd
- PPL
- Mid-Atlantic Region (MAR) (consisting of all the zones listed below for Eastern MAR (EMAR), Western MAR (WMAR), and Southwestern MAR (SWMAR))
- ComEd, AEP, Dayton, APS, Duquesne, ATSI, DEOK, EKPC, and OVEC
- EMAR (PSE&G, JCP&L, PECO, AE, DPL & RE)
- SWMAR (PEPCO & BG&E)
- WMAR (Penelec, MetEd, PPL)
- PSEG northern region (north of Linden substation); and
- DPL southern region (south of Chesapeake and Delaware Canal)

The Locational Deliverability Areas for the purposes of determining locational capacity obligations hereunder, but not necessarily for the purposes for the Regional Transmission Expansion Planning Protocol, shall also include any new Zones expected to be integrated into

PJM prior to the commencement of the Base Residual Auction for the Delivery Year for which the locational capacity obligation is being determined.

B. For purposes of evaluating the need for any changes to the foregoing list, Locational Deliverability Areas shall be those areas, identified by the load deliverability analyses conducted pursuant to the Regional Transmission Expansion Planning Protocol and the PJM Manuals that have a limited ability to import capacity due to physical limitations of the transmission system, voltage limitations or stability limitations. Such limits on import capability shall not reflect the effect of Qualifying Transmission Upgrades offered in the Base Residual Auction. The Locational Deliverability Areas identified in Paragraph A above (as it may be amended from time to time) for a Delivery Year shall be modeled in the Base Residual Auction and any Incremental Auction conducted for such Delivery Year. If the Office of the Interconnection includes a new Locational Deliverability Area in the Regional Transmission Expansion Planning Protocol, it shall make a filing with FERC to amend this Schedule to add a new Locational Deliverability Area (including a new aggregate LDA), if such new Locational Deliverability Area is projected to have a CETL less than 1.15 times the CETO of such area, or if warranted by other reliability concerns consistent with the Reliability Principles and Standards. In addition, any Party may propose, and the Office of the Interconnection shall evaluate, consistent with the same CETO/CETO comparison or other reliability concerns, possible new Locational Deliverability Areas (including aggregate LDAs) for inclusion under the Regional Transmission Expansion Planning Protocol and for purposes of determining locational capacity obligations hereunder.

C. For each Locational Deliverability Area for which a separate VRR Curve was established for a Delivery Year, the Office of the Interconnection shall determine, pursuant to procedures set forth in the PJM Manuals, the Percentage of Internal Resources Required, that must be committed during such Delivery Year from Capacity Resources physically located in such Locational Deliverability Area.

SCHEDULE 12

DATA SUBMISSION CHARGES

A. Data Submission Charge

For each working day of delay in the submittal of information required to be submitted under this Agreement, a data submission charge of \$500 shall be imposed.

B. Distribution Of Data Submission Charge Receipts

1. Each Party that has satisfied its obligations for data submittals pursuant to RAA, Schedule 11 during a Delivery Year, without incurring a data submission charge related to that obligation, shall share in any data submission charges paid by any other Party that has failed to satisfy said obligation during such Planning Period. Such shares shall be in proportion to the sum of the Unforced Capacity Obligations of each such Party entitled to share in the data submission charges for the most recent month.
2. In the event all of the Parties have incurred a data submission charge during a Delivery Year, those data submission charges shall be distributed as approved by the PJM Board.

SCHEDULE 16

Non-Retail Behind the Meter Generation Maximum Generation Emergency Obligations

1. A Non-Retail Behind The Meter Generation resource that has output that is netted from the Daily Unforced Capacity Obligation of a Party pursuant to RAA, Schedule 7-~~of this Agreement~~ shall be required to operate at its full output during the first ten times between November 1 and October 31 that Maximum Generation Emergency conditions occur in the zone in which the Non-Retail Behind The Meter Generation resource is located.

2. The Party for which Non-Retail Behind The Meter Generation output is netted from its Daily Unforced Capacity Obligation shall be required to report to PJM scheduled outages of the resource prior to the occurrence of such outage in accordance with the time requirements and procedures set forth in the PJM Manuals. Such Party also shall report to PJM the output of the Non-Retail Behind The Meter Generation resource during each Maximum Generation Emergency condition in which the resource is required to operate in accordance with the procedures set forth in PJM Manuals.

3. Except for failures to operate due to scheduled outages during the months of October through May, for each instance a Non-Retail Behind The Meter Generation resource fails to operate, in whole or in part, as required in paragraph 1 above, the amount of operating Non-Retail Behind The Meter Generation from such resource that is eligible for netting will be reduced pursuant to the following formula:

$$\text{Adjusted ENRBTMG} = \text{ENRBTMG} - \sum (10\% \text{ of the Not Run NRBTMG})$$

Where:

ENRBTMG equals the operating Non-Retail Behind The Meter Generation eligible for netting as determined pursuant to RAA, Schedule 7-~~of this Agreement~~.

Not Run NRBTMG is the amount in megawatts that the Non-Retail Behind The Meter Generation resource failed to produce during an occurrence of Maximum Generation Emergency conditions in which the resource was required to operate.

$\sum (10\% \text{ of the Not Run NRBTMG})$ is the summation of 10% megawatt reductions associated with the events of non-performance.

The Adjusted ENRBTMG shall not be less than zero and shall be applicable for the succeeding Planning Period.

4. If a Non-Retail Behind The Meter Generation resource that is required to operate during a Maximum Generation Emergency condition is an Energy Resource and injects energy into the Transmission System during the Maximum Generation Emergency condition, the Network

Customer that owns the resource shall be compensated for such injected energy in accordance with the PJM market rules.

Attachment B

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

(Clean Format)

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

II. POINT-TO-POINT TRANSMISSION SERVICE

References to section numbers in this Part II refer to sections of this Part II, unless otherwise specified.

Preamble

The Transmission Provider will provide Firm and Non-Firm Point-To-Point Transmission Service pursuant to the applicable terms and conditions of this Tariff. Point-To-Point Transmission Service is for the receipt of capacity and energy at designated Point(s) of Receipt and the transfer of such capacity and energy to designated Point(s) of Delivery. PJMSettlement shall be the Counterparty to the Point-To-Point Transmission Service transactions under this Tariff. As set forth in Tariff, Attachment K, section D, Point-To-Point Transmission Service transactions may give rise to several component charges and credits, which may offset one another, and such component charges and credits are not separate transactions from Transmission Service transactions.

13.2 Reservation Priority:

Except as provided in Tariff, Part II, section 17.8 and Tariff, Part II, section 17.9,

- (i) Firm Point-To-Point Transmission Service shall be available on a first-come, first-served basis, i.e., in the chronological sequence in which each Transmission Customer has requested service according to the provisions of Tariff, Part II, section 17. However, Pre-Confirmed Applications for Short-Term Point-to-Point Transmission Service will receive priority over earlier-submitted requests that are not Pre-Confirmed and that have equal or shorter duration.
- (ii) If the Transmission System becomes oversubscribed, requests for Long-Term Firm Point-To-Point Transmission Service or Network Integration Transmission Service may preempt requests for monthly transmission service up to two months before the commencement of monthly service. Otherwise, requests for longer term service will not preempt requests for shorter term service. Preemption of monthly service, if any, shall take place sequentially beginning with preemption of the most recent request for monthly service. Monthly requests with equal reservation priority will be preempted on a pro-rata basis. The Transmission Provider shall promptly notify an Eligible Customer with a reservation for monthly service if the reservation is preempted. Such customer shall not have any right of first refusal to match the request for Long-Term Firm Point-To-Point Transmission Service or Network Integration Transmission Service in order to avoid losing its reservation priority. Except in the event of preemption of monthly service as stated in this section, after the Transmission Customer confirms a reservation, service will commence pursuant to the terms of Tariff, Part II.
- (iii) Firm Point-To-Point Transmission Service will always have a reservation priority over Non-Firm Point-To-Point Transmission Service under the Tariff. All Long-Term Firm Point-To-Point Transmission Service will have equal reservation priority with Native Load Customers and Network Customers. Reservation priorities for existing firm service customers are provided in Tariff, Part I, section 2.2.

13.3 Use of Firm Transmission Service by a Transmission Owner:

Each Transmission Owner will be subject to the rates, terms and conditions of Tariff, Part II when making Third-Party Sales under (i) agreements executed on or after March 1, 1997 or (ii) agreements executed prior to the aforementioned date that the Commission requires to be unbundled, by the date specified by the Commission. Each Transmission Owner will maintain separate accounting, pursuant to Tariff, Part I, section 8, for any use of the Point-To-Point Transmission Service to make Third-Party Sales.

13.4 Service Agreements:

The Transmission Provider shall offer a standard form Firm Point-To-Point Transmission Service Agreement (Tariff, Attachment A) to an Eligible Customer when it submits a Completed Application for Long-Term Firm Point-To-Point Transmission Service. The Transmission Provider shall offer a standard form Firm Point-To-Point Transmission Service Agreement (Tariff, Attachment A) to an Eligible Customer when it first submits a Completed Application for Short-Term Firm Point-To-Point Transmission Service pursuant to the Tariff. Executed Service Agreements that contain the information required under the Tariff shall be filed with the Commission in compliance with applicable Commission regulations. An Eligible Customer that uses Transmission Service at a Point of Receipt or Point of Delivery that it has not reserved and that has not executed a Service Agreement will be deemed, for purposes of assessing any appropriate charges and penalties, to have executed the appropriate Service Agreement.

13.5 Transmission Customer Obligations for Facility Additions or Redispatch Costs:

In cases where the Transmission Provider determines that the Transmission System is not capable of providing Long-Term Firm Point-To-Point Transmission Service without (1) degrading or impairing the reliability of service to Native Load Customers, Network Customers and other Transmission Customers taking Firm Point-To-Point Transmission Service, or (2) interfering with the Transmission Provider's ability to meet prior firm contractual commitments to others, the Transmission Owner(s) will be obligated to expand or upgrade the Transmission System pursuant to the terms of Tariff, Part II, section 15.4. The Transmission Customer must agree to compensate the Transmission Provider for any necessary transmission facility additions pursuant to the terms of Tariff, Part II, section 27. To the extent the Transmission Provider can relieve any system constraint by redispatching resources available to the PJM Region, it shall do so, provided that the Eligible Customer agrees to compensate the Transmission Provider pursuant to the terms of Tariff, Part II, section 27 and agrees to compensate the Transmission Owner for any necessary transmission facility additions. Any redispatch, Network Upgrade or Direct Assignment Facilities costs to be charged to the Transmission Customer on an incremental basis under the Tariff will be specified in the Service Agreement prior to initiating service.

13.7

Classification of Firm Transmission Service:

(a) The Transmission Customer taking Firm Point-To-Point Transmission Service may (1) change its Receipt and Delivery Points to obtain service on a non-firm basis consistent with the terms of Tariff, Part II, section 22.1 or (2) request a modification of the Points of Receipt or Delivery on a firm basis pursuant to the terms of Tariff, Part II, section 22.2.

(b) The Transmission Customer may purchase transmission service to make sales of capacity and energy from multiple generating units that are on the Transmission Provider's Transmission System. For such a purchase of transmission service, the resources will be designated as multiple Points of Receipt, unless the multiple generating units are at the same generating plant in which case the units would be treated as a single Point of Receipt.

(c) The Transmission Provider shall provide firm deliveries of capacity and energy from the Point(s) of Receipt to the Point(s) of Delivery. Each Point of Receipt at which firm transmission capacity is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Service Agreement for Long-Term Firm Transmission Service along with a corresponding capacity reservation associated with each Point of Receipt. Points of Receipt and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Firm Transmission. Each Point of Delivery at which firm transfer capability is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Service Agreement for Long-Term Firm Transmission Service along with a corresponding capacity reservation associated with each Point of Delivery. Points of Delivery and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Firm Transmission. The greater of either (1) the sum of the capacity reservations at the Point(s) of Receipt, or (2) the sum of the capacity reservations at the Point(s) of Delivery shall be the Transmission Customer's Reserved Capacity. The Transmission Customer will be billed for its Reserved Capacity under the terms of Schedule 7. The Transmission Customer may not exceed its firm capacity reserved at each Point of Receipt and each Point of Delivery except as otherwise specified in Section 22. In the event the Transmission Customer (including Third Party Sales by a Transmission Owner) exceeds its firm capacity reserved at any Point of Receipt or Point of Delivery or uses Transmission Service at a Point of Receipt or Point of Delivery that it has not reserved, except as otherwise specified in Tariff, Part II, section 22, the Transmission Customer shall pay a penalty equal to twice the rate set forth in Tariff, Schedule 7 as follows:

The unreserved use penalty for a single hour of unreserved use shall be based on the rate for daily Firm Point-To-Point Transmission Service. If there is more than one assessment for a given duration (e.g., daily) for the Transmission Customer, the penalty shall be based on the next longest duration (e.g., weekly). The unreserved penalty charge for multiple instances of unreserved use (i.e., more than one hour) within a day shall be based on the daily rate Firm Point-To-Point Transmission Service. The unreserved penalty charge for multiple instances of unreserved use isolated to one calendar week

shall be based on the charge for weekly Firm Point-To-Point Transmission Service. The unreserved use penalty charge for multiple instances of unreserved use during more than one week during a calendar month shall be based on the charge for monthly Firm Point-To-Point Transmission Service.

The Transmission Provider shall distribute all unreserved use penalties incurred under this section in a given hour to the Transmission Customers that: (1) were using transmission service in the same hour in which the unreserved use penalty was incurred; and (2) did not incur unreserved use penalties under this section during the hour in which the penalties were incurred. The Transmission Provider shall distribute the unreserved use penalties to each such Transmission Customer pro-rata based on the total Tariff, Schedule 1A charges for all such Transmission Customers for all the hours of the day in which the penalty was incurred.

14.1 Term:

Non-Firm Point-To-Point Transmission Service will be available for periods ranging from one (1) hour to one (1) month. However, a Purchaser of Non-Firm Point-To-Point Transmission Service will be entitled to reserve a sequential term of service (such as a sequential monthly term without having to wait for the initial term to expire before requesting another monthly term) so that the total time period for which the reservation applies is greater than one month, subject to the requirements of Tariff, Part II, section 18.3.

14.2 Reservation Priority:

Non-Firm Point-To-Point Transmission Service shall be available from transfer capability in excess of that needed for reliable service to Native Load Customers, Network Customers and other Transmission Customers taking Long-Term and Short-Term Firm Point-To-Point Transmission Service. A higher priority will be assigned first to requests or reservations with a longer duration of service and second to Pre-Confirmed Applications. In the event the Transmission System is constrained, competing requests of the same Pre-Confirmation status and equal duration will be prioritized based on the highest price offered by the Eligible Customer for the Transmission Service. Eligible Customers that have already reserved shorter term service have the right of first refusal to match any longer term request before being preempted. A longer term competing request for Non-Firm Point-To-Point Transmission Service will be granted if the Eligible Customer with the right of first refusal does not agree to match the competing request: (a) immediately for hourly Non-Firm Point-To-Point Transmission Service after notification by the Transmission Provider; and (b) within 24 hours (or earlier if necessary to comply with the scheduling deadlines provided in Tariff, Part II, section 14.6) for Non-Firm Point-To-Point Transmission Service other than hourly transactions after notification by the Transmission Provider. Transmission service for Network Customers from resources other than designated Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service. Non-Firm Point-To-Point Transmission Service over secondary Point(s) of Receipt and Point(s) of Delivery will have the lowest reservation priority under the Tariff.

14.3 Use of Non-Firm Point-To-Point Transmission Service by a Transmission Owner:

Each Transmission Owner will be subject to the rates, terms and conditions of Tariff, Part II when making Third-Party Sales under (i) agreements executed on or after March 1, 1997 or (ii) agreements executed prior to the aforementioned date that the Commission requires to be unbundled, by the date specified by the Commission. The Transmission Owner will maintain separate accounting, pursuant to Tariff, Part I, section 8, for any use of Non-Firm Point-To-Point Transmission Service to make Third-Party Sales.

14.4 Service Agreements:

The Transmission Provider shall offer a standard form Non-Firm Point-To-Point Transmission Service Agreement (Tariff, Attachment B) to an Eligible Customer when it first submits a Completed Application for Non-Firm Point-To-Point Transmission Service pursuant to the Tariff. Executed Service Agreements that contain the information required under the Tariff shall be filed with the Commission in compliance with applicable Commission regulations.

14.5 Classification of Non-Firm Point-To-Point Transmission Service:

Non-Firm Point-To-Point Transmission Service shall be offered under terms and conditions contained in Tariff, Part II. The Transmission Provider and the Transmission Owners undertake no obligation under the Tariff to plan the Transmission System in order to have sufficient capacity for Non-Firm Point-To-Point Transmission Service. Parties requesting Non-Firm Point-To-Point Transmission Service for the transmission of firm power do so with the full realization that such service is subject to availability and to Curtailment or Interruption under the terms of the Tariff. In the event the Transmission Customer (including Third Party Sales by a Transmission Owner) exceeds its non-firm capability reserved at any Point of Receipt or Point of Delivery, the Transmission Customer shall pay the rate set forth in Tariff, Schedule 8 for the delivery period (i.e., monthly, weekly, daily or hourly) for which the Transmission Customer is reserving capacity multiplied by an adjusted reserved capacity (for pricing purposes only) equal to the highest level used by the Transmission Customer at such Point of Receipt or Point of Delivery as integrated over a 60 minute period. Non-Firm Point-To-Point Transmission Service shall include transmission of energy on an hourly basis and transmission of scheduled short-term capacity and energy on a daily, weekly or monthly basis, but not to exceed one month's reservation for any one Application, under Tariff, Schedule 8.

15.1 General Conditions:

The Transmission Provider will provide Firm and Non-Firm Point-To-Point Transmission Service over, on or across the Transmission System to any Transmission Customer that has met the requirements of Tariff, Part II, section 16.

15.2 Determination of Available Transfer Capability:

A description of the Transmission Provider's specific methodology for assessing available transfer capability posted on the Transmission Provider's OASIS (Tariff, section 4) is contained in Tariff, Attachment C. The Transmission Provider will not provide Short-Term Firm Point-To-Point Transmission Service in excess of the transfer capability posted on OASIS pursuant to Tariff, Part II, section 17.9. In the event sufficient transfer capability may not exist to accommodate a request for Long-Term Firm Point-To-Point Transmission Service, and such request does not commence and terminate within the 18 month ATC horizon, the Transmission Provider will respond by performing (in coordination with the affected Transmission Owner or Transmission Owners to the extent necessary) a Firm Transmission Feasibility Study as described in Tariff, Part II, section 19. If a request for Long-Term Firm Point-to-Point Transmission Service falls entirely within the ATC horizon, the request will be evaluated based on the posted ATC.

15.3 Initiating Service in the Absence of an Executed Service Agreement:

If the Transmission Provider and the Transmission Customer requesting Firm or Non-Firm Point-To-Point Transmission Service cannot agree on all the terms and conditions of the Point-To-Point Service Agreement, the Transmission Provider shall file with the Commission, within thirty (30) days after the date the Transmission Customer provides written notification directing the Transmission Provider to file, an unexecuted Point-To-Point Service Agreement containing terms and conditions deemed appropriate by the Transmission Provider for such requested Transmission Service. The Transmission Provider shall commence providing Transmission Service subject to the Transmission Customer agreeing to (i) compensate the Transmission Provider at whatever rate the Commission ultimately determines to be just and reasonable, and (ii) comply with the terms and conditions of the Tariff including posting appropriate security deposits in accordance with the terms of Tariff, Part II, section 17.3.

15.4 Obligation to Provide Transmission Service that Requires Expansion or Modification of the Transmission System or Redispatch:

(a) If the Transmission Provider determines that it cannot accommodate a Completed Application for Long-Term Firm Point-To-Point Transmission Service because of insufficient capability on the Transmission System, the Transmission Owners will be obligated and shall use due diligence to expand or modify, the Transmission System to provide the requested Firm Transmission Service consistent with the planning obligations in Operating Agreement, Schedule 6, provided the Transmission Customer agrees to compensate the Transmission Provider or the affected Transmission Owner(s) for such costs pursuant to the terms of Tariff, Part II, section 27. The Transmission Provider and the affected Transmission Owners will conform to Good Utility Practice and the planning obligations in Operating Agreement, Schedule 6 in determining the need for new facilities and the affected Transmission Owner(s) will conform to Good Utility Practice in the design and construction of such facilities. The obligation applies only to those facilities that the Transmission Owners have the right to expand or modify.

(b) If the Transmission Provider determines that it cannot accommodate a Completed Application for Long-Term Firm Point-To-Point Transmission Service because of insufficient capability on its Transmission System, the Transmission Provider will use due diligence to provide redispatch until Network Upgrades are completed for the Transmission Customer.

16.1 Conditions Required of Transmission Customers:

Point-To-Point Transmission Service shall be provided by the Transmission Provider only if the following conditions are satisfied by the Transmission Customer:

- a. The Transmission Customer has pending a Completed Application for service;
- b. The Transmission Customer meets the creditworthiness criteria set forth in Tariff, Part I, section 11;
- c. The Transmission Customer will have arrangements in place for any other transmission service necessary to effect the delivery from the generating source to the Transmission Provider prior to the time service under Tariff, Part II commences;
- d. The Transmission Customer agrees to pay for any facilities constructed and chargeable to such Transmission Customer under Tariff, Part II, whether or not the Transmission Customer takes service for the full term of its reservation;
- e. The Transmission Customer provides the information required by the Transmission Provider's planning process established in Operating Agreement, Schedule 6; and
- f. The Transmission Customer has executed a Point-To-Point Service Agreement or has agreed to receive service pursuant to Tariff, Part II, section 15.3.

16.2 Transmission Customer Responsibility for Third-Party Arrangements:

Any scheduling arrangements that may be required by other electric systems shall be the responsibility of the Transmission Customer requesting service. The Transmission Customer shall provide, unless waived by the Transmission Provider, notification to the Transmission Provider identifying such systems and authorizing them to schedule the capacity and energy to be transmitted by the Transmission Provider pursuant to Tariff, Part II on behalf of the Receiving Party at the Point of Delivery or the Delivering Party at the Point of Receipt. However, the Transmission Provider will undertake reasonable efforts to assist the Transmission Customer in making such arrangements, including without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice.

17.1 Application:

A request for Firm Point-To-Point Transmission Service for periods of one year or longer must contain a written Application to: PJM Interconnection, L.L.C., 2750 Monroe Blvd., Audubon, PA 19403, at least sixty (60) days in advance of the calendar month in which service is to commence. The Transmission Provider will consider requests for such firm service on shorter notice when feasible. Requests for firm service for periods of less than one year shall be subject to the expedited procedures set forth in Tariff, Part II, section 17.8. All Firm Point-To-Point Transmission Service requests should be submitted by entering the information listed below on the Transmission Provider's OASIS. Prior to implementation of the Transmission Provider's OASIS, a Completed Application may be submitted by (i) transmitting the required information to the Transmission Provider by telefax, or (ii) providing the information by telephone over the Transmission Provider's time recorded telephone line. Each of these methods will provide a time-stamped record for establishing the Queue Position of the Completed Application.

17.2 Completed Application:

A Completed Application shall provide all of the information included in 18 C.F.R. § 2.20 including but not limited to the following:

- (i) The identity, address, telephone number and facsimile number of the entity requesting service;
- (ii) A statement that the entity requesting service is, or will be upon commencement of service, an Eligible Customer under the Tariff;
- (iii) The location of the Point(s) of Receipt and Point(s) of Delivery and the identities of the Delivering Parties and the Receiving Parties;
- (iv) The location of the generating facility(ies) supplying the capacity and energy and the location of the load ultimately served by the capacity and energy transmitted. The Transmission Provider will treat this information as confidential except to the extent that disclosure of this information is required by this Tariff, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practice or pursuant to Applicable Regional Entity transmission information sharing agreements. The Transmission Provider shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations;
- (v) A description of the supply characteristics of the capacity and energy to be delivered;
- (vi) An estimate of the capacity and energy expected to be delivered to the Receiving Party;
- (vii) The Service Commencement Date and the term of the requested Transmission Service;
- (viii) The transmission capacity requested for each Point of Receipt and each Point of Delivery on the Transmission Provider's Transmission System; customers may combine their requests for service in order to satisfy the minimum transmission capacity requirement;
- (ix) A statement indicating that, if the Eligible Customer submits a Pre-Confirmed Application, the Eligible Customer will execute a Service Agreement upon receipt of notification that Transmission Provider can provide the requested Transmission Service; and
- (x) Any additional information required by the Transmission Provider's planning process established in Operating Agreement, Schedule 6.

The Transmission Provider shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations.

17.3 Compliance with Credit Policy:

A party requesting Transmission Service shall provide the information specified in, and otherwise comply with, the “PJM Credit Policy” set forth in Tariff, Attachment Q hereto.

17.4 Notice of Deficient Application:

If an Application fails to meet the requirements of the Tariff, the Transmission Provider shall notify the entity requesting service within fifteen (15) days of receipt of the reasons for such failure. The Transmission Provider will attempt to remedy minor deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, the Transmission Provider shall return the Application, along with any deposit, with interest. Upon receipt of a new or revised Application that fully complies with the requirements of Tariff, Part II, the Eligible Customer shall be assigned a new Queue Position consistent with the date of the new or revised Application.

17.5 Response to a Completed Application:

Following receipt of a Completed Application for Firm Point-To-Point Transmission Service, the Transmission Provider shall make a determination of available transfer capability as required in Tariff, Part II, section 15.2. With respect to Short-Term Firm Point-To-Point Transmission Service, the Transmission Provider shall notify the Eligible Customer as soon as practicable, but not later than thirty (30) days after the date of receipt of a Completed Application, whether it will be able to provide service. With respect to Long-Term Firm Point-To-Point Transmission Service, the Transmission Provider shall notify the Eligible Customer as soon as practicable, but not later than thirty (30) days after the date of receipt of a Completed Application either (i) if it will be able to provide service without performing a Firm Transmission Feasibility Study or (ii) if such a study is needed to evaluate the impact of the Application pursuant to Tariff, Part II, section 19.1; provided that, if, in connection with the request, Transmission Provider must provide notification to an existing customer pursuant to Tariff, Part I, section 2.3, the foregoing deadline shall be extended to forty-five (45) days after the date of receipt of a Completed Application. Responses by the Transmission Provider must be made as soon as practicable to all completed applications and the timing of such responses must be made on a non-discriminatory basis.

17.6 Execution of Service Agreement:

Whenever the Transmission Provider determines that a Firm Transmission Feasibility Study is not required and that the service can be provided, it shall notify the Eligible Customer as soon as practicable but no later than thirty (30) days after receipt of the Completed Application. Where a Firm Transmission Feasibility Study is required, the provisions of Tariff, Part II, section 19 will govern the execution of a Service Agreement. Failure of an Eligible Customer to execute and return the Service Agreement or request the filing of an unexecuted service agreement pursuant to Tariff, Part II, section 15.3, within fifteen (15) days after it is tendered by the Transmission Provider will be deemed a withdrawal and termination of the Application and any deposit submitted shall be refunded with interest. Nothing herein limits the right of an Eligible Customer to file another Application after such withdrawal and termination.

17.8 Reservation of Short-Term Firm Point-To-Point Transmission Service:

Requests for monthly service shall be submitted no earlier than 12:00 a.m. EPT of the first calendar day of the month, which is seventeen (17) months before the date service is requested to commence; requests for weekly service shall be submitted no earlier than 12:00 a.m. EPT of the day, which is fourteen (14) days before the date service is to commence; and requests for daily service shall be submitted no earlier than 12:00 a.m. EPT of the day, which is seven (7) days before the date service is to commence. Requests for monthly service shall be submitted no later than 12:00 a.m. EPT of the date which is fourteen (14) days before service is to commence; requests for weekly service shall be submitted no later than 12:00 a.m. EPT of the date which is than seven (7) days before the service is to commence; and requests for daily service shall be submitted no later than 2:00 p.m. EPT the Business Day before service is to commence. All requests received during the first thirty (30) minutes following the above-specified times shall be deemed to have been received simultaneously. Designations of new Network Resources under Tariff, Part III, section 30.2 that will use interface capacity and that are for a period of less than one year will be processed together with, and in the same manner as, requests for Short-Term Firm Point-To-Point Transmission Service.

17.9 Increases in Transfer Capability for Short-Term Transmission Service:

Each hour, the Transmission Provider shall post on the Transmission Provider's OASIS, the capability of the Transmission System then available to accommodate firm Transmission Service and Network Integration Service for each of the following seventeen (17) months. Reservations with respect to any increases in transfer capability reflected in such posting may be made commencing at the time of posting. All requests for monthly Short-Term Firm Point-To-Point Transmission Service and monthly designation pursuant to Tariff, Part III, section 30.2 of a new Network Resource that will use interface capacity received during the first thirty (30) minutes after each posting shall be deemed to have been submitted simultaneously. The Transmission Provider shall respond to the requests no later than seven (7) Business Days from the time of request for monthly service and no later than two (2) Business Days from the time of the request for weekly service. The Transmission Provider shall respond to requests within four (4) normal business hours of receipt for daily service if feasible.

18.4 Determination of Available Transfer Capability:

Following receipt of a tendered schedule the Transmission Provider will make a determination on a non-discriminatory basis of available transfer capability pursuant to Tariff, Part II, section 15.2. Such determination shall be made as soon as reasonably practicable after receipt, but not later than the following time periods for the following terms of service (i) fifteen (15) minutes for hourly service, (ii) thirty (30) minutes for daily service, (iii) four (4) hours for weekly service, and (iv) twelve (12) hours for monthly service.

19.1 Notice of Need for Firm Transmission Feasibility Study:

After receiving a request for service, the Transmission Provider shall determine on a non-discriminatory basis whether a Firm Transmission Feasibility Study is needed. The purpose of the Firm Transmission Feasibility Study shall be to assess whether the Transmission System has sufficient available capability to provide the requested service. If the Transmission Provider determines that a Firm Transmission Feasibility Study is necessary to evaluate the requested service, it shall so inform the Eligible Customer, as soon as practicable. In such cases, the Transmission Provider shall within thirty (30) days of receipt of a Completed Application, tender a Firm Transmission Feasibility Study Agreement pursuant to which the Eligible Customer shall agree to reimburse the Transmission Provider for the required Firm Transmission Feasibility Study. For a service request to remain a Completed Application, the Eligible Customer shall execute the Firm Transmission Feasibility Study Agreement and return it to the Transmission Provider within fifteen (15) days. If the Eligible Customer elects not to execute the Firm Transmission Feasibility Study Agreement, its application shall be deemed withdrawn and its deposit, pursuant to Tariff, Part II, section 17.3, shall be returned with interest.

19.2**Firm Transmission Feasibility Study Agreement and Cost Reimbursement:**

- (i) The Firm Transmission Feasibility Study Agreement will clearly specify the Transmission Provider's estimate (determined in coordination with the affected Transmission Owner(s)) of the actual cost, and time for completion of the Firm Transmission Feasibility Study. The charge shall not exceed the actual cost of the study. In performing the Firm Transmission Feasibility Study, the Transmission Provider shall rely, to the extent reasonably practicable, on existing transmission planning studies. The Eligible Customer will not be assessed a charge for such existing studies; however, the Eligible Customer will be responsible for charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of the Eligible Customer's request for service on the Transmission System.
- (ii) If in response to multiple Eligible Customers requesting service in relation to the same competitive solicitation, a single Firm Transmission Feasibility Study is sufficient for the Transmission Provider to accommodate the requests for service, the costs of that study shall be pro-rated among the Eligible Customers.
- (iii) The Transmission Provider shall reimburse the affected Transmission Owner(s) for their study costs, if any, in connection with a Firm Transmission Feasibility Study.
- (iv) For Firm Transmission Feasibility Studies that the Transmission Provider conducts on behalf of a Transmission Owner, the Transmission Owner shall record the cost of the Firm Transmission Feasibility Studies pursuant to Tariff, Part I, section 8.

19.3 Firm Transmission Feasibility Study Procedures:

After receiving a signed Firm Transmission Feasibility Study Agreement and the applicable deposit of \$20,000, the Transmission Provider shall conduct a Firm Transmission Service Feasibility Study to make a preliminary determination of the type and scope of and Direct Assignment Facilities, Local Upgrades, and Network Upgrades that will be necessary to accommodate the Completed Application and provide the Eligible Customer a preliminary estimate of the time that will be required to construct any necessary facilities and upgrades and the Eligible Customer's cost responsibility, estimated consistent with Tariff, Part VI, section 217. The Transmission Service Feasibility Study assesses the practicality and cost of accommodating the requested service. The analysis is limited to load-flow analysis of probable contingencies. The Transmission Provider shall provide a copy of the Transmission Service Feasibility Study and, to the extent consistent with the Office of the Interconnection's confidentiality obligations in Operating Agreement, section 18.17, related work papers to the Eligible Customer and the affected Transmission Owner(s). Upon completion, the Transmission Provider shall make the completed Transmission Service Feasibility Study publicly available. The Transmission Provider shall conduct Transmission Service Feasibility Studies two times each year in conjunction with the Interconnection Feasibility Studies conducted under Tariff, Part IV, section 36.2.

The Transmission Provider will use the same due diligence in completing the Firm Transmission Feasibility Study for an Eligible Customer as it uses when completing studies for a Transmission Owner. The Transmission Provider shall notify the Eligible Customer immediately upon completion of the Firm Transmission Feasibility Study whether a System Impact Study will be needed to more fully assess and identify the Network Upgrades and/or Local Upgrades that will be needed to accommodate all or part of the Eligible Customer's request for service or that no costs are likely to be incurred for new transmission facilities or upgrades. In the event that Transmission Provider determines that a System Impact Study will be needed, the procedures and other terms of Tariff, Part VI shall apply to the Completed Application.

19.4 Retaining Queue Position:

Except when the Transmission Provider determines that a System Impact Study is needed, in order for a request to remain a Completed Application, within thirty (30) days after its receipt of the completed Firm Transmission Feasibility Study, the Eligible Customer must execute a Service Agreement or request the filing of an unexecuted Service Agreement pursuant to Tariff, Part II, section 15.3, or the Completed Application shall be deemed terminated and withdrawn.

19.8 Penalties for Failure to Meet Deadlines:

Tariff, Part II, section 19.3, Tariff, Part VI, section 205, and Tariff, Part VI, section 206 require a Transmission Provider to use due diligence to meet study completion deadlines for Firm Transmission Feasibility Studies, System Impact Studies, and Facilities Studies for Eligible Customers.

- (i) The Transmission Provider is required to file a notice with the Commission in the event that more than twenty (20) percent of non-Affiliates' Firm Transmission Feasibility Studies, System Impact Studies, and Facilities Studies for Eligible Customers completed by the Transmission Provider in any two consecutive calendar quarters are not completed within the completion deadlines, consistent with Tariff, Part II, section 19.3, Tariff, Part VI, section 205, and Tariff, Part VI, section 206. Such notice must be filed within thirty (30) days of the end of the calendar quarter triggering the notice requirement.
- (ii) For the purposes of calculating the percent of non-Affiliates' Firm Transmission Feasibility Studies, System Impact Studies, and Facilities Studies for Eligible Customers processed outside of the study completion deadlines set forth in Tariff, Part II, section 19.3, Tariff, Part VI, section 205, and Tariff, Part VI, section 206 for such studies for Eligible Customers, the Transmission Provider shall consider all Firm Transmission Feasibility Studies, System Impact Studies, and Facilities Studies for Eligible Customers that it completes for non-Affiliates during the calendar quarter. The percentage should be calculated by dividing the number of those studies which are completed on time by the total number of completed studies. The Transmission Provider may provide an explanation in its notification filing to the Commission if it believes there are extenuating circumstances that prevented it from meeting the study completion deadlines.
- (iii) The Transmission Provider is subject to an operational penalty if it completes ten (10) percent or more of non-Affiliates' Firm Transmission Feasibility Studies, System Impact Studies, and Facilities Studies for Eligible Customers outside of the study completion deadlines set forth in Tariff, Part II, section 19.3, Tariff, Part VI, section 205, and Tariff, Part VI, section 206 for such studies for Eligible Customers, for each of the two calendar quarters immediately following the quarter that triggered its notification filing to the Commission. The operational penalty will be assessed for each calendar quarter for which an operational penalty applies, starting with the calendar quarter immediately following the quarter that triggered the Transmission Provider's notification filing to the Commission. The operational penalty will continue to be assessed each quarter until the Transmission Provider completes at least ninety (90) percent of all non-Affiliates' Firm Transmission Feasibility Studies, System Impact Studies and Facilities Studies for Eligible Customers within the study completion deadlines, set forth in Tariff, Part II, section 19.3, Tariff, Part VI, section 205, and Tariff, Part VI, section 206 for such studies for Eligible Customers.
- (iv) For penalties assessed in accordance with subsection (iii) above, the penalty amount for each Firm Transmission Feasibility Study, System Impact Study, or Facilities

Study for Eligible Customers shall be equal to \$500 for each day the Transmission Provider takes to complete that study beyond the study completion deadline.

22.1 Modifications On a Non-Firm Basis:

The Transmission Customer taking Firm Point-To-Point Transmission Service may request the Transmission Provider to provide transmission service on a non-firm basis over Receipt and Delivery Points other than those specified in the Service Agreement (“Secondary Receipt and Delivery Points”), in amounts not to exceed its firm capacity reservation, without incurring an additional Non-Firm Point-To-Point Transmission Service charge or executing a new Service Agreement, subject to the following conditions.

- (a) Service provided over Secondary Receipt and Delivery Points will be non-firm only, on an as-available basis and will not displace any firm or non-firm service reserved or scheduled by third-parties under the Tariff or by a Transmission Owner on behalf of its Native Load Customers.
- (b) The sum of all Firm and non-firm Point-To-Point Transmission Service provided to the Transmission Customer at any time pursuant to this section shall not exceed the Reserved Capacity in the relevant Service Agreement under which such services are provided.
- (c) The Transmission Customer shall retain its right to schedule Firm Point-To-Point Transmission Service at the Receipt and Delivery Points specified in the relevant Service Agreement in the amount of its original capacity reservation.
- (d) Service over Secondary Receipt and Delivery Points on a non-firm basis shall not require the filing of an Application for Non-Firm Point-To-Point Transmission Service under the Tariff. However, all other requirements of Tariff, Part II (except as to transmission rates) shall apply to transmission service on a non-firm basis over Secondary Receipt and Delivery Points.

22.2 Modification On a Firm Basis:

Any request by a Transmission Customer to modify Receipt and Delivery Points on a firm basis shall be treated as a new request for service in accordance with Tariff, Part II, section 17 hereof, except that such Transmission Customer shall not be obligated to pay any additional deposit if the capacity reservation does not exceed the amount reserved in the existing Service Agreement. While such new request is pending, the Transmission Customer shall retain its priority for service at the existing firm Receipt and Delivery Points specified in its Service Agreement.

23.1 Procedures for Assignment or Transfer of Service:

A Transmission Customer may sell, assign, or transfer all or a portion of its rights under its Service Agreement, but only to another Eligible Customer (the Assignee). The Transmission Customer that sells, assigns or transfers its rights under its Service Agreement is hereafter referred to as the Reseller. Compensation to Resellers shall be at rates established by agreement between the Reseller and the Assignee.

The Assignee must execute a service agreement with the Transmission Provider and PJMSettlement governing reassignments of transmission service prior to the date on which the reassigned service commences. PJMSettlement shall charge the Reseller, as appropriate, at the rate stated in the Reseller's Service Agreement with the Transmission Provider and PJMSettlement or the associated OASIS schedule and credit the Reseller with the price reflected in the Assignee's Service Agreement with the Transmission Provider and PJMSettlement or the associated OASIS schedule; provided that, such credit shall be reversed in the event of non-payment by the Assignee. If the Assignee does not request any change in the Point(s) of Receipt or the Point(s) of Delivery, or a change in any other term or condition set forth in the original Service Agreement, the Assignee will receive the same services as did the Reseller and the priority of service for the Assignee will be the same as that of the Reseller. The Assignee will be subject to all terms and conditions of this Tariff. If the Assignee requests a change in service, the reservation priority of service will be determined by the Transmission Provider pursuant to Tariff, Part II, section 13.2.

23.3 Information on Assignment or Transfer of Service:

In accordance with Tariff, Part I, section 4, all sales or assignments of capacity must be conducted through or otherwise posted on the Transmission Provider's OASIS on or before the day the reassigned service commences and are subject to Tariff, Part II, section 23.1. Resellers may also use the Transmission Provider's OASIS to post transmission capacity available for resale.

24.1 Transmission Customer Obligations:

Unless otherwise agreed, the Transmission Customer shall be responsible for installing and maintaining compatible metering and communications equipment to accurately account for the capacity and energy being transmitted under Tariff, Part II and to communicate the information to the Transmission Provider. Such equipment shall remain the property of the Transmission Customer.

25 Compensation for Transmission Service

Rates for Firm and Non-Firm Point-To-Point Transmission Service are provided in the Schedules appended to the Tariff: Firm Point-To-Point Transmission Service (Tariff, Schedule 7); and Non-Firm Point-To-Point Transmission Service (Tariff, Schedule 8). Customers may also be subject to Transmission Enhancement Charges as provided in Tariff, Schedule 12. Each Transmission Owner shall use Tariff, Part II to make its Third-Party Sales. Each Transmission Owner shall account for such use at the applicable Tariff rates, pursuant to Tariff, Part I, section 8.

Owner shall use Tariff, Part II to make its Third-Party Sales. Each Transmission Owner shall account for such use at the applicable Tariff rates, pursuant to Tariff, Part I, section 8.

III. NETWORK INTEGRATION TRANSMISSION SERVICE

References to section numbers in this Part III refer to sections of this Part III, unless otherwise specified.

Preamble

The Transmission Provider will provide Network Integration Transmission Service pursuant to the applicable terms and conditions contained in the Tariff and Service Agreement. Network Integration Transmission Service allows the Network Customer to integrate, economically dispatch and regulate its current and planned Network Resources to serve its Network Load in a manner comparable to that in which each Transmission Owner utilizes the Transmission System to serve its Native Load Customers. Network Integration Transmission Service also may be used by the Network Customer to deliver economy energy purchases to its Network Load from non-designated resources on an as-available basis without additional charge. Transmission service for sales to non-designated loads will be provided pursuant to the applicable terms and conditions of Tariff, Part II. PJMSettlement shall be the Counterparty to the Network Integration Transmission Service transactions under this Tariff. As set forth in Tariff, Attachment K, section D, Network Integration Transmission Service transactions may give rise to several component charges and credits, which may offset one another, and such component charges and credits are not separate transactions from Network Integration Transmission Service transactions.

28.1 Scope of Service:

Network Integration Transmission Service is a transmission service that allows Network Customers to efficiently and economically utilize their Network Resources (as well as other non-designated generation resources) to serve their Network Load located in the PJM Region and any additional load that may be designated pursuant to Tariff, Part III, section 31.3. The Network Customer taking Network Integration Transmission Service must obtain or provide Ancillary Services pursuant to Tariff, Part I, section 3.

28.2 Transmission Provider Responsibilities:

In order to provide the Network Customer with Network Integration Transmission Service over the Transmission Provider's Transmission Systems: (a) the Transmission Provider will plan and operate the Transmission System in accordance with Good Utility Practice and its planning obligations in Operating Agreement, Schedule 6; and (b) the Transmission Owners will be obligated to construct and maintain the Transmission System in accordance with the terms and conditions of the Tariff, the Operating Agreement, and Good Utility Practice. Each Transmission Owner, on behalf of its Native Load Customers, shall be required to designate resources and loads in the same manner as any Network Customer under Tariff, Part III. This information must be consistent with the information used by the Transmission Provider to calculate available transfer capability. The Transmission Provider shall include the Network Customer's Network Load in the Transmission System planning and the Transmission Owners shall, consistent with the terms and conditions of the Tariff, the Operating Agreement, and Good Utility Practice, endeavor to construct and place into service sufficient transfer capability to deliver the Network Customer's Network Resources to serve its Network Load on a basis comparable to the delivery of each Transmission Owner's own generating and purchased resources to its Native Load Customers.

28.4 Secondary Service:

The Network Customer may use the Transmission Provider's Transmission System to deliver energy to its Network Loads from resources that have not been designated as Network Resources. Such energy shall be transmitted, on an as-available basis, at no additional charge. Secondary service shall not require the filing of an Application for Network Integrated Transmission Service under the Tariff. However, all other requirements of Tariff, Part III (except for transmission rates) shall apply to secondary service. Deliveries from resources other than Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service under Tariff, Part II.

28.6 Restrictions on Use of Service:

The Network Customer shall not use Network Integration Transmission Service for (i) sales of capacity and energy to non-designated loads, or (ii) direct or indirect provision of transmission service by the Network Customer to third parties. All Network Customers taking Network Integration Transmission Service shall use Point-To-Point Transmission Service under Tariff, Part II for any Third-Party Sale which requires use of the Transmission Provider's Transmission System. The Transmission Provider shall specify any appropriate charges and penalties and all related terms and conditions applicable in the event that a Network Customer uses Network Integration Transmission Service or secondary service pursuant to Tariff, Part III, section 28.4 to facilitate a wholesale sale that does not serve a Network Load.

29.1 Condition Precedent for Receiving Service:

Subject to the terms and conditions of Tariff, Part III, the Transmission Provider will provide Network Integration Transmission Service to any Eligible Customer, provided that (i) the Eligible Customer completes an Application for service as provided under Tariff, Part III or, with respect to a state required retail access program, provides the information required under the Service Agreement, (ii) the Eligible Customer and the Transmission Provider in coordination with the affected Transmission Owners complete the technical arrangements set forth in Tariff, Part III, section 29.3 and Tariff, Part III, section 29.4, (iii) the Eligible Customer executes a Service Agreement pursuant to Tariff, Attachment F or Tariff, Attachment F-1 for service under Tariff, Part III or requests in writing that the Transmission Provider file a proposed unexecuted Service Agreement with the Commission, and (iv) the Eligible Customer executes a Network Operating Agreement with the Transmission Provider pursuant to Tariff, Attachment G, or requests in writing that the Transmission Provider file a proposed unexecuted Network Operating Agreement.

29.2 Application Procedures:

An Eligible Customer requesting service under Tariff, Part III must submit an Application to the Transmission Provider as far as possible in advance of the month in which service is to commence. Unless subject to the procedures in Tariff, Part I, section 2, Completed Applications for Network Integration Transmission Service will be assigned a Queue Position according to the date and time the Application is received, with the earliest Application receiving the highest priority. Applications should be submitted by entering the information listed below (except for applications for Network Integration Transmission Service pursuant to state required retail access programs for which Transmission Customers shall provide the information required under the Service Agreement) on the Transmission Provider's OASIS. Prior to implementation of the Transmission Provider's OASIS, a Completed Application may be submitted by (i) transmitting the required information to the Transmission Provider by telefax, or (ii) providing the information by telephone over the Transmission Provider's time recorded telephone line. For applications pursuant to state required retail access programs, the information required under the Service Agreement should be submitted on the Transmission Provider's specified electronic information system established for such programs. Each of these methods will provide a time-stamped record for establishing the service priority of the Application. A Completed Application (other than applications for Network Integration Transmission Service pursuant to a state required retail access program, which shall be governed by Tariff, Attachment F-1 and the specifications thereto) shall provide all of the information included in 18 C.F.R. § 2.20 including but not limited to the following:

- (i) The identity, address, telephone number and facsimile number of the party requesting service;
- (ii) A statement that the party requesting service is, or will be upon commencement of service, an Eligible Customer under the Tariff;
- (iii) A description of the Network Load at each delivery point. This description should separately identify and provide the Eligible Customer's best estimate of the total loads to be served at each transmission voltage level, and the loads to be served from each Transmission Provider substation at the same transmission voltage level. The description should include a ten (10) year forecast of summer and winter load and resource requirements beginning with the first year after the service is scheduled to commence;
- (iv) The amount and location of any interruptible loads included in the Network Load. This shall include the summer and winter capacity requirements for each interruptible load (had such load not been interruptible), that portion of the load subject to interruption, the conditions under which an interruption can be implemented and any limitations on the amount and frequency of interruptions. An Eligible Customer should identify the amount of interruptible customer load (if any) included in the 10 year load forecast provided in response to (iii) above;

(v) A description of Network Resources (current and 10-year projection). For each on-system Network Resource, such description shall include:

- Unit size and amount of capacity from that unit to be designated as Network Resource
- VAR capability (both leading and lagging) of all generators
- Operating restrictions
 - Any periods of restricted operations throughout the year
 - Maintenance schedules
 - Minimum loading level of unit
 - Normal operating level of unit
 - Any must-run unit designations required for system reliability or contract reasons
- Approximate variable generating cost (\$/MWH) for redispatch computations
- Arrangements governing sale and delivery of power to third parties from generating facilities located in the Transmission Provider Control Areas, where only a portion of unit output is designated as a Network Resource
- For each off-system Network Resource, such description shall include:
 - Identification of the Network Resource as an off-system resource
- Amount of power to which the customer has rights
 - Identification of the control area from which the power will originate
 - Delivery point(s) to the Transmission Provider's Transmission System
 - Transmission arrangements on the external transmission system(s)
- Operating restrictions, if any
 - Any periods of restricted operations throughout the year
 - Maintenance schedules
 - Minimum loading level of unit

- Normal operating level of unit
 - Any must-run unit designations required for system reliability or contract reasons
 - Approximate variable generating cost (\$/MWH) for redispatch computations;
- (vi) Description of Eligible Customer's transmission system:
- Load flow and stability data, such as real and reactive parts of the load, lines, transformers, reactive devices and load type, including normal and emergency ratings of all transmission equipment in a load flow format compatible with that used by the Transmission Provider
 - Operating restrictions needed for reliability
 - Operating guides employed by system operators
 - Contractual restrictions or committed uses of the Eligible Customer's transmission system, other than the Eligible Customer's Network Loads and Resources
 - Location of Network Resources described in subsection (v) above
 - 10 year projection of system expansions or upgrades
 - Transmission System maps that include any proposed expansions or upgrades
 - Thermal ratings of Eligible Customer's Control Area ties with other Control Areas;
- (vii) Service Commencement Date and the term of the requested Network Integration Transmission Service. The minimum term for Network Integration Transmission Service is one year except that, for service provided with respect to a state required retail access program, the minimum term is one day;
- (viii) A statement signed by an authorized officer from or agent of the Network Customer attesting that all of the network resources listed pursuant to Tariff, Part III, section 29.2(v) satisfy the following conditions: (1) the Network Customer owns the resource, has committed to purchase generation pursuant to an executed contract, or has committed to purchase generation where execution of a contract is contingent upon the availability of transmission service under Tariff, Part III; and (2) the Network Resources do not include any resources, or any portion thereof, that are committed for sale to non-designated third party load or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis, except for purposes of fulfilling obligations under a reserve sharing program; and

- (ix) Any additional information required of the Transmission Customer as specified in the Transmission Provider's planning process established in Operating Agreement, Schedule 6.

In addition, a party requesting Transmission Service shall provide the information specified in, and otherwise comply with, the "PJM Credit Policy" set forth in Tariff, Attachment Q hereto. Unless the Parties agree to a different time frame, the Transmission Provider must acknowledge the request within ten (10) days of receipt. The acknowledgement must include a date by which a response, including a Service Agreement, will be sent to the Eligible Customer. If an Application fails to meet the requirements of this section, the Transmission Provider shall notify the Eligible Customer requesting service within fifteen (15) days of receipt and specify the reasons for such failure. Wherever possible, the Transmission Provider will attempt to remedy deficiencies in the Application through informal communications with the Eligible Customer. If such efforts are unsuccessful, the Transmission Provider shall return the Application without prejudice to the Eligible Customer filing a new or revised Application that fully complies with the requirements of this section. The Eligible Customer will be assigned a new Queue Position consistent with the date of the new or revised Application. The Transmission Provider shall treat this information consistent with the standards of conduct contained in Part 37 of the Commission's regulations.

29.2A Determination of Available Transfer Capability:

A description of the Transmission Provider's specific methodology for assessing available transfer capability posted on the Transmission Provider's OASIS (Tariff, Part I, section 4) is contained in Tariff, Attachment C. In the event sufficient transfer capability may not exist to accommodate a request for Network Integration Transmission Service, and such request does not commence and terminate within the 18 month ATC horizon, the Transmission Provider will respond by performing (in coordination with the affected Transmission Owner or Transmission Owners to the extent necessary) a Firm Transmission Feasibility Study as described in Tariff, Part III, section 32. If a request for Long-Term Firm Network Integration Transmission Service falls entirely within the ATC horizon, the request will be evaluated based on the posted ATC.

30.2 Designation of New Network Resources:

The Network Customer may designate a new Network Resource by providing the Transmission Provider with as much advance notice as practicable (notwithstanding the requirements in this Tariff, Part III, section 30.2, the applicable requirements of Tariff, Attachment DD, the Reliability Assurance Agreement, and the PJM Manuals regarding the designation of Network Resources shall apply). A request for Transmission Service associated with designation of a new Network Resource must be made through the Transmission Provider's OASIS by a request for modification of service pursuant to an Application under Tariff, Part III, section 29. This request must include a statement that the new network resource satisfies the following conditions: (1) the Network Customer owns the resource, has committed to purchase generation pursuant to an executed contract, or has committed to purchase generation where execution of a contract is contingent upon the availability of transmission service under Tariff, Part III; and (2) the Network Resources do not include any resources, or any portion thereof, that are committed for sale to non-designated third party load or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis, except for purposes of fulfilling obligations under a reserve sharing program. The Network Customer's request will be deemed deficient if it does not include this statement and the Transmission Provider will follow the procedures for a deficient application as described in Tariff, Part III, section 29.2. In the event the Network Resource to be designated consists of new generation facilities in the PJM Region, the Network Customer or the owner of the generating facilities also must submit an Interconnection Request pursuant to Tariff, Part IV. In the event the Network Resource to be designated is Behind The Meter Generation, the designation must be made before the commencement of a Planning Period as that term is defined in the Operating Agreement and will remain in effect for the entire Planning Period. In the event the Network Resource to be designated will use interface capacity and is for a period of less than one year, the designation request must be submitted in accordance with the time requirements set forth in Tariff, Part II, section 17.8 and Tariff, Part II, section 17.9 and will be processed together with, and in the same manner as, requests for Short-Term Firm Point-To-Point Transmission Service.

30.3 Termination of Network Resources:

The Network Customer may terminate the designation of all or part of a generating resource as a Network Resource at any time by providing notification to the Transmission Provider through eRPM as soon as reasonably practicable, but not later than the firm scheduling deadline for the period of termination.* Any request for termination of Network Resource status must be submitted on eRPM, and should indicate whether the request is for indefinite or temporary termination. A request for indefinite termination of Network Resource status must indicate the date and time that the termination is to be effective, and the identification and capacity of the resource(s) or portions thereof to be indefinitely terminated. A request for temporary termination of Network Resource status must include the following:

- (i) Effective date and time of temporary termination;
- (ii) Effective date and time of redesignation, following period of temporary termination;
- (iii) Identification and capacity of resource(s) or portions thereof to be temporarily terminated;
- (iv) Resource description and attestation for redesignating the network resource following the temporary termination, in accordance with Tariff, Part III, section 30.2; and
- (v) Identification of any related transmission service requests to be evaluated concomitantly with the request for temporary termination, such that the requests for undesignation and the request for these related transmission service requests must be approved or denied as a single request. The evaluation of these related transmission service requests must take into account the termination of the network resources identified in (iii) above, as well as all competing transmission service requests of higher priority.

As part of a temporary termination, a Network Customer may only redesignate the same resource that was originally designated, or a portion thereof. Requests to redesignate a different resource and/or a resource with increased capacity will be deemed deficient and the Transmission Provider will follow the procedures for a deficient application as described in Tariff, Part III, section 29.2.

** Pursuant to the notice granting extension of effective date, 120 FERC ¶ 61,222 (2007), the effective date for the language “but not later than the firm scheduling deadline for the period of termination” was extended pending further order by the Commission.*

30.4 Operation of Network Resources:

The Network Customer shall not operate its designated Network Resources located in the Network Customer's or Transmission Provider's Control Area(s) such that the output of those facilities exceeds its designated Network Load plus Non-Firm Sales delivered pursuant to Tariff, Part II, plus net sales of energy through the interchange energy market established under the Operating Agreement, plus losses plus power sales under a reserve sharing program, plus sales that permit curtailment without penalty to serve its designated Network Load. This limitation shall not apply to changes in the operation of a Transmission Provider in response to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. For all Network Resources not physically connected with the Transmission Provider's Transmission System, the Network Customer may not schedule delivery of energy in excess of the Network Resource's capacity, as specified in the Network Customer's Application pursuant to Tariff, Part III, section 29, unless the Network Customer supports such delivery within the Transmission Provider's Transmission System by either obtaining Point-to-Point Transmission Service or utilizing secondary service pursuant to Tariff, Part III, section 28.4. The Transmission Provider shall specify the rate treatment and all related terms and conditions applicable in the event that a Network Customer's schedule at the delivery point for a Network Resource not physically interconnected with the Transmission Provider's Transmission System exceeds the Network Resource's designated capacity, excluding energy delivered using secondary service or Point-to-Point Transmission Service.

30.5 Network Customer Redispatch Obligation:

As a condition to receiving Network Integration Transmission Service, the Network Customer agrees to redispatch its Network Resources as requested by the Transmission Provider pursuant to Tariff, Part III, section 33.2. To the extent practical, the redispatch of resources pursuant to this section shall be on a least cost, non-discriminatory basis among all Network Customers and the Transmission Owners.

30.7 Limitation on Designation of Network Resources:

The Network Customer must demonstrate that it owns or has committed to purchase generation pursuant to an executed contract in order to designate a generating resource as a Network Resource. Alternatively, the Network Customer may establish that execution of a contract is contingent upon the availability of transmission service under Tariff, Part III.

31.2 New Network Loads Connected With the Transmission Provider:

The Network Customer shall provide the Transmission Provider with as much advance notice as reasonably practicable of the designation of new Network Load that will be added to the Transmission System. A designation of new Network Load must be made through a modification of service pursuant to a new Application. The affected Transmission Owners, in accordance with the terms and conditions of the Tariff and the Operating Agreement, will use due diligence to install any transmission facilities required to interconnect a new Network Load designated by the Network Customer. The costs of new facilities required to interconnect a new Network Load shall be determined in accordance with the procedures provided in Tariff, Part III, section 32.4 and shall be charged to the Network Customer in accordance with Commission policies.

31.3 Network Load Not Physically Interconnected with the Transmission Provider:

This section applies to both initial designation pursuant to Tariff, Part III, section 31.1 and the subsequent addition of new Network Load not physically interconnected with the Transmission Provider. To the extent that the Network Customer desires to obtain transmission service for a load outside the Transmission Provider's Transmission System, the Network Customer shall have the option of (1) electing to include the entire load as Network Load for all purposes under Tariff, Part III and designating Network Resources in connection with such additional Network Load, or (2) excluding that entire load from its Network Load and purchasing Point-To-Point Transmission Service under Tariff, Part II. To the extent that the Network Customer gives notice of its intent to add a new Network Load as part of its Network Load pursuant to this section the request must be made through a modification of service pursuant to a new Application.

31.6 Annual Load and Resource Information Updates:

The Network Customer shall provide the Transmission Provider with annual updates of Network Load and Network Resource forecasts consistent with those included in its Application for Network Integration Transmission Service under Tariff, Part III including, but not limited to, any information provided under Tariff, Part III, section 29.2(ix) pursuant to the Transmission Provider's planning process in Operating Agreement, Schedule 6. The Network Customer also shall provide the Transmission Provider with timely written or electronic notice of material changes in any other information provided in its Application relating to the Network Customer's Network Load, Network Resources, its transmission system or other aspects of its facilities or operations affecting the Transmission Provider's ability to provide reliable service.

31.7 Establishing and Changing Network Load Energy Settlement Area Definitions:

(a) Prior to the 2015/2016 Planning Period, the Energy Settlement Area for a Network Customer's Network Load in a given electric distribution company's fully metered franchise area(s) or service territory(ies) shall be the aggregate load buses in a Zone, as defined in subsection (c) below, or, with respect to Non-Zone Network Load, to the border of the PJM Region, unless the Network Customer defines a more specific Energy Settlement Area in accordance with the procedures set forth in the PJM Manuals. Commencing with the 2015/2016 Planning Period, the Energy Settlement Area for a Network Customer's Network Load in a given electric distribution company's fully metered franchise area(s) or service territory(ies) shall be the aggregate load buses specifying the Residual Metered Load distribution for that franchise area(s) or service territory(ies), as defined in subsection (c) below, or with respect to Non-Zone Network Load to the border of the PJM Region, unless the Network Customer defines a more specific nodal Energy Settlement Area in accordance with the procedures set forth in the PJM Manuals.

(b) A Network Customer may change the definition of its existing Network Load Energy Settlement Area in accordance with the procedures set forth in the PJM Manuals and the Network Customer's existing rights under the Tariff. Notwithstanding any other relevant provision(s) of this Tariff, advance notice of any such change described in the PJM Manuals must be provided to the Transmission Provider and the effective date of such change shall coincide with the first day of a Planning Period, as defined in the Operating Agreement. If system upgrades are required to effect a Network Load Energy Settlement Area change, all required upgrades shall be completed prior to the requested effective date of the change; if all required system upgrades are not completed prior to the requested effective date, the effective date shall be the first day of the Planning Period that immediately follows completion of all system upgrades. A Network Customer may not change the definition of its existing Network Load Energy Settlement Area to a less specific Energy Settlement Area, except in circumstances where there has been a physical change to the relevant transmission system infrastructure, as set forth in the PJM Manuals, such that settlement according to the previously defined Energy Settlement Area is no longer possible.

(c) The distribution of load buses in an Energy Settlement Area for the determination of a Transmission Loss Charge and Transmission Congestion Charge per Tariff, Part I, section 5.1 and Tariff, Part I, section 5.4 are determined as follows.

- (i) *Zonal aggregate determination.* The default distribution of load buses for a Zone for the Day-ahead Energy Market is the State Estimator distribution of load for that Zone at 8:00 a.m. one week prior to the Operating Day (i.e. if the Operating Day is Monday, the default distribution is from 8:00 a.m. on Monday of the previous week). Should the Office of the Interconnection experience technical limitations that would restrict the ability to obtain the State Estimator distribution of load for a Zone at 8:00 a.m. one week prior to the Operating Day or if the required data is not available, a State Estimator distribution of load from the most recently available day of the week that the Operating Day falls on will be used (i.e., if the Operating Day is Monday, the Office of the Interconnection will utilize

the State Estimator distribution of load from the most recent Monday for which data is available). If the default distribution does not accurately reflect the distribution of load for the Zone for the relevant electric distribution company for the Day-ahead Energy Market, it may specify another more accurate distribution of load buses for the Zone in the Office of the Interconnection's internet-based software application. The distribution of load buses for a Zone for the Real-time Energy Market is the State Estimator distribution of load for that Zone for each hour during the Operating Day.

- (ii) *Residual Metered Load aggregate determination.* The default distribution of load buses for a Residual Metered Load aggregate for the Day-ahead Energy Market is the distribution of the real-time Residual Metered Load at each bus within the Residual Metered Load aggregate at 8:00 a.m. one week prior to the Operating Day. Should the Office of the Interconnection experience technical limitations that would restrict the ability to obtain the bus distribution of the real-time Residual Metered Load aggregate at 8:00 a.m. one week prior to the Operating Day or if the required data is not available, a distribution of the real-time Residual Metered Load aggregate from the most recently available day of the week that the Operating Day falls on will be used (i.e., if the Operating Day is Monday, the Office of the Interconnection will utilize the bus distribution of the real-time Residual Metered Load aggregate from the most recent Monday for which data is available). The distribution of load buses for a Residual Metered Load aggregate for the Real-time Energy Market is the Residual Metered Load at each bus in the Residual Metered Load aggregate for each hour during the Operating Day. Residual Metered Load is determined by reducing the electric distribution company's revenue meter calculated load at each bus in its fully metered franchise area(s) or service territory(ies) as determined in Tariff, Part I, section 5.1.3(e)(i) and Tariff, Part I, section 5.4.3(e)(i) by the nodally priced load of other entities assigned to each load bus in the electric distribution company's fully metered franchise area(s) or service territory(ies) via hourly load contracts as specified in Tariff, Part I, section 5.1.3(e)(ii) and Tariff, Part I, section 5.4.3(e)(ii).
- (iii) *Nodal aggregate determination.* The distribution of load buses for nodal load in the Day-ahead Energy Market and Real-time Energy Market is determined by a fixed aggregate definition that represents the composition of the nodal load at a single identifiable bus or set of identifiable buses, as agreed upon by the Load Serving Entity responsible for the load and the electric distribution company in whose fully metered franchise area(s) or service territory(ies) the load is located, per the nodal pricing settlement rules defined in the PJM Manuals.

32.2 Firm Transmission Feasibility Study Agreement and Cost Reimbursement:

- (i) The Firm Transmission Feasibility Study Agreement will clearly specify the Transmission Provider's estimate (determined in coordination with the affected Transmission Owner(s)) of the actual cost, and time for completion of the Firm Transmission Feasibility Study. The charge shall not exceed the actual cost of the study. In performing the Firm Transmission Feasibility Study, the Transmission Provider shall rely, to the extent reasonably practicable, on existing transmission planning studies. The Eligible Customer will not be assessed a charge for such existing studies; however, the Eligible Customer will be responsible for charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of the Eligible Customer's request for service on the Transmission System.
- (ii) If in response to multiple Eligible Customers requesting service in relation to the same competitive solicitation, a single Firm Transmission Feasibility Study is sufficient for the Transmission Provider to accommodate the service requests, the costs of that study shall be pro-rated among the Eligible Customers.
- (iii) The Transmission Provider shall reimburse the affected Transmission Owner(s) for their study costs, if any, in connection with a Firm Transmission Feasibility Study.
- (iv) For Firm Transmission Feasibility Studies that the Transmission Provider conducts on behalf of a Transmission Owner, the Transmission Owner shall record the cost of the Firm Transmission Feasibility Studies pursuant to Tariff, Part I, section 8.

32.3 Firm Transmission Feasibility Study Procedures:

After receiving a signed Firm Transmission Feasibility Study Agreement and the applicable deposit of \$20,000, the Transmission Provider shall conduct a Firm Transmission Service Feasibility Study to make a preliminary determination of the type and scope of and Direct Assignment Facilities, Local Upgrades, and Network Upgrades that will be necessary to accommodate the Completed Application and provide the Eligible Customer a preliminary estimate of the time that will be required to construct any necessary facilities and upgrades and the Eligible Customer's cost responsibility, estimated consistent with Tariff, Part VI, section 217. The Transmission Service Feasibility Study assesses the practicality and cost of accommodating the requested service. The analysis is limited to load-flow analysis of probable contingencies. The Transmission Provider shall provide a copy of the Transmission Service Feasibility Study and, to the extent consistent with the Office of the Interconnection's confidentiality obligations in Operating Agreement, section 18.17, related work papers to the Eligible Customer and the affected Transmission Owner(s). Upon completion, the Transmission Provider shall make the completed Transmission Service Feasibility Study publicly available. The Transmission Provider shall conduct Transmission Service Feasibility Studies two times each year in conjunction with the Interconnection Feasibility Studies conducted under Tariff, Part III, section 36.2.

The Transmission Provider will use the same due diligence in completing the Firm Transmission Feasibility Study for an Eligible Customer as it uses when completing studies for a Transmission Owner. The Transmission Provider shall notify the Eligible Customer immediately upon completion of the Firm Transmission Feasibility Study whether a System Impact Study will be needed to more fully assess and identify the Network Upgrades and/or Local Upgrades that will be needed to accommodate all or part of the Eligible Customer's request for service or that no costs are likely to be incurred for new transmission facilities or upgrades. In the event that Transmission Provider determines that a System Impact Study will be needed, the procedures and other terms of Tariff, Part VI shall apply to the Completed Application.

32.5 Penalties for Failure to Meet Study Deadlines:

Tariff, Part II, section 19.8 defines penalties that apply for failure to meet the study completion due diligence deadlines for Firm Transmission Feasibility Studies, System Impact Studies, and Facilities Studies for Eligible Customers. These same requirements and penalties apply to service under Tariff, Part III.

33.3 Cost Responsibility for Relieving Transmission Constraints:

Whenever the Transmission Provider implements least-cost redispatch procedures in response to a transmission constraint, the Transmission Owners and the Network Customers will bear the costs of such redispatch in accordance with Tariff, Attachment K.

34.1 Monthly Demand Charge:

(a) The Network Customer shall pay a monthly Demand Charge for Zone Network Load and Non-Zone Network Load, which shall be determined as follows:

MDC = Sum of MDCZ for all Zones plus the MDCNZ for Non-Zone Network Load

MDCZ = Sum of DDCZ for each day of the calendar month for the Zone

DDCZ = DCPZ X RTZ/365

MDCNZ = Sum of DDCNZ for each day of the calendar month for Non-Zone Network Load

DDCNZ = DCPNZ X RTNZ/365

Where:

MDC is the monthly demand charge

MDCZ is the monthly demand charge for a Zone

DDCZ is the daily demand charge for a Zone

DCPZ is the daily load of the Network Customer located within a Zone coincident with the annual peak of the Zone (as adjusted pursuant to Tariff, Part III, section 34.2 and Tariff, Part III, section 34.3).

RTZ is the rate for Network Integration Transmission Service from Attachment H for the Zone in which the Zone Network Load is located, stated in dollars per megawatt per year

MDCNZ is the monthly demand charge for Non-Zone Network Load

DDCNZ is the daily demand charge for Non-Zone Network Load

DCPNZ is the daily transmission responsibility for Non-Zone Network Load

RTNZ is the rate for Network Integration Transmission Service for Non-Zone Network Load from Tariff, Attachment H-A, stated in dollars per megawatt per year

The zonal daily load (DCPZ) of the Network Customer shall be the sum of the Network Customer's individual wholesale and retail customer Zone Network Loads (including losses) at the time of the annual peak of the Zone in which the load is located. For Non-Zone Network Load, the daily transmission responsibility of the Network Customer shall be the sum of the

Network Customer's Network Load at the border of the PJM Region at the time of the annual peak of such region; provided that Non-Zone Network Load that is subject to charges for network integration transmission service under the open-access transmission tariff of the Midwest Independent Transmission System Operator, Inc. shall be excluded from this calculation if such load commenced being served on or after April 1, 2004 pursuant to an application for service submitted on or after November 17, 2003.

34.3 Netting of Non-Retail Behind The Meter Generation.

Netting of Behind The Meter Generation for Network Customers with regard to Non-Retail Behind The Meter Generation shall be subject to the following limitations:

For calendar year 2006, 100 percent of the operating Non-Retail Behind The Meter Generation shall be netted, provided that the total amount of Non-Retail Behind The Meter Generation in the PJM Region does not exceed 1500 megawatts ("Non-Retail Threshold"). For each calendar year thereafter, the Non-Retail Threshold shall be proportionately increased based on load growth in the PJM Region but shall not be greater than 3000 megawatts. Load growth shall be determined by Transmission Provider based on the most recent forecasted weather-adjusted coincident summer peak of the PJM Region divided by the weather-adjusted coincident peak for the previous summer for the same area. After the load growth factor is applied, the Non-Retail Threshold will be rounded up or down to the nearest whole megawatt and the rounded number shall be the Non-Retail Threshold for the current year and shall be the base amount for calculating the Non-Retail Threshold for the succeeding year. If the total amount of Non-Retail Behind The Meter Generation in the PJM Region exceeds the Non-Retail Threshold, the amount of operating Non-Retail Behind The Meter Generation that the Network Customer may net shall be adjusted according to the following formula:

$$\text{Network Customer Netting Credit} = (\text{NRT} / \text{PJM NRBTMG}) * \text{Network Customer operating NRBTMG}$$

Where: NRBTMG is Non-Retail Behind The Meter Generation

NRT is the Non-Retail Threshold

PJM NRBTMG is the total amount of Non-Retail Behind The Meter Generation in the PJM Region

The total amount of Non-Retail Behind The Meter Generation that is eligible for netting in the PJM Region is 3000 megawatts. Once this 3000 megawatt limit is reached, any additional Non-Retail Behind The Meter Generation which operates in the PJM Region will be ineligible for netting under this section.

In addition, the Network Customer NRBTMG Netting Credit shall be adjusted pursuant to Tariff, Schedule 15, if applicable.

A Network Customer shall be required to report to the Transmission Provider such information as is required to facilitate the determination of its NRBTMG Netting Credit in accordance with the procedures set forth in the PJM Manuals.

The annual peaks for purposes of the above calculation shall be determined from the twelve month period ending October 31 of the calendar year preceding the calendar year in which the billing month occurs. For new Network Load that was not connected to the Transmission System during such entire twelve month period, the Transmission Provider in coordination with

the affected Transmission Owners and electric distribution companies shall determine the appropriate peak load responsibility to be used until the annual peaks are determined for the next twelve month period ending October 31.

(b) Nothing herein shall entitle any Transmission Owner or Network Customer to establish a zone that is smaller than or a portion of a Zone set forth in Tariff, Attachment J.

34.4 Redispatch Charge:

The Network Customer and each Transmission Owner shall pay any redispatch costs as set forth in Tariff, Attachment K.

35.2 Network Operating Agreement:

The terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Tariff, Part III shall be specified in the Network Operating Agreement. The Network Operating Agreement shall provide for the Parties and the Transmission Owners to (i) operate and maintain equipment necessary for integrating the Network Customer within the Transmission Provider's Transmission System (including, but not limited to, remote terminal units, metering, communications equipment and relaying equipment), (ii) transfer data between the Transmission Provider and the Network Customer (including, but not limited to, heat rates and operational characteristics of Network Resources, generation schedules for units outside the Transmission Provider's Transmission System, interchange schedules, unit outputs for redispatch required under Tariff, Part III, section 33, voltage schedules, loss factors and other real time data), (iii) use software programs required for data links and constraint dispatching, (iv) exchange data on forecasted loads and resources necessary for long-term planning, and (v) address any other technical and operational considerations required for implementation of Tariff, Part III, including scheduling protocols. The Network Operating Agreement will recognize that the Network Customer shall either (i) operate as a Control Area under applicable guidelines of the Electric Reliability Organization (ERO) as defined in 18 C.F.R. § 39.1, (ii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with the Transmission Provider, or (iii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with another entity, consistent with Good Utility Practice, which satisfies the applicable reliability guidelines of the ERO. The Transmission Provider shall not unreasonably refuse to accept contractual arrangements with another entity for Ancillary Services. The Network Operating Agreement is included in Tariff, Attachment G.

ATTACHMENT C

Methodology To Assess Available Transfer Capability

The Transmission Provider will be solely responsible for determinations of Available Transfer Capability (ATC). The Transmission Provider will post firm and non-firm ATC projections on the OASIS for interfaces between neighboring Balancing Authorities and the PJM Region, and other path locations of significant commercial interest will be added as appropriate.

ATC of a particular path is an approximate indication of the anticipated transmission transfer capability remaining on the transmission network that could be scheduled for further commercial activity relative to the designated path under the conditions studied. Specific study of conditions, including source and sink of generation and load, is required before firm transmission service commitments can be made.

Transfer capability of the transmission network is limited by physical and electrical characteristics of the system including thermal equipment loading, voltage, and stability considerations and provisions of coordination agreements. Transfer capability is evaluated based on base system loading and an assessment of critical contingencies on the transmission system. The critical contingencies will be defined as appropriate. The Transmission Provider's calculation of transfer capability will be consistent with the principles in the NERC standards. These calculations will be performed through a combination of planning and operational analyses, employing both Energy Management System real-time functionality and off-line analytical tools as appropriate. Firm and non-firm ATC will be determined consistent with NERC standards, taking into account the Transmission Reliability Margin (TRM), Existing Transmission Commitments (ETC) and Capacity Benefit Margin (CBM) (see below) in order to preserve the emergency capability of the PJM Region to serve load serving entities. Firm ATC on any path will be limited to assure that emergency import capability will be available to Network Customers when needed through the reservation of capacity benefit margin, equivalent to a firm point-to-point transmission service reservation for delivery from systems outside of the PJM Region to serve the load serving entities within such region.

Determination of ATC requires that base system conditions be identified and modeled for the period being analyzed. These conditions include projected demand, anticipated generation availability, anticipated transmission system facility availability, expected energy transactions, and information about neighboring regions that affect the transfer capability of the PJM Region. For hourly through monthly calculations, these conditions are based on the Transmission Provider's operational assessments of load trends, unit commitment profiles, maintenance schedules and ETC. Long-term calculations are based on planning loads, expected maintenance schedules, typical generation patterns, and ETC.

Any dispute regarding a determination of ATC by the Transmission Provider, or regarding the data used by the Transmission Provider in such a determination, shall be resolved pursuant to the dispute resolution procedures of Tariff, Part I, section 12.

ATC and AFC Calculations Using Flowgate Methodology

The Available Flowgate Capability (AFC) calculation methodology used by the Transmission Provider is the Flowgate Methodology as described in the Available Transfer Capability Implementation Document (ATCID). The ATCID is included on the PJM OASIS page under ATC information. The Flowgate Methodology uses analytical tools to examine critical flowgates over the PJM Region and adjacent regions (per seams agreements) and converts AFC values into particular path ATC values, which are posted on the PJM OASIS. For Firm and Non-firm Transmission Service ATC calculations, the Transmission Provider shall account for Postbacks of redirected services, unscheduled service, and counterflows. PJM critical flowgates may include, but are not limited to thermal flowgates, voltage/stability flowgates, coordinated flowgates, and reciprocal coordinated flowgates.

Overview and Process Flow Diagram

The process for the Transmission Provider's AFC/ATC calculation is illustrated in the Exhibit 1 flow diagram. The text that follows describes the inputs, outputs and processes performed within each of the sub-processes contained in Exhibit 1. The Transmission Provider calculates Firm and Non-firm Transmission Service ATC for the scheduling horizon (same day and real-time), operating horizon (day ahead and pre-schedule), and planning horizon (beyond the operating horizon).

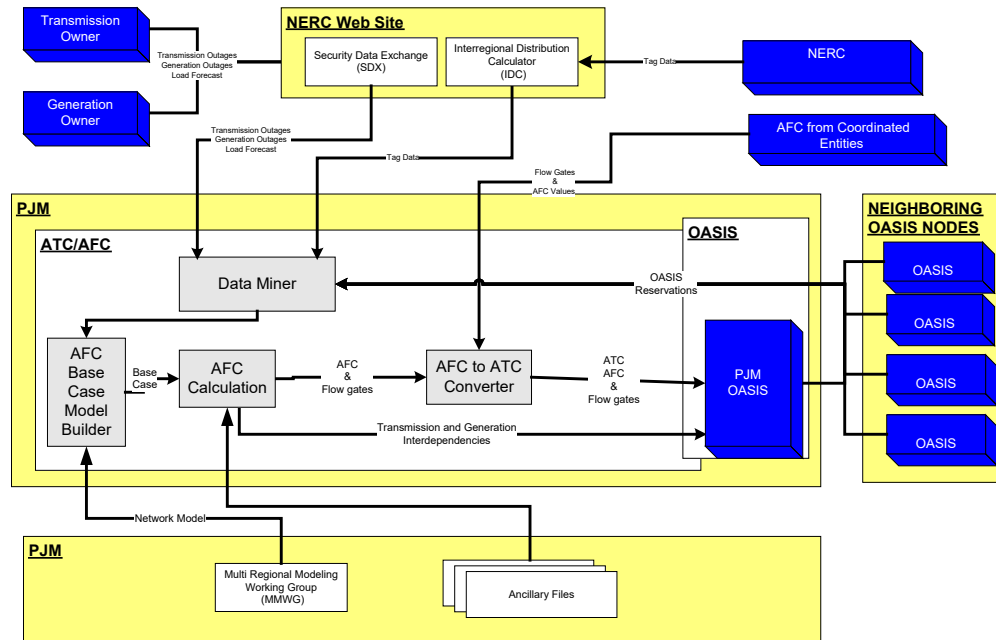


Exhibit 1

AFC Flowgate Methodology

Determining AFC and ATC using the Flowgate Methodology is a multi-step integrated process which is described in detail in the ATCID. PJM uses the following mathematical algorithms to calculate AFC and ATC. The actual detailed AFC and ATC algorithms are available on the PJM OASIS website at the following link:

<ftp://ftp.pjm.com/oasis/afc-atc-algorithms.pdf>

$$\text{AFC} = \text{flowgate rating} - \text{ETC} - \text{TRM} - \text{CBM} + \text{Postbacks} + \text{counterflows}.$$

The AFC Calculation is the amount of unused transfer capability on a flowgate after accounting for base case conditions represented by solved base case flows and applying the impacts of non-base case commitments and flowgate specific margins.

$$\text{ATC} = \text{Minimum}\{\text{AFC}_1 / \text{Transfer Response Factor}, \dots, \text{AFC}_n / \text{Transfer Response Factor}\}$$

The AFC to ATC converter translates the flowgate AFC values into path ATC values for posting to the OASIS. The ATC calculation is the minimum AFC of a set of limiting flowgates divided by the transfer response factor or distribution factor on the respective flowgate for a specific Point of Receipt/Point of Delivery pair. The Available Share of Total Flowgate Capability (ASTFC) as prescribed by a congestion management process agreement (e.g., the CMP included in the Joint Operating Agreement between the Midwest Independent Transmission System Operator, Inc. and PJM) may be less than the calculated AFC. The posted AFC is set by the ASTFC or the calculated AFC, whichever is most limiting.

An overview of the major components of this process is described below:

- The AFC to ATC converter process utilizes the coordination entity calculated AFC values for non-PJM flowgates. AFC values for coordination entity flowgates calculated by the coordination entity overwrite values that the Transmission Provider's process determines for these Flowgates.
- The Transmission Provider supplies coordination entities with similar values for PJM Flowgates for inclusion in the coordination entity's AFC process.
- Values provided to the OASIS from the AFC/ATC process are continually updated on the OASIS to reflect the reservations or schedules that were accepted or confirmed since the last complete calculation cycle.

Data Miner

Transmission Provider, through data miner process, gathers data from the Transmission Provider and external sources to use as inputs to the AFC/ATC process. These external sources are included in the Transmission Provider's ATCID.

Model Builder

The Transmission Provider develops and maintains seasonal models for the next 18 months. These seasonal models will be developed from the NERC MMWG case library modified for any known model updates. The Transmission Provider's AFC/ATC calculations are based on these seasonal models. The model builder portion of the AFC/ATC engine modifies these seasonal base cases to reflect anticipated conditions such as forecasted load levels, outages, generation dispatch files, and base case transfers (reservations and/or schedules as appropriate) for the AFC/ATC time horizon. The base case models are refined to reflect transmission outages and generation unavailability as provided by the NERC SDX data. Load levels are appropriately adjusted to reflect the modeled conditions using the NERC SDX data. Relevant balancing authorities external to the PJM footprint will be modeled at the appropriate load level with the generation scaled to match loads.

The Transmission Provider develops monthly, weekly, daily, and hourly AFC cases. These cases serve as the base case models for the AFC calculation for a specific period. Solved base case models for monthly, weekly, daily, and hourly time frames are developed multiple times each day consistent with NERC standards.

The Transmission Provider models some flowgates without contingencies and some with contingencies.

The flowgates modeled without contingencies are the Power Transfer Distribution Factor (PTDF) flowgates, which are flowgates where a single facility or multiple transmission facilities are monitored for a limiting condition. The limiting condition can be due to thermal loading above 100% of the normal rating or due to a thermal rating above 100% of the surrogate rating representing an equivalent voltage or stability limit.

The flowgates modeled with contingencies are the Outage Transfer Distribution Factor (OTDF) flowgates, which are flowgates where a single facility or multiple transmission facilities are monitored for a limiting condition after a contingency event has been simulated to have occurred (one or multiple facilities for the loss of another facility or facilities). The limiting condition monitored can be due to thermal loading above 100% of the 4 hour emergency rating.

For flowgates owned by other parties, Transmission Provider uses the limit provided by that party, subject to the terms of the AFC Coordination and Congestion Management Process sections of the applicable agreements between Transmission Provider and the other parties.

AFC Calculation

The Transmission Provider's AFC/ATC calculation implements the following principles for firm and non-firm ATC calculations: (1) for firm ATC calculations, the Transmission Provider shall account only for firm commitments; (2) for non-firm ATC calculations, the Transmission Provider shall account for both firm and non-firm commitments. Reservations from the PJM and non-PJM OASIS sites are utilized. Flow based analysis will be used to determine and update flowgate loadings for reservations not modeled in the base case and to determine response factors on each flowgate. Flowgate loadings and response factors will be used to determine the individual path ATC values.

- The Transmission Provider recognizes physical network limitations (i.e., flowgates) on PJM and appropriate non-PJM systems in the determination of the path ATC values.
- AFC values received from coordination entities are calculated by those entities according to their AFC methodology.

AFC to ATC Conversion

To calculate ATC, which represents a transfer capability in MW available for sale between a specific Point of Delivery and Point of Receipt, the Transmission Provider will first calculate an AFC for each flowgate. An AFC is defined as follows:

- The available capability in MW on a flowgate, determined by the transmission provider, that is available for further commercial activity. The available capability determined will be dependent on the generation, loads and transmission configuration assumed for the time period studied.

- The AFC accounts for thermal, voltage and stability limits under both pre and post contingency conditions, along with any existing transmission commitments, TRM and CBM.
- The AFC is used to determine the amount of MWs that can be transferred between a specific set of source and sink points. An AFC is skipped using on-the-path logic if the flowgate owner is either the Point of Receipt or Point of Delivery on the path being calculated. The non-firm ATC calculation for the willing-to-pay congestion product on the OASIS includes only external flowgates.
- Counterflow and Postbacks are considered in the calculation of AFC.

Coordination with Neighboring Systems

The Transmission Provider exchanges data with neighboring systems. The Transmission Provider provides transmission reservations, AFC values for Transmission Provider flowgates, and other data. This coordination results in comparable inputs to the AFC calculations. The Transmission Provider utilizes similar information provided by coordinating entities.

Treatment of Existing Transmission Commitments

ETC is committed use of the transmission system, including: (1) Transmission Provider's reservations in accepted or confirmed status; (2) native load commitments; Network Integration Transmission Service; (3) grandfathered transmission rights; (4) Firm Point-To-Point Transmission Service reservations; and if required (5) rollover rights associated with long-term firm service (Point-To-Point Transmission Service and Network Integration Service or grandfathered transmission rights). Existing commitments modeled in the load flow base cases determine the initial flows on the facilities. To the extent there are existing transactions that qualify for rollover rights, they are incorporated in the committed usage.

PJM OASIS reservations that are withdrawn, retracted (not confirmed) or annulled are removed from the ETC and any resulting changes to ATC are incorporated in the next OASIS posting of ATC calculated values. The Transmission Provider's firm and non-firm ATC calculations also account for permanently redirected services, unscheduled service, and counterflows. In the scheduling and operating horizons, reservation impacts are substituted with scheduled impacts. That is, the reservation impact component of ETC is set to zero and the schedule impacts component of ATC is used. In the planning horizon, reservation impacts are used because requests to schedule are often not received in this horizon. That is, the reservation impact component of ETC is set based on Transmission Service Requests for which Transmission Provider has committed to provide service and the schedule impacts component of ATC is set to zero. Additional information is included on this subject in the Transmission Provider's ATCID.

External Flowgates

Flowgates are used in the AFC and ATC calculations. PJM adds or eliminates external flowgates based on the Joint Operating Agreement Between the Midwest Independent

Transmission System Operator, Inc. And PJM Interconnection, L.L.C. (“Midwest ISO JOA”, Article V (FERC Electric Tariff, First Revised Rate Schedule No. 38, *see*, Section 4.2 – Cost of Data and Information Exchange up to and including Section 5.1.12 – Coordination of Transmission Reliability Margin Values); Joint Operating Agreement Among And Between PJM Interconnection, L.L.C., And Progress Energy Carolinas (“PEC JOA”), Article Five (FERC Electric Tariff, First Revised Rate Schedule No. 50, *see*, Article 9 – Coordinated Transmission Planning Studies up to and including Article 12 – Managing Parallels Flow on the VACAR/PJM Interface); and Joint Reliability Coordination Agreement Among And Between Midwest Independent Transmission System Operator, Inc., PJM Interconnection, L.L.C., And Tennessee Valley Authority (“JRCA”), Article Five (the JRCA is not a filed FERC rate schedule; however, Article Five of the JRCA is identical to Article V of the Midwest ISO JOA and Article Five of the PEC JOA). PJM adds or eliminates internal flowgates, at least annually, based on a review of historic operating constraints including flowgates that have been in Transmission Loading Relief (TLR) and other operating conditions as deemed appropriate.

Internal Flowgates

Transmission Provider determines base case flows using the AFC engine. Transmission Provider runs the AFC engine hourly (except in the case of a technical error, system error or planned system outage). The base run includes native and network load (from the load forecast), transmission service that is expected to be scheduled (grandfathered, point-to-point and imports from designated Network Resources), outages and load forecast. Base case flow inputs are updated at least once per day. In the scheduling and operating horizons, Transmission Provider updates scheduled transmission service for each run of the AFC engine. Transmission Provider models all grandfathered agreements and other non-Tariff use of the transmission system as firm service or load. Transmission Provider does not segregate non-Tariff service in the AFC calculation.

On an annual basis (or sooner if required by NERC MOD Standards), PJM shall review internal flowgates using the following methodology:

- a. The Transmission Provider shall include all flowgates in its footprint that have initiated a TLR event in the 12 months prior to the annual review.
- b. The Transmission Provider shall include applicable System Operating Limit (SOL) and Interconnection Reliability Operating Limits (IROL) flowgates per NERC TOP-002 R-12 standards (or successor). Any facility that PJM monitors that is not considered an IROL facility is consider a SOL. Applicable SOL and IROL flowgates shall include at a minimum those flowgates identified in the TRM process described in this Attachment C AFC process.
- c. The Transmission Provider shall add or remove flowgates to its AFC process in accordance with NERC MOD standards.

The Transmission Provider may eliminate flowgates that do not continue to meet the criteria above.

A reservation with rollover rights is reflected in ETC in the amount of transmission service reserved as if the customer has exercised its rollover right. If the deadline for a customer to exercise its rollover right for a given reservation has passed, and the customer did not exercise its rollover right, the amount associated with the unexercised rollover right no longer is included in the amount of reservations.

Treatment of Capacity Benefit Margin

Explanation of CBM

Transmission Provider uses the NERC approved definition of CBM, which is the amount of firm transmission transfer capability preserved by Transmission Provider for Load-Serving Entities (LSEs), whose loads are located on that Transmission Provider's system, to enable access by the LSEs to generation from interconnected systems to meet generation reliability requirements. The transmission transfer capability preserved as CBM is intended to be used by an LSE only in times of emergency generation deficiencies. Additional information is included in the Transmission Provider's Capacity Benefit Margin Implementation Document (CBMID) posted on the PJM OASIS page under ATC Information.

The CBM is a reliability margin applied to the flowgate in the AFC Calculation. CBM is only applied to firm ATC calculations where the PJM Region is the delivery point. The Transmission Provider consistently applies CBM in planning and operations and does not double count for this reliability margin (i.e., this margin is not included in TRM). For non-PJM flowgates, the Transmission Provider uses the CBM values provided by coordination entities for the AFC calculation on these flowgates.

Through the sharing of installed generating capacity via transmission interconnections, systems have relied on transmission import capability to reduce their required installed generating capacity necessary to provide reliable service to Network Customers. In order to ensure that PJM has the ability to import external generation for the purpose of serving Network Customers, a portion of the transfer capability will be set aside. CBM is set aside on paths based on the expected delivery of energy from entities with which the Transmission Provider has emergency energy agreements at the time of the Transmission Provider's forecast peak load. This capability, known as the Capacity Benefit Margin, is a reflection of the mutual benefit of interconnected operations and reservation of this margin allows a system to reduce its installed generating capacity below that which may have otherwise been required if transmission interconnections did not exist.

The CBM is determined through the auspicious of the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region (PJM Rate Schedule FERC No. 44) (RAA). Capitalized terms in this section that are not defined in this section or Tariff, Part I, section 1 are defined in the RAA.

CBM is determined through the Transmission Planning Evaluation of Import Capability. This evaluation establishes the amount of emergency power that can be reliably transferred to the PJM Region from adjacent regions in the event of a PJM Region generation capacity deficiency. To determine the import transfer limit, several emergency scenarios are replicated and the limit

represents a normalization of expected values. This transfer limit determines the PJM Region tie benefit that is subsequently used in calculating the PJM Region reserve requirement. An annual recalculation of the PJM Region import capability is not required, since the import capability far exceeds the CBM value specified in RAA, Schedule 4.

CBM is a key input into the annual resource adequacy study performed by Transmission Provider. The purpose of this study is to determine the PJM Region Installed Reserve Margin (IRM) required by the PJM Region to satisfy a one day in 10 year Loss of Load Expectation (LOLE). Transmission Provider uses a probabilistic methodology to perform the resource adequacy study. The study assumptions and results are subject to stakeholder review and comment. The resulting IRM is expressed as a percentage of the forecasted annual peak load.

The CBM assessment in the PJM Region is a unique method that is regionally specific because interface capability greatly exceeds CBM and because Transmission Provider centrally secures capacity for the PJM Region capacity market.

Transmission Provider's annual resource adequacy study is based on the probabilistic methods and criteria described in RAA, Schedule 11, the Operating Agreement and in the PJM Manuals. The resource adequacy study considers the following data and forecasts as necessary:

1. Seasonal peak load forecasts for each Planning Period as calculated by Transmission Provider in accordance with the PJM Manuals reflecting (a) load forecasts with a 50 percent probability of being too high or too low and (b) summer peak diversities determined by Transmission Provider from recent experience.
2. Forecasts of aggregate seasonal load shape of the parties bound by the RAA which are consistent with forecast averages of 52 weekly peak loads prepared by Transmission Provider.
3. Variability of loads within each week, due to weather, economic forecast uncertainty, and other recurring and random factors, as determined by Transmission Provider.
4. Generating unit capability and types for every existing and proposed unit.
5. Generator Forced Outage rates for existing mature generating units based on data submitted by generation owners, and for immature and proposed units based upon forecast rates related to unit types, capabilities and other pertinent characteristics.
6. Generator Maintenance Outage factors and planned outage requirements based on forecasts and historical data submitted by the generation owners.
7. Miscellaneous adjustments to capacity due to all causes, as determined by the Office of the Interconnection, based on forecasts submitted by the generation owners.
8. The emergency capacity assistance available due to interconnections of the PJM Region with other balancing authorities, as limited by the capacity benefit margin considered in

the determination of available transfer capability and the probable availability of generation in excess of load requirements in such areas.

The value of the capacity benefit margin as filed as part of the RAA periodically is reviewed by Transmission Provider, in consultation with the Members Committee, and can be modified, if necessary, to balance external emergency capacity assistance and internal installed capacity reserves so as to minimize the total cost of the capacity reserves of the RAA participants, consistent with the Reliability Principles and Standards.

Use of CBM in an Emergency

The procedures for the use of CBM in an emergency, are described in Section 2 of PJM Manual 13: Emergency Operations and are consistent with NERC and ReliabilityFirst Corporation's Energy Emergency Alert defined in NERC's EOP-002 standards. Transmission Provider is responsible for declaring the existence of an emergency, and for directing the operations of the PJM Members as necessary to manage, alleviate, or end a capacity shortage. Transmission Provider uses CBM in an emergency only on behalf of LSEs. LSEs only use CBM through the Transmission Provider's use of CBM on the LSEs behalf.

Emergency use of CBM will be considered use of Network Integration Transmission Service and there will be no additional charge for such use. Because an area is in an EEA 2 and Transmission Provider is taking steps to avoid shedding firm load, the use of CBM will have a NERC curtailment priority of 7 and will only be curtailed with other firm uses on a proportional basis.

Transmission Provider utilizes CBM on behalf of LSEs as described below.

- Transmission Provider reviews the level of dependency on external transactions to serve the load in the PJM Region. Transmission Provider shall log occurrences where CBM is implemented. Transmission Provider shall notify external systems via the Reliability Coordinator Information System (defined in NERC EOP-002) or successor, a communications tool located at the NERC website to post potential or actual alert information, and Transmission Provider Members via the Transmission Provider's website and issue appropriate NERC alert levels consistent with NERC EOP- 002.
- CBM shall be used only after the following steps have been taken: all non-firm sales have been terminated, direct-control load management has been implemented, and customer interruptible demands have been interrupted. Due to the nature of emergencies, Transmission Provider may skip or reorder the steps in accordance with Good Utility Practice. CBM may be used to reestablish Operating Reserves.
- CBM shall only be used if the PJM Region is experiencing a generation deficiency to increase generation in the PJM Region. Transmission Provider shall use CBM, on behalf of an LSE, in order to exercise emergency energy agreements and to implement approved emergency energy bids. Transmission Provider does not displace Non-Firm Point-To-Point Transmission Service and/or secondary service, described in Tariff, Part III, section 28.4, imports until the Transmission System is constrained. If the Transmission System

is constrained, CBM is used by Transmission Provider to displace such imports to provide more reliable service to load during capacity deficiencies.

- Unused CBM is included in the AFC/ATC calculations as Non-Firm Point-To-Point Transmission Service and/or secondary service, described in Tariff, Part III, section 28.4.

Transmission Planning Evaluation of Import Capability

The Transmission Provider conducted an Expected Import Capability Study (EICS) to evaluate the emergency import limits of the Transmission Provider under summer peak conditions. That study showed the Transmission Provider's import capability limit. This limit is evaluated annually to assess whether the CBM value should be changed. This evaluation is discussed in the annual PJM Reserve Requirement Study (RRS). While the Transmission Provider can import more than the CBM value issued in the study, the additional import capability is reflected in ATC through the OASIS postings. This allows the additional import capability to be used in the marketplace. The reliability benefit of CBM saturates near the limit issued in the RRS.

Treatment of Transmission Reliability Margin (TRM)

The Transmission Reliability Margin (TRM) is a reliability margin applied to the flowgate in the AFC Calculation. TRM accounts for the inherent uncertainty in system conditions and its associated effects on ATC calculations and the need for operating flexibility to ensure reliable system operation as system conditions change. The Transmission Provider, following the NERC MOD-008-1, or successor Reliability Standard, calculates TRM for flowgates and may include uncertainty items using a process described in the Transmission Reliability Margin Implementation Document (TRMID). The flowgates are identified following NERC MOD-030-2, or successor Reliability Standard, through processes described in the ATCID. Both the TRMID and ATCID are posted PJM OASIS page under ATC Information.

Transmission Provider calculates TRM using the following methodology:

1. TRM shall be set using components of uncertainty identified in the TRMID for all PJM flowgates except as noted below.
2. TLR and IROL. TRM shall be considered using components of uncertainty identified in the TRMID for all flowgates that had TLR issued in the 12 months prior to Transmission Provider's annual TRM re-evaluation and are Interconnection Reliability Operating Limits (IROLs) located in PJM Manual 37: Reliability Coordination.
3. Constrained Operations. TRM may be set using components of uncertainty identified in the TRMID for flowgates that were bound constrained in the 12 months prior to Transmission Provider's annual TRM re-evaluation.

4. Current and Expected Operating Conditions. During times of unusual circulation or other operating conditions, Transmission Provider may set a larger TRM than indicated in sections 1, 2, and 3 above.
5. Historic Conditions. Notwithstanding sections 1, 2, and 3 above, Transmission Provider may set TRM on specific flowgates consistent with components of uncertainty identified in the TRMID and NERC MOD-008-1, or successor Reliability Standard.
6. For non-PJM flowgates, the Transmission Provider uses the TRM values provided by coordination entities for the PJM AFC calculation on these flowgates in accordance with applicable agreement with such entities.

Transmission Provider uses data from Transmission Provider's Energy Management System (EMS) historic database, IROL and NERC's Interchange Distribution Calculator (IDC) in the calculation of TRM.

Transmission Provider uses TRM in all AFC calculations. Transmission Provider includes TRM in the AFC/ATC calculation to provide a reasonable level of assurance that the interconnected transmission network will be secure. TRM is not scheduled against or explicitly used for the delivery of energy. It is preserved as a reliability margin to reflect the uncertainty of the operation of the electric system (i.e., to prevent oversubscription of the transmission system). Transmission Provider flowgates with their TRM, CBM, and ratings are posted on the PJM OASIS paged under ATC Information at:

<ftp://ftp.pjm.com/oasis/fgates-definitions-posting.csv>

Total Transfer Capability (TTC)

The Total Transfer Capability (TTC) is the amount of transfers that can be reliably delivered across the interconnected transmission system for the forecasted conditions. The Transmission Provider uses the network AFC methodology to calculate ATC, which does not use TTC as an input. The flowgate rating is an equivalent starting point in the AFC calculation. However, a TTC value is derived as an output and is posted.

ATTACHMENT C-1

Conversion of Service in the ATSI Zone

The Office of the Interconnection is scheduled to become the Transmission Provider for the ATSI Zone under the terms of this Tariff on June 1, 2011 and the open access transmission tariff of the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") shall be superseded with respect to the ATSI Zone. Reservations purchased on the Midwest ISO nodes prior to the integration of the ATSI Zone shall be converted to the appropriate service under this Tariff and subject to the rates, terms and conditions of this Tariff. In addition, interconnection requests under the Midwest ISO tariff pending prior to the integration of the ATSI Zone shall be converted to requests for interconnection under this Tariff. This Attachment sets forth the principles that shall govern such conversions of service.

For service with an export from the ATSI Zone and an import to the remainder of the PJM Region (or vice-versa), the transmission service will be converted into a single reservation under this Tariff. For service with an export from the ATSI Zone and an import to the Midwest ISO Region (or vice-versa), the transmission service cannot be converted into a single reservation. Customers who have reservations that need to be converted will be contacted directly by the Office of the Interconnection. Not all transmission service provided under the Midwest ISO tariff exactly matches a service under this Tariff. Differences include variations in product definitions and PJM Region LMP pricing points. These variances in transmission requests will be converted into the defined product types explained below. The guidelines for the conversion of service are as follows:

1. All existing reservations will retain the same capacity (in megawatts) and will be converted to a comparable PJM product and duration with the applicable point of receipt, point of delivery, and path. Firm Point-to-Point Transmission Service redirected on a non-firm basis to Secondary Receipt or Delivery Points under the Midwest ISO tariff prior to the ATSI integration date will be converted to service under this tariff on the basis of the original firm points of receipt and delivery. Firm Point-to-Point Transmission Service redirected on a firm basis under Tariff, Part II, section 22.2 (Modification on a Firm Basis) (or equivalent) of the Midwest ISO tariff prior to the ATSI integration date will be converted to service under this tariff on the basis of the modified firm points of receipt and delivery.
2. All ATSI Zone Midwest ISO reservations extending past the integration date must select Source and Sink LMP pricing points, where applicable, willing to pay through (or not), a new product if applicable. Willing to pay congestion (or not) must be determined no later than 12:00 noon EPT, 30 days prior to the ATSI integration start date. In the event the customer does not choose within the allotted deadline above, PJM will convert the service to the most closely analogous service under the PJM Tariff, in PJM's judgment. Willing to pay congestion is optional for non-firm and non-designated transmission service; Firm service, by definition, is willing to pay congestion. All converted service (as they exist) will be placed on the PJM OASIS no later than 30 days prior to the ATSI integration start date.

3. All Midwest ISO ATSI Zone import reservations will be converted to one of the following service types as defined by this Tariff or on the PJM OASIS: Spot market, Non-Firm Point-to-Point, Firm Point-to-Point, Network Designated or Network Non-Designated. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.

All service with an export to the ATSI Zone and an import to the Midwest ISO will be represented with new PJM reservations with one of the following service types as defined by this Tariff or on the PJM OASIS: Non-Firm Point-to-Point, or Firm Point-to-Point. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.

4. All existing ATSI Zone Midwest ISO extended transmission requests (i.e. monthly, weekly, daily) that span multiple months will be converted to their largest individual components as defined on the PJM OASIS. For example, a monthly request from October 1 to December 1 will be converted to two individual monthly requests, October 1 to November 1, and November 1 to December 1; and a daily request from January 1 of one year to January 1 of the next year will be converted to yearly service.
5. Sliding monthly service (i.e. monthly service that does not run from the first day of the given month to the last day of the given month) will be converted to weekly and daily service.
6. Sliding weekly service (i.e. weekly service that does not run from Monday at 00:00 to Sunday at 23:59) will be converted to daily service.
7. Transmission service that is not currently confirmed on the Midwest ISO OASIS nodes and is in an active state such as “Received”, “Queued” or “Study” will be transferred to the integrated PJM OASIS node and will maintain its initial queued date.
8. All “Grandfathered” requests that exist on the ATSI Zone Midwest ISO OASIS nodes will require a reservation on the PJM OASIS node.
9. To facilitate the OASIS transition, from one month prior to the respective integration start date until such integration start date, requests for service that are active on or after such date one month prior to the integration start date should be made on both the pre-integration transmission owner or OASIS nodes and the PJM OASIS nodes.
10. Reservations will be converted based on the priority of the product.
11. Although the Office of the Interconnection will attempt to convert existing transmission reservations into comparable reservations on the PJM OASIS, there will be unique instances where this will not be possible (e.g., reliability issues, etc.). In this case, reservations will be reviewed on a case-by-case basis. Transmission service that is not currently accepted on the ATSI Zone Midwest ISO OASIS nodes and is in an active state

such as “Received”, “Queued” or “Study” will be assigned the same status and queue position on the PJM OASIS as it had on the Midwest ISO OASIS prior to conversion.

12. Converted Point-to-Point and Network transmission service reservations that intersect with or begin after the integration commencement date will be posted to the PJM OASIS web page on a weekly basis. The web page will identify the original ATSI Zone Midwest ISO reservation and the new PJM OASIS reservation.
13. An Interconnection Request pending under the Midwest ISO OATT at the time of the integration of the ATSI Zone shall be assigned the same priority date under this Tariff as such request had under the Midwest ISO’s OATT immediately prior to such integration. The Interconnection Request will be assigned a PJM queue identifier such that the Interconnection Customer’s priority date relative to existing PJM queued Interconnection Requests can be easily determined. All such Interconnection Requests will be integrated into PJM’s existing Interconnection Queue(s), effective on the ATSI integration start date, and will be subject to the generation interconnection procedures under Part IV and Part VI of this Tariff. On the ATSI integration date, PJM will assume the technical studies that have been started by the Midwest ISO. After the studies are complete, the Interconnection Customer will be required to pay for any Network Upgrades and/or Local Upgrades that are needed for the unit to qualify for Capacity Interconnection Rights under the this Tariff.

ATTACHMENT C-2

Conversion of Service in the Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc. (“DEOK”) Zone

The Office of the Interconnection is scheduled to become the Transmission Provider for the Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc. (“DEOK”) Zone under the terms of this Tariff on January 1, 2012 and the open access transmission tariff of the Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”) shall be superseded with respect to the DEOK Zone. Reservations purchased on the Midwest ISO nodes prior to the integration of the DEOK Zone into PJM shall be converted to the appropriate service under this Tariff and subject to the rates, terms and conditions of this Tariff. In addition, interconnection requests under the Midwest ISO tariff pending prior to the integration of the DEOK Zone into PJM shall be converted to requests for interconnection under this Tariff. This Attachment sets forth the principles that shall govern such conversions of service.

For service with an export from the DEOK Zone and an import to the remainder of the PJM Region (or vice-versa), the transmission service will be converted into a single reservation under this Tariff. For service with an export from the DEOK Zone and an import to the Midwest ISO Region (or vice-versa), the transmission service cannot be converted into a single reservation. Customers who have reservations that need to be converted will be contacted directly by the Office of the Interconnection. Not all transmission service provided under the Midwest ISO tariff exactly matches a service under this Tariff. Differences include variations in product definitions and PJM Region LMP pricing points. These variances in transmission requests will be converted into the defined product types explained below. The guidelines for the conversion of service are as follows:

1. All existing reservations will retain the same capacity (in megawatts) and will be converted to a comparable PJM product and duration with the applicable point of receipt, point of delivery, and path. Firm Point-to-Point Transmission Service redirected on a non-firm basis to Secondary Receipt or Delivery Points under the Midwest ISO tariff prior to the DEOK integration date will be converted to service under this tariff on the basis of the original firm points of receipt and delivery. Firm Point-to-Point Transmission Service redirected on a firm basis under Tariff, Part II, section 22.2 (Modification on a Firm Basis) (or equivalent) of the Midwest ISO tariff prior to the DEOK integration date will be converted to service under this tariff on the basis of the modified firm points of receipt and delivery.
2. All DEOK Zone Midwest ISO reservations extending past the integration date must select Source and Sink LMP pricing points, where applicable, and willing to pay congestion (or not), if applicable. Willing to pay congestion (or not) must be determined no later than 12:00 noon EPT, 30 days prior to the DEOK integration start date. In the event the customer does not choose within the allotted deadline above, PJM will convert the service to the most closely analogous service under the PJM Tariff, in PJM’s judgment. Willing to pay congestion is optional for non-firm and non-designated transmission service; Firm service, by definition, is willing to pay congestion. All

converted service (as they exist) will be placed on the PJM OASIS no later than 30 days prior to the DEOK integration start date.

3. All Midwest ISO DEOK Zone import reservations will be converted to one of the following service types as defined by this Tariff or on the PJM OASIS: Spot market, Non-Firm Point-to-Point, Firm Point-to-Point, Network Designated or Network Non-Designated. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.

All service with an export from the DEOK Zone into the Midwest ISO will be represented with new PJM reservations with one of the following service types as defined by this Tariff or on the PJM OASIS: Non-Firm Point-to-Point, or Firm Point-to-Point. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.

4. All existing DEOK Zone Midwest ISO extended transmission requests (i.e. monthly, weekly, daily) that span multiple months will be converted to their largest individual components as defined on the PJM OASIS. For example, a monthly request from October 1 to December 1 will be converted to two individual monthly requests, October 1 to November 1, and November 1 to December 1; and a daily request from January 1 of one year to January 1 of the next year will be converted to yearly service.
5. Sliding monthly service (i.e. monthly service that does not run from the first day of the given month to the last day of the given month) will be converted to weekly and daily service.
6. Sliding weekly service (i.e. weekly service that does not run from Monday at 00:00 to Sunday at 23:59) will be converted to daily service.
7. Transmission service that is not currently confirmed on the Midwest ISO DEOK Zone OASIS nodes and is in an active state such as “Received”, “Queued” or “Study” will be transferred to the integrated PJM OASIS node and will maintain its initial queued date.
8. All “Grandfathered” requests that exist on the DEOK Zone Midwest ISO OASIS nodes will require a reservation on the PJM OASIS node.
9. To facilitate the OASIS transition, from one month prior to the integration start date until such integration start date, requests for service that are active on or after such date one month prior to the integration start date should be made on both the pre-integration transmission owner or OASIS nodes and the PJM OASIS nodes.
10. Reservations will be converted based on the priority of the product.
11. Although the Office of the Interconnection will attempt to convert existing transmission reservations into comparable reservations on the PJM OASIS, there will be unique instances where this will not be possible (e.g., reliability issues, etc.). In this case,

reservations will be reviewed on a case-by-case basis. Transmission service that is not currently accepted on the DEOK Zone Midwest ISO OASIS nodes and is in an active state such as “Received”, “Queued” or “Study” will be assigned the same status and queue position on the PJM OASIS as it had on the Midwest ISO OASIS prior to conversion.

12. Converted Point-to-Point and Network transmission service reservations that intersect with or begin after the integration commencement date will be posted to the PJM OASIS web page on a weekly basis. The web page will identify the original DEOK Zone Midwest ISO reservation and the new PJM OASIS reservation.
13. An Interconnection Request pending under the Midwest ISO OATT at the time of the integration of the DEOK Zone shall be assigned the same priority date under this Tariff as such request had under the Midwest ISO’s OATT immediately prior to such integration. The Interconnection Request will be assigned a PJM queue identifier such that the Interconnection Customer’s priority date relative to existing PJM queued Interconnection Requests can be easily determined. All such Interconnection Requests will be integrated into PJM’s existing Interconnection Queue(s), effective on the DEOK integration start date, and will be subject to the generation interconnection procedures under Tariff, Part IV and Tariff, Part VI. On the DEOK integration date, PJM will assume the technical studies that have been started by the Midwest ISO. After the studies are complete, the Interconnection Customer will be required to pay for any Network Upgrades and/or Local Upgrades that are needed for the unit to qualify for Capacity Interconnection Rights under the this Tariff.

ATTACHMENT C-3

Conversion of Service in the EKPC Zone

The Office of the Interconnection is scheduled to become the Transmission provider for the EKPC Zone under the terms of this Tariff on June 1, 2013 and the EKPC tariff shall be superseded with respect to the EKPC Zone. Reservations purchased on the EKPC OASIS nodes prior to the integration of the EKPC Zone which remain in place following the integration date shall be converted to the appropriate service under this Tariff and subject to the rates, terms and conditions of this Tariff. In addition, interconnection requests under the EKPC tariff pending prior to the integration of the EKPC Zone shall be converted to requests for interconnection under this Tariff. This Attachment sets forth the principles that shall govern such conversions of service.

Customers who have reservations that need to be converted will be contacted directly by the Office of the Interconnection. Not all transmission service provided under the EKPC tariff exactly matches a service under this Tariff. Differences include variations in product definitions and PJM Region LMP pricing points. These variances in transmission requests will be converted into the defined product types explained below. The guidelines for the conversion of service are as follows:

1. All existing reservations will retain the same capacity (in megawatts) and will be converted to a comparable PJM product and duration with the applicable point of receipt, point of delivery and path. Firm Point-to-Point Transmission Service redirected on a non-firm basis to Secondary Receipt or Delivery Points under the EKPC tariff prior to the EKPC integration date will be converted to service under this Tariff on the basis of the original firm points of receipt and delivery. Firm Point-to-Point Transmission Service redirected on a firm basis under Tariff, Part II, section 22.2 (Modification on a Firm Basis) (or equivalent) of the EKPC tariff prior to the EKPC integration date will be converted to service under this Tariff on the basis of the modified firm points of receipt and delivery.
2. All EKPC reservations extending past the integration date must select Source and Sink LMP pricing points corresponding to the appropriate interface, where applicable, willing to pay through (or not), a new product if applicable. Willing to pay congestion (or not) must be determined no later than 12:00 noon EPT, 30 days prior to the EKPC integration start date. In the event the customer does not choose within the allotted deadline above, PJM will convert the service to the most closely analogous service under the PJM Tariff, in PJM's judgment. Willing to pay congestion is optional for non-firm and non-designated transmission service; Firm service, by definition, is willing to pay congestion. All converted service (as they exist) will be placed on the PJM OASIS no later than 30 days prior to the EKPC integration start date.

3. All EKPC import reservations will be converted to one of the following service types as defined by this Tariff or on the PJM OASIS. Spot market, Non-Firm Point-to-Point, Network Designated or Network Non-Designated. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.
4. All existing EKPC Zone extended transmission requests (*i.e.* monthly, weekly, daily) that span multiple months will be converted to their largest individual components as defined on the PJM OASIS. For example, a monthly request from October 1 to December 1 will be converted to two individual monthly requests, October 1 to November 1, and November 1 to December 1; and daily request from January 1 of one year to January 1 of the next year will be converted to yearly service.
5. Sliding monthly service (*i.e.*, monthly service that does not run from the first day of the given month to the last day of the given month) will be converted to weekly and daily service.
6. Sliding weekly service (*i.e.*, weekly service that does not run from Monday at 00:00 to Sunday at 23:59) will be converted to daily service.
7. Transmission service that is not currently confirmed on the EKPC OASIS nodes and is in active status such as “Received,” “Queued” or “Study” will be transferred to the integrated PJM OASIS node and will maintain its initial queued date.
8. All “Grandfathered” requests that exist on the EKPC OASIS nodes will require a reservation on the PJM OASIS node.
9. To facilitate the OASIS transition, from one month prior to the respective integration start date until such integration start date, requests for service that are active on or after such date one month prior to the integration start date should be made on both the pre-integration transmission owner or OASIS nodes and the PJM OASIS nodes.
10. Reservations will be converted based on the priority of the product.
11. Although the Office of the Interconnection will attempt to convert existing transmission reservations into comparable reservations on the PJM OASIS, there will be unique instances where this will not be possible (*e.g.*, reliability issues, etc.). In this case, reservations will be reviewed on a case-by-case basis. Transmission service that is not currently accepted on the EKPC Zone OASIS nodes and is in active state such as “Received,” “Queued” or “Study” will be assigned the same status and queue position on the PJM OASIS as it had on the EKPC OASIS prior to conversion.
12. Converted Point-to-Point and Network transmission service reservations that extend beyond or begin after the integration commencement date will be posted to the PJM

OASIS web page on an as-needed basis. The web page will identify the original EKPC Zone reservation and the new PJM OASIS reservation.

13. An Interconnection Request pending under the EKPC tariff at the time of the integration of the EKPC Zone shall be assigned the same priority date under this Tariff as such request had under the EKPC tariff immediately prior to such integration. The Interconnection Request will be assigned a PJM queue identifier such that the Interconnection Customer's priority date relative to existing PJM queued Interconnection Requests can be easily determined. All such Interconnection Requests will be integrated into PJM's existing Interconnection Queue(s), effective on the EKPC integration start date, and will be subject to the generation interconnection procedures under Tariff, Part IV and Tariff, Part VI. On the EKPC integration date, PJM will assume the technical studies that have been started under the EKPC tariff. After the studies are complete, the Interconnection Customer will be required to pay for any Network Upgrades and/or Local Upgrades that are needed for the generating unit to qualify for Capacity Interconnection Rights under this Tariff.

ATTACHMENT C-4

Conversion of Service in the OVEC Zone

The Office of the Interconnection is scheduled to become the Transmission Provider for the OVEC Zone under the terms of this Tariff on March 1, 2018 and the OVEC tariff shall be superseded with respect to the OVEC Zone. Except for certain Grandfathered Arrangements,¹ reservations purchased on the OVEC OASIS nodes prior to the integration of the OVEC Zone which remain in place following the integration date shall be converted to the appropriate service under this Tariff and subject to the rates, terms and conditions of this Tariff. In addition, requests for interconnection under the OVEC tariff pending prior to the integration of the OVEC Zone shall be converted to Interconnection Requests under this Tariff. This Attachment sets forth the principles that shall govern such conversions of service.

Customers who have reservations that need to be converted will be contacted directly by the Office of the Interconnection. Not all transmission service provided under the OVEC tariff exactly matches a service under this Tariff. Differences include variations in product definitions and PJM Region locational marginal prices (“LMP”) pricing points. PJM will convert transmission service and requests for service into the defined product types explained below. The guidelines for the conversion of service are as follows:

1. Existing reservations will retain the same capacity (in whole megawatts) and will be converted to a comparable PJM product and duration with the applicable point of receipt, point of delivery and path. Firm Point-to-Point Transmission Service redirected on a non-firm basis to Secondary Receipt or Delivery Points under the OVEC tariff prior to the OVEC integration date will be converted to service under this Tariff on the basis of the original firm points of receipt and delivery. Firm Point-to-Point Transmission Service redirected on a firm basis under Tariff, Part II, section 22.2 (Modification on a Firm Basis) (or equivalent) of the OVEC tariff prior to the OVEC integration date will be converted to service under this Tariff on the basis of the modified firm points of receipt and delivery.
2. OVEC reservations extending past the integration date must: (1) select Source and Sink LMP pricing points corresponding to the appropriate interface, where applicable; and (2) willing to pay through (or not). Willing to pay congestion (or not) must be determined no later than 12:00 noon EPT, 30 days prior to the OVEC integration start date. In the event the customer does not choose within the allotted deadline above, PJM will convert the service to the most closely analogous service under the PJM Tariff, in PJM’s judgment.

¹ Under the Inter-Company Power Agreement dated July 10, 1953 and as subsequently amended (“ICPA”), OVEC has reservations to export power and energy to the LG&E-KU control area boundary equal to 9.63% of output from the Kyger Creek and Clifty Creek generating facilities, representing the share held under the ICPA by Sponsoring Companies that do not currently participate in the PJM market as members (namely, LG&E/KU and SIGECO). The maximum delivery amount under the ICPA to these non-PJM Sponsoring Companies is 222 MW, exclusive of losses. As pre-Order No. 888 service, these deliveries will be maintained as “Grandfathered Arrangements.”

Willing to pay congestion is optional for non-firm and non-designated transmission service; Firm service, by definition, is willing to pay congestion. All converted service (as they exist) will be placed on the PJM OASIS no later than 30 days prior to the OVEC integration start date.

3. PJM will, in collaboration with OVEC, convert OVEC import reservations to one of the following service types as defined by this Tariff or on the PJM OASIS. Spot market, Non-Firm Point-to-Point, Network Designated or Network Non-Designated. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.

Transmission service reservations with an export from the OVEC Zone will be represented with new PJM reservations with one of the following service types as defined by this Tariff or on the PJM OASIS: Non-Firm Point-to-Point, or Firm Point-to-Point. This choice will be made on an individual reservation basis, based on the scheduling intent of the reservation.

4. Existing OVEC Zone extended transmission requests (*i.e.* monthly, weekly, daily) that span multiple months will be converted to their largest individual components as defined on the PJM OASIS. For example, a monthly request from October 1 to December 1 will be converted to two individual monthly requests, October 1 to November 1, and November 1 to December 1; and daily request from January 1 of one year to January 1 of the next year will be converted to yearly service.
5. Sliding monthly service (*i.e.*, monthly service that does not run from the first day of the given month to the last day of the given month) will be converted to weekly and daily service.
6. Sliding weekly service (*i.e.*, weekly service that does not run from Monday at 00:00 to Sunday at 23:59) will be converted to daily service.
7. Transmission service that is not currently confirmed on the OVEC OASIS nodes and is in active status such as “Received,” “Queued” or “Study” will be transferred to the integrated PJM OASIS node and will maintain its initial queued date.
8. “Grandfathered” reservations that exist on the OVEC OASIS nodes will require a reservation on the PJM OASIS node. OVEC or the transmission customer must provide PJM with a copy of the grandfathered agreement. Absent the grandfathered agreement, PJM will convert grandfathered service to service under the Tariff and a new service agreement will be required per the terms of the Tariff. With respect to the Grandfathered Arrangements, these reservations will not be converted to service under the PJM Tariff, and throughout the term of the ICPA, PJM will not assess any charge for these grandfathered transmission deliveries under the ICPA from the OVEC Zone to the LG&E/KU boundary, including any rates or charges that are otherwise assessed to transmission service reservations and scheduled export transaction from PJM pursuant to the PJM Tariff, including, but not limited to Ancillary Service charges, Regional

Transmission Expansion Plan (“RTEP”), LMP, congestion, and other administrative costs.

9. The customer for each converted transmission service reservation and request must secure a transmission service agreement with PJM per the terms of the Tariff.
10. To facilitate the OASIS transition, from one month prior to the respective integration start date until such integration start date, requests for service that are active on or after such date one month prior to the integration start date should be made on both the pre-integration transmission owner or OASIS nodes and the PJM OASIS nodes.
11. Reservations will be converted based on the priority of the product.
12. Although the Office of the Interconnection will attempt to convert existing transmission reservations into comparable reservations on the PJM OASIS, there will be unique instances where this will not be possible (*e.g.*, reliability issues, etc.). In this case, reservations will be reviewed on a case-by-case basis. Transmission service that is not currently accepted on the OVEC Zone OASIS nodes and is in active state such as “Received,” “Queued” or “Study” will be assigned the same status and queue position on the PJM OASIS as it had on the OVEC OASIS prior to conversion.
13. A list of converted Point-to-Point and Network transmission service reservations that extend beyond or begin after the integration commencement date will be posted to the PJM OASIS web page on an as-needed basis. The list will identify the original OVEC Zone reservation and the new PJM OASIS reservation.
14. An Interconnection Request pending under the OVEC tariff at the time of the integration of the OVEC Zone shall be assigned the same priority date under this Tariff as such request had under the OVEC tariff immediately prior to such integration. The Interconnection Request will be assigned a PJM queue identifier such that the Interconnection Customer’s priority date relative to existing PJM queued Interconnection Requests can be easily determined. All such Interconnection Requests will be integrated into PJM’s existing Interconnection Queue(s), effective on the OVEC integration start date, and will be subject to the generation interconnection procedures under Tariff, Part IV and Tariff, Part VI. On the OVEC integration date, PJM will assume the technical studies that have been started under the OVEC tariff. After the studies are complete, the Interconnection Customer will be required to pay for any Network Upgrades and/or Local Upgrades that are needed for the generating unit to qualify for Capacity Interconnection Rights under this Tariff.

ATTACHMENT K

Transmission Congestion and Loss Charges and Credits

Preface.

This Attachment and Tariff, Attachment K-Appendix specify the manner in which all Transmission Customers, Network Customers, and Transmission Owners using the Transmission System to serve their Native Load Customers and Market Participants submitting Virtual Transactions will be charged for the costs of congestion and losses on the Transmission System, the manner in which all FTR Holders share in the allocation of revenues received as Transmission Congestion Charges, and the manner in which Network Service Users, Market Participants in the PJM Interchange Energy Market and Transmission Customers share in the allocation of Transmission Loss Charges. In addition, Tariff, Attachment K-Appendix incorporates into the Tariff for ease of reference the provisions of Operating Agreement, Schedule 1. Capitalized terms used in this Attachment which are not defined in the Tariff or in this Attachment, but which are defined in Operating Agreement, Schedule 1 shall have the meanings set forth in Operating Agreement, Schedule 1.

4.

In determining the total billable amount of Transmission Congestion Charges, the Office of the Interconnection, on behalf of PJMSettlement, shall take into account and set-off against each other both positive Transmission Congestion Charges and negative Transmission Congestion Charges in accordance with Tariff, Attachment K-Appendix, section 5. PJMSettlement shall exclude transactions on the PJM Interchange Energy Market in issuing a statement, invoice, or payment for the net amount owed for Transmission Congestion Charges for any period.

In determining the total billable amount of Transmission Loss Charges, the Office of the Interconnection, on behalf of PJMSettlement, shall take into account and set-off against each other both positive Transmission Loss Charges and negative Transmission Loss Charges in accordance with Tariff, Attachment K-Appendix, section 5. PJMSettlement shall exclude transactions on the PJM Interchange Energy Market in issuing a statement, invoice, or payment for the net amount owed for Transmission Loss Charges for any period.

1.

Financial Transmission Rights may be acquired by purchase in the Financial Transmission Rights auctions or in the secondary market provided for in Tariff, Attachment K-Appendix, section 7.

Each holder of an FTR shall receive the total Transmission Congestion Credits determined in accordance with Tariff, Attachment K-Appendix, section 5.

Each Network Service User and Transmission Customer shall receive an allocation of Transmission Loss Credits in accordance with Tariff, Attachment K-Appendix, section 5.

ATTACHMENT X

Seams Elimination Cost Assignment Charges

- 1) Except where modified by the terms of a Commission order, Transmission Customers taking Transmission Service to deliver capacity and/or energy to loads located in the zones or sub-zones listed in the table below shall pay the Seams Elimination Charge/Cost Adjustments/Assignment ("SECA") charge applicable to such zone or sub-zone.
- 2) The SECA charges under this Attachment X are designed to collect the MISO transmission owners' lost revenues shown in the Midwest Independent Transmission System Operator, Inc. ("MISO") Open Access Transmission Tariff ("OATT"), effective December 1, 2004 (except as otherwise noted), subject to refunds to reflect decreases in the amount of lost revenues claimed by a MISO transmission owner following FERC review, as well as the lost revenues among the PJM Transmission Owners, shown in Tariff, Attachment R, effective December 1, 2004 (except as otherwise noted), subject to refunds to reflect decreases in the amount of lost revenues claimed by a PJM Transmission Owner. The SECA charges under this Attachment are also subject to refund or surcharge, effective December 1, 2004, to reflect any FERC-ordered increases, decreases or other changes in the amount allocated to, or within, a PJM zone.
- 3) For purposes of this Attachment, a "MISO Existing Transaction" shall mean through-and-out transmission service under the MISO OATT, serving load located within a PJM zone during the period that this Attachment is in effect where the reservation requests were made prior to November 17, 2003 or service commenced before April 1, 2004. Transmission Customers paying SECA charges under this Attachment are eligible for a credit to reflect the revenues received by MISO under a MISO Existing Transaction. All such credits will reduce the amounts to be collected as SECA charges under this Attachment and paid to MISO. PJM in consultation with MISO shall develop and publish the procedures for determining whether a transaction qualifies for a credit and how the monthly crediting amount is to be implemented.
- 4) SECA charges under this Attachment shall be recalculated to reflect: a) the addition of transmission zones or sub-zones to PJM, effective upon the date of integration of such new transmission zones; b) 2003 calendar year lost revenues, effective April 1, 2005; c) the annual revisions of the billing determinants used by PJM to calculate charges to Transmission Customers for Network Integration.
- 5) The SECA charges (in both PJM and MISO) are effective as of December 1, 2004 (except as otherwise noted); however, PJM shall begin billing under this Attachment when PJM and MISO have both certified to the Commission that they are prepared to implement, under effective MISO OATT and PJM Tariff provisions, billings and settlements for payments to PJM Transmission Owners and MISO transmission owners. PJM shall distribute 100% of the revenues that PJM collects pursuant to the charges that PJM collects under this Attachment X for MISO transmission owners to MISO. MISO shall be responsible for distributing these revenues to transmission owners within MISO. PJM shall distribute revenues that PJM collects under this Attachment for PJM Transmission Owners in accordance with Tariff, Attachment R.

**SECA Charges
(\$/MW-mo.)**

		SECA Rates To Collect MISO Transmission Owner Lost Revenues	SECA Rates To Collect PJM Transmission Owner Lost Revenues
Zone	Pricing Zone or Sub-zone	\$/MW-mo.	\$/MW-mo.
PJM Pre- Expansion Zones	Allegheny Power	\$26.16	\$85.27
	Atlantic City Electric Company	\$26.16	\$85.27
	Baltimore Gas & Electric	\$26.16	\$85.27
	Delmarva Power & Light	\$26.16	\$85.27
	Metropolitan Edison Company, Jersey Central Power and Light Company and Pennsylvania Electric Company	\$26.16	\$85.27
	PECO Energy Company	\$26.16	\$85.27
	Potomac Electric Power Company	\$26.16	\$85.27
	PPL Group	\$26.16	\$85.27
	Public Service Electric and Gas Company	\$26.16	\$85.27
	Rockland Electric Company	\$26.16	\$85.27
ComEd	ComEd	\$29.82	\$37.31
	City of Batavia, Illinois	\$852.30	\$0.00
	City of Rock Falls, Illinois	\$1,179.87	\$0.00
	City of St. Charles, Illinois	\$897.69	\$0.00
	City of Winnetka, Illinois	\$2,205.13	\$0.00
Dominion Virginia Power	Dominion Virginia Power	\$1.58	\$79.00
	Central Virginia Elec. Coop	\$0.00	\$199.25
	Old Dominion Elec. Coop	\$6.06	\$582.95
	Southeastern Power Adm.	\$0.00	\$122.85
	Pepco Energy Services	\$0.00	\$0.00

		SECA Rates To Collect MISO Transmission Owner Lost Revenues	SECA Rates To Collect PJM Transmission Owner Lost Revenues
Zone	Pricing Zone or Sub-zone	\$/MW-mo.	\$/MW-mo.
AEP-East	AEP, Musser Companies of West Virginia, Old Dominion Electric Coop, Ohio Municipal Electric Group, City of Radford, VA, City of Sturgis, MI, West Virginia Power	\$ 24.40	\$50.90
	Strategic Energy Retail	\$130.92	\$960.35
	FE Solutions Retail	\$12,163.78	\$0.00
	Ormet	\$935.07	\$21,252.34
	AMP-Ohio (AMP-Ohio NTS, City of Columbus, Ohio, City of Dover Ohio, City of Orrville, Ohio, City of Shelby, Ohio, City of St. Mary's, Ohio)	\$208.44	\$212.47
	AMP-Ohio (Ohio Municipal Electric Group)	\$18.18	\$75.49
	Central Virginia Electric Coop	\$236.19	\$88.59
	City of Dowagiac, Michigan	\$ 0.00	\$163.64
	Hoosier Energy REC, Inc.	\$785.41	\$0.00
	Wabash Valley Power Association	\$166.27	\$126.19
	Blue Ridge Power Agency	\$25.93	\$90.55
	Indiana Municipal Power Agency	\$63.10	\$42.15
Dayton	Dayton	\$20.93	\$54.79
	AMP-Ohio	\$274.55	\$137.42

		SECA Rates To Collect MISO Transmission Owner Lost Revenues	SECA Rates To Collect PJM Transmission Owner Lost Revenues
Zone	Pricing Zone or Sub-zone	\$/MW-mo.	\$/MW-mo.
	Buckeye	\$0.00	\$777.79
	City of Piqua, Ohio	\$29.19	\$121.04
Duke Energy Washington County Ohio (DEWO) ²	DEWO	\$23,791.62	\$88,202.55
Duke Energy Lawrence Ohio ²	DELO		\$12.40
Sugar Creek ²	Mirant	\$1.05	\$0.00

6) The SECA charges for the Duquesne zone, beginning April 1, 2005, shall be calculated as follows:

a) The following sub-zones shall apply to the Duquesne zone: Dominion Energy Direct Sales, Dominion Resources, FirstEnergy Solutions Corp., Green Mountain Power, Strategic Energy, ValuSource/Duquesne Light Energy, Constellation NewEnergy, Pepco Energy Services, Reliant Energy Services, Tractebel Energy Marketing, Duquesne POLR I, Duquesne FPS, Duquesne HPS, Duquesne POLR III, Zinc Corp., Pitcairn. Sub-zones may be added to the Duquesne zone should a new electric generation supplier or wholesale customer commence transmission service to serve load within the Duquesne zone during the period of the SECA recovery.

b) SECA charges applicable to the Duquesne sub-zones shall be calculated beginning April 1, 2005 in accordance with the following formula:

i) For each of the sub-zones within the Duquesne zone for which the MWhs of energy (measured at the transmission level) delivered to end-use load in the Duquesne zone in the applicable month of 2005 or 2006 were less than those delivered to load in the corresponding month of 2003, the applicable SECA rate for that sub-zone shall be calculated in accordance with the following formula:

$$SZC_i = (SZO_i / 12) \times (SZMWHMonthCurr_i / SZMWHMonth03_i)$$

ii) For each of the sub-zones within the Duquesne zone for which the MWhs of energy (measured at the transmission level) delivered to end-use load in the Duquesne zone in the applicable month of 2005 or 2006 were greater than those delivered to load in the

² Assumes 1 MW of load.

corresponding month of 2003, the applicable SECA rate for that sub-zone shall be calculated in accordance with the following formulas:

$$\|SZC_j = (SZO_j/12) + [(SZMWHMonthCurr_j - SZMWHMonth03_j) \times SZARMonthCurr]\|$$

and

$$SZARMonthCurr = \frac{\sum_{i=1}^{All} [SZO_i/12 - SZC_i]}{\sum_{j=1}^{All} [SZMWHMonthCurr_j - SZMWHMonth03_j]}$$

where:

All quantities and rates with a subscript i refer to quantities or rates for which the MWhs of energy (measured at the transmission level) delivered to end-use load in the Duquesne zone in the applicable month of 2005 or 2006 were less than those delivered to load in the corresponding month of the 2003 test year.

All quantities and rates with a subscript j refer to quantities or rates for which the MWhs of energy (measured at the transmission level) delivered to end-use load in the Duquesne zone in the applicable month of 2005 or 2006 were greater than those delivered to load in the corresponding month of the 2003 test year.

SZC_i = The sub-zonal charge for the applicable month of 2005 or 2006 applicable to sub-zone i where, for that sub-zone, fewer MWhs of energy were delivered in the applicable month of 2005 than were delivered to load in the same sub-zone in the corresponding month of the 2003 test year.

SZO_i = The annual SECA obligation for sub-zone i calculated based on the 2003 test year NERC transmission tag data, re-sales of energy within the Duquesne zone, and other applicable adjustments.

$SZMWHMonthCurr_i$ = MWhs of energy delivered to end-use load in sub-zone i in the applicable month of 2005 or 2006.

$SZMWHMonth03_i$ = MWhs of energy delivered to end-use load in sub-zone i in the month of the 2003 test year that corresponds to $SZMWHMonthCurr_i$.

SZC_j = The sub-zonal charge for the applicable month of 2005 or 2006 applicable to sub-zone j where, for that sub-zone, more MWhs of energy were delivered in the applicable month of 2005 or 2006 than were delivered to load in the same sub-zone in the corresponding month of the 2003 test year.

SZO_j = The annual SECA obligation for sub-zone j calculated based on the 2003 test year NERC transmission tag data, re-sales of energy within the Duquesne zone, and other applicable adjustments.

$SZMWHMonthCurr_j$ = MWhs of energy delivered to end-use load in sub-zone j in the applicable month of 2005 or 2006.

$SZMWHMonth03_j$ = MWhs of energy delivered to end-use load in sub-zone j in the month of the 2003 test year that correspond to $SZMWHMonthCurr_j$.

$SZARMonthCurr$ = The average per MWh rate applicable to all additional MWhs served within a sub-zone in 2005 or 2006, where the MWhs served in the applicable month of 2005 or 2006 were greater than those served in the sub-zone in the corresponding month of the 2003 test year.

For the purposes of this calculation, the Duquesne POLR load (POLR I, POLR III, Duquesne HPS and Duquesne FPS) will be considered a single sub-zone.

- 7) The charges under this Attachment X shall terminate on March 31, 2006; provided, however, that if the SECAs to recover PJM transmission owners' lost revenues do not become effective on December 1, 2004, such SECAs shall continue for 16 months from the date the charges become effective.

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

3.3 Counterparty.

(a) In accordance with Operating Agreement, section 10.1, the Office of the Interconnection shall implement this Agreement and administer the PJM Tariff. Under the Tariff and this Operating Agreement, the LLC administers the provision of transmission service and associated ancillary services to customers and operates and administers various centralized electric power and energy markets. In obtaining transmission service and in these centralized markets, customers conduct transactions with PJMSettlement as a counterparty. Market participants also may conduct bilateral transactions with other market participants and they may self-supply power and energy to the electric loads they serve. Such bilateral and self-supply arrangements are not transactions with PJMSettlement.

(b) For purposes of contracting with customers and conducting financial settlements regarding the use of the transmission capacity of the Transmission System, the LLC has established PJMSettlement. The LLC also has established PJMSettlement as the entity that is the Counterparty with respect to the agreements and transactions in the centralized markets that the LLC administers under the Tariff and the Operating Agreement (i.e., the agreements and transactions that are not bilateral arrangements between market participants or self-supply). PJMSettlement will serve as the Counterparty to Financial Transmission Rights and Auction Revenue Rights instruments held by a Market Participant. Any subsequent bilateral transfer of these instruments by the Market Participant to another Market Participant shall require the consent of PJMSettlement, but shall not implicate PJMSettlement as a contracting party with respect to such subsequent bilateral transfer.

(c) As specified in Operating Agreement, section 11 and Operating Agreement, Schedule 4, Members agree that PJMSettlement is the Counterparty to certain transactions as specified in this Operating Agreement and the PJM Tariff.

(d) As a party to the Consolidated Transmission Owners Agreement, the LLC has acquired the right to use the transmission capacity of the transmission system that is required to provide service under the PJM Tariff and the authorization to resell transmission service using such capacity on the transmission system. Under the Consolidated Transmission Owners Agreement, the LLC compensates the Transmission Owners for the use of their transmission capacity by distributing certain revenues to the Transmission Owners as set forth in the PJM Tariff and the Consolidated Transmission Owners Agreement. The LLC has assigned its right to use the transmission capacity of the Transmission System to PJMSettlement. Accordingly, PJMSettlement shall compensate the Transmission Owners for the use of the transmission capacity required to provide service under the PJM Tariff and this Agreement.

(e) Unless otherwise expressly stated in the PJM Tariff or this Agreement, PJMSettlement shall be the Counterparty to the customers purchasing Transmission Service and Network Integration Transmission Service, and to the other transactions with customers and other entities under the PJM Tariff and this Agreement.

(f) PJMSettlement shall not be a contracting party to other non-transmission transactions that are (i) bilateral transactions between market participants, or (ii) self-supplied or self-scheduled transactions reported to the LLC.

(g) Notwithstanding the foregoing, PJMSettlement shall not be the Counterparty with respect to agreements and transactions regarding the LLC's administration of Tariff, Part IV and Tariff, Part VI, Tariff, Schedule 1, Tariff, Schedule 9 (excluding Schedule 9-PJMSettlement), Tariff, Schedule 10-NERC, Tariff, Schedule 10-RFC, Tariff, Schedule 14, Tariff, Schedule 16, Tariff, Schedule 16-A, and Tariff, Schedule 17.

(h) Confidentiality. PJMSettlement shall be bound by the same confidentiality requirements as the LLC.

(i) PJMSettlement Costs. All costs of the services provided by PJMSettlement for the benefit of Market Participants and Transmission Customers shall be included in the charges for Administrative Services set forth in Schedule 9-PJMSettlement of the PJM Tariff.

(j) Amendment of Previously Effective Arrangements.

(i) Transmission Service Agreements. Transmission Service Agreements in effect at the time this section 3.3 becomes effective shall be deemed to be revised to include PJMSettlement as a Counterparty to the Transmission Service Agreement in the same manner and to the same extent as agreements entered after the effective date of this section 3.3.

(ii) Reliability Pricing Model. PJMSettlement shall be the Counterparty to the transactions arising from the cleared Base Residual Auctions and Incremental Auctions that occurred prior to the effective date of this section 3.3 and for which delivery will occur after the effective date of this section 3.3 in the same manner and to the same extent as transactions arising from auctions cleared after the effective date of this section 3.3.

(iii) Auction Revenue Rights and Financial Transmission Rights. PJMSettlement shall be the Counterparty with respect to the rights and obligations arising from Auction Revenue Rights and Financial Transmission Rights acquired in an auction or assigned by PJM prior to the effective date of this section 3.3 to the same extent as with respect to rights and obligations arising from auctions or assignments of Auction Revenue Rights and Financial Transmission Rights after the effective date of this section 3.3.

4.1 Effective Date and Termination.

(a) The existence of the LLC commenced on March 31, 1997, as provided in the Certificate of Formation and Certificate of Conversion which were filed with the Recording Office on March 31, 1997. This Agreement shall amend and restate the Operating Agreement of PJM Interconnection, LLC as of the Effective Date.

(b) The LLC shall continue in existence until terminated in accordance with the terms of this Agreement. The withdrawal or termination of any Member is subject to the provisions of Operating Agreement, section 18.18.

(c) Any termination of this Agreement or withdrawal of any Member from the Agreement shall be filed with the FERC pursuant to Section 205 of the Federal Power Act and shall become effective only upon the FERC's approval, acceptance without suspension, or, if suspended, the expiration of the suspension period before the FERC has issued an order on the merits of the filing.

5.1 Funding of Working Capital and Capital Contributions.

(a) The Office of the Interconnection shall attempt to obtain financing of up to twenty-five percent (25%) of the approved annual operating budget of the LLC adopted by the PJM Board pursuant to Operating Agreement, section 7.5.2 to meet the working capital needs of the LLC, which shall be limited to such working capital needs that arise from timing in cash flows from interchange accounting, tariff administration and payment of the operating costs of the Office of the Interconnection. Such financing, which shall be non-recourse to the Members of the LLC and which shall be for a stated term without penalty for prepayment, may be obtained by borrowing the amount required at market-based interest rates, negotiated on an arm's length basis, (i) from a Member or Members or (ii) from a commercial lender, supported, if necessary, by credit enhancements provided by a Member or Members; provided, however, no Member shall be obligated to provide such financing or credit enhancements. The LLC shall make such filings and seek such approvals as necessary in order for the principal, interest and fees related to any such borrowing to be repaid through charges under the Tariff as appropriate under Operating Agreement, Schedule 3.

(b) In the event financing of the working capital needs of the Office of the Interconnection is unavailable on commercially reasonable terms, the PJM Board may require the Members to contribute capital in the aggregate up to five million two hundred thousand dollars (\$5,200,000) for the working capital needs that could not be financed; provided that in such event each Member's obligation to contribute additional capital shall be in proportion to its Weighted Interest, multiplied by the amount so requested by the PJM Board. Each Member that contributes such capital shall be entitled to earn a return on the contribution to the extent such contribution has not been repaid, which return shall be at a fair market rate as determined by the PJM Board but in no event less than the current interest rate established pursuant to 18 C.F.R. § 35.19a(a)(2)(iii); provided further, that any Member not wanting to contribute the requested capital contribution may withdraw from the LLC upon 90 days written notice as provided in Operating Agreement, section 18.18.2.

(c) Authority to borrow capital for LLC Operations. Nothing in section 5.1(a) and (b) above, shall be construed to restrict the authority of the PJM Board to authorize the LLC to borrow or raise capital in excess of twenty-five percent of the approved annual operating budget of the LLC, for working capital or otherwise, as the PJM Board deems appropriate to fund the operations of the LLC, in accordance with the general powers of the LLC under Operating Agreement, section 3.2 to enter into obligations of any kind to accomplish the purposes of the LLC. Nor shall anything in section 5.1(a) and (b) above, in any way restrict the authority of the PJM Board to authorize the LLC to grant to lenders such security interests or other rights in assets or revenues received under the Tariff with respect to the costs of operating the LLC and the Office of the Interconnection and to take such other actions as it deems necessary and appropriate to obtain such financing in accordance with such general powers of the LLC under Operating Agreement, section 3.2.

6.2 Return of Capital Contributions.

(a) In the event Members are required to contribute capital to the LLC in accordance with Operating Agreement, section 5.1, the LLC shall request the Transmission Owners to recover such working capital through charges under the Tariff as provided in Operating Agreement, Schedule 3. In the event all or a portion of the working capital is recovered pursuant to the Tariff, such amount(s) shall be returned to the Members in accordance with their actual contributions.

(b) Except for return of capital contributions and liquidating distributions as provided in the foregoing section and Operating Agreement, section 6.3, respectively, the LLC does not intend to make any distributions of cash or other assets to its Members.

7.1 Composition.

There shall be an LLC Board of Managers, referred to herein as the “PJM Board,” composed of nine voting members, with the President as a non-voting member. The nine voting Board Members shall be elected by the Members Committee. A Nominating Committee, consisting of one representative elected annually from each sector of the Members Committee established under Operating Agreement, section 8.1 and three voting Board Members (provided that one such Board Member shall serve only as a non-voting member of the Nominating Committee), shall retain an independent consultant, which shall be directed to prepare a list of persons qualified and willing to serve on the PJM Board. Not later than 30 days prior to each Annual Meeting of the Members, the Nominating Committee shall distribute to the representatives on the Members Committee one nominee from among the list proposed by the independent consultant for each vacancy or expiring term on the PJM Board, along with information on the background and experience of the nominees appropriate to evaluating their fitness for service on the PJM Board; provided, however, that the Nominating Committee in its discretion may nominate, without retaining an independent consultant, a Board member whose term is expiring and who desires to serve an additional term. Elections for the PJM Board shall be held at each Annual Meeting of the Members, for the purpose of selecting the initial PJM Board in accordance with the provisions of Operating Agreement, section 7.3(a), or selecting a person to fill the seat of a Board Member whose term is expiring. Should the Members Committee fail to elect a full PJM Board from the nominees proposed by the Nominating Committee, then the Nominating Committee shall propose a further nominee from the list prepared by the independent consultant (or a replacement consultant) for each remaining vacancy on the PJM Board for consideration by the Members at the next regular meeting of the Members Committee.

7.3 Term of Office.

- (a) The persons serving as the Board of Managers of the LLC immediately prior to the Effective Date shall continue in office until the first Annual Meeting of the Members. At the first Annual Meeting of the Members, the then current members of the PJM Board who desire to continue in office shall be elected by the Members to serve until the second Annual Meeting of the Members or until their successors are elected, along with such additional persons as necessary to meet the composition requirements of Operating Agreement, section 7.1 and the qualification requirements of Operating Agreement, section 7.2.
- (b) A Board Member shall serve for a term of three years commencing with the Annual Meeting of the Members at which the Board Member was elected; provided, however, that two of the Board Members elected at the first Annual Meeting of the Members following the Effective Date shall be chosen by lot to serve a term of one year, three of such Board Members shall be chosen by lot to serve a term of two years and the final two such Board Members shall serve a term of three years; provided further, however, that the initial term of one of the two Board Members elected to fill one of the two new Board seats added in 2003 shall be chosen by lot to serve a term of four years and the initial term of the other Board Member elected to fill the other new Board seat added in 2003 shall serve a term of five years.
- (c) Vacancies on the PJM Board occurring between Annual Meetings of the Members shall be filled by vote of the then remaining Board Members; a Board Member so selected shall serve until the next Annual Meeting at which time a person shall be elected to serve the balance of the term of the vacant Board Seat. Removal of a Board Member shall require the approval of the Members Committee.

7.5 Operating and Capital Budgets; Sources and Uses of Funds.

7.5.1 Finance Committee.

(a) Not later than December 1 of each year, the entities specified below shall select the members of a Finance Committee. The Finance Committee shall be composed of two representatives elected from each sector of the Members Committee as defined in Operating Agreement, section 8.1, one representative of the Office of the Interconnection selected by the President, and two Board Members selected by the PJM Board. The Office of the Interconnection representative shall be the Chair of the Finance Committee. The Chair of the Finance Committee and the two PJM Board Members on the Finance Committee shall not vote on the recommendations of the Finance Committee to the PJM Board and Members Committee. Each Member Representative of the PJM Finance Committee shall be entitled to vote on final recommendations to the PJM Board and the PJM Members Committee. The Member Representatives shall represent the interests of their respective sectors. In accordance with Operating Agreement, section 7.7 and Operating Agreement, section 11.1, the Members Representatives shall avoid undue influence by any Member or group of Members on the operations of PJM and Member management of the business of PJM.

(b) The purpose of the PJM Finance Committee is to review PJM's consolidated financial statements, budgeted and actual capital costs, operating budgets and expenses, and cost management initiatives and in an advisory capacity to submit to the PJM Board its analysis of and recommendations on PJM's annual budgets and on other matters pertaining to the appropriate level of PJM's rates, proposed major new investments and allocation and disposition of funds consistent with PJM's duties and responsibilities as specified in Operating Agreement, section 7.7. The Finance Committee shall also review and comment upon any additional or amended budgets prepared by the Office of the Interconnection at the request of the PJM Board or the Members Committee. Copies of the Finance Committee's submissions to the PJM Board shall be provided to the Members Committee.

(c) The Office of the Interconnection shall prepare annual operating and capital budgets and multi-year projections of expenses and capital in accordance with processes and procedures established by the PJM Board, and shall timely submit its budgets to the Finance Committee for review. The Office of the Interconnection shall also provide the Finance Committee with such additional financial information regarding other matters pertaining to the appropriate level of PJM's rates, proposed major new investments and allocation and disposition of funds as may be reasonably requested by the Finance Committee to assist it with its review. PJM shall provide complete and transparent financial data and reporting to all Members through the PJM Finance Committee, such data and reporting to include but not necessarily be limited to: unaudited quarterly PJM financial statements; audited annual PJM financial statements; quarterly PJM FERC Form 3-Q; annual PJM FERC Form 1; and PJM budget and forecast data and Results.

7.5.2 Adoption of Budgets.

The PJM Board shall adopt, upon consideration of the advice and recommendations of the Finance Committee, operating and capital budgets for the LLC, and shall distribute to the

Members for their information final annual budgets for the following fiscal year not later than 60 days prior to the beginning of each fiscal year of the LLC.

7.7 Duties and Responsibilities of the PJM Board.

In accordance with this Agreement, the PJM Board shall supervise and oversee all matters pertaining to the PJM Region and the LLC, and carry out such other duties as are herein specified, including but not limited to the following duties and responsibilities:

- i) As its primary responsibility, ensure that the President, the other officers of the LLC, and Office of the Interconnection perform the duties and responsibilities set forth in this Agreement, including but not limited to those set forth in Operating Agreement, section 9.2, Operating Agreement, section 9.3, Operating section 9.4, and Operating Agreement, section 10.4 in a manner consistent with (A) the safe and reliable operation of the PJM Region, (B) the creation and operation of a robust, competitive, and non-discriminatory electric power market in the PJM Region, and (C) the principle that a Member or group of Members shall not have undue influence over the operation of the PJM Region;
- ii) Select the Officers of the LLC;
- iii) Adopt budgets for the LLC;
- iv) Approve The Regional Transmission Expansion Plan in accordance with the provisions of the Regional Transmission Expansion Planning Protocol set forth in Operating Agreement, Schedule 6;
- v) On its own initiative or at the request of a User Group as specified herein, submit to the Members Committee such proposed amendments to this Agreement or any Schedule hereto, or a proposed new Schedule, as it may deem appropriate;
- vi) Petition FERC to modify any provision of this Agreement or any Schedule or practice hereunder that the PJM Board believes to be unjust, unreasonable, or unduly discriminatory under section 206 of the Federal Power Act, subject to the right of any Member or the Members to intervene in any resulting proceedings;
- vii) Review for consistency with the creation and operation of a robust, competitive and non-discriminatory electric power market in the PJM Region any change to rate design or to non-rate terms and conditions proposed by Transmission Owners for filing under section 205 of the Federal Power Act;
- viii) If and to the extent it shall deem appropriate, intervene in any proceeding at FERC initiated by the Members in accordance with Operating Agreement, section 11.5(b), and participate in other state and federal regulatory proceedings relating to the interests of the LLC;
- ix) Review, in accordance with Operating Agreement, section 15.1.3, determinations of the Office of the Interconnection with respect to events of default;

- x) Assess against the other Members in proportion to their Default Allocation Assessment an amount equal to any payment to PJMSettlement and the Office of the Interconnection, including interest thereon, as to which a Member is in default;
- xi) Establish reasonable sanctions for failure of a Member to comply with its obligations under this Agreement;
- xii) Direct the Office of the Interconnection on behalf of the LLC and PJMSettlement to take appropriate legal or regulatory action against a Member (A) to recover any unpaid amounts due from the Member to the Office of the Interconnection under this Agreement and to make whole any Members subject to an assessment as a result of such unpaid amount, or (B) as may otherwise be necessary to enforce the obligations of this Agreement;
- xiii) [Reserved.]
- xiv) [Reserved.]
- xv) Solicit the views of Members on, and commission from time to time as it shall deem appropriate independent reviews of, (a) the performance of the PJM Interchange Energy Market, (b) compliance by Market Participants with the rules and requirements of the PJM Interchange Energy Market, and (c) the performance of the Office of the Interconnection under performance criteria proposed by the Members Committee and approved by the PJM Board; and
- xvi) Terminate a Member as may be appropriate under the terms of this Agreement.

8.1 Sectors.

8.1.1 Designation.

Voting on the Senior Standing Committees shall be by sectors. The Senior Standing Committee shall be composed of five sectors, one for Generation Owners, one for Other Suppliers, one for Transmission Owners, one for Electric Distributors, and one for End-Use Customers, provided that there are at least five Members in each Sector. Except as specified in Operating Agreement, section 8.1.2, each Voting Member shall have one vote. Each Voting Member shall, within thirty (30) days after the Effective Date or, if later, thirty (30) days after becoming a Member, and thereafter not later than 10 days prior to the Annual Meeting of the Members for each annual period beginning with the Annual Meeting of the Members, submit to the President a sealed notice of the sector in which it is qualified to vote or, if qualified to participate in more than one sector, its rank order preference of the sectors in which it wishes to vote, and shall be assigned to its highest-ranked sector that has the minimum number of Members specified above. If a Member is assigned to a sector other than its highest-ranked sector in accordance with the preceding sentence, its higher sector preference or preferences shall be honored as soon as a higher-ranked sector has five or more Members. A Voting Member may designate as its voting sector any sector for which it or its Affiliate or Related Party Members is qualified. The sector designations of the Voting Members shall be announced by the Office of the Interconnection at the Annual Meeting and shall apply to all Senior Standing Committees.

8.1.2 Related Parties.

The Members in a group of Related Parties shall each be entitled to a vote, provided that all the Members in a group of Related Parties that chooses to exercise such rights shall be assigned to the Electric Distributor sector.

8.1.3 Sector Challenge.

(a) Any Member (“Challenging Member”) may request that PJM review the qualification of another Member (“Challenged Member”) in the Challenging Member’s sector to participate in that sector. Any five Members may request that PJM review the qualification of another Member to participate in the sector in which that Member is presently assigned.

(b) A request pursuant to section 8.1.3(a) above, (“Challenge”) shall be submitted in writing and shall describe the basis for the Challenge, which shall include, but not limited to, the reasons why the Challenged Member may not have any Active and Significant Business Interests in its present sector. Except for new Members, a Challenge must be submitted within 30 days after the Annual Meeting of the Members. For new Members, a Challenge must be submitted within 30 days after the meeting in which they are introduced.

(c) PJM shall review the Challenge and inform the Challenged Member of the Challenge by providing a copy of the Challenge to the Challenged Member as soon as practicable, and in no case later than 10 working days after PJM receives the Challenge.

- (d) The Challenged Member shall submit to PJM a list of the sectors in which it is qualified to vote and its rank order preference of those sectors. PJM may also request information from the Challenged Member to assist in determining the Active and Significant Business Interests of Challenged Member. The Challenged Member shall respond to any such request within 60 days from the date of the request, which shall be the date the request was issued by PJM.
- (e) Considering the sector definitions and Active and Significant Business Interests, PJM, in its sole discretion, shall determine if the Challenged Member meets the requirements to participate in its present sector. PJM shall make this determination within the later of 30 days after receiving the information provided pursuant to section 8.1.3(d) above, or 10 days after the next scheduled meeting of the Members Committee.
- (f) If the Challenged Member does not meet the requirements for its present sector, PJM shall assign the Challenged Member to the next highest preferred sector for which it is qualified in accordance with the rank order preference established by the Challenged Member pursuant to section 8.1.3(d) above.
- (g) PJM shall notify the Challenged Member and Challenging Member as soon as practicable after making a determination pursuant to section 8.1.3(e) above, and shall announce the outcome of any such determination at the Members Committee meeting following PJM's decision. PJM shall disclose the identity of the Challenging Party and the Challenged Party when making the announcement.
- (h) If a sector is required pursuant to section 8.1.3(e) above, it shall become effective on the date of the Members Committee meeting following PJM's decision.
- (i) Until PJM rules on a Challenge, the Challenged Member shall remain in its present sector and shall be permitted to vote in that sector.

8.2 Representatives.

8.2.1 Appointment.

Each Member may appoint one representative to serve on each of the Standing Committees, potentially a different person for each committee, with authority to act for that Member with respect to actions or decisions thereof. Each Member may appoint up to three alternate representatives to each such committee to act for that Member at meetings thereof in the absence of the representative. A Member participating in the PJM Interchange Energy Market through an agent may be represented on the Standing Committee by that agent. A Member shall appoint its representatives and alternates by giving written notice thereof to the Office of the Interconnection. Members that are Affiliates or Related Parties may each appoint a representative and alternate representatives to each of the Standing Committees, but shall vote on Senior Standing Committees as specified in Operating Agreement, section 8.1.

8.2.2 Regulatory Authorities.

FERC and any other federal agency with regulatory authority over a Member and each State electric utility regulatory commission with regulatory jurisdiction within the PJM Region, may nominate one representative to serve as an ex officio non-voting member on each of the Standing Committees.

8.2.3 State Offices of Consumer Advocate.

(a) Each State Consumer Advocate may nominate one representative to serve as an ex officio member on each of the Standing Committees. Upon a written request by a State Consumer Advocate to the Office of the Interconnection, and upon the payment of the fee prescribed by Operating Agreement, Schedule 3, section (b), a State Consumer Advocate may designate a representative to each of the Standing Committees who, subject to subparagraph b, shall be entitled to cast one (1) non-divisible vote in the End-Use Customer Sector in Senior Standing Committees. As an ex officio member, a State Consumer Advocate shall have no liability under this Agreement, other than the annual fee required by Operating Agreement, Schedule 3. The State Consumer Advocates shall not be entitled to indemnification by the other Members under any provisions of this Agreement. Additionally, the State Consumer Advocates shall not be eligible to participate in any markets managed by PJM under the terms contained in this Agreement.

(b) Each State Consumer Advocate shall be entitled to cast only one (1) vote in the Senior Standing Committees per State or the District of Columbia. If more than one representative from a given state has been nominated to be a voting member of the Senior Standing Committees, all State Offices of Consumer Advocate from such state that have nominated representatives to vote at the Senior Standing Committees shall designate to the Office of the Interconnection one (1) representative who shall be entitled to vote on all of their behalf's, prior to being permitted to vote at any meetings of the Senior Standing Committees.

8.2.4 Initial Representatives.

Initial representatives to the Members Committee shall be appointed no later than 30 days after the Effective Date; provided, however, that each representative to the Management Committee under the Operating Agreement of PJM Interconnection, L.L.C. as in effect immediately prior to the Effective Date shall automatically become a representative to the Members Committee on the Effective Date unless replaced as specified in section 8.2.5 below. An entity becoming a Member shall appoint a representative to each Standing Committee no later than 30 days after becoming a Member.

8.2.5 Change of or Substitution for a Representative.

Any Member may change its representative or alternate on the Standing Committees at any time by providing written notice to the Office of the Interconnection identifying its replacement representative or alternate. Any representative to the Standing Committees may, by written notice to the applicable Chair, designate a substitute representative from that Member to act for him or her with respect to any matter specified in such notice.

8.3 Meetings.

8.3.1 Regular and Special Meetings.

The Standing Committees shall hold regular meetings, no less frequently than once each calendar quarter at such time and at such place as shall be fixed by the Chair thereof. The Members Committee may adopt bylaws, including rules of procedure, governing its meetings and activities and the meetings and activities of the other Standing Committees, and other committees, subcommittees, task forces, working groups and other bodies under its auspices. The Members Committee shall hold an Annual Meeting of the Members each calendar year at such time and place as shall be specified by the Chair. At the Annual Meeting of the Members, Board Members as necessary shall be elected. The Standing Committees may hold special meetings for one or more designated purposes within the scope of the authority of the applicable committee when called by the Chair on the Chair's own initiative, or at the request of five or more representatives on the applicable committee. The notice of a regular or special meeting shall be distributed to the representatives as specified in Operating Agreement, section 18.14 not later than seven days prior to the meeting, shall state the time and place of the meeting, and shall include an agenda sufficient to notify the representatives of the substance of matters to be considered at the meeting; provided, however, that meetings may be called on shorter notice at the discretion of the Chair as the Chair shall deem necessary to deal with an emergency or to meet a deadline for action.

8.3.2 Attendance.

Regular and special meetings may be conducted in person or by telephone, or other electronic means as authorized by the Members Committee. The attendance in person or by telephone or other electronic means of a representative or a duly designated substitute shall be required in order to vote.

8.3.3 Quorum.

The attendance as specified in Operating Agreement, section 8.3.2 of a majority of the Voting Members from each of at least three sectors that each have at least five Members shall constitute a quorum at any meeting of the Members Committee; however, a quorum shall only require ten Voting Members from any sector that has more than 20 Voting Members. At the beginning of any meeting of the Members Committee, a determination shall be made if a quorum is present. Once the determination is made that a quorum is present at the beginning of the meeting, a quorum will be deemed to continue during the entire scheduled time of the meeting, as specified in the notice of the meeting that is published and distributed as specified in Operating Agreement, section 8.3.1. Actions taken during this scheduled time will be deemed to have been taken with a quorum present, and quorum calls are not permitted during this scheduled time. Other than actions taken during the scheduled time for meeting of the Members Committee in accordance with this rule, no action may be taken by the Members Committee at a meeting unless a quorum is present. However, if a meeting of the Members Committee extends beyond its scheduled time, any Voting Members then present shall have the right to request a quorum call. The Voting Members then present shall have the power to adjourn the meeting from time to

time until a quorum shall be present. At the discretion of the Chair, administrative or reporting items may be accomplished if a quorum is not deemed to be present. A quorum shall not be required to conduct a meeting of any Committee other than the Members Committee; however, the Chair of any committee other than the Members Committee, in his discretion, may declare adjourned any meeting which fewer than ten Members attend.

8.4 Manner of Acting.

- (a) The procedures for the conduct of meetings of the Standing Committees may be stated in bylaws adopted by the Members Committee.
- (b) In a Senior Standing Committee, each Sector shall be entitled to cast one and zero one-hundredths (1.00) Sector Votes. Each Voting Member shall be entitled to cast one (1) non-divisible vote in its sector. In the case of a Voting Member comprised of Affiliates or Related Parties, any representative, alternate or substitute of any of the Affiliated or Related Parties may cast the vote of the Voting Member. The Sector Vote of each sector shall be split into an affirmative component based on votes for the pending motion, and a negative component based on votes against the pending motion, in direct proportion to the votes cast within the sector for and against the pending motion, rounded to two decimal places.
- (c) The sum of affirmative Sector Votes necessary to pass a pending motion in a Senior Standing Committee shall be greater than (but not merely equal to) the product of .667 multiplied by the number of sectors that have at least five Members and that participated in the vote; provided, however, that the sum of the affirmative Sector Votes necessary to pass a motion to elect a Board Member or to elect the Chair or Vice Chair of the Members Committee shall be greater than (but not merely equal to) the product of .5 multiplied by the number of sectors that have at least five Members and that participated in the vote.
- (d) Voting Members not in attendance at the meeting as specified in Operating Agreement, section 8.3.2 or abstaining shall not be counted as affirmative or negative votes.

8.6 Senior, Standing, and Other Committees.

The Members Committee shall establish and maintain the Markets and Reliability Committee as a Senior Standing Committee. The Members Committee also shall establish and maintain the Market Implementation Committee (under the Markets and Reliability Committee), and Planning Committee and Operating Committee (both under the Markets and Reliability Committee) as Standing Committees. The Members Committee may establish or dissolve other Standing Committees from time to time. The President shall appoint the Chair and Vice Chair of each Senior Standing Committee and Standing Committee and, after consultation with the Chair of a Standing Committee, the President shall appoint the Chair and Vice Chair of any other committees.

8.6.1 Markets and Reliability Committee.

The Markets and Reliability Committee shall be established by and report to the Members Committee.

The Markets and Reliability Committee shall provide advice and recommendations concerning the reliable and secure operation of the PJM Interchange Energy Market and Ancillary Services markets, mechanisms to provide an efficient marketplace for products needed for resource adequacy and operating security, and otherwise as directed by the Members Committee. The Markets and Reliability Committee also addresses matters related to the reliable and secure operation of the PJM system and planning strategies to assure the continued ability of the Members to operate reliably and economically, consistent with reliability principles and standards.

Voting on the Markets and Reliability Committee shall be by sectors in accordance with Operating Agreement, section 8.1 and Operating Agreement, section 8.4. Neither the Markets and Reliability Committee nor the Members Committee shall have authority to control or direct the actions of the PJM Board or the Office of the Interconnection with regard to the short-term reliability of grid operations within the PJM Region. The responsibilities of the Markets and Reliability Committee shall, more specifically, include, but not be limited to, the following:

- (a) The Markets and Reliability Committee shall develop and approve a Markets and Reliability Committee Annual Plan including prioritization of planned activities and initiation of activities supporting the approved plan.
- (b) The Markets and Reliability Committee shall provide advice and recommendations concerning issues pertaining to the operation and administration of the PJM markets, including but not limited to amendments to PJM's Operating Agreement, the PJMTariff, or market rules and procedures as necessary or appropriate to foster competition and assure the fair, reliable and efficient operation and administration of the PJM markets, as well as the reliable operation of the grid.
- (c) The Markets and Reliability Committee shall provide advice and recommendations as are necessary or appropriate to assure a high level of economy of service in the operation of the PJM

Interchange Energy Market and other markets, in accordance with established market operation principles, practices and procedures, recognizing individual participant requirements for services, contractual obligations and other pertinent factors.

(d) The Markets and Reliability Committee shall provide advice and recommendations concerning studies and analyses relating to the overall efficacy of the PJM Interchange Energy Market and in carrying out actions as may be initiated as a result thereof.

(e) The Markets and Reliability Committee shall provide advice and recommendations concerning revisions to the Operating Agreement, the Reliability Assurance Agreement, and the PJM Tariff that pertain to its areas of responsibility.

(f) The Markets and Reliability Committee shall make annual and timely recommendations concerning the generating capacity reserve requirement and related demand-side valuation factors for consideration by the Members Committee, in order to assist the Members Committee in making recommendations to the PJM Board of Managers.

(g) The Markets and Reliability Committee shall provide direction to the Market Implementation Committee, which committee shall report to the Markets and Reliability Committee. The Market Implementation Committee shall provide advice and recommendations to the Markets and Reliability Committee directed to the advancement and promotion of competitive wholesale electricity markets in the PJM Region, and perform such other functions as the Markets and Reliability Committee may direct from time to time.

(h) The Markets and Reliability Committee shall provide direction to the Operating Committee and Planning Committee, which committees shall report to the Markets and Reliability Committee. The Operating Committee shall advise the Markets and Reliability Committee and PJM on matters pertaining to the reliable and secure operation of the PJM Region and the PJM Interchange Energy Market, as appropriate, and other matters as the Markets and Reliability Committee may request. The Planning Committee shall advise the Markets and Reliability Committee and PJM on matters pertaining to system reliability, security, economy of service, and planning strategies and policies and other matters as the Markets and Reliability Committee may request. The Markets and Reliability Committee shall review technical recommendations and changes initiated by the Operating Committee and Planning Committees and provide comments as needed.

(i) The Markets and Reliability Committee shall perform such other functions, directly or through delegation to a Standing Committee, subcommittee, working group or task force reporting to the Markets and Reliability Committee, as the Members Committee may direct.

(j) The Markets and Reliability Committee shall create subcommittees, working groups or task forces when needed to assist in carrying out the duties and responsibilities of the Markets and Reliability Committee.

8.6.2 [Reserved.]

8.6.3 Other Committees and Bodies.

The Standing Committees may form, select the membership, and oversee the activities, of such other committees, subcommittees, task forces, working groups or other bodies as it shall deem appropriate, to provide advice and recommendations to the Standing Committees or Office of the Interconnection. Each such group shall terminate automatically upon completion of its assigned tasks and, if not terminated, shall terminate two years after formation unless reauthorized by the Standing Committee that directed its formation.

8.7 User Groups.

- (a) Any five or more Members sharing a common interest may form a User Group, and may invite such other Members to join the User Group as the User Group shall deem appropriate. Notification of the formation of a User Group shall be provided to all Members of the Members Committee.
- (b) The Members Committee shall create a User Group composed of representatives of bona fide public interest and environmental organizations that are interested in the activities of the LLC and are willing and able to participate in such a User Group.
- (c) Meetings of User Groups shall be open to all Members and the Office of the Interconnection. Notices and agendas of meetings of a User Group shall be provided to all Members that ask to receive them.
- (d) Any recommendation or proposal for action adopted by affirmative vote of three-fourths or more of the Members of a User Group shall be submitted to the Chair of the Members Committee. The Chairman shall refer the matter for consideration by the applicable Standing Committee as appropriate for consideration at that Committee's next regular meeting, occurring not earlier than 30 days after the referral, for a recommendation to the Members Committee for consideration at its next regular meeting.
- (e) If the Members Committee does not adopt a recommendation or proposal submitted by a User Group, upon vote of nine-tenths or more of the members of the User Group the recommendation or proposal may be submitted to the PJM Board for its consideration in accordance with Operating Agreement, section 7.7(v).

8.8 Powers of the Members Committee.

The Members Committee, acting by adoption of a motion as specified in Operating Agreement, section 8.4, shall have the power to take the actions specified in this Agreement, including:

- i) Elect the members of the PJM Board;
- ii) In accordance with the provisions of Operating Agreement, section 18.6 , amend any portion of this Agreement, including the Schedules hereto, or create new Schedules, and file any such amendments or new Schedules with FERC or other regulatory body of competent jurisdiction;
- iii) Adopt bylaws that are consistent with this Agreement, as amended or restated from time to time;
- iv) Terminate this Agreement; and
- v) Provide advice and recommendations to the PJM Board and the Office of the Interconnection.

9.2 President.

The PJM Board shall appoint a President and Chief Executive Officer of the LLC (the “President”). The President shall direct and supervise the day-to-day operation of the LLC, and shall report to the PJM Board. The President shall be responsible for directing and supervising the Office of the Interconnection in the performance of the duties and responsibilities specified in Operating Agreement, section 10.4. The President shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the LLC, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board to some other officer or agent of the LLC. In the absence of the President or in the event of his or her inability or refusal to act, and if a vice president has been appointed by the PJM Board, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the PJM Board in its Minutes) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall perform such other duties and have such other powers as the PJM Board may from time to time prescribe.

10.2.1 Financial Interests:

No Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof, shall own, control or hold with power to vote Prohibited Securities subject to the following:

1. Each Office of the Interconnection Board Member, officer, or employee or spouse or dependent children thereof, shall divest of those Prohibited Securities within six (6) months of: (i) the time of his affiliation or employment with the Office of the Interconnection, (ii) the time a new Member is added to this Agreement, a new Eligible Customer begins taking service under the Tariff or a Nonincumbent Developer is pre-qualified as eligible to be a Designated Entity pursuant to Operating Agreement, Schedule 6, where the Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof owns such Prohibited Securities; or (iii) the time of receipt of such Prohibited Securities (*e.g.* marriage, bequest, gift, etc.).
2. Nothing in this section 10.2.1 shall be interpreted to preclude a Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof, from indirectly owning publicly traded Prohibited Securities through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted towards, or principally comprised of, entities in the electric industry or the electric utility industry, or any segments thereof) under which the Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof, does not control the purchase or sale of such Prohibited Securities. Any such ownership, including the nature and conditions of the interest, must be disclosed to the Office of the Interconnection's director, regulatory oversight and compliance who will report it to the PJM Board.
3. Ownership of Prohibited Securities as part of a pension plan or fund of a Member, Eligible Customer or Nonincumbent Developer shall be permitted. Any such ownership, including the nature and conditions of the interest, must be disclosed to the Office of the Interconnection's director, regulatory oversight and compliance who will report it to the PJM Board.
4. Ownership of Prohibited Securities by a spouse of a Board Member, officer or employee of the Office of the Interconnection who is employed by a Member, Eligible Customer or Nonincumbent Developer and is required to purchase and maintain ownership of Securities of such Member, Eligible Customer or Nonincumbent Developer as a part of his or her employment shall be permitted. Any such ownership by a spouse, including the nature and conditions of the interest, must be disclosed to the Office of the Interconnection's director, regulatory oversight and compliance who will report it to the PJM Board.
5. A Board Member shall disclose to the PJM Board if the Board Member is aware that he or she, or an immediate family member, has a financial interest in a Member, Eligible Customer or Nonincumbent Developer, or their Affiliates that is subject to a matter before the PJM Board. The chair of the PJM Board Governance Committee and the Office of the

Interconnection legal counsel shall consult with the Board Member to determine whether the PJM Board Member should be recused from the PJM Board deliberations and decision making regarding the matter before the PJM Board.

10.3 Confidential Information.

The Office of the Interconnection shall comply with the requirements of Operating Agreement, section 18.17 with respect to any proprietary or confidential information received from or about any Member.

10.4 Duties and Responsibilities.

The Office of the Interconnection, under the direction of the President as supervised and overseen by the PJM Board, shall carry out the following duties and responsibilities, in accordance with the provisions of this Agreement:

- i) Administer and implement this Agreement;
- ii) Perform such functions in furtherance of this Agreement as the PJM Board, acting within the scope of its duties and responsibilities under this Agreement, may direct;
- iii) Prepare, maintain, update and disseminate the PJM Manuals;
- iv) Comply with NERC, and Applicable Regional Entity operation and planning standards, principles and guidelines;
- v) Maintain an appropriately trained workforce, and such equipment and facilities, including computer hardware and software and backup power supplies, as necessary or appropriate to implement or administer this Agreement;
- vi) Direct the operation and coordinate the maintenance of the facilities of the PJM Region used for both load and reactive supply, so as to maintain reliability of service and obtain the benefits of pooling and interchange consistent with this Agreement, and the Reliability Assurance Agreement;
- vii) Direct the operation and coordinate the maintenance of the bulk power supply facilities of the PJM Region with such facilities and systems of others not party to this Agreement in accordance with agreements between the LLC and such other systems to secure reliability and continuity of service and other advantages of pooling on a regional basis;
- viii) Perform interchange accounting and maintain records pertaining to the operation of the PJM Interchange Energy Market and the PJM Region;
- ix) Notify the Members of the receipt of any application to become a Member, and of the action of the Office of the Interconnection on such application, including but not limited to the completion of integration of a new Member's system into the PJM Region, as specified in Operating Agreement, section 11.6(f);
- x) Calculate the Weighted Interest and Default Allocation Assessment of each Member;
- xi) Maintain accurate records of the sectors in which each Voting Member is entitled to vote, and calculate the results of any vote taken in the Members Committee;
- xii) Furnish appropriate information and reports as are required to keep the Members regularly informed of the outlook for, the functioning of, and results achieved by the PJM Region;

- xiii) File with FERC on behalf of the Members any amendments to this Agreement or the Schedules hereto, any new Schedules hereto, and make any other regulatory filings on behalf of the Members or the LLC necessary to implement this Agreement;
- xiv) At the direction of the PJM Board, submit comments to regulatory authorities on matters pertinent to the PJM Region;
- xv) Consult with the standing or other committees established pursuant to Operating Agreement, section 8.6(a) on matters within the responsibility of the committee;
- xvi) Perform operating studies of the bulk power supply facilities of the PJM Region and make such recommendations and initiate such actions as may be necessary to maintain reliable operation of the PJM Region;
- xvii) Accept, on behalf of the Members, notices served under this Agreement;
- xviii) Perform those functions and undertake those responsibilities transferred to it under the Consolidated Transmission Owners Agreement including (A) directing the operation of the transmission facilities of the parties to the Consolidated Transmission Owners Agreement (B) administering the PJM Tariff, and (C) administering the Regional Transmission Expansion Planning Protocol set forth in Operating Agreement, Schedule 6;
- xix) Perform those functions and undertake those responsibilities transferred to it under the Reliability Assurance Agreement, as specified in Operating Agreement, Schedule 8;
- xx) Monitor the operation of the PJM Region, ensure that appropriate Emergency plans are in place and appropriate Emergency drills are conducted, declare the existence of an Emergency, and direct the operations of the Members as necessary to manage, alleviate or end an Emergency;
- xxi) Incorporate the grid reliability requirements applicable to nuclear generating units in the PJM Region planning and operating principles and practices;
- xxii) Initiate such legal or regulatory proceedings as directed by the PJM Board to enforce the obligations of this Agreement; and
- xxiii) Select an individual to serve as the Alternate Dispute Resolution Coordinator as specified in the PJM Dispute Resolution Procedures.

11.3 Member Responsibilities.

11.3.1 General.

To facilitate and provide for the work of the Office of the Interconnection and of the several committees appointed by the Members Committee, each Member shall, to the extent applicable;

- (a) Maintain complete and accurate records, if any, required to meet the purposes of this section and, subject to the provisions of this Agreement for the protection of the confidentiality of proprietary or commercially sensitive information, provide, as reasonably requested, data (excluding transactional data), documents, or records, to the Office of the Interconnection required for the following purposes: (i) maintenance of correct and updated Member and Affiliate Information, including appropriate personnel contacts, PJM committee representatives, organizational structure and other information as reasonably requested by the Office of the Interconnection to ensure the accuracy and completeness of Member records, (ii) maintenance of correct and updated Member and Affiliate Information on unit ownership, unit offer determination, unit offer submissions and unit operation, (iii) coordination of operations, (iv) accounting for all interchange transactions, (v) preparation of required reports, (vi) coordination of planning, including those data required for capacity accounting under the Reliability Assurance Agreement; (vii) preparation of maintenance schedules, (viii) analysis of system disturbances, and (ix) such other purposes, including those set forth in Operating Agreement, Schedule 2, as will contribute to the reliable and economic operation of the PJM Region and the administration by the Office of the Interconnection of the Agreement, the PJM Tariff and PJM Manuals – For the purposes of this subsection, Member and Affiliate Information means information regarding Members and either: (1) their direct and/or indirect subsidiaries subject to the jurisdiction of the FERC, or (2) their Related Parties;
- (b) Provide such recording, telemetering, revenue quality metering, communication and control facilities as are required for the coordination of its operations with the Office of the Interconnection and those of the other Members and to enable the Office of the Interconnection to operate the PJM Region and otherwise implement and administer this Agreement, including equipment required in normal and Emergency operations and for the recording and analysis of system disturbances;
- (c) Provide adequate and properly trained personnel to (i) permit participation in the coordinated operation of the PJM Region (ii) meet its obligation on a timely basis for supply of records and data, (iii) serve on committees and participate in their investigations, and (iv) share in the representation of the Interconnection in inter-regional and national reliability activities. Minimum training for Members that operate Market Operations Centers and local control centers shall include compliance with the applicable training standards and requirements in PJM Manual 40, Control Center Requirements, including the PJM System Operator Training Requirements in Attachment C;
- (d) Share in the costs of committee activities and investigations (including costs of consultants, computer time and other appropriate items), communication facilities used by all the Members (in addition to those provided in the Office of the Interconnection), and such other

expenses as are approved for payment by the PJM Board, such costs to be recovered as provided in Operating Agreement, Schedule 3;

(e) Comply with the requirements of the PJM Manuals and all directives of the Office of the Interconnection to take any action for the purpose of managing, alleviating or ending an Emergency, and authorize the Office of the Interconnection to direct the transfer or interruption of the delivery of energy on their behalf to meet an Emergency and to implement agreements with other Control Areas interconnected with the PJM Region for the mutual provision of service to meet an Emergency, and be subject to the emergency procedure charges specified in Operating Agreement, Schedule 9 for any failure to follow the Emergency instructions of the Office of the Interconnection. In addressing any Emergency, the Office of the Interconnection shall comply with the terms of any reserve sharing agreements in effect for any part of the PJM Region.

11.3.2 Facilities Planning and Operation.

Consistent with and subject to the requirements of this Agreement, the PJM Tariff, the governing agreements of each Applicable Regional Entity, the Reliability Assurance Agreement, the Consolidated Transmission Owners Agreement, and the PJM Manuals, each Member shall cooperate with the other Members in the coordinated planning and operation of the facilities of its System within the PJM Region so as to obtain the greatest practicable degree of reliability, compatible economy and other advantages from such coordinated planning and operation. In furtherance of such cooperation each Member shall, as applicable:

(a) Consult with the other Members and the Office of the Interconnection, and coordinate the installation of its electric generation and Transmission Facilities with those of such other Members so as to maintain reliable service in the PJM Region;

(b) Coordinate with the other Members, the Office of the Interconnection and with others in the planning and operation of the regional facilities to secure a high level of reliability and continuity of service and other advantages;

(c) Cooperate with the other Members and the Office of the Interconnection in the implementation of all policies and procedures established pursuant to this Agreement for dealing with Emergencies, including but not limited to policies and procedures for maintaining or arranging for a portion of a Member's Generation Capacity Resources, at least equal to the applicable levels established from time to time by the Office of the Interconnection, to have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system;

(d) Cooperate with the members of each Applicable Regional Entity to augment the reliability of the bulk power supply facilities of the region and comply with Applicable Regional Entities and NERC operating and planning standards, principles and guidelines and the PJM Manuals implementing such standards, principles and guidelines;

- (e) Obtain or arrange for transmission service as appropriate to carry out this Agreement;
- (f) Cooperate with the Office of the Interconnection's coordination of the operating and maintenance schedules of the Member's generating and Transmission Facilities with the facilities of other Members to maintain reliable service to its own customers and those of the other Members and to obtain economic efficiencies consistent therewith;
- (g) Cooperate with the other Members and the Office of the Interconnection in the analysis, formulation and implementation of plans to prevent or eliminate conditions that impair the reliability of the PJM Region; and
- (h) Adopt and apply standards adopted pursuant to this Agreement and conforming to NERC, and Applicable Regional Entity standards, principles and guidelines and the PJM Manuals, for system design, equipment ratings, operating practices and maintenance practices.

11.3.3 Electric Distributors.

In addition to any of the foregoing responsibilities that may be applicable, each Member that is an Electric Distributor, whether or not that Member votes in the Members Committee in the Electric Distributor sector or meets the eligibility requirements for any other sector of the Members Committee, shall:

- (a) Accept, comply with or be compatible with all standards applicable within the PJM Region with respect to system design, equipment ratings, operating practices and maintenance practices as set forth in the PJM Manuals, or be subject to an interconnected Member's requirements relating to the foregoing, so that sufficient electrical equipment, control capability, information and communication are available to the Office of the Interconnection for planning and operation of the PJM Region;
- (b) Assure the continued compatibility of its local system energy management system monitoring and telecommunications systems to satisfy the technical requirements of interacting automatically or manually with the Office of the Interconnection as it directs the operation of the PJM Region;
- (c) Maintain or arrange for a portion of its connected load to be subject to control by automatic underfrequency, under-voltage, or other load-shedding devices at least equal to the levels established pursuant to the Reliability Assurance Agreement, or be subject to another Member's control for these purposes;
- (d) Provide or arrange for sufficient reactive capability and voltage control facilities to conform to Good Utility Practice and (i) to meet the reactive requirements of its system and customers and (ii) to maintain adequate voltage levels and the stability required by the bulk power supply facilities of the PJM Region;

- (e) Shed connected load, share Generation Capacity Resources and take such other coordination actions as may be necessary in accordance with the directions of the Office of the Interconnection in Emergencies;
- (f) Maintain or arrange for a portion of its Generation Capacity Resources at least equal to the level established pursuant to the Reliability Assurance Agreement to have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system;
- (g) Provide or arrange through another Member for the services of a 24-hour local control center to coordinate with the Office of the Interconnection, each such control center to be furnished with appropriate telemetry equipment as specified in the PJM Manuals, and to be staffed by system operators trained and delegated sufficient authority to take any action necessary to assure that the system for which the operator is responsible is operated in a stable and reliable manner. In addition to meeting any training standards and requirements specified in this Agreement, local control center staff shall be required to meet applicable training standards and requirements in PJM Manual 40, Control Center Requirements, including the PJM System Operator Training Requirements in Attachment C;
- (h) Provide to the Office of the Interconnection all System, accounting, customer tracking, load forecasting (including all load to be served from its System) and other data necessary or appropriate to implement or administer this Agreement, and the Reliability Assurance Agreement; and
- (i) Comply with the underfrequency relay obligations and charges specified in Operating Agreement, Schedule 7.

11.3.4 Reports to the Office of the Interconnection.

Each Member shall report as promptly as possible to the Office of the Interconnection any changes in its operating practices and procedures relating to the reliability of the bulk power supply facilities of the PJM Region. The Office of the Interconnection shall review such reports, and if any change in an operating practice or procedure of the Member is not in accord with the established operating principles, practices and procedures for the PJM Region and such change adversely affects such region and regional reliability, it shall so inform such Member, and the other Members through their representative on the Operating Committee, and shall direct that such change be modified to conform to the established operating principles, practices and procedures.

11.4 Regional Transmission Expansion Planning Protocol.

The Members shall participate in regional transmission expansion planning in accordance with the Regional Transmission Expansion Planning Protocol set forth in Operating Agreement, Schedule 6.

11.5 Member Right to Petition.

(a) Nothing herein shall deprive any Member of the right to petition FERC to modify any provision of this Agreement or any Schedule or practice hereunder that the petitioning Member believes to be unjust, unreasonable, or unduly discriminatory under section 206 of the Federal Power Act, subject to the right of any other Member (a) to oppose said proposal, or (b) to withdraw from the LLC pursuant to Operating Agreement, section 4.1.

(b) Nothing herein shall be construed as affecting in any way the right of the Members, acting pursuant to a vote of the Members Committee as specified in Operating Agreement, section 8.4, unilaterally to make an application to FERC for a change in any rate, charge, classification, tariff or service, or any rule or regulation related thereto, under section 205 of the Federal Power Act and pursuant to the rules and regulations promulgated by FERC thereunder, subject to the right of any Member that voted against such change in any rate, charge, classification, tariff or service, or any rule or regulation related thereto, to intervene in opposition to any such application.

11.6 Membership Requirements.

- (a) To qualify as a Member, an entity shall:
 - i) Be a Transmission Owner a Generation Owner, an Other Supplier, an Electric Distributor, or an End-Use Customer; and
 - ii) Accept the obligations set forth in this Agreement.
- (b) Certain Members that are Load Serving Entities are parties to the Reliability Assurance Agreement. Upon becoming a Member, any entity that is a Load Serving Entity in the PJM Region and that wishes to become a Market Buyer shall also simultaneously execute the Reliability Assurance Agreement.
- (c) An entity that wishes to become a party to this Agreement shall apply, in writing, to the President setting forth its request, its qualifications for membership, its agreement to supply data as specified in this Agreement, its agreement to pay all costs and expenses in accordance with Operating Agreement, Schedule 3, and providing all information specified pursuant to the Schedules to this Agreement for entities that wish to become Market Participants. Any such application that meets all applicable requirements shall be approved by the President within sixty (60) days.
- (d) Nothing in Operating Agreement, section 11 is intended to remove, in any respect, the choice of participation by other utility companies or organizations in the operation of the PJM Region through inclusion in the System of a Member.
- (e) An entity whose application is accepted by the President pursuant to section 11.6(c) above shall execute a supplement to this Agreement in substantially the form prescribed in Operating Agreement, Schedule 4, which supplement shall be countersigned by the President. The entity shall become a Member effective on the date the supplement is countersigned by the President.
- (f) Entities whose applications contemplate expansion or rearrangement of the PJM Region may become Members promptly as described in sections 11.6(c) and 11.6(e) above, but the integration of the applicant's system into all of the operation and accounting provisions of this Agreement and the Reliability Assurance Agreement, shall occur only after completion of all required installations and modifications of metering, communications, computer programming, and other necessary and appropriate facilities and procedures, as determined by the Office of the Interconnection. The Office of the Interconnection shall notify the other Members when such integration has occurred.
- (g) Entities that become Members will be listed in Operating Agreement, Schedule 12.
- (h) In accordance with this Agreement, Members agree that PJMSettlement shall be the Counterparty with respect to certain transactions under the PJM Tariff and this Agreement.

14B.4 Additional Billing and Payment Provisions With Respect to the Counterparty

(a) Each Member shall receive from PJMSettlement (and not from any other party), and shall pay to PJMSettlement (and not to any other party), the amounts specified in the PJM Tariff and this Agreement for services and transactions for which PJMSettlement is the Counterparty, and PJMSettlement shall be correspondingly obliged and entitled.

(b) **Payment netting.** If, during the settlement period, amounts in respect of obligations associated with transactions for which PJMSettlement are owed, and would otherwise be paid, by both a Member and PJMSettlement to each other, then the respective obligations to pay such amounts will automatically be cancelled and replaced by a single obligation upon the Member or PJMSettlement (as the case may be) that would have had to pay the larger aggregate amount to pay the net amount (if any) to the other.

(c) **Conditions for payment by the Counterparty.**

(i) A Member shall be entitled to payment from PJMSettlement during the settlement period if, and only if, during the settlement period there is no amount in default due and payable by that Member to PJMSettlement with respect to transactions for which PJMSettlement is a Counterparty and not paid or recovered and so long as an amount in default, or any part of it, remains owing to PJMSettlement, that Member will not request, demand or claim to be entitled to payment by PJMSettlement.

(ii) Subject to Operating Agreement, section 15, a defaulting Member shall be entitled to payment from PJMSettlement with respect to transactions for which PJMSettlement is the Counterparty, if, and only if, all amounts, liabilities and other obligations due, owing, incurred or payable by that defaulting Member to PJMSettlement or the LLC, whether those liabilities or obligations are actual or contingent, present or future, joint or several (including, without limitation, all interest (after as well as before judgment) and expenses) have been paid or recovered and until that time the defaulting Member will not request, demand or claim to be entitled to payment by PJMSettlement or the LLC.

(d) **Set-off.**

(i) If during the settlement period an amount is due and, but for Operating Agreement, section 14B.4(c), would have been payable from PJMSettlement to a Member, but before that settlement period there was due from that Member an amount in default (as defined in Operating Agreement, section 15) that has not been paid or recovered, then notwithstanding Operating Agreement, section 14B.4(c), the amount owing by PJMSettlement shall be automatically and unconditionally set off against the amount(s) in default.

- (ii) If in respect of any non-paying Member there is more than one amount in default, then any amount due and payable from PJMSettlement shall be set off against the amounts in default in the order in which they originally became due and payable.

(e) **Liability of PJMSettlement.**

- (i) The liability of PJMSettlement to make payments during the settlement period shall be limited so that the aggregate of such payments does not exceed the aggregate amount of payments that has been paid to or recovered by PJMSettlement, from Members (including by way of realization of financial security) in respect of that settlement period.
- (ii) Where in relation to any settlement period, the aggregate amount that PJMSettlement pays to Members with respect to transactions for which PJMSettlement is the Counterparty is less than the amount to which those Members, but for the operation of section 14B(e)(i), would have been entitled: if and to the extent that, after the required time during the settlement period, PJMSettlement or the LLC is paid and recovers (including collection of such amount through Default Allocation Assessments) amounts from any Member, PJMSettlement shall to the extent of such receipts make payments (to certain Members) in accordance with the provisions of Operating Agreement, section 15.2.1.

15.1 Failure to Meet Obligations.

15.1.1 Termination of Market Buyer Rights.

The Office of the Interconnection shall terminate a Market Buyer's right to make purchases from the PJM Interchange Energy Market, the PJM Capacity Credit Market or any other market operated by PJM if it determines that the Market Buyer does not continue to meet the obligations set forth in this Agreement, including but not limited to the obligation to be in compliance with PJM's creditworthiness requirements and the obligation to make timely payment, provided that the Office of the Interconnection has notified the Market Buyer of any such deficiency and afforded the Market Buyer a reasonable opportunity to cure pursuant to section 15.1.3 below. The Office of the Interconnection shall reinstate a Market Buyer's right to make purchases from the PJM Interchange Energy Market and PJM Capacity Credit Market upon demonstration by the Market Buyer that it has come into compliance with the obligations set forth in this Agreement.

15.1.2 Termination of Market Seller Rights.

The Office of the Interconnection shall not accept offers from a Market Seller that has not complied with the prices, terms, or operating characteristics of any of its prior scheduled transactions in the PJM Interchange Energy Market, unless such Market Seller has taken appropriate measures to the satisfaction of the Office of the Interconnection to ensure future compliance.

15.1.3 Payment of Bills.

A Member shall make full and timely payment, in accordance with the terms specified by the Office of the Interconnection, of all bills rendered in connection with or arising under or from this Agreement, any service or rate schedule, any tariff, or any services performed by the Office of the Interconnection or transactions with PJMSettlement, notwithstanding any disputed amount, but any such payment shall not be deemed a waiver of any right with respect to such dispute. Any Member that fails to make full and timely payment to PJMSettlement (of amounts owed either directly to PJMSettlement or PJMSettlement as agent for the LLC) or otherwise fails to meet its financial or other obligations to a Member, PJMSettlement, or the LLC under this Agreement, shall, in addition to any requirement set forth in this section 15.1 and upon expiration of the 2-day period specified below be in default.

15.1.4 Breach Notification and Remedy

If the Office of the Interconnection concludes, upon its own initiative or the recommendation of or complaint by the Members Committee or any Member, that a Member is in breach of any obligation under this Agreement, including, but not limited to, the obligation to make timely payment and the obligation to meet PJM's creditworthiness standards and to otherwise comply with PJM's credit policies, the Office of the Interconnection shall so notify such Member. The notified Member may remedy such asserted breach by: (i) paying all amounts assertedly due, along with interest on such amounts calculated in accordance with the methodology specified for interest on refunds in FERC's regulations at 18 C.F.R. § 35.19a(a)(2)(iii); and (ii) demonstration

to the satisfaction of the Office of the Interconnection that the Member has taken appropriate measures to meet any other obligation of which it was deemed to be in breach; provided, however, that any such payment or demonstration may be subject to a reservation of rights, if any, to subject such matter to the PJM Dispute Resolution Procedures; and provided, further, that any such determination by the Office of the Interconnection may be subject to review by the PJM Board upon request of the Member involved or the Office of the Interconnection.

15.1.5 Default Notification and Remedy

If a Member has not remedied a breach by the 2nd Business Day following receipt of the Office of the Interconnection's notice, or receipt of the PJM Board's decision on review, if applicable, then the Member shall be in default and, in addition to such other remedies as may be available to the LLC or PJMSettlement:

- i) A defaulting Market Participant shall be precluded from buying or selling in the PJM Interchange Energy Market, the PJM Capacity Credit Market, or any other market operated by PJM until the default is remedied as set forth above;
- ii) A defaulting Member shall not be entitled to participate in the activities of any committee or other body established by the Members Committee or the Office of the Interconnection; and
- iii) A defaulting Member shall not be entitled to vote on the Members Committee or any other committee or other body established pursuant to this Agreement.
- iv) PJM shall notify all other members of the default.

15.1.6 Reinstatement of Member Following Default and Remedy

a. A Member that has been declared in default, solely of PJM's creditworthiness standards, or fails to otherwise comply with PJM's credit policies once within any 12 month period may be reinstated in full after remedying such default.

b. A Member that has been declared in default of this Agreement for failing to: (i) make timely payments when due once during any prior 12 month period, or (ii) adhere to PJM's creditworthiness standards and credit policies, twice during any prior 12 month period, may be subject to the following restrictions:

- a) Loss of stakeholder privileges, including voting privileges, for 12 months following such default; and
- b) Loss of the allowance of unsecured credit for 12 months following such default

c. A Member that has been declared in default of this Agreement for failing to: (i) make timely payments when due twice during any prior 12 month period, or (ii) adhere to PJM's creditworthiness standards and credit policies, three times during any prior 12 month period,

shall, except as provided for below, not be eligible to be reinstated as a Member to this Agreement and its membership rights pursuant to this Agreement shall be terminated in accordance with Operating Agreement, section 4.1(c) , notwithstanding whether such default has been remedied. Furthermore:

- a) PJMSettlement shall close out and liquidate all of the Member's current and forward positions in accordance with the provisions of this Agreement; and
 - b) A Member terminated in accordance with these provisions shall be precluded from seeking future membership under this Agreement;
- d. A Member may appeal a determination made pursuant to the foregoing procedures utilizing PJM's dispute resolution procedure as set forth in Operating Agreement, Schedule 5, (provided, however, that a Member's decision to utilize these procedures shall not operate to stay the ability of PJM to exercise any and all of its rights under this Agreement and the PJM Tariff) and may be reinstated provided that the Member can demonstrate the following:
- a) that it has otherwise consistently complied with its obligations under this Agreement and the PJM Tariff; and
 - b) the failure to comply was not material; and
 - c) the failure to comply was due in large part to conditions that were not in the common course of business.

15.2 Enforcement of Obligations.

If the Office of the Interconnection sends a notice to the PJM Board that a Member has failed to perform an obligation under this Agreement, the PJM Board, on behalf of the LLC and PJMSettlement, shall initiate such action against such Member to enforce such obligation as the PJM Board shall deem appropriate. Subject to the procedures specified in Section 15.1, a Member's failure to perform such obligation shall be deemed to be a default under this Agreement. In order to remedy a default, but without limiting any rights the LLC or PJMSettlement may have against the defaulting Member, the PJM Board may assess against, and collect from, the Members not in default, in proportion to their Default Allocation Assessment, an amount equal to the amount that the defaulting Member has failed to pay to PJMSettlement or the LLC (less amounts covered by Financial Security, held by PJMSettlement, on behalf of itself and as agent for the LLC, or indemnifications paid to the LLC or PJMSettlement), along with appropriate interest. Such assessment shall in no way relieve the defaulting Member of its obligations. In addition to any amounts in default, the defaulting Member shall be liable to the LLC and PJMSettlement for all reasonable costs incurred in enforcing the defaulting Member's obligations.

15.2.1 Collection by the Office of the Interconnection.

PJMSettlement is authorized to pursue collection through such actions, legal or otherwise, as it reasonably deems appropriate, including but not limited to the prosecution of legal actions and assertion of claims on behalf of the affected Members in the state and federal courts as well as under the United States Bankruptcy Code. Prior to initiating formal legal action in state or federal court to pursue collection, PJMSettlement shall provide to the Members Committee an explanation of its intended action. Upon the duly seconded motion of any Member, the Members Committee may conduct a vote to afford PJMSettlement a sense of the membership as regards to PJMSettlement's intended action to pursue collection. PJMSettlement shall consider any such vote before initiating formal legal action and at all times during the course of any collection effort evaluate the expected benefits in pursuing such effort in light of any changed circumstances. After deducting the costs of collection, any amounts recovered by PJMSettlement shall be distributed to the Members who have paid their Default Allocation Assessment in proportion to the Default Allocation Assessment paid by each Member.

15.2.2 Default Allocation Assessment.

(a) "Default Allocation Assessment" shall be equal to $(0.1(1/N) + 0.9(A/Z))$, where:

N = the total number of Members, calculated as of five o'clock p.m. eastern prevailing time on the date PJM declares a Member in default, excluding ex officio Members, State Consumer Advocates, Emergency and Economic Load Response Program Special Members, and municipal electric system Members that have been granted a waiver under Operating Agreement, section 17.2.

A = for Members comprising factor "N" above, the Member's gross activity as determined by summing the absolute values of the charges and credits for each of the Activity

Line Items identified in section 15.2.2(b) below as accounted for and billed pursuant to Operating Agreement, Schedule 1, section 3 for the month of default and the two previous months.

$Z =$ the sum of factor A for all Members excluding ex officio Members, State Consumer Advocates, Emergency and Economic Load Response Program Special Members, and municipal electric system Members that have been granted a waiver under Operating Agreement, section 17.2.

The assessment value of $(0.1(1/N))$ shall not exceed \$10,000 per Member per calendar year, cumulative of all defaults, or more than once per Member default if Default Allocation Assessment charges for a single Member default span multiple calendar years. For this purpose, a default by an individual Member that spans multiple billing periods without cure shall be considered a single default. If one or more defaults arise that cause the value to exceed \$10,000 per Member, then the excess shall be reallocated through the gross activity factor.

(b) Activity Line Items shall be each of the line items on the PJM monthly bills net of load reconciliation adjustments and adjustments applicable to activity for the current billing month appearing on the same bill.

16.2 LLC Indemnified Parties.

(a) The LLC will indemnify and hold harmless the PJM Board, the LLC's officers, employees and agents, and any representatives of the Members serving on the Members Committee and any other committee created under Operating Agreement, section 8 (all such Board Members, officers, employees, agents and representatives for purposes of Operating Agreement, section 16 being referred to as "LLC Indemnified Parties"), of and from any and all actions, claims, demands, costs (including consequential or indirect damages, economic losses and all court costs and reasonable attorneys' fees) and liabilities to any third parties, arising from, or in any way connected with, the performance of the LLC under this Agreement, or the fact that such LLC Indemnified Party was serving in such capacity, except to the extent that such action, claim, demand, cost or liability results from the willful misconduct of any LLC Indemnified Party with respect to participation in the misconduct. To the extent any dispute arises between any Member and the LLC arising from, or in any way connected with, the performance of the LLC under this Agreement, the Member and the LLC shall follow the PJM Dispute Resolution Procedures. To the extent that any such action, claim, demand, cost or liability arises from a Member's contractual or other obligation to provide electric service directly or indirectly to said third party, which obligation to provide service is limited by the terms of any tariff, service agreement, franchise, statute, regulatory requirement, court decision or other limiting provision, the Member designates the LLC and each LLC Indemnified Party a beneficiary of said limitation.

(b) An LLC Indemnified Party shall not be personally liable for monetary damages for any breach of fiduciary duty by such LLC Indemnified Party, except that an LLC Indemnified Party shall be liable to the extent provided by applicable law (i) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, or (ii) for any transaction from which the LLC Indemnified Party derived an improper personal benefit. Notwithstanding (i) and (ii), indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the LLC if and to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses that such court shall deem proper. If applicable law is hereafter construed or amended to authorize the further elimination or limitation of the liability of LLC Indemnified Parties, then the liability of the LLC Indemnified Parties, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by law. No amendment to or repeal of this section shall apply to or have any effect on the liability or alleged liability of any LLC Indemnified Party or with respect to any acts or omissions occurring prior to such amendment or repeal. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the LLC, and with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(c) The LLC may pay expenses incurred by an LLC Indemnified Party in defending a civil, criminal, administrative or investigative action, suit or proceeding in advance of the final

disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such LLC Indemnified Party to repay such amount if it shall ultimately be determined that such LLC Indemnified Party is not entitled to be indemnified by the LLC as authorized in this Section.

(d) In the event the LLC incurs liability under this section 16.2 that is not adequately covered by insurance, such amounts shall be recovered pursuant to the PJM Tariff as provided in Operating Agreement, Schedule 3.

16.6 Gross Negligence or Willful Misconduct.

Neither PJMSettlement, the LLC, nor the LLC Indemnified Parties shall be liable to the Members or any of them, or to any third party or other person, for any claims, demands or costs arising from, or in any way connected with, the performance of PJMSettlement or the LLC under this Agreement other than actions, claims or demands based on gross negligence or willful misconduct; provided, however, that nothing herein shall limit or reduce the obligations of PJMSettlement or the LLC to the Members or any of them under the express terms of this Agreement or the PJM Tariff, including, but not limited to, those set forth in Operating Agreement, section 6.2 and Operating Agreement, section 6.3.

17.2 Municipal Electric Systems.

Any provisions of Operating Agreement, section 17.1 notwithstanding, if any Member that is a municipal electric system believes in good faith that the provisions of Operating Agreement, section 5.1(b) and Operating Agreement, section 16.1 may not lawfully be applied to that Member under applicable state law governing municipal activities, the Member may request a waiver of the pertinent provisions of the Agreement. Any such request for waiver shall be supported by an opinion of counsel for the Member to the effect that the provision of the Agreement as to which waiver is sought may not lawfully be applied to the Member under applicable state law. The PJM Board shall have the right to have the opinion of the Member's counsel reviewed by counsel to the LLC. If the PJM Board concludes that either or both of Operating Agreement, section 5.1(b) and Operating Agreement, section 16.1 may not lawfully be applied to a municipal electric system Member, it shall waive the application of the affected provision or provisions to such municipal Member. Any Member not permitted by law to indemnify the other Members shall not be indemnified by the other Members.

18.6 Amendment.

(a) Except as provided by law or otherwise set forth herein, this Agreement, including any Schedule hereto, may be amended, or a new Schedule may be created, only upon: (i) submission of the proposed amendment to the PJM Board for its review and comments; (ii) approval of the amendment or new Schedule by the Members Committee, after consideration of the comments of the PJM Board, in accordance with Operating Agreement, section 8.4, or written agreement to an amendment of all Members not in default at the time the amendment is agreed upon; and (iii) approval and/or acceptance for filing of the amendment by FERC and any other regulatory body with jurisdiction thereof as may be required by law. If and as necessary, the Members Committee may file with FERC or other regulatory body of competent jurisdiction any amendment to this Agreement or to its Schedules or a new Schedule not filed by the Office of the Interconnection.

(b) Notwithstanding the foregoing, an applicant eligible to become a Member in accordance with the procedures specified in this Agreement shall become a Member by executing a counterpart of this Agreement without the need for amendment of this Agreement or execution of such counterpart by any other Member.

(c) Each of the following fundamental changes to the LLC shall require or be deemed to require an amendment to this Agreement and shall require the prior approval of FERC:

- i) Adoption of any plan of merger or consolidation;
- ii) Adoption of any plan of sale, lease or exchange of assets relating to all, or substantially all, of the property and assets of the LLC;
- iii) Adoption of any plan of division relating to the division of the LLC into two or more corporations or other legal entities;
- iv) Adoption of any plan relating to the conversion of the LLC into a stock corporation;
- v) Adoption of any proposal of voluntary dissolution; or
- vi) Taking any action which has the purpose or effect of the adoption of any plan or proposal described in items (i), (ii), (iii), (iv) or (v) above.

18.9 Catastrophic Force Majeure.

Performance of any obligation arising under this Agreement, owed by a Member to either PJM or to another Member (either directly or indirectly), shall not be excused or suspended by reason of an event of force majeure unless such event constitutes an event of Catastrophic Force Majeure. An event of Catastrophic Force Majeure shall excuse a Member from performing obligations arising under this Agreement during the period such Member's performance is prevented by any event of Catastrophic Force Majeure, provided such event was not caused by such Member's fault or negligence. An event of Catastrophic Force Majeure may suspend but shall not excuse any payment obligation owed by a Member. Any excuse or exception to a performance obligation expressly provided for by specific terms of this Agreement, the PJM Tariff, or the Reliability Assurance Agreement shall apply according to their terms and remain in full force and effect without regard to this provision. Unless expressly referenced in any section of this Agreement, the PJM Tariff, or the Reliability Assurance Agreement, this provision shall not apply, and not supersede, other force majeure provisions that are expressly applicable to specific obligations arising under any sections of those documents. This provision shall apply in its entirety to all rules, rights and obligations specified in Tariff, Attachment K-Appendix, Tariff, Attachment DD, Operating Agreement, Schedule 1, and the Reliability Assurance Agreement. Other than this provision, no other force majeure provisions in this Agreement, the PJM Tariff, or the Reliability Assurance Agreement shall apply in any manner to Tariff, Attachment K-Appendix, Tariff, Attachment DD, Operating Agreement, Schedule 1, and the Reliability Assurance Agreement.

18.18 Termination and Withdrawal.

18.18.1 Termination.

Upon termination of this Agreement, final settlement for obligations under this Agreement shall include the accounting for the period ending with the last day of the last month for which the Agreement was effective.

18.18.2 Withdrawal.

Subject to the requirements of Operating Agreement, section 4.1(c) and Operating Agreement, Schedule 1, section 1.4.6, any Member may withdraw from this Agreement upon 90 days notice to the Office of the Interconnection.

18.18.3 Winding Up.

Any provision of this Agreement that expressly or by implication comes into or remains in force following the termination or expiration of this Agreement shall survive such termination or expiration. The surviving provisions shall include, but shall not be limited to: (i) those provisions necessary to permit the orderly conclusion, or continuation pursuant to another agreement, of transactions entered into prior to the decision to terminate this Agreement, (ii) those provisions necessary to conduct final billing, collection, and accounting with respect to all matters arising hereunder, and (iii) the indemnification provisions as applicable to periods prior to such termination or expiration.

IN WITNESS whereof, the Members have caused this Agreement to be executed by their duly authorized representatives.

**SCHEDULE 3 -
ALLOCATION OF THE COST AND EXPENSES
OF THE OFFICE OF THE INTERCONNECTION**

(a) Each group of Affiliates, each group of Related Parties, and each Member that is not in such a group shall pay an annual membership fee, the proceeds of which shall be used to defray the costs and expenses of the LLC, including the Office of the Interconnection. The amount of the annual fee as of the Effective Date shall be \$5,000. The annual membership fee shall be charged on a calendar year basis. In the year that a new membership commences, the annual membership fee may be reduced, at the election of the entity joining, by 1/12th for each full month that has passed prior to membership commencing. If the entity seeking to join elects to pay a prorated annual membership fee as provided here, it shall not be permitted to vote at meetings until the first day following the date that its entry as a new Member is announced at a Members Committee meeting, provided that if an entity's membership is terminated and it seeks to rejoin within twelve months, it will be subject to the full \$5,000 annual membership fee. Annual membership fees shall not be refunded, in whole or in part, upon termination of membership. Each group of Affiliates, each group of Related Parties, and each Member that does not timely pay its annual membership fee by January 1 shall be deemed to have given notice of its intent to withdrawal from PJM Membership in accordance with Operating Agreement, section 18.18.2. PJM shall provide the affected group of Affiliates, group of Related Parties and/or Member with notification (electronic or otherwise) of its intent to apply this provision and the affected group of Affiliates, group of Related Parties and/or Member shall have 90 days therefrom to make payment of its annual membership fee before its withdrawal from PJM Membership becomes effective.

(b) Each group of State Offices of Consumer Advocates from the same state or the District of Columbia and each State Consumer Advocate that nominates its representative to vote on the Members Committee but is not in such a group shall pay an annual fee, the proceeds of which shall be used to defray the costs and expenses of the LLC, including the Office of the Interconnection. The amount of the annual fee shall be \$500. The annual membership fee shall be charged on a calendar year basis and shall not be subject to proration for memberships commencing during a calendar year.

(c) The amount of the annual fees provided for herein shall be adjusted from time to time by the PJM Board to keep pace with inflation.

(d) All remaining costs of the operation of the LLC and the Office of the Interconnection and the expenses, including, without limitation, the costs of any insurance and any claims not covered by insurance, associated therewith as provided in this Agreement shall be costs of PJM Interconnection, L.L.C. Administrative Services and shall be recovered as set forth in Tariff, Schedule 9. Such costs may include costs associated with debt service, including the costs of funding reserve accounts or meeting coverage or similar requirements that financing covenants may necessitate.

(e) An entity accepted for membership in the LLC shall pay all costs and expenses associated with additions and modifications to its own metering, communication, computer, and

other appropriate facilities and procedures needed to effect the inclusion of the entity in the operation of the Interconnection, and for additional services requested by Members from the LLC, PJMSettlement or the Office of the Interconnection that are not required for the operation of the LLC or the Office of the Interconnection.

2.2 Interpretation.

To the extent permitted by applicable law, the PJM Dispute Resolution Procedures are to be interpreted to effectuate the objectives set forth in Operating Agreement, section 2.1. To the extent permitted by these PJM Dispute Resolution Procedures, the Alternate Dispute Resolution Coordinator shall coordinate with the established dispute resolution committee of an Applicable Regional Entity, where appropriate, in order to conserve administrative resources and to avoid duplication of dispute resolution staffing.

4.2 Binding Decision.

Except as specified in Operating Agreement, Schedule 5, section 4.1, the resolution by arbitration of any dispute under this Agreement shall not be binding.

1.3 Establishment of Committees.

(a) The Planning Committee shall be open to participation by (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region and the State Consumer Advocates; and (v) any other interested entities or persons and shall provide technical advice and assistance to the Office of the Interconnection in all aspects of its regional planning functions. The Transmission Owners shall supply representatives to the Planning Committee, and other Members may provide representatives as they deem appropriate, to provide the data, information, and support necessary for the Office of the Interconnection to perform studies as required and to develop the Regional Transmission Expansion Plan.

(b) The Transmission Expansion Advisory Committee established by the Office of the Interconnection will meet periodically with representatives of the Office of the Interconnection to provide advice and recommendations to the Office of the Interconnection to aid in the development of the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee participants shall be given an opportunity to provide advice and recommendations for consideration by the Office of the Interconnection regarding sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives in the studies and analyses to be conducted by the Office of the Interconnection. The Transmission Expansion Advisory Committee participants shall be given the opportunity to review and provide advice and recommendations on the projects to be included in the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee meetings shall include discussions addressing interregional planning issues, as required. The Transmission Expansion Advisory Committee shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates; and (v) any other interested entities or persons. The Transmission Expansion Advisory Committee shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (PJM Manual M-14 series) and by the rules and procedures applicable to PJM committees.

(c) The Subregional RTEP Committees established by the Office of the Interconnection shall facilitate the development and review of the Local Plans. The Subregional RTEP Committees will be responsible for the initial review of the Subregional RTEP Projects, and to provide recommendations to the Transmission Expansion Advisory Committee concerning the Subregional RTEP Projects. A Subregional RTEP Committee may of its own accord or at the request of a Subregional RTEP Committee participant, also refer specific Subregional RTEP Projects to the Transmission Expansion Advisory Committee for further review, advice and recommendations.

(d) The Subregional RTEP Committees shall be responsible for the timely review of the criteria, assumptions and models used to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements, proposed solutions and written comments prior to finalizing the Local Plan, the coordination and integration of the Local Plans into the RTEP, and addressing any stakeholder issues unresolved in the Local Plan process. The Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the criteria, assumptions, and models used in local planning activities prior to finalizing the Local Plan. The Subregional RTEP Committees shall also be responsible for the timely review of the Transmission Owners' criteria, assumptions, and models used to identify Supplemental Projects that will be considered for inclusion in the Local Plan for each Subregional RTEP Committee. The Subregional RTEP Committees meetings shall include discussions addressing interregional planning issues, as required. Once finalized, the Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the Local Plans as integrated into the RTEP, prior to the submittal of the final Regional Transmission Expansion Plan to the PJM Board for approval. In addition, the Subregional RTEP Committees will provide sufficient opportunity to review and provide written comments to the Transmission Owners on any Supplemental Projects included in the Local Plan, in accordance with Additional Procedures for Planning of Supplemental Projects set forth in Tariff, Attachment M-3.

(e) The Subregional RTEP Committees shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates and (v) any other interested entities or persons.

(f) Each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting to review the criteria, assumptions and models to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements. Each Subregional RTEP Committee shall schedule and facilitate an additional Subregional RTEP Committee meeting, per planning cycle, and as required to review the identified criteria violations and potential solutions. The Subregional RTEP Committees may facilitate additional meetings to incorporate more localized areas in the subregional planning process. At the discretion of the Office of the Interconnection, a designated Transmission Owner may facilitate Subregional RTEP Committee meeting(s), or the additional meetings incorporating the more localized areas.

(g) The Subregional RTEP Committees shall schedule and facilitate meetings regarding Supplemental Projects, as described in the Tariff, Attachment M-3.

(h) The Subregional RTEP Committees shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional

Planning Process Manual (Manual M-14 series) and by the rules and procedures applicable to PJM committees.

1.6 Approval of the Final Regional Transmission Expansion Plan.

- (a) Based on the studies and analyses performed by the Office of the Interconnection under Operating Agreement, Schedule 6, the PJM Board shall approve the Regional Transmission Expansion Plan in accordance with the requirements of Operating Agreement, Schedule 6. The PJM Board shall approve the cost allocations for transmission enhancements and expansions consistent with Tariff, Schedule 12. Supplemental Projects shall be integrated into the Regional Transmission Expansion Plan approved by the PJM Board but shall not be included for cost allocation purposes.
- (b) The Office of the Interconnection shall publish the current, approved Regional Transmission Expansion Plan on the PJM Internet site. Within 30 days after each occasion when the PJM Board approves a Regional Transmission Expansion Plan, or an addition to such a plan, that designates one or more Transmission Owner(s) or Designated Entity(ies) to construct such expansion or enhancement, the Office of the Interconnection shall file with FERC a report identifying the expansion or enhancement, its estimated cost, the entity or entities that will be responsible for constructing and owning or financing the project, and the market participants designated under Operating Agreement, Schedule 6, section 1.5.6(l) to bear responsibility for the costs of the project.
- (c) If a Regional Transmission Expansion Plan is not approved, or if the transmission service requested by any entity is not included in an approved Regional Transmission Expansion Plan, nothing herein shall limit in any way the right of any entity to seek relief pursuant to the provisions of Section 211 of the Federal Power Act.
- (d) Following PJM Board approval, the final Regional Transmission Expansion Plan shall be documented, posted publicly and provided to the Applicable Regional Entities.

1.7 Obligation to Build.

- (a) Subject to the requirements of applicable law, government regulations and approvals, including, without limitation, requirements to obtain any necessary state or local siting, construction and operating permits, to the availability of required financing, to the ability to acquire necessary right-of-way, and to the right to recover, pursuant to appropriate financial arrangements and tariffs or contracts, all reasonably incurred costs, plus a reasonable return on investment, Transmission Owners or Designated Entities designated as the appropriate entities to construct, own and/or finance enhancements or expansions specified in the Regional Transmission Expansion Plan shall construct, own and/or finance such facilities or enter into appropriate contracts to fulfill such obligations. Except as provided in Operating Agreement, Schedule 6, section 1.5.8(k), nothing herein shall require any Transmission Owner to construct, finance or own any enhancements or expansions specified in the Regional Transmission Expansion Plan for which the plan designates an entity other than a Transmission Owner as the appropriate entity to construct, own and/or finance such enhancements or expansions.
- (b) Nothing herein shall prohibit any Transmission Owner from seeking to recover the cost of enhancements or expansions on an incremental cost basis or from seeking approval of such rate treatment from any regulatory agency with jurisdiction over such rates.
- (c) The Office of the Interconnection shall be obligated to collect on behalf of the Transmission Owner(s) or Designated Entity(ies) all charges established under Tariff, Schedule 12 in connection with facilities which the Office of the Interconnection designates one or more Transmission Owners or Designated Entity(ies) to build pursuant to this Regional Transmission Expansion Planning Protocol. Such charges shall compensate the Transmission Owner(s) or Designated Entity(ies) for all costs related to such RTEP facilities under a FERC-approved rate and will include any FERC-approved incentives.
- (d) In the event that a Transmission Owner declines to construct an economic transmission enhancement or expansion developed under sections 1.5.6(d) and 1.5.7 of this Schedule 6 that such Transmission Owner is designated by the Regional Transmission Expansion Plan to construct (in whole or in part), the Office of the Interconnection shall promptly file with the FERC a report on the results of the pertinent economic planning process in order to permit the FERC to determine what action, if any, it should take.

SCHEDULE 6-A

Interregional Transmission Coordination Between the SERTP and PJM Regions

The Office of the Interconnection, through its regional transmission planning process, coordinates with the public utility transmission providers of Southeastern Regional Transmission Planning (“SERTP,” and individually, “SERTP Transmission Provider,” and collectively, “SERTP Transmission Providers”), as the transmission providers and planners for the SERTP region to address transmission planning coordination issues related to interregional transmission projects. The interregional transmission coordination procedures include a detailed description of the process for coordination between the SERTP Transmission Providers and the Office of the Interconnection, to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than transmission projects included in the respective regional transmission plans. The interregional transmission coordination procedures are hereby provided in this Schedule 6-A with additional materials provided on the PJM Regional Planning website.

The Office of the Interconnection and each of the SERTP Transmission Providers shall:

- (1) Coordinate and share the results of the SERTP Transmission Providers’ and the Office of the Interconnection’s regional transmission plans to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than separate regional transmission projects;
- (2) Identify and jointly evaluate transmission projects that are proposed to be located in both transmission planning regions;
- (3) Exchange, at least annually, planning data and information; and
- (4) Maintain a website and e-mail list for the communication of information related to the coordinated planning process.

The SERTP Transmission Providers and the Office of the Interconnection developed a mutually agreeable method for allocating between the two transmission planning regions the costs of new interregional transmission projects that are located within both transmission planning regions. Such cost allocation method satisfies the six interregional cost allocation principles set forth in Order No. 1000 and are included in Tariff, Schedule 12-B.

For purposes of this Schedule 6-A, each of the SERTP Transmission Provider’s transmission planning process is the process described in each of the SERTP Transmission Providers’ open access transmission tariffs; the Office of the Interconnection’s regional transmission planning process is the process described in Operating Agreement, Schedule 6. References to the respective transmission planning processes in each of the SERTP Transmission Providers’ open access transmission tariffs are intended to identify the activities described in those tariff provisions. References to the respective regional transmission plans in this Schedule 6-A are intended to identify, for the Office of the Interconnection, the PJM Regional Transmission Expansion Plan (“RTEP”), as defined in applicable PJM documents and, for the

each SERTP Transmission Providers, the SERTP regional transmission plan which includes the applicable ten (10) year transmission expansion plan. Unless noted otherwise, section references in this Schedule 6-A refer to sections within this Schedule 6-A.

Nothing in this Schedule 6-A is intended to affect the terms of any bilateral planning or operating agreements between transmission owners and/or transmission service providers that exist as of the effective date of this Schedule 6-A or that are executed at some future date.

INTERREGIONAL TRANSMISSION PLANNING PRINCIPLES

Representatives of the SERTP and the Office of the Interconnection will meet no less than once per year to facilitate the interregional coordination procedures described below (as applicable). Representatives of the SERTP and the Office of the Interconnection may meet more frequently during the evaluation of project(s) proposed for purposes of interregional cost allocation between the SERTP and the Office of the Interconnection. For purposes of this Schedule 6-A, an “interregional transmission project” means a facility or set of facilities that would be physically located in both the SERTP and PJM regions and would interconnect to transmission facilities in both the SERTP and PJM regions. The facilities to which the project is proposed to interconnect may be either existing transmission facilities or transmission projects included in the regional transmission plan that are currently under development.

1. Coordination

1.1 Review of Respective Regional Transmission Plans: Biennially, the Office of the Interconnection and the SERTP Transmission Providers shall review each other’s current regional transmission plan(s) and engage in the data exchange and joint evaluation described in sections 2 and 3 below.

1.1.1 The review of each region’s regional transmission plan(s), which plans include the transmission needs and planned upgrades of the transmission providers in each region, shall occur on a mutually agreeable timetable, taking into account each region’s transmission planning process timeline.

1.2 Review of Proposed Interregional Transmission Projects: The SERTP Transmission Providers and the Office of the Interconnection will also coordinate with regard to the evaluation of interregional transmission projects identified by the SERTP Transmission Providers and the Office of the Interconnection as well as interregional transmission projects proposed for Interregional Cost Allocation Purposes (“Interregional CAP”), pursuant to section 3 below and Tariff, Schedule 12-B. Initial coordination activities regarding new interregional proposals will typically begin during the third calendar quarter. The SERTP Transmission Providers and the Office of the Interconnection will exchange status updates for new interregional transmission project proposals or proposals currently under consideration as needed. These status updates will generally include, if applicable: (i) an update of the region’s evaluation of the proposal; (ii) the latest calculation of Regional Benefits (as defined in Tariff, Schedule 12-B); (iii) the anticipated timeline for future assessments; and (iv) reevaluations related to the proposal.

1.3 Coordination of Assumptions Used in Joint Evaluation: The SERTP Transmission Providers and the Office of the Interconnection will coordinate assumptions used in joint evaluations, as necessary, which includes items such as:

- 1.3.1 Expected timelines/milestones associated with the joint evaluation
- 1.3.2 Study assumptions
- 1.3.3 Regional benefit calculations

1.4 Posting of Materials on Regional Planning Websites: The SERTP Transmission Providers and the Office of the Interconnection will coordinate with respect to the posting of materials related to the interregional coordination procedures described in this Schedule 6-A on each region's regional planning website.

2. Data Exchange

2.1 At least annually, each of the SERTP Transmission Providers and the Office of the Interconnection shall exchange power-flow models and associated data used in the regional transmission planning processes to develop their respective then-current regional transmission plan(s). This exchange will occur when such data is available in each of the transmission planning processes, typically during the first calendar quarter. Additional transmission-based models and data may be exchanged between the SERTP Transmission Providers and the Office of the Interconnection as necessary and if requested. For purposes of the interregional coordination activities outlined in this Schedule 6-A, only data and models used in the development of the SERTP Transmission Provider's and the Office of the Interconnection's then-current regional transmission plans and used in their respective regional transmission planning processes will be exchanged. This data will be posted on the pertinent regional transmission planning process' websites, consistent with the posting requirements of the respective regional transmission planning processes, and is considered CEII. The Office of the Interconnection shall notify the SERTP Transmission Providers of such posting.

2.2 The RTEP will be posted on the Office of the Interconnection's Regional Planning website pursuant to the Office of the Interconnection's regional transmission planning process. The Office of the Interconnection shall notify the SERTP Transmission Providers of such posting so that the SERTP Transmission Providers may retrieve these transmission plans. Each of the SERTP Transmission Providers will exchange its then-current regional plan(s) in a similar manner according to its regional transmission planning process.

3. Joint Evaluation

3.1 Identification of Interregional Transmission Projects: The SERTP Transmission Providers and the Office of the Interconnection shall exchange planning models and data and current regional transmission plans as described in section 2 above. Each SERTP Transmission Provider and the Office of the Interconnection will review one another's then-current regional transmission plan(s) in accordance with the coordination procedures described in section 1 above and their respective regional transmission planning processes. If through this review, a SERTP Transmission Provider and the Office of the Interconnection identify a

potential interregional transmission project that could be more efficient or cost effective than projects included in the respective regional plans, the SERTP Transmission Provider and the Office of the Interconnection will jointly evaluate the potential project pursuant to section 3.3 below.

3.2 Identification of Interregional Transmission Projects by Stakeholders:

Stakeholders may propose projects that may be more efficient or cost-effective than projects included in the SERTP Transmission Providers' and the Office of the Interconnection's regional transmission plans pursuant to the procedures in each region's regional transmission planning processes. The SERTP Transmission Providers and Office of the Interconnection will evaluate interregional transmission projects proposed by stakeholders pursuant to section 3.3 below.

3.3 Evaluation of Interregional Transmission Projects: The SERTP Transmission Providers and the Office of the Interconnection shall act through their respective regional transmission planning processes to evaluate potential interregional transmission projects and to determine whether the inclusion of any potential interregional transmission projects in each region's regional transmission plan would be more efficient or cost-effective than projects included in the respective then-current regional transmission plans. Such analysis shall be consistent with accepted planning practices of the respective regions and the methods utilized to produce each region's respective regional transmission plan(s). The Office of the Interconnection will evaluate potential interregional transmission projects consistent with Operating Agreement, Schedule 6 and the PJM Manuals 14A entitled New Services Request Process and 14B entitled PJM Region Transmission Planning Process on the PJM Website at <http://www.pjm.com/documents/manuals.aspx>. To the extent possible and as needed, assumptions and models will be coordinated between the SERTP Transmission Providers and the Office of the Interconnection, as described in section 1 above. Data shall be exchanged to facilitate this evaluation using the procedures described in section 2 above.

3.4 Evaluation of Interregional Transmission Projects Proposed for Interregional Cost Allocation Purposes: Interregional transmission projects proposed for Interregional CAP must be submitted in both the SERTP and PJM regional transmission planning processes. The project submittals must satisfy the applicable requirements for submittal of interregional transmission projects, including those in Operating Agreement, Schedule 6 and Tariff, Schedule 12-B. The submittals in the respective regional transmission planning processes must identify the project proposal as interregional in scope and identify SERTP and PJM as the regions in which the project is proposed to interconnect. The Office of the Interconnection will determine whether the submittal for the proposed interregional transmission project satisfies all applicable requirements. Upon finding that the project submittal satisfies all such applicable requirements, the Office of the Interconnection will notify the SERTP Transmission Provider. Upon both regions so notifying one another that the project is eligible for consideration pursuant to their respective regional transmission planning processes, the SERTP Transmission Provider and the Office of the Interconnection will jointly evaluate the proposed interregional projects.

3.4.1 If an interregional transmission project is proposed in the SERTP and Office of Interconnection for Interregional CAP, the initial evaluation of the project will

typically begin during the third calendar quarter, with analysis conducted in the same manner as analysis of interregional projects identified pursuant to sections 3.1 and 3.2 above. Further evaluation shall also be performed pursuant to this section 3.4. Projects proposed for Interregional CAP shall also be subject to the requirements of Tariff, Schedule 12-B.

3.4.2. Each region, acting through its regional transmission planning process, will evaluate proposals to determine whether the interregional transmission project(s) proposed for Interregional CAP addresses transmission needs that are currently being addressed with projects in its regional transmission plan(s) and, if so, which projects in the regional transmission plan(s) could be displaced by the proposed project(s).

3.4.3. Based upon its evaluation, each region will quantify a Regional Benefit based upon the transmission costs that each region is projected to avoid due to its transmission projects being displaced by the proposed project. For purposes of this Schedule 6-A, “Regional Benefit” means: (i) for the SERTP Transmission Providers, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included and (ii) for the Office of the Interconnection, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included. The Regional Benefit is not necessarily the same as the benefits used for purposes of regional cost allocation.

3.5 Inclusion of Interregional Projects Proposed for Interregional CAP in Regional Transmission Plans: An interregional transmission project proposed for Interregional CAP in the SERTP and Office of the Interconnection will be included in the respective regional plans for purposes of cost allocation only after it has been selected by both the SERTP and Office of the Interconnection regional processes to be included in their respective regional plans for purposes of cost allocation.

3.5.1. To be selected in both the SERTP and Office of the Interconnection regional plans for purposes of cost allocation means that each region has performed all evaluations, as prescribed in its regional transmission planning processes, necessary for a project to be included in its regional transmission plans for purposes of cost allocation.

- For SERTP: All requisite approvals are obtained, as prescribed in the SERTP regional transmission planning process, necessary for a project to be included in the SERTP regional transmission plan for purposes of cost allocation. This includes any requisite regional benefit to cost (“BTC”) ratio calculations performed pursuant to the respective regional transmission planning processes. For purposes of the SERTP, the anticipated allocation of costs of the interregional transmission project for use in the regional BTC ratio calculation shall be based upon the ratio of the SERTP’s Regional Benefit to the sum of the Regional Benefits identified for both the SERTP and the Office of the Interconnection; and
- For the Office of Interconnection: All requisite approvals are obtained, as prescribed in the PJM regional transmission planning process, necessary for a project to be included in the RTEP for purposes of cost allocation.

3.6 Removal from Regional Plans: An interregional transmission project may be removed from the SERTP's or Office of the Interconnection's regional plan for purposes of cost allocation: (i) if the developer fails to meet developmental milestones; (ii) pursuant to the reevaluation procedures specified in the respective regional transmission planning processes; or (iii) if the project is removed from one of the region's regional transmission plan(s) pursuant to the requirements of its regional transmission planning process.

3.6.1 The Office of the Interconnection, shall notify the SERTP Transmission Provider if an interregional project or a portion thereof is likely to be removed from its regional transmission plan.

4. Transparency

4.1 The Office of the Interconnection shall post procedures for coordination and joint evaluation on the Regional Planning website.

4.2 Access to the data utilized will be made available through the Regional Planning website subject to the appropriate clearance, as applicable (such as CEII and confidential non-CEII). Both planning regions will make available, on their respective regional websites, links to where stakeholders can register (if applicable/available) for the stakeholder committees or distribution lists of the other planning region.

4.3 PJM will provide status updates of SERTP interregional activities to the TEAC including:

- Facilities to be evaluated
- Analysis performed
- Determinations/results.

4.4 Stakeholders will have an opportunity to provide input and feedback within the respective regional planning processes of SERTP and the Office of the Interconnection related to interregional facilities identified, analysis performed, and any determination/results. Stakeholders may participate in either or both regions' regional planning processes to provide their input and feedback regarding the interregional coordination between the SERTP and the Office of the Interconnection.

4.5 The Office of the Interconnection will post a list on the Regional Planning Website of interregional transmission projects proposed for purposes of cost allocation in both the SERTP and PJM that are not eligible for consideration because they do not satisfy the regional project threshold criteria of one or both of the regions as well as post an explanation of the thresholds the proposed interregional project failed to satisfy.

SCHEDULE 6-B
Interregional Transmission Coordination Between
PJM, New York Independent System Operator, Inc. and ISO New England Inc.

PJM, its Transmission Owners, and any other interested parties shall coordinate system planning activities with neighboring planning regions, (*i.e.*, New York Independent System Operator, Inc. and ISO New England Inc.) (“ISO/RTO Regions”) pursuant to the Northeastern Planning Protocol (“Protocol”) identified in Operating Agreement, Schedule 6, section 1.5.5(b).

The Interregional Planning Protocol includes a description of the committee structure, processes, and procedures through which system planning activities are openly and transparently coordinated by the ISO/RTO Regions. The objective of the interregional planning process is to contribute to the on-going reliability and the enhanced operational and economic performance of the ISO/RTO Regions through: (i) exchange of relevant data and information; (ii) coordination of procedures to evaluate certain interconnection and transmission service requests; (iii) periodic comprehensive interregional assessments; (iv) identification and evaluation of potential Interregional Transmission Projects that can address regional needs in a manner that may be more efficient or cost-effective than separate regional solutions, in accordance with the requirements of Order No. 1000.

Section 9 of the Protocol indicates that the cost allocation for identified interregional transmission projects between PJM and NYISO shall be conducted in accordance with the Joint Operating Agreement Among and Between New York Independent System Operator, Inc. and PJM Interconnection, L.L.C. referenced in Operating Agreement, Schedule 6, section 1.5.5(b).

The planning activities of the ISO/RTO Regions shall be conducted consistent with the planning criteria of each ISO/RTO Region. The ISO/RTO Regions shall periodically produce a Northeastern Coordinated System Plan that integrates the system plans of all of the ISO/RTO Regions.

1.3 Allocation of Costs When PJM is the Registered Entity

- (a) If NERC assesses a monetary penalty against PJM as the Registered Entity for a violation of a NERC Reliability Standard(s), and the conduct of a Member or Members contributed to the Reliability Standard violation(s) at issue, then PJM may directly allocate such penalty costs or a portion thereof to the Member or Members whose conduct contributed to the Reliability Standards violation(s), provided that all of the following conditions have been satisfied:
 - (1) The Member or Members received notice and an opportunity to fully participate in the underlying Compliance Monitoring and Enforcement Program proceeding;
 - (2) This Compliance Monitoring and Enforcement Program proceeding produced a finding, subsequently filed with FERC, that the Member contributed, either in whole or in part, to the NERC Reliability Standards violation(s); and
 - (3) A root cause finding by NERC filed with the FERC identifying the Member's or Members' conduct as causing or contributing to the Reliability Standards violation charged against PJM as the Registered Entity.
- (b) PJM will notify the Member or Members found to have contributed to a violation, either in whole or in part, in the Compliance Monitoring and Enforcement Program. Such notification shall set forth in writing PJM's intent to invoke this section 1.3 and directly assign the costs associated with a monetary penalty to the Member or Members and the underlying factual basis supporting a penalty cost assignment including the conduct contributing to the violation and the violations of the PJM Governing Agreement assigned tasks leading to the issuance of a penalty against the Registered Entity.
- (c) A failure by a Member or Members to participate in the Compliance Monitoring and Enforcement Program proceedings will not prevent PJM from directly assigning the costs associated with a monetary penalty to the responsible Member or Members provided all other conditions set forth herein have been satisfied.
- (d) PJM shall notify the Members or Members that PJM believes the criteria for direct assignment and allocation of costs under this Schedule have been satisfied.
- (e) Where the Regional Entity's and/or NERC's root cause finds that more than one party's conduct contributed to the Reliability Standards violation(s), PJM shall inform all involved Members and shall make an initial apportionment for purposes of the cost allocation on a basis reasonably proportional to the parties' relative fault consistent with such NERC's root cause analysis.

- (f) Should Member or Members disagree with PJM regarding PJM's initial apportionment of the fault, the Dispute Resolution Procedures in Operating Agreement, section 5 shall not apply, but the parties' senior management shall first meet in an attempt to informally resolve the issue. If the disagreement cannot be resolved informally within ten (10) Business Days (or such other deadline as mutually agreed) then the following provisions shall apply:
- (i) If an involved Member so elects, an informal non-binding proceeding shall be conducted within 30 days before a dispute resolution board consisting of officers of two (2) PJM Members who are not parties to the dispute and who are selected by a random drawing of names from the pool of available PJM Members and one (1) member of the PJM Board of Managers. Such dispute resolution board shall decide on the procedures to be used for the proceeding. The final recommendation of the dispute resolution board shall be made in private session within three (3) Business Days of the termination of the proceeding. The recommendation of the dispute resolution board shall be made by simple majority vote. The dispute resolution board may, but shall not be required to, provide a written basis for its recommendation; or
 - (ii) If an involved Member selects not to participate in the informal non-binding proceeding, then the matter shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act. In the FERC proceeding, the involved Member shall request that FERC determine how the costs associated with the monetary penalty should be allocated. However, if there are multiple involved Members, and if any one of them desires a proceeding described in section 1.3(f)(i) above, such proceeding shall first be conducted with respect to the Member(s) desiring such a proceeding.
- (g) If PJM and the involved Member(s) agree on a proportion of penalty cost allocation, such agreement shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act.
- (h) Notwithstanding anything to the contrary contained herein, if the Member or Members fail to pay their share of the Reliability Standard violation costs within 30 days of receipt of the notice required in paragraph 1.3(b) above, and the FERC issues a final order or orders which supports the NERC's root cause findings regarding the Member's or Members' conduct causing or contributing to the violation and PJM's initial determinations in paragraph 1.3(f) above, such payment shall be due with interest calculated at the FERC authorized rate from the date of payment of the penalty by the Registered Entity. Provided, however, if the Member or Members pays their share of the Reliability Standard violation costs within 30 days of receipt of the notice required in paragraph 1.3(b) above, and the FERC issues a final order or orders which does not support the NERC's root cause findings regarding the Member's or Members' conduct causing or

contributing to the violation and PJM's initial determinations in paragraph 1.3(f) above, such payment shall be refunded in full with interest calculated at the FERC authorized rate from the date of payment of the penalty by the Member or Members.

1.4 Allocation of Costs When a PJM Member is the Registered Entity

- (a) If NERC assesses a monetary penalty against a Member as the Registered Entity for a violation of a NERC Reliability Standard(s), and the conduct of PJM contributed to the Reliability Standard violation(s) at issue, then such Member may directly allocate such penalty costs or portion thereof to PJM to the extent PJM's conduct contributed to the Reliability Standards violation(s), provided that the following conditions have been satisfied:
 - (1) PJM received notice and an opportunity to fully participate in the underlying Compliance Monitoring and Enforcement Program proceeding;
 - (2) This Compliance Monitoring and Enforcement Program proceeding produced a finding, subsequently filed with FERC, that PJM contributed, either in whole or in part, to the NERC Reliability Standards violation(s); and
 - (3) A root cause finding by NERC has been filed at the FERC identifying PJM's conduct as causing or contributing to the Reliability Standards violation charged against the Member as the Registered Entity.
- (b) The Member shall notify PJM if PJM is found to have contributed to a violation, either in whole or in part in the Compliance Monitoring and Enforcement Program. Such notification shall set forth in writing the Member's intent to invoke this section 1.4 and directly assign the costs associated with a monetary penalty to PJM and the underlying factual basis supporting a penalty cost assignment including the conduct contributing to the violation and the violations of the PJM Governing Agreement assigned tasks leading to the issuance of a penalty against the Registered Entity.
- (c) A failure by PJM to participate in the Compliance Monitoring and Enforcement Program proceedings will not prevent the Member from directly assigning the costs associated with a monetary penalty to PJM provided all other conditions set forth herein have been satisfied.
- (d) The Member shall notify PJM that the Member believes the criteria for direct assignment and allocation of costs under this Schedule have been satisfied.
- (e) Where the Regional Entity's and/or NERC's root cause analysis finds more than one party's conduct contributed to the Reliability Standards violation(s), the Member shall inform PJM and make an initial apportionment for purposes of the cost allocation on a basis reasonably proportional to PJM's relative fault consistent with such root cause analysis.
- (f) Should PJM disagree with the Member regarding the Member's initial apportionment of the fault, the Dispute Resolution Procedures in Operating Agreement, Schedule 5 shall not apply, but the parties' senior management shall first meet in an attempt to informally resolve the issue. If the disagreement cannot be resolved informally within ten (10)

Business Days (or other such deadline as mutually agreed) then the following provisions shall apply:

- i. If PJM so elects, an informal non-binding proceeding shall be conducted within 30 days before a dispute resolution board consisting of officers of two (2) PJM Members who are not parties to the dispute and who are selected by a random drawing of names from the pool of available PJM Members and one (1) member of the PJM Board of Managers. Such dispute resolution board shall decide on the procedures to be used for the proceeding. The final recommendation of the dispute resolution board shall be made in private session within three (3) Business Days of the termination of the proceeding. The recommendation of the dispute resolution board shall be made by simple majority vote. The dispute resolution board may, but shall not be required to, provide a written basis for its recommendation; or
 - ii. If PJM selects not to participate in the informal non-binding proceeding, the matter shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act. In the FERC proceeding, PJM shall request that the FERC determine how the costs associated with the monetary penalty should be assigned.
- (g) If the PJM and the involved Member(s) agree on a proportion of penalty cost allocation, such agreement shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act.
- (h) Notwithstanding anything to the contrary contained herein, if PJM fails to pay its share of the Reliability Standard violation costs within 30 days of receipt of the notice required in paragraph 1.4(b) above, and the FERC issues a final order or orders which supports the NERC's root cause findings regarding PJM's conduct causing or contributing to the violation and the Member's initial determinations in paragraph 1.4(f) above, such payment shall be due with interest calculated at the FERC authorized rate from the date of payment of the penalty by the Registered Entity. Provided, however, if PJM pays its share of the Reliability Standard violation costs within 30 days of receipt of the notice required in paragraph 1.4(b) above, and the FERC issues a final order or orders which does not support the NERC's root cause findings regarding PJM's conduct causing or contributing to the violation and the Member's initial determinations in paragraph 1.4(f) above, such payment shall be refunded in full with interest calculated at the FERC authorized rate from the date of payment of the penalty by PJM.

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

ARTICLE 2 -- PURPOSE

This Agreement is intended to ensure that adequate Capacity Resources, including planned and Existing Generation Capacity Resources, planned and existing Demand Resources, and Energy Efficiency Resources will be planned and made available to provide reliable service to loads within the PJM Region, to assist other Parties during Emergencies and to coordinate planning of such resources consistent with the Reliability Principles and Standards. Further, it is the intention and objective of the Parties to implement this Agreement in a manner consistent with the development of a robust competitive marketplace. To accomplish these objectives, this Agreement is among all of the Load Serving Entities within the PJM Region. Unless this Agreement is terminated as provided in RAA, Article 3, section 3.3, every entity which is or will become a Load Serving Entity within the PJM Region is to become and remain a Party to this Agreement or to an agreement (such as a requirements supply agreement) with a Party pursuant to which that Party has agreed to act as the agent for the Load Serving Entity for purposes of satisfying the obligations under this Agreement related to the load within the PJM Region of that Load Serving Entity. Nothing herein is intended to abridge, alter or otherwise affect the emergency powers the Office of the Interconnection may exercise under the Operating Agreement and PJM Tariff.

3.3 Termination.

3.3.1 Rights to Terminate.

This Agreement may be terminated by a vote in the Members Committee to terminate the Agreement by an affirmative Sector Vote as specified in the Operating Agreement and upon the receipt of all Required Approvals related to the termination of this Agreement. Any such termination must be approved by the PJM Board and filed with the FERC and shall become effective only upon the FERC's approval.

3.3.2 Obligations upon Termination.

Any provision of this Agreement that expressly or by implication comes into or remains in force following the termination of this Agreement shall survive such termination. The surviving provisions shall include, but shall not be limited to: (a) final settlement of the obligations of each Party under RAA, Article 8 and RAA, Article 12, including the accounting for the period ending with the last day of the month for which the Agreement is effective, (b) the provisions of this Agreement necessary to conduct final billings, collections and accounting with respect to all matters arising hereunder and (c) the indemnification provisions as applicable to periods prior to such termination.

5.1 Withdrawal of a Party.

5.1.1 Notice.

Upon written notice to the Office of the Interconnection, any Party may withdraw from this Agreement, effective upon the completion of its obligations hereunder and the documentation by such Party, to the satisfaction of the Office of the Interconnection, that such Party is no longer a Load Serving Entity.

5.1.2 Determination of Obligations.

A Party's obligations hereunder shall be completed as of the end of the last month for which such Party's obligations have been set at the time said notice is received, except as provided in RAA, Article 13, or unless the Members Committee determines that the remaining Parties will be able to adjust their obligations and commitments related to the performance of this Agreement consistent with such earlier withdrawal date as may be requested by the withdrawing Party, without undue hardship or cost, while maintaining the reliability of the PJM Region.

5.1.3 Survival of Obligations upon Withdrawal.

(a) The obligations of a Party upon its withdrawal from this Agreement and any obligations of that Party under this Agreement at the time of its withdrawal shall survive the withdrawal of the Party from this Agreement. Upon the withdrawal of a Party from this Agreement, final settlement of the obligations of such Party under RAA, Article 7 and RAA, Article 11 shall include the accounting through the date established pursuant to RAA, Article 5, section 5.1.1 and RAA, Article 5, section 5.1.2.

(b) Any Party that withdraws from this Agreement shall pay all costs and expenses associated with additions, deletions and modifications to communication, computer, and other affected facilities and procedures, including any filing fees, to effect the withdrawal of the Party from the Agreement.

(c) Prior to withdrawal, a withdrawing Party desiring to remain interconnected with the PJM Region shall enter into a control area to control area interconnection agreement with the Office of the Interconnection and the transmission owner or Electric Distributor within the PJM Region with which its facilities are interconnected.

5.1.4 Regulatory Review.

Any withdrawal from this Agreement shall be filed with FERC and shall become effective only upon FERC's approval.

5.2 Breach by a Party.

The provisions of Operating Agreement, section 15.1 shall apply to a Party's (a) failure to pay any amount due under this Agreement when due or (b) breach of any material obligation under this Agreement. In addition to the remedies available to the Office of the Interconnection set forth in Operating Agreement, section 15.1, if the Party fails to cure such non-payment or breach, the Office of the Interconnection and the remaining Parties may, without an election of remedies, exercise all remedies available at law or in equity or other appropriate proceedings. Such proceedings may include (a) the commencement of a proceeding before the appropriate state regulatory commission(s) to request suspension or revocation of the breaching Party's license or authorization to serve retail load within the state(s) and/or (b) bringing any civil action or actions or recovery of damages that may include, but not be limited to, all amounts due and unpaid by the breaching Party, and all costs and expenses reasonably incurred in the exercise of its remedies hereunder (including, but not limited to, reasonable attorneys' fees).

7.1 Forecast Pool Requirement and Unforced Capacity Obligations.

(a) The Forecast Pool Requirement shall be established to ensure a sufficient amount of capacity to meet the forecast load plus reserves adequate to provide for the unavailability of Generation Capacity Resources, load forecasting uncertainty, and planned and maintenance outages. RAA, Schedule 4 sets forth guidelines with respect to the Forecast Pool Requirement.

(b) Unless the Party and its customer that is also a Load Serving Entity agree that such customer is to bear direct responsibility for the obligations set forth in this Agreement, (i) any Party that supplies Full Requirements Service to a Load Serving Entity within the PJM Region shall be responsible for all of that Load Serving Entity's capacity obligations under this Agreement for the period of such Full Requirements Service and (ii) any Party that supplies Partial Requirements Service to a Load Serving Entity within the PJM Region shall be responsible for such portion of the capacity obligations of that Load Serving Entity as agreed by the Party and the Load Serving Entity so long as the Load Serving Entity's full capacity obligation under this Agreement is allocated between or among Parties to this Agreement.

7.2 Responsibility to Pay Locational Reliability Charge.

Except to the extent its capacity obligations are satisfied through the FRR Alternative, each Party shall pay, as to the loads it serves in each Zone during a Delivery Year, a Locational Reliability Charge for each such Zone during such Delivery Year. The Locational Reliability Charge shall equal such Party's Daily Unforced Capacity Obligation in a Zone, as determined pursuant to RAA, Schedule 8, times the Final Zonal Capacity Price for such Zone, as determined pursuant to Tariff, Attachment DD.

7.5 Capacity Plans and Deliverability.

Each Party electing to provide Capacity Resources to meet its obligations hereunder shall submit to the Office of the Interconnection its plans (or revisions to previously submitted plans), as prescribed by RAA, Schedule 7, or, in the case of a Party electing the FRR Alternative, as prescribed by RAA, Schedule 8.1, to install or contract for Capacity Resources. As set forth in RAA, Schedule 10, each Party must designate its Capacity Resources as Network Resources or Points of Receipt under the PJM Tariff to allow firm delivery of the output of its Capacity Resources to the Party's load within the PJM Region and each Party must obtain any necessary Firm Transmission Service in an amount sufficient to deliver Capacity Resources from outside the PJM Region to the border of the PJM Region to reliably serve the Party's load within the PJM Region.

7.6 Nature of Resources.

Each Party electing to Self-Supply resources, or electing the FRR Alternative, shall provide or arrange for specific, firm Capacity Resources that are capable of supplying the energy requirements of its own load on a firm basis without interruption for economic conditions and with such other characteristics that are necessary to support the reliable operation of the PJM Region, as set forth in more detail in RAA, Schedule 6, RAA, Schedule 9 and RAA, Schedule 10.

9.3 Data Submissions.

Each Party shall submit to the Office of the Interconnection the data and other information necessary for the performance of this Agreement as may be more fully described, in RAA, Schedule 11.

9.4 Charges for Failures to Comply.

(a) An emergency procedure charge, as set forth in Tariff, Attachment DD, shall be imposed on any Party that fails to comply with the directions of the Office of the Interconnection in times of Emergencies.

(b) A data submission charge, as set forth in RAA, Schedule 12, shall be imposed on any Party that fails to submit the data, plans or other information required by this Agreement in a timely or accurate manner as provided in RAA, Schedule 11.

9.5 Metering.

Each Party shall comply with the metering standards for the PJM Region, as set forth in the PJM Manuals, as well as any further metering requirements applicable to Price Responsive Demand, where such is relied upon for an adjustment to peak load pursuant to RAA, Schedule 6.1.

10.2 Cost Responsibility.

The costs determined under RAA, Article 10, section 10.1(a) shall be allocated to and recovered from the Parties to this Agreement and other entities pursuant to Tariff, Schedule 9-5.

11.1 Periodic Billing.

Each Party shall receive a statement periodically setting forth (i) any amounts due from or to that Party as a result of any charges imposed pursuant to this Agreement and (ii) that Party's share of any costs allocated to that Party pursuant to RAA, Article 10. To the extent practical, such statements are to be coordinated with any billings or statements required pursuant to the Operating Agreement or PJM Tariff.

12.1 Indemnification.

(a) Each Party agrees to indemnify and hold harmless each of the other Parties, its officers, directors, employees or agents (other than PJM Interconnection, L.L.C., its board or the Office of the Interconnection) for all actions, claims, demands, costs, damages and liabilities asserted by third parties against the Party seeking indemnification and arising out of or relating to acts or omissions in connection with this Agreement of the Party from which indemnification is sought, except (i) to the extent that such liabilities result from the willful misconduct of the Party seeking indemnification and (ii) that each Party shall be responsible for all claims of its own employees, agents and servants growing out of any workmen's compensation law. Nothing herein shall limit a Party's indemnity obligations under Operating Agreement, section 16.

(b) The amount of any indemnity payment under this section 12.1 shall be reduced (including, without limitation, retroactively) by any insurance proceeds or other amounts actually recovered by the Party seeking indemnification in respect of the indemnified actions, claims, demands, costs, damages or liabilities. If any Party shall have received an indemnity payment in respect of an indemnified action, claim, demand, cost, damage, or liability and shall subsequently actually receive insurance proceeds or other amounts in respect of such action, claim, demand, cost, damage, or liability, then such Party shall pay to the Party that made such indemnity payment the lesser of the amount of such insurance proceeds or other amounts actually received and retained or the net amount of the indemnity payments actually received previously.

13.2 Consequences of Assignment.

Upon the assignment of all of its rights and obligations hereunder to a successor consistent with the provisions of RAA, Article 13, section 13.1, the assignor shall be deemed to have withdrawn from this Agreement.

15.2 Continuing Representations and Warranties.

Each Party represents and warrants to the other Parties that throughout the term of this Agreement:

- (a) the Party is a Load Serving Entity;
- (b) the Party satisfies the requirements of RAA, Schedule 2;
- (c) the Party is in compliance with the Reliability Principles and Standards;
- (d) the Party is a signatory, or its principals are signatories, to the agreements set forth in RAA, Schedule 3;
- (e) the Party is in good standing in the jurisdiction where incorporated; and
- (f) the Party will endeavor in good faith to obtain any corporate or regulatory authority necessary to allow the Party to fulfill its obligations hereunder.

16.4 Amendment.

This Agreement may be amended only by action of the PJM Board. Notwithstanding the foregoing, an Applicant eligible to become a Party in accordance with the procedures set forth in RAA, Article 4 shall become a Party by executing a counterpart of this Agreement without the need for execution of such counterpart by any other Party. The PJM Office of the Interconnection shall file with FERC any amendment to this Agreement approved by the PJM Board.

C. Response

Upon completion of the analysis, the Office of the Interconnection will inform the entity of (a) the estimated costs and expenses associated with modifications to communication, computer and other facilities and procedures, including any filing fees, needed to include the entity as a Party, (b) the entity's share of any costs pursuant to RAA, Article 10, and (c) the earliest date upon which the entity could become a Party. In addition, a counterpart of the Agreement shall be forwarded for execution.

C. Methodology

Each year, the Forecast Pool Requirement for at least each of the next five Planning Periods shall be projected by applying suitable probability methods to the data and forecasts provided by the Parties and obtained from Electric Distributors, as described in RAA, Schedule 11, the Operating Agreement and in the PJM Manuals. The projection of the Forecast Pool Requirement shall consider the following data and forecasts as necessary:

1. Seasonal peak load forecasts for each Planning Period as calculated by PJM in accordance with the PJM Manuals reflecting (a) load forecasts with a 50 percent probability of being too high or too low and (b) summer peak diversities determined by the Office of the Interconnection from recent experience.
2. Forecasts of aggregate seasonal load shape of the Parties which are consistent with forecast averages of 52 weekly peak loads prepared by the Parties and obtained from Electric Distributors for their respective systems.
3. Variability of loads within each week, due to weather and other recurring and random factors, as determined by the Office of the Interconnection.
4. Generating unit capability and types for every existing and proposed unit.
5. Generator Forced Outage rates for existing mature generating units, as determined by the Office of the Interconnection, based on data submitted by the Parties for their respective systems, from recent experience, and for immature and proposed units based upon forecast rates related to unit types, capabilities and other pertinent characteristics.
6. Generator Maintenance Outage factors and planned outage schedules as determined by the Office of the Interconnection based on forecasts and historical data submitted by the Parties for their respective systems.
7. Miscellaneous adjustments to capacity due to all causes, as determined by the Office of the Interconnection, based on forecasts submitted by the Parties for their respective systems.
8. The emergency capacity assistance available as a function of interconnections of the PJM Region with other Control Areas, as limited by the capacity benefit margin considered in the determination of available transfer capability and the probable availability of generation in excess of load requirements in such areas.

SCHEDULE 4.1

DETERMINATION OF THE FORECAST POOL REQUIREMENT

A. Based on the guidelines set forth in RAA, Schedule 4, the Forecast Pool Requirement shall be determined as set forth in this Schedule 4.1 on an unforced capacity basis.

$$\text{FPR} = (1 + \text{IRM}/100) * (1 - \text{Pool-wide average EFOR}_D/100)$$

where

average EFOR_D = the average equivalent demand forced outage rate for the PJM Region, stated in percent and determined in accordance with Section B hereof

IRM = the PJM Region Installed Reserve Margin approved by the PJM Board for that Planning Period, stated in percent. Studies by the Office of the Interconnection to determine IRM shall not exclude outages that are deemed to be outside plant management control under NERC guidelines.

B. The PJM Region equivalent demand forced outage rate ("average EFOR_D") shall be determined as the capacity weighted EFOR_D for all units expected to serve loads within the PJM Region during the Delivery Year, as determined pursuant to RAA, Schedule 5.

E. Conditions on Purchases and Sales of Capacity Resources by FRR Entities

1. An FRR Entity may not include in its FRR Capacity Plan for any Delivery Year any Capacity Resource that has cleared in any auction under Tariff, Attachment DD for such Delivery Year. Nothing herein shall preclude an FRR Entity from including in its FRR Capacity Plan any Capacity Resource that has not cleared such an auction for such Delivery Year. Furthermore, nothing herein shall preclude an FRR Entity from including in its FRR Capacity Plan a Capacity Resource obtained from a different FRR Entity, provided, however, that each FRR Entity shall be individually responsible for meeting its capacity obligations hereunder, and provided further that the same megawatts of Unforced Capacity shall not be committed to more than one FRR Capacity Plan for any given Delivery Year.

2. An FRR Entity that designates Capacity Resources in its FRR Capacity Plan(s) for a Delivery Year based on the Threshold Quantity may offer to sell Capacity Resources in excess of that needed for the Threshold Quantity in any auction conducted under Tariff, Attachment DD for such Delivery Year, but may not offer to sell Capacity Resources in the auctions for any such Delivery Year in excess of an amount equal to the lesser of (a) 25% times the Unforced Capacity equivalent of the Installed Reserve Margin for such Delivery Year multiplied by the Preliminary Forecast Peak Load for which such FRR Entity is responsible under its FRR Capacity Plan(s) for such Delivery Year, or (b) 1300 MW.

3. An FRR Entity that designates Capacity Resources in its FRR Capacity Plan(s) for a Delivery Year based on the Threshold Quantity may not offer to sell such resources in any Reliability Pricing Model auction, but may use such resources to meet any increased capacity obligation resulting from unanticipated growth of the loads in its FRR Capacity Plan(s), subject to the limitations described in RAA, Schedule 8.1, section D, subsection D.2, or may sell such resources to serve loads located outside the PJM Region, or to another FRR Entity, subject to subsection E.1 above.

4. A Party that has selected the FRR Alternative for only part of its load in the PJM Region pursuant to RAA, Schedule 8.1, section B, subsection B.2 that designates Capacity Resources as Self-Supply in a Reliability Pricing Model Auction to meet such Party's expected Daily Unforced Capacity Obligation under RAA, Schedule 8 shall not be required, solely as a result of such designation, to identify Capacity Resources in its FRR Capacity Plan(s) based on the Threshold Quantity; provided, however, that such Party may not so designate Capacity Resources in an amount in excess of the lesser of (a) 25% times such Party's total expected Unforced Capacity obligation (under both RAA, Schedule 8 and RAA, Schedule 8.1), or (b) 200 MW. A Party that wishes to avoid the foregoing limitation must identify Capacity Resources in its FRR Capacity Plan(s) based on the Threshold Quantity.

SCHEDULE 10.1

LOCATIONAL DELIVERABILITY AREAS AND REQUIREMENTS

The capacity obligations imposed under this Agreement recognize the locational value of Capacity Resources. To ensure that such locational value is properly recognized and quantified, the Office of the Interconnection shall follow the procedures in this Schedule.

A. The Locational Deliverability Areas for the purposes of determining locational capacity obligations hereunder, but not necessarily for the purposes of the Regional Transmission Expansion Planning Protocol, shall consist of the following Zones (as defined in RAA, Schedule 15), combinations of such Zones, and portions of such Zones:

- EKPC
- Cleveland
- ATSI
- DEOK
- Dominion
- Penelec
- ComEd
- AEP
- Dayton
- Duquesne
- APS
- AE
- BGE
- DPL
- PECO
- PEPCO
- PSEG
- JCPL
- MetEd
- PPL
- Mid-Atlantic Region (MAR) (consisting of all the zones listed below for Eastern MAR (EMAR), Western MAR (WMAR), and Southwestern MAR (SWMAR))
- ComEd, AEP, Dayton, APS, Duquesne, ATSI, DEOK, EKPC, and OVEC
- EMAR (PSE&G, JCP&L, PECO, AE, DPL & RE)
- SWMAR (PEPCO & BG&E)
- WMAR (Penelec, MetEd, PPL)
- PSEG northern region (north of Linden substation); and
- DPL southern region (south of Chesapeake and Delaware Canal)

The Locational Deliverability Areas for the purposes of determining locational capacity obligations hereunder, but not necessarily for the purposes for the Regional Transmission Expansion Planning Protocol, shall also include any new Zones expected to be integrated into

PJM prior to the commencement of the Base Residual Auction for the Delivery Year for which the locational capacity obligation is being determined.

B. For purposes of evaluating the need for any changes to the foregoing list, Locational Deliverability Areas shall be those areas, identified by the load deliverability analyses conducted pursuant to the Regional Transmission Expansion Planning Protocol and the PJM Manuals that have a limited ability to import capacity due to physical limitations of the transmission system, voltage limitations or stability limitations. Such limits on import capability shall not reflect the effect of Qualifying Transmission Upgrades offered in the Base Residual Auction. The Locational Deliverability Areas identified in Paragraph A above (as it may be amended from time to time) for a Delivery Year shall be modeled in the Base Residual Auction and any Incremental Auction conducted for such Delivery Year. If the Office of the Interconnection includes a new Locational Deliverability Area in the Regional Transmission Expansion Planning Protocol, it shall make a filing with FERC to amend this Schedule to add a new Locational Deliverability Area (including a new aggregate LDA), if such new Locational Deliverability Area is projected to have a CETL less than 1.15 times the CETO of such area, or if warranted by other reliability concerns consistent with the Reliability Principles and Standards. In addition, any Party may propose, and the Office of the Interconnection shall evaluate, consistent with the same CETO/CETO comparison or other reliability concerns, possible new Locational Deliverability Areas (including aggregate LDAs) for inclusion under the Regional Transmission Expansion Planning Protocol and for purposes of determining locational capacity obligations hereunder.

C. For each Locational Deliverability Area for which a separate VRR Curve was established for a Delivery Year, the Office of the Interconnection shall determine, pursuant to procedures set forth in the PJM Manuals, the Percentage of Internal Resources Required, that must be committed during such Delivery Year from Capacity Resources physically located in such Locational Deliverability Area.

SCHEDULE 12

DATA SUBMISSION CHARGES

A. Data Submission Charge

For each working day of delay in the submittal of information required to be submitted under this Agreement, a data submission charge of \$500 shall be imposed.

B. Distribution Of Data Submission Charge Receipts

1. Each Party that has satisfied its obligations for data submittals pursuant to RAA, Schedule 11 during a Delivery Year, without incurring a data submission charge related to that obligation, shall share in any data submission charges paid by any other Party that has failed to satisfy said obligation during such Planning Period. Such shares shall be in proportion to the sum of the Unforced Capacity Obligations of each such Party entitled to share in the data submission charges for the most recent month.
2. In the event all of the Parties have incurred a data submission charge during a Delivery Year, those data submission charges shall be distributed as approved by the PJM Board.

SCHEDULE 16

Non-Retail Behind the Meter Generation Maximum Generation Emergency Obligations

1. A Non-Retail Behind The Meter Generation resource that has output that is netted from the Daily Unforced Capacity Obligation of a Party pursuant to RAA, Schedule 7 shall be required to operate at its full output during the first ten times between November 1 and October 31 that Maximum Generation Emergency conditions occur in the zone in which the Non-Retail Behind The Meter Generation resource is located.

2. The Party for which Non-Retail Behind The Meter Generation output is netted from its Daily Unforced Capacity Obligation shall be required to report to PJM scheduled outages of the resource prior to the occurrence of such outage in accordance with the time requirements and procedures set forth in the PJM Manuals. Such Party also shall report to PJM the output of the Non-Retail Behind The Meter Generation resource during each Maximum Generation Emergency condition in which the resource is required to operate in accordance with the procedures set forth in PJM Manuals.

3. Except for failures to operate due to scheduled outages during the months of October through May, for each instance a Non-Retail Behind The Meter Generation resource fails to operate, in whole or in part, as required in paragraph 1 above, the amount of operating Non-Retail Behind The Meter Generation from such resource that is eligible for netting will be reduced pursuant to the following formula:

$$\begin{array}{l} \text{Adjusted} \\ \text{ENRBTMG} \end{array} = \text{ENRBTMG} - \sum (10\% \text{ of the Not Run NRBTMG})$$

Where:

ENRBTMG equals the operating Non-Retail Behind The Meter Generation eligible for netting as determined pursuant to RAA, Schedule 7.

Not Run NRBTMG is the amount in megawatts that the Non-Retail Behind The Meter Generation resource failed to produce during an occurrence of Maximum Generation Emergency conditions in which the resource was required to operate.

$\sum (10\% \text{ of the Not Run NRBTMG})$ is the summation of 10% megawatt reductions associated with the events of non-performance.

The Adjusted ENRBTMG shall not be less than zero and shall be applicable for the succeeding Planning Period.

4. If a Non-Retail Behind The Meter Generation resource that is required to operate during a Maximum Generation Emergency condition is an Energy Resource and injects energy into the Transmission System during the Maximum Generation Emergency condition, the Network

Customer that owns the resource shall be compensated for such injected energy in accordance with the PJM market rules.