
FEDERAL ENERGY REGULATORY COMMISSION

Docket No. ER13-198-002

PJM Interconnection, L.L.C.

Compliance Filing

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July 22, 2013

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
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Re: PJM Interconnection, L.L.C., Docket No. ER13-198-00_2
(Compliance Filing)

Dear Secretary Bose:

I. INTRODUCTION

On March 22, 2013, the Commission issued an order¹ addressing PJM Interconnection, L.L.C.'s ("PJM") October 25, 2012 Order No. 1000² regional transmission planning compliance filing,³ PJM Transmission Owners' October 11, 2012 Order No. 1000 cost allocation compliance filing,⁴ and Indicated PJM Transmission

¹ *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 (2013) ("March 22 Order").

² *Transmission Planning and Cost Allocation by Transmission Owners and Operating Public Utilities*, Order No. 1000, III FERC Stats. & Regs., Regs. Preambles ¶ 31,323 (2011), *order on reh'g and clarification*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).

³ Compliance Filing of PJM Interconnection, L.L.C., Docket No. ER13-198-000 (Oct. 25, 2012) ("October 25 Filing").

⁴ Compliance Filing of PJM Transmission Owners, Docket No. ER13-90-000 (Oct. 11, 2012) ("PJM Transmission Owners October 11 Filing").

Owners' October 25, 2012 filing addressing *Mobile Sierra* issues.⁵ In a nutshell, the Commission found that PJM's October 25 Filing and the PJM Transmission Owners' October 11 Filing, with certain modifications, comply with the regional transmission planning and cost allocation requirements imposed by Order No. 1000. The Commission therefore directed PJM and the PJM Transmission Owners to make certain modifications and clarifications in compliance filings due 120 days after the March 22 Order. In this filing, PJM addresses the Commission's directives relating to regional transmission planning.⁶

II. COMPLIANCE FILING AND AMENDMENTS TO SCHEDULE 6 OF THE OPERATING AGREEMENT

A. Effective Date For Operating Agreement And Tariff Revisions Proposed In October 25 Filing

1. Effective Date

In the March 22 Order, the Commission directed PJM "to submit a compliance filing, . . . establishing an appropriate effective date to coincide with the beginning of a 12-month and 24-month planning cycle, and providing further information regarding PJM's transition to the revised regional transmission planning process."⁷ In accordance

⁵ Compliance Filing of Indicated PJM Transmission Owners, Docket No. ER13-195-000 (Oct. 25, 2012) ("Indicated PJM Transmission Owners October 25 Filing").

⁶ For the same reasons that the PJM Transmission Owners made the PJM Transmission Owners' October 11 Filing regarding cost allocation, they will be submitting a separate filing to address the cost allocation-related directives of the March 22 Order, which are set forth in paragraphs 327, 428, and 440.

⁷ March 22 Order at P 32; *see also id.* at P 34.

with this directive, the effective date of the Operating Agreement⁸ and Tariff⁹ revisions filed in the October 25 Filing will be January 1, 2014. Consistent with the March 22 Order, this date coincides “with the beginning of the next 12-month and 24-month planning cycle following the issuance of [the March 22 Order].”¹⁰

2. *Transition to the Revised Regional Transmission Planning Process*

The Commission also required that PJM provide “further information regarding PJM’s transition to the revised regional transmission planning process, including an explanation of how PJM will evaluate transmission projects currently under consideration.”¹¹ As stated above, the effective date for the provisions establishing PJM’s new proposal window process will be January 1, 2014. Therefore, solutions for reliability violations and economic constraints identified prior to that date will be evaluated under PJM’s current regional transmission planning process. However, as PJM indicated in the October 25 Filing, PJM is implementing the new proposal window process to the extent feasible and practicable under its current process.¹² In this regard, PJM already has begun pre-qualifying entities as potential Designated Entities using the

⁸ Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., Rate Schedule FERC No. 24 (“Operating Agreement”).

⁹ PJM Open Access Transmission Tariff (“PJM Tariff” or “Tariff”).

¹⁰ March 22 Order at P 32.

¹¹ *Id.* at P 34.

¹² *See* October 25 Filing at 81-82.

same criteria as proposed in the October 25 Filing¹³ and is implementing a limited number of proposal windows.

For example, as part of its 2013 Regional Transmission Expansion Plan (“RTEP”) planning process, PJM identified operational performance needs related to high voltage facilities on the transmission system around Artificial Island.¹⁴ PJM determined that this system condition offered a good opportunity to implement a proposal window consistent with the revisions proposed in its October 25 Filing. In preparation, PJM had extensive discussions with its stakeholders at the Transmission Expansion Advisory Committee (“TEAC”) regarding the system needs and the plan to open a 60-day proposal window. PJM received 26 project proposals from seven entities. In addition, PJM is about to open a proposal window with respect to the entire body of market efficiency analyses performed as part of the 2013 RTEP.

B. Comparability Principle

1. PJM Complies with the Order No. 890 Comparability Principle

In the March 22 Order, the Commission acknowledged that it already had “found that PJM’s regional transmission planning process satisfied each of the transmission

¹³ The qualification criteria and procedures are posted on the PJM website at the following link: <http://www.pjm.com/planning/rtep-development/expansion-plan-process/ferc-order-1000/pre-qualification.aspx>. Consistent with section 1.5.8(a)(3) of Schedule 6, entities that pre-qualify prior to January 1, 2014, will not be required to submit additional information to pre-qualify as potential Designated Entities after January 1, 2014, unless the information on which their pre-qualification is based changes. See Operating Agreement, Schedule 6 § 1.5.8(a)(3).

¹⁴ Artificial Island is an area of the PJM system in southern New Jersey that has historically been stability constrained. Historically, special operating procedures have been used to maintain stability in the area. The operating procedures have become increasingly difficult to implement while respecting other operational limits on the system.

planning principles of Order No. 890.”¹⁵ But, it further noted that in the October 25 Filing, PJM proposed to delete sections 1.5.6(m) through (p) of Schedule 6, on which the Commission relied to conclude that PJM had complied with the comparability principle.¹⁶ Therefore, the Commission directed PJM to explain how, absent these provisions, PJM continues to comply with the comparability principle.¹⁷ As discussed below, PJM complies with the comparability principle and the deletion of the above-referenced sections does not render PJM non-compliant.

In its May 21, 2009 order addressing PJM’s Order No. 890 compliance, the Commission held that “PJM’s planning process indicates where and when in the planning process sponsors of transmission, generation, and demand resources have an opportunity to provide their input regarding the development of assumptions used by PJM in transmission planning activities and the potential solutions, including alternatives, being considered by PJM to address the physical, economic and/or operational limitations of its system.”¹⁸ This remains true with the addition of PJM’s new project proposal process and the deletion of sections 1.5.6(m) through (p) of Schedule 6.

As PJM explained in the October 25 Filing, PJM’s planning process provides ample opportunities for non-transmission alternatives to compete with transmission solutions on a comparable basis through various market structures, in particular the capacity market (Reliability Pricing Model). For example, resources that clear PJM’s

¹⁵ March 22 Order at P 52.

¹⁶ *Id.* at P 53.

¹⁷ *Id.*

¹⁸ *PJM Interconnection, L.L.C.*, 127 FERC ¶ 61,166, at P 17 (2009).

capacity market can be generation or demand response and produce firm commitments to meet PJM's capacity needs. The availability of these resources on a forward basis is then factored into future regional transmission planning analyses at the assumptions stage.¹⁹

The advent of demand response as a capacity resource along with changing load conditions has contributed to PJM's decision to withdraw transmission lines previously approved. For instance, the PJM Board of Managers canceled the Branchburg-Roseland-Hudson project in 2011, Potomac-Appalachian Transmission Highline ("PATH") project in 2012, and Mid-Atlantic Power Pathway ("MAPP") project in 2012. PJM's re-evaluation of the RTEP and the elimination of these projects illustrate the synergistic relationship between PJM's markets and its planning process in comparably providing a vehicle for development of non-transmission solutions.

In addition, in Docket No. ER12-1178,²⁰ the Commission approved PJM's regional transmission planning analyses that include sensitivity studies, modeling assumption variations, and scenario analyses that:

take account of potential changes in expected future system conditions, including, but not limited to, load levels, transfer levels, fuel costs, *the level and type of generation, generation patterns* (including, but not limited to, the effects of assumptions regarding generation that is at risk for retirement and new generation to satisfy Public Policy Objectives), *demand response*, and uncertainties arising from estimated times to construct transmission upgrades.²¹

¹⁹ See October 25 Filing at 29-32.

²⁰ See *PJM Interconnection, L.L.C.*, 139 FERC ¶ 61,080, *order on compliance*, 141 FERC ¶ 61,169 (2012), *order on reh'g*, *PJM Interconnection, L.L.C.*, 144 FERC ¶ 61,045 (2013) (affirming PJM's tariff changes finding they broadly clarify how sensitivity studies, modeling assumption variation, and scenario planning analyses will be utilized in the RTEP).

²¹ Operating Agreement, Schedule 6 § 1.5.3 (emphasis added).

PJM’s planning studies also include “[e]valuation and analysis of potential enhancements and expansions, including alternatives thereto, needed to mitigate” existing and projected limitations on the transmission system’s physical, economic and/or operational capability or performance.²²

The sensitivity studies are vetted with PJM stakeholders. For example, the TEAC and Subregional RTEP Committees²³ have a least one assumptions meeting in which they discuss among other things, (1) “the impacts of regulatory actions, projected changes in load growth, *demand response resources*, energy efficiency programs, *price responsive demand*, *generating additions and retirements*, market efficiency and other trends in the industry;” and (2) “alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the Committee participants.”²⁴ With the advice and recommendation of the TEAC, the Subregional RTEP Committees, and the Independent State Advisory Committee (“ISAC”) (which process is discussed in more detail below in Section II.D.2), PJM determines a range of assumptions to be used in the studies and scenario analyses, which shall be documented and publicly posted for review.²⁵ After the assumptions meeting(s), the TEAC and the Subregional RTEP Committees facilitate additional meetings to provide committee participants the opportunity to review and

²² *Id.*, Schedule 6 § 1.5.3(b).

²³ The TEAC and Subregional RTEP Committees are open to participation by: “(i) all Transmission Customers, as that term is defined in the PJM Tariff, 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.” *Id.*, Schedule 6 §§ 1.3(b) & (e).

²⁴ *Id.*, Schedule 6 § 1.5.6(b).

²⁵ *Id.*

evaluate the results of the studies performed by PJM, including sensitivity studies and scenario analyses.²⁶

Based on the results of enhancement and expansion studies, including sensitivity studies and scenario analyses, PJM will post on its website the violations, system conditions, economic constraints, and Public Policy Requirements pursuant to section 1.5.8(b) of Schedule 6, for which it will receive proposed solutions from stakeholders. Consideration of non-transmission alternatives such as demand response and generation at the assumptions stage affords participants with an opportunity to provide input into the range of assumptions to be used in the studies and scenario analyses prior to PJM identifying and posting the violations, system conditions, economic constraints, and Public Policy Requirements for which transmission solutions are needed.²⁷ In addition, when PJM determines which proposed projects are the more efficient or cost-effective solutions, it will do so based “on identified needs and the timing of such needs, and taking into account the sensitivity studies, modeling assumption variations and scenario analyses considered pursuant to Section 1.5.3 of this Schedule 6,” which include the impact of demand response and generation.²⁸

2. *Explanation of Elimination of Sections 1.5.6(m) Through (p) of Schedule 6*

Under the new project proposal process, PJM will receive and evaluate proposed solutions for inclusion in the RTEP rather than develop the enhancements or expansions (with input from the TEAC), in the first instance, as it does today. Once the proposal

²⁶ *Id.*, Schedule 6 § 1.5.6(c).

²⁷ *Id.*

²⁸ *Id.*, Schedule 6 § 1.5.6(e).

window closes, no additional proposals or amendments to proposals by the proposer may be submitted or considered for inclusion in the recommended plan. Given the highly competitive nature of the proposal window process, if entities were permitted to submit proposals outside the proposal window, they potentially could have access to additional information, including proposals submitted during a proposal window, which would give them an undue advantage over entities that submitted timely proposals.²⁹ Such a practice would be unfair to the entities that submitted proposals during the proposal windows and undermine the proposal process. Consequently, PJM determined it was necessary to delete any provisions from Schedule 6 of the Operating Agreement that could allow entities to suggest alternatives outside the proposal windows. Sections 1.5.6(m), (n), (o), and (p) of Schedule 6 fall into this category.³⁰

²⁹ See *id.*, Schedule 6 § 1.5.8(d).

³⁰ Sections 1.5.6(m) through (p) of Schedule 6 of the Operating Agreement previously read as follows:

- (m) Any Transmission Owner and other participants on the Transmission Expansion Advisory Committee may offer an alternative transmission solution.
- (n) The Office of the Interconnection shall offer an alternative for review by the Transmission Expansion Advisory Committee or the Subregional RTEP Committees when the Office of the Interconnection determines, in its sole discretion that an alternative exists.
- (o) If the Office of the Interconnection adopts the alternative, based upon its review of the relative costs and benefits, the ability of the alternative to supply the required level of transmission service, and its impact on the reliability of the Transmission Facilities, the Office of the Interconnection shall make any necessary changes to the recommended plan.
- (p) If, based upon its review of the relative costs and benefits, the ability of the alternative to supply the required level of transmission service, and the alternative's impact on the reliability of the Transmission Facilities, the Office of the Interconnection does not adopt an alternative proposed by a Transmission Owner or Owners, the Transmission Owner or

(Cont'd . . .)

Moreover, these provisions were included in Schedule 6 to permit participants to propose alternative transmission solutions to solutions recommended by PJM for inclusion in the recommended plan. However, under PJM's new proposal process, entities in the first instance will have an opportunity to propose the more efficient or cost-effective transmission solution to a system condition and PJM (in consultation with the TEAC) will propose projects for inclusion in the RTEP only if no submitted proposal is the more efficient or cost-effective solution, or if there are time constraints that will not permit a proposal window. Therefore, allowing for alternative proposals once a solution is identified and included in the recommended plan is no longer necessary, as stakeholders already have had the opportunity to suggest solutions.³¹ Thus, sections 1.5.6(m) through (p) are unneeded and inconsistent with the new proposal process.

Finally, to re-iterate, non-transmission alternatives will be considered fully and on a comparable basis to transmission solutions at the assumption and study stages of the regional planning process *via* the sensitivity studies and scenario analyses, which will be subject to stakeholder input and review. Simply put, with the addition of the new project

(. . . cont'd)

Owners whose alternative or alternatives have not been accepted or to whom cost responsibility has been assigned and other participants on the Transmission Expansion Advisory Committee may require that its or their alternative(s) be submitted to the Dispute Resolution Procedures in Schedule 5 of the Operating Agreement.

³¹ See March 22 Order at P 243 (“Accordingly, we find PJM’s proposal to assign a transmission project to the incumbent transmission owner if it determines that none of the proposed Short-term or Long-lead Projects is the more efficient or cost-effective solution complies with Order No. 1000 because, at that point, both incumbent and nonincumbent transmission developers will have had an opportunity to submit proposals to address the identified need.”).

proposal process, the deletion of sections 1.5.6(m) through (p) is appropriate and does not render PJM non-compliant with the comparability principle of Order No. 890.

C. Enrollment Process

In the March 22 Order, the Commission noted that PJM's statement in Appendix 1 of the October 25 Filing that "[t]o participate in the PJM regional planning process, an entity must become a member of PJM" appears to be a misstatement.³² The Commission is correct. For example, Section 1.3(a) of Schedule 6 of the Operating Agreement provides that:

[t]he Planning Committee shall be open to participation by (i) all Transmission Customers, as that term is defined in the PJM Tariff, 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.³³

Therefore, PJM clarifies that an entity does not have to be a PJM member to participate in PJM's regional transmission planning process. However, to become part of the PJM transmission planning region, an entity must become a PJM member.

D. Revisions Regarding "Public Policy Requirements"

In the March 22 Order, the Commission directed PJM to revise its Tariff and Operating Agreement to address several issues regarding Public Policy Requirements.

³² *Id.* at P 55 (citation omitted).

³³ Operating Agreement, Schedule 6 § 1.3(a) (emphasis added). The TEAC and Subregional RTEP Committees are open to the same groups, including "any other interested entities or persons." *See supra* note 23.

1. Revisions to the Definition of “Public Policy Requirements”

In the March 22 Order, the Commission found that PJM’s proposed definition of “Public Policy Requirements” is inconsistent with Order No. 1000, because it does not include references to “duly enacted laws or regulations passed by a local governmental entity, such as a municipal or county government.”³⁴ Therefore, the Commission directed PJM to revise its definition of “Public Policy Requirements” to remedy this inconsistency. Accordingly, to comply with this directive, PJM revises the definition of “Public Policy Requirements” to read:

1.38B Public Policy Requirements

“Public Policy Requirements” shall refer to policies pursued by: (a) state or federal entities, where such policies are reflected in duly enacted statutes or regulations, including but not limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations; and (b) local governmental entities such as a municipal or county government, where such policies are reflected in duly enacted laws or regulations passed by the local governmental entity.

2. Process for Determining Which Public Policy Requirements Identified by Stakeholders Will Be Incorporated into Its Transmission Enhancement and Expansion Studies

In the March 22 Order, the Commission found that PJM had not adequately provided for an Order No. 1000-compliant process through which PJM would identify particular transmission needs driven by Public Policy Requirements.³⁵ The Commission explained that, while PJM proposed to consider “identified public policy requirements at the assumptions stage of the RTEP process and in preparing the scope, assumptions and procedures of its transmission enhancements and expansion studies,” PJM’s proposal

³⁴ March 22 Order at P 113 (citing Order No. 1000 at P 2; Order No. 1000-A at P 319).

³⁵ *Id.* at P 115.

lacked clarity as to whether PJM would incorporate all or a subset of the Public Policy Requirements identified by stakeholders into the studies.³⁶ The Commission further qualified that if PJM intended to use a subset, PJM must include a process in its tariff that describes how such decisions will be made to comply with Order No. 1000.³⁷ Therefore, the Commission directed PJM to describe an Order No. 1000-compliant process through which “PJM will determine which public policy requirements identified by stakeholders at the assumptions stage of the RTEP process will be incorporated into its . . . studies and, thus, which public policy requirements may result in transmission needs for which transmission solutions will be evaluated.”³⁸

In the October 25 Filing, PJM proposed revisions to section 1.5.6(b) of Schedule 6 of the Operating Agreement to provide stakeholders opportunity prior to, and during, an assumptions meeting to submit input into assumptions to be used in performing the evaluation and analysis of potential transmission enhancements and expansions.³⁹ In response to the Commission’s concerns regarding whether PJM will incorporate all or a subset of the Public Policy Requirements identified by stakeholders, PJM clarifies that at the assumption stage of the planning process PJM will take input from the states *via* the ISAC regarding which Public Policy Requirements the states have identified for consideration in PJM’s transmission planning analysis. PJM also will take input from its stakeholders regarding which Public Policy Objectives they would like

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.*

³⁹ *See* October 25 Filing at 39.

PJM to consider in its planning analysis. Following the assumptions meeting and prior to performing the evaluation and analyses, PJM will review stakeholder input with the states through the ISAC and ask the states to validate stakeholder interpretations of Public Policy Requirements and to prioritize suggested Public Policy Objectives and alternative means to satisfy Public Policy Requirements, if any, that stakeholders want PJM to analyze. PJM will determine the range of assumptions to be used in the studies and scenario analyses and the Public Policy Objectives that will be evaluated and analyzed based on: (i) the advice and recommendation of the TEAC and Subregional RTEP Committees; (ii) the Public Policy Requirements validated by the states *via* the ISAC; and (iii) the states' prioritization of Public Policy Objectives based on available PJM resources. PJM then will perform the various studies and scenario analyses based on the input of the TEAC, Subregional RTEP Committees, the ISAC, and PJM's own assessment of its available resources.

3. *Posting of Public Policy Requirements Studied*

In the March 22 Order, the Commission further directed PJM to revise its Tariff to require PJM to post on its website an explanation of (i) the Public Policy Requirements PJM selected at the assumptions stage; and (ii) why other suggested Public Policy Requirements were not adopted. In addition, the Commission directed PJM to clarify when in the RTEP process PJM would make such postings. In response to this directive, PJM proposes additional revisions to section 1.5.6(b) of Schedule 6 to provide that, following the assumptions meeting, PJM will post its determination for stakeholder review, including an explanation of the Public Policy Requirements and Public Policy Objectives that PJM will use to perform its evaluation and analysis. In addition, PJM

will post an explanation as to why other Public Policy Requirements and Public Policy Objectives introduced by stakeholders were not adopted at the assumptions stage. These proposed revisions provide a just and reasonable process for PJM to determine whether to incorporate all or a subset of the Public Policy Requirements identified by stakeholders into the studies.

E. Local Planning

In the March 22 Order, the Commission re-iterated that Order “No. 1000 requires all public utility transmission providers to amend their OATTs to describe procedures that provide for the consideration of transmission needs driven by public policy requirements in the local transmission planning process,” and found that PJM had not sufficiently addressed this requirement and thus required further explanation.⁴⁰

1. Local and Regional Planning Are Fully Integrated in PJM and Therefore Are Compliant with Order No. 1000

In PJM, regional and local planning are fully integrated and therefore comply with Order No. 1000. Subregional RTEP Committees⁴¹ facilitate the development and review of Subregional RTEP Projects and Supplemental Projects as identified by the Transmission Owners within their Zones and provide recommendations to the TEAC

⁴⁰ March 22 Order at P 123 (“PJM does not address in its compliance filing how the transmission-owning members of PJM have incorporated the requirements of Order No. 1000 addressing transmission needs driven by public policy requirements in their local transmission planning processes.”); *see also id.* at P 147 (PJM did not “adequately explain how a proposed transmission project addressing ‘transmission needs driven by Public Policy Requirements’ identified in the local transmission planning process could be included in the regional transmission plan.”).

⁴¹ There are three standing Subregional RTEP Committees – Mid-Atlantic, Western, and Southern.

concerning such projects.⁴² Each Subregional RTEP Committee reviews the criteria, assumptions, and models used by the Transmission Owners to identify reliability criteria violations, economic constraints or *to consider Public Policy Requirements* and proposed solutions in their respective Transmission Owner Zones.⁴³ The Subregional RTEP Committees facilitate at least one meeting to conduct this review. To clarify this role, PJM proposes to amend sections 1.3(d) and 1.3(f) of Schedule 6 to specify that the Subregional RTEP Committees' review shall include but is not limited to, the review of the criteria, assumptions and models used by the Transmission Owners to identify *reliability* criteria violations, *economic constraints, or to consider Public Policy Requirements*.

With these changes, Schedule 6 now more clearly describes the processes by which Public Policy Requirements as well as reliability criteria violations and economic constraints that are local or subregional in nature are fully vetted and taken account of in PJM's regional transmission planning process. Furthermore, projects that are required to address reliability criteria violations, economic constraints or Public Policy Requirements identified by the Transmission Owners are fully vetted through PJM's regional planning process forums that afford opportunity for stakeholder review and comment.

⁴² See Operating Agreement, Schedule 6 §1.3(c).

⁴³ *Id.*, Schedule 6 § 1.3(d).

Through its established regional transmission planning process that fully merges local and regional planning, PJM *evaluates both local and regional planning criteria*,⁴⁴ which complies with Order No. 1000. As the Commission held in its July 19, 2013 Order on Compliance for the Southwest Power Pool, Inc., for such “public utility transmission providers, Order No. 1000’s requirements with regard to public policy requirements apply only to the regional transmission planning process, consistent with Order No. 1000.”⁴⁵

2. *Projects Included in Local Plans Are Incorporated in the RTEP Using the Subregional RTEP Committee Process Described Above*

The Commission further directed PJM to explain “how proposed transmission projects addressing transmission needs driven by Public Policy Requirements identified in the local transmission planning process could be included in the regional plan, although not necessarily for purposes of cost allocation.”⁴⁶ The Subregional RTEP Projects and Supplemental Projects (including those that may address Public Policy Requirements) identified by Transmission Owners are included in the regional transmission expansion plan using the Subregional RTEP Committees process described

⁴⁴ *Id.*, Schedule 6 § 1.2(e) states:

The Regional Transmission Expansion Plan planning criteria shall include, Office of the Interconnection planning procedures, NERC Reliability Standards, Regional Entity reliability principles and standards, and the individual Transmission Owner FERC-filed planning criteria as filed in FERC Form No. 715, and posted on the PJM website. FERC Form No. 715 material will be posted to the PJM website, subject to applicable Critical Energy Infrastructure Information (“CEII”) requirements.

⁴⁵ *Southwest Power Pool, Inc.*, 144 FERC ¶ 61,059, at P 80 (2013) (citing Order No. 1000 at P 203 n.185).

⁴⁶ March 22 Order at P 147.

above. Because Supplemental Projects are not included in the regional transmission expansion plan for cost allocation purposes, PJM Board of Managers approval is not required for their inclusion in the plan. However, PJM evaluates such projects to ensure they do not adversely affect the transmission system, and to identify any upgrades or requirements necessary to accommodate the Supplemental Project. Supplemental Projects are not included in the RTEP if they would adversely affect the transmission system.⁴⁷

F. State Agreement Approach

In the March 22 Order, the Commission held that “[w]hile the State Agreement Approach is not needed for Order No. 1000, it is related to other revisions PJM is making in compliance with Order No. 1000” and therefore, “it is appropriate to include its determination on the State Agreement Approach in this order on PJM’s compliance with Order No. 1000.”⁴⁸ The Commission further found that, with a few modifications and clarifications, the State Agreement Approach is just and reasonable and not unduly discriminatory.⁴⁹ Specifically, the Commission directed PJM to make a compliance filing that “proposes tariff revisions indicating the entity that determines whether a Supplemental Project should be included in the RTEP.”⁵⁰

⁴⁷ In contrast, Subregional RTEP Projects are included in the RTEP for cost allocation purposes and therefore require PJM Board of Managers approval.

⁴⁸ March 22 Order at P 142.

⁴⁹ *Id.* at P 143.

⁵⁰ *Id.* at P 145. The Commission also directed PJM to explain “how proposed transmission projects addressing transmission needs driven by Public Policy Requirements identified in the local transmission planning process could be included in the regional plan, although not necessarily for purposes of cost allocation.” *Id.* at P 147. *See supra* Section II.E.

To comply with the Commission's directive, PJM revises section 1.5.9(a) to clarify that the authorized state governmental entities voluntarily agreeing to be responsible for the allocation of the costs of a proposed transmission expansion or enhancement that addresses state Public Policy Requirements will determine whether an enhancement or expansion should be included in the PJM RTEP as either a Supplemental Project or a state public policy project (the costs of which will be recovered pursuant to a FERC-accepted cost allocation proposed by agreement of one or more states and voluntarily agreed to by those state(s)).

Under the State Agreement Approach, states or other stakeholders may propose a project for inclusion in the recommended plan based on Public Policy Requirements or Public Policy Objectives. If the affected state(s) express to PJM an interest in moving forward with the project, PJM will evaluate the project and inform the affected state(s) whether any additional upgrades would be required to accommodate the state-sponsored project. The affected state(s) then will notify PJM whether they wish to see the project included in the RTEP. If the project is to be included in the RTEP, the affected state(s) shall indicate (1) whether the project should be a Supplemental Project or a state public policy project; and (2) that the affected state(s) will be responsible for the allocation of all costs of the project and any additional upgrades to accommodate the project. Based on this notice, PJM then will include the project in the recommended plan as the type of project requested by the state (*i.e.* as a Supplemental Project or a state public policy project under section 1.5.9 of Schedule 6).

G. Right Of First Refusal

1. Operating Agreement Provision Amended to Remove Ambiguity as to the Right of First Refusal

In the October 25 Filing, PJM noted that notwithstanding the obligation to build set forth in section 1.4 (c) of Schedule 6 of the Operating Agreement, the Commission found in *Primary Power* that Schedule 6 “permits, but does not require,” PJM to designate a nonincumbent transmission developer to build an RTEP project as a baseline reliability project or economic project; and therefore, the Commission’s own findings established that there is no such right of first refusal in PJM’s Tariffs.⁵¹ However, in the March 22 Order, the Commission disagreed that it found in *Primary Power* that “there is no federal right of first refusal in PJM’s OATT and Agreements.”⁵² The Commission further found that “PJM’s OATT and Agreements are not in compliance with Order No. 1000’s requirement to eliminate any federal right of first refusal from Commission-jurisdictional tariffs and agreements,” and directed “PJM to revise its OATT and Agreements to address *any* provision that could be read as supplying a federal right of first refusal for any type of transmission project that is selected in the regional transmission plan for purposes of cost allocation.”⁵³ It also found that “*these*” provisions of the PJM Tariff and Operating Agreement “are ambiguous and open to interpretation and potential undue discrimination,” and directed “PJM to revise the provisions of its OATT and Agreements that could be read as supplying a federal right of first refusal for

⁵¹ See October 25 Filing at 49 (citing *Primary Power LLC*, 131 FERC ¶ 61,015, at P 62 (2010) (“*Primary Power*”)); see also March 22 Order at P 192.

⁵² *Id.* at P 221.

⁵³ *Id.*

transmission projects that are selected in the regional transmission plan for purposes of cost allocation.”⁵⁴ Specifically, the Commission directed that:

PJM must clarify *these* provisions so that they are consistent with Order No. 1000; namely, by removing or revising any provision that could be read as supplying a federal right of first refusal for any type of transmission project that is selected in the regional transmission plan for purposes of cost allocation. Moreover, such clarification must include revision to any provision that could purport to preclude the section 205 filing rights of nonincumbent utilities without their consent, in a manner inconsistent with *Atlantic City*.⁵⁵

PJM filed a request for clarification, or in the alternative, rehearing on this very issue.⁵⁶ In its clarification request, PJM noted that the Commission’s directive “leaves PJM unclear as to (i) what additional clarification or revisions are required; (ii) what other tariff or agreement provisions trigger a federal right of first refusal; or (iii) whether PJM can simply, in a further filing, affirm its prior stance that it is in compliance with Order No. 1000 notwithstanding the existence of the default reliability provisions in its tariff and agreements.”⁵⁷ This request is still pending at the Commission.

Notwithstanding the pending status of the PJM Clarification/Request, PJM reviewed the Operating Agreement to determine whether any provisions “could be read as supplying a federal right of first refusal”⁵⁸ and therefore should be revised per the

⁵⁴ March 22 Order at P 222 (emphasis added).

⁵⁵ *Id.* (emphasis added) (citation omitted).

⁵⁶ Limited Request for Clarification, or in the Alternative, Rehearing of PJM Interconnection, L.L.C., Docket No. ER13-198-001 (Apr. 22, 2013) (“PJM Clarification/Request”).

⁵⁷ *Id.* at 5.

⁵⁸ March 22 Order at P 222.

Commission's directive. As a result of this review, PJM proposes to remove the following sentence from section 1.5.6(k)⁵⁹ of Schedule 6 of the Operating Agreement:

To the extent that one or more Transmission Owners are designated to construct own and/or finance a recommended transmission enhancement or expansion, the recommended plan shall designate the Transmission Owner that owns transmission facilities located in the Zone where the particular enhancement or expansion is to be located.

In the *Primary Power* proceeding, PJM and the PJM Transmission Owners cited to this provision⁶⁰ as establishing a right of first refusal. The Commission found otherwise and concluded that the section applies by its own terms "to the extent that one or more Transmission Owners are designated" and the "[t]o the extent" clause does not provide for reassignment of projects assigned to 'other entities.'⁶¹ The Commission further found that this clause should not be "interpreted so broadly as to invalidate the provisions of section 1.5.7 that permit other participants in the process to propose to construct additional economic projects."⁶² To alleviate any confusion as to the interpretation and application of the sentence referenced above, and whether it might be read to establish a right of first refusal, PJM deletes it from section 1.5.6(k).

2. *Revisions to the Exceptions to Right of First Refusal*

In the March 22 Order, the Commission found that PJM's exceptions to the right of first refusal complied only in part with Order No. 1000. As a result, the Commission

⁵⁹ Section 1.5.6(k) formerly was section 1.5.6(f), which is how the section is cited in *Primary Power* and in the March 22 Order.

⁶⁰ See *Primary Power, LLC*, 140 FERC ¶ 61,052, at P 18 (2012) ("*Primary Power Rehearing Order*").

⁶¹ *Id.* (citing *Primary Power* at PP 63-64).

⁶² *Id.* at P 52.

directed PJM: (1) “to revise section 1.5.8(1)(i) of Schedule 6 to clarify and define the term ‘upgrade’ and make any necessary conforming revisions to Schedule 6, its OATT and Agreements;”⁶³ (2) remove the language in “section 1.5.8(1)(iv), which proposes to designate an incumbent transmission owner as the Designated Entity for a transmission project when the transmission project at issue is ‘proposed to be located on a Transmission Owner’s existing right of way and the project would alter the Transmission Owner’s use and control of its existing rights of way under state law;”⁶⁴ and (3) “remove the proposed language related to designating an incumbent transmission owner as the Designated Entity when required by state law, regulation, or administrative agency order.”⁶⁵ In compliance with these directives, PJM proposes the following changes to Schedule 6 of the Operating Agreement.

a. Clarification of “upgrade”

To clarify the type of “upgrade” referred to in section 1.5.8(1)(i), PJM adds a new definition, “Transmission Owner Upgrade,”⁶⁶ to Schedule 6, which will be used in section 1.5.8(1)(i). A “Transmission Owner Upgrade” shall mean “an upgrade to a Transmission Owner’s own transmission facilities, which is an improvement to, addition to, or replacement of a part of, an existing facility and is not an entirely new facility.”⁶⁷ The defined term “Transmission Owner Upgrade” replaces the phrase “an upgrade to a Transmission Owner’s own transmission facilities” in section 1.5.8(1)(i). The definition

⁶³ March 22 Order at P 227.

⁶⁴ *Id.* at P 229; *see also id.* at P 231.

⁶⁵ *Id.*

⁶⁶ Operating Agreement § 1.46 (Definitions S-T) (proposed).

⁶⁷ *Id.*

of “Transmission Owner Upgrade,” is consistent with the Commission’s clarification in Order No. 1000-A regarding what is considered an “upgrade.” Specifically, Order No. 1000-A states:

In response to requests for clarification regarding what the Commission considers to be an upgrade, we note that in Order No. 1000, the term upgrade *means an improvement to, addition to, or replacement of a part of, an existing transmission facility. The term upgrades does not refer to an entirely new transmission facility.*⁶⁸

By creating a new definition of “Transmission Owner Upgrade” that incorporates the definition of “upgrade” set forth in Order No. 1000-A, the exception to the right of first refusal enumerated in section 1.5.8(l)(i) is fully consistent with Order No. 1000 and complies with the Commission’s directive in the March 22 Order.⁶⁹

b. Removal of rights of way and state law exceptions

In the March 22 Order, the Commission further held that PJM’s proposed exception to designate an incumbent Transmission Owner as the Designated Entity for a transmission project when the transmission project is “proposed to be located on a Transmission Owner’s existing right of way and the project would alter the Transmission Owner’s use and control of its existing rights of way under state law,”⁷⁰ establishes a

⁶⁸ Order No. 1000-A at P 426 (emphasis added).

⁶⁹ In Order No. 1000-A, the Commission noted that it was not “eliminating the right of an owner of a transmission facility to improve its own existing transmission facility by allowing a third-party transmission developer to, for example, propose to replace the towers or the conductors of a transmission line owned by another entity,” however, it is not “to list every type of improvement or addition, or name all the parts of lines, towers and other equipment that may be replaced or otherwise upgrades, and we will not do so here.” *Id.* at P 426 (emphasis added). Additionally, having a separate definition for “Transmission Owner Upgrade” distinguishes such upgrades from other upgrades defined in the PJM Tariff and Operating Agreement. *See* March 22 Order at P 227 & n.417.

⁷⁰ *See* Operating Agreement, Schedule 6 § 1.5.8(l)(iv) (proposed).

federal right of first refusal in the Operating Agreement. Therefore, the Commission directed PJM to remove the quoted language from section 1.5.8(l)(iv).⁷¹ To comply with this directive, PJM deletes section 1.5.8(l)(iv) in its entirety.

Similarly, the Commission held that PJM's proposal to designate an incumbent Transmission Owner as a Designated Entity for enhancements or expansions located in a state "when required by state law, regulation or administrative agency order" added a "federal right of first refusal for a new facility based on state law."⁷² Therefore, it directed PJM to remove "the proposed language related to designating an incumbent transmission owner as the Designated Entity when required by state law, regulation, or administrative agency order."⁷³ To comply with this directive, PJM deletes the last sentence of section 1.5.8(l) of Schedule 6 that reads: "Transmission Owner shall be the Designated Entity when required by state law, regulation or administrative agency order with regard to enhancements or expansions or portions of such enhancement or expansions located within that state."

PJM notes that in the March 22 Order the Commission stated that, "[w]hile public utility transmission providers may not use state laws and regulations to automatically exclude proposals from consideration as the more efficient or cost effective solution to regional transmission needs, it is not necessarily impermissible to consider the effect of the state regulatory process at appropriate points in the regional transmission planning

⁷¹ March 22 Order at PP 229, 231.

⁷² *Id.* at PP 230, 231.

⁷³ *Id.* at P 231.

process.”⁷⁴ Consistent with this statement and Order No. 1000-A,⁷⁵ during the evaluation of proposals, PJM may consider the effect of the state regulatory process when it considers the ability of a proposer to timely complete a project, project development feasibility, and other factors that may be relevant to a proposed project.⁷⁶ However, neither state regulatory process nor right of way issues will be a threshold disqualifier of a project, but instead can be considered as factors in addressing project feasibility and timeliness as noted above.

H. Market Efficiency Projects In The Competitive Process

In the March 22 Order, the Commission stated that “[w]hile PJM’s proposed definitions for Short-term and Long-lead Projects, respectively, make clear that transmission projects proposed to solve a reliability violation (*i.e.*, reliability projects) may be proposed and evaluated as either a Short-term or Long-lead Project, it is unclear whether the same applies to a transmission project proposed to solve an economic constraint (*i.e.*, a market efficiency or economic transmission project).”⁷⁷ Consequently, the Commission directed PJM to clarify “as to what category in the transmission project proposal process (*i.e.*, Long-lead and/or Short-term Projects) a market efficiency project can be proposed and evaluated as in PJM’s proposed transmission project proposal process.”⁷⁸

⁷⁴ *Id.* at P 232.

⁷⁵ Order No. 1000-A at P 454.

⁷⁶ Operating Agreement, Schedule 6 §§ 1.5.8(e) & (f).

⁷⁷ March 22 Order at P 237.

⁷⁸ *Id.*

To clarify, market efficiency projects only will be considered in PJM's 24-month cycle⁷⁹ and therefore, the process for Long-term Projects will be applicable to such projects.⁸⁰ This means that entities may propose market efficiency projects only in the 120-day proposal window. In addition, because market efficiency projects do not have in-service dates required to address a reliability violation, if no project is proposed in the 120-day proposal window that would alleviate an economic constraint, to the extent it remains unaddressed, the economic constraint always will be re-evaluated and re-posted in the next 120-day proposal window.

To codify these clarifications and comply with the March 22 Order, PJM proposes the following clarifications to the Operating Agreement. First, PJM adds a new definition of "Economic-based Enhancement or Expansion" that defines market efficiency projects. Second, PJM revises section 1.5.8(c) of Schedule 6 to specify the 120-day proposal window will apply to proposals for "Economic-based Enhancements or Expansions" (i.e., market efficiency projects). Third, the definitions "Long-lead Project" and "Short-term Project" are revised to delete the reference to "economic constraints" as such constraints will be addressed by projects that meet the new definition of "Economic-based Enhancement or Expansion." Fourth, section 1.5.8(g) of Schedule 6, which addresses the procedures if no proposed project meets the reliability violation or

⁷⁹ The nature of market efficiency analyses require lengthy and complex simulations and in PJM's experience only can be performed effectively in a 24-month cycle.

⁸⁰ While the process for Long-term Projects will be used for market efficiency projects, unlike for Long-term Projects, the in-service date for such projects may be five years or less from the posting of the economic constraint. Market efficiency projects may have any in-service date (more or less than five years) as justified by the Benefits/Cost Ratio in section 1.5.7(d) and deemed feasible from a construction standpoint.

economic constraint, is amended to specify that “[t]o the extent that an economic constraint remains unaddressed, the economic constraint will be re-evaluated and re-posted.” Fifth, the definition of “Designated Entity” is modified to clarify that a “Designated Entity” includes an entity selected by PJM to construct an “Economic-based Enhancements or Expansion.” Sixth, non-substantive changes are made to 1.5.7 and 1.5.8, to reflect the use of the new defined term “Economic-based Enhancement or Expansion.”

I. Criteria For Lengthening Or Shortening Proposal Windows

In the March 22 Order, the Commission found that “PJM’s proposal to shorten or extend the default proposal window for Short-term and Long-lead Projects is generally reasonable,” but expressed concern that PJM’s proposed revisions lacked transparency “with regard to how PJM will make this determination.”⁸¹ Therefore, the Commission directed PJM to “(1) list the criteria that PJM will use to make the determination to shorten or extend the proposal window for Short-term and Long-lead Projects; and (2) provide an explanation of how PJM proposes to evaluate the criteria in order to enable stakeholders to understand how PJM determines to shorten or extend the default proposal window for Short-term and Long-lead Projects.”⁸²

To comply with these directives, PJM amends section 1.5.8(c) of Schedule 6 to provide as follows. PJM may shorten or lengthen a proposal window not yet opened based on one or more of the following criteria: (1) the complexity of the violation or system condition; and (2) whether there is sufficient time remaining in the relevant

⁸¹ March 22 Order at P 239.

⁸² *Id.*

planning cycle to accommodate a standard proposal window and timely address the violation or system condition. With regard to a proposal window that already is open, PJM may only lengthen the proposal window period based on the following criteria: (1) changes in assumptions or conditions relating to the underlying need for the project, such as load growth or Reliability Pricing Model auction results; (2) availability of new or changed information regarding the nature of the violations and the facilities involved; and (3) time remaining in the relevant proposal window.

Evaluation of these criteria will be on a case-by-case basis and will be fact-specific. Therefore, it is impossible to explain at this time how each criterion will be considered in evaluating whether to lengthen or shorten a proposal window. The courts have long held that the tariff need not provide every implementation detail in order to meet the Federal Power Act's section 205 requirements.⁸³ However, PJM understands that transparency in the planning process is important and therefore amends section 1.5.3(c) to specify that, in the event PJM determines to lengthen or shorten a proposal window, it will post on the PJM website the new proposal window period with an explanation as to the reasons for the change. These proposed changes to section 1.5.8(c) contain sufficient criteria and transparency to "enable stakeholders to understand how PJM determines to shorten or extend" the proposal windows for Long-lead Projects and Short-term Projects consistent with the Commission's directive.⁸⁴

⁸³ *City of Cleveland v. FERC*, 773 F.2d 1368 at 1376 (D.C. Cir. 1985).

⁸⁴ March 22 Order at PP 242, 246.

J. Evaluation Of Criteria Considered In Determining Whether To Re-Evaluate And Re-Post A Violation For Which No Proposal Was Determined To Be The More Efficient Or Cost Effective Solution

Section 1.5.8(g) of Schedule 6 provides the procedures for re-posting violations or system conditions in the event that PJM determines that none of the Long-lead Projects, or Short-term Projects received during a proposal window would be the more efficient or cost-effective solution. It provides that PJM may re-evaluate and re-post on the PJM website the unresolved violations, or system conditions provided such re-evaluation and re-posting would not affect the ability of the Office of the Interconnection to timely address the identified reliability need. This section also sets forth the criteria PJM will consider in determining whether there is insufficient time to re-evaluate and re-post the violation. The Commission found that the criteria provided a degree of transparency but that more transparency is needed. Therefore, it required PJM to explain how it “proposes to consider the enumerated criteria listed above to determine whether there is insufficient time for re-posting and re-evaluation, and how such a determination requires that an incumbent transmission owner be assigned to build a Long-lead Project proposed by the Office of Interconnection.”⁸⁵

To comply with this requirement, PJM proposes to amend section 1.5.8(g) to specify that, in determining whether there is insufficient time for re-evaluation and re-posting of a violation or system condition, PJM will develop and post on its website for review by the TEAC a transmission solution construction timeline for each violation for which sufficient solutions were not proposed. The timeline will include: (1) deadlines

⁸⁵ *Id.* at PP 242, 246.

for obtaining regulatory approvals; (2) dates by which long lead equipment should be acquired; (3) the time necessary to complete a proposed solution to meet the required in-service date; and (4) other time-based factors impacting the feasibility of achieving the required in-service date. PJM will use the dates and times in the timeline and the input from the TEAC to determine whether there is sufficient time to conduct a re-evaluation and re-post and still timely address the limitations on the transmission system that give rise to the need for an enhancement or expansion. By using a construction timeline, PJM will provide transparency regarding the dates on which it bases its determination as to the feasibility of re-evaluating and re-posting a violation, as well as enabling stakeholders, through the TEAC, to have input into such determination. In such situations, PJM only will designate an existing Transmission Owner to construct a Long-lead Project when the construction timeline demonstrates that re-evaluation and re-posting would prevent a violation from being timely addressed.

This process, however, only will apply to unaddressed violations or system conditions that affect the reliability of the system. To the extent that an economic constraint remains unaddressed, the economic constraint always will be re-evaluated and re-posted.⁸⁶ The re-posting of unaddressed economic constraints is feasible and appropriate because there is no *required* in-service date to protect the reliability of the system, but rather only a *justifiable* in-service date based on economics.

⁸⁶ Operating Agreement, Schedule 6 § 1.5.8(g) (proposed).

K. Immediate-Need Reliability Projects

In the March 22 Order, the Commission found “PJM’s proposal regarding Immediate-need Reliability Projects partially complies with Order No. 1000,” and that “to avoid delays in the development of transmission facilities needed to resolve a time-sensitive reliability criteria violation, . . . it is just and reasonable to include a class of transmission projects that are exempt from the competitive solicitation.”⁸⁷ However, the Commission also held that “such an exception should only be used in certain limited circumstances” and, therefore, adopted the following five criteria relating to Immediate-need Reliability Projects that must be met: (1) the Immediate-need Reliability Project must be needed in three years or less to solve reliability criteria violations; (2) PJM must separately identify and then post an explanation, whether or not it intends to provide for a proposal window, of the reliability violations and system conditions for which there is a time-sensitive need; (3) the process that PJM uses to decide whether an Immediate-need Reliability Project is assigned to an incumbent Transmission Owner must be clearly outlined in PJM’s Tariff (or Operating Agreement) and must be open, transparent, and not unduly discriminatory; (4) stakeholders must be permitted time to provide comments in response to the description in criterion three and such comments must be made publicly available; and (5) PJM must maintain and post a list of prior year designations of all projects in the limited category of transmission projects for which the incumbent

⁸⁷ March 22 Order at P 247.

transmission owner was designated as the entity responsible for construction and ownership of the project.⁸⁸

Related to the first criterion (project is needed within three years or less), the Commission also held that without further information, it could not accept part (ii) of the definition of Immediate-need Reliability Project, which includes “reliability-based transmission enhancement or expansions ‘for which the Office of the Interconnection determines that an expedited designation is required to address existing and projected limitations on the transmission system due to immediacy of the reliability need in light of the projected time to complete the enhancement or expansion.’”⁸⁹ Therefore, the Commission directed PJM to explain why part (ii) is necessary and how it would implement such a decision.⁹⁰ After further review of the definition of “Immediate-need Reliability Project,” PJM proposes to delete in its entirety part (ii) of the definition. As a result, the definition now fully complies with the first criterion that an “Immediate-need Reliability Project must be needed in three years or less to solve reliability criteria violations.”⁹¹

As for the other four criteria, the Commission directed PJM to demonstrate “how the definition and procedures related to Immediate-need Reliability Projects comply with criteria two through five discussed above” or in the alternative, revise the PJM Tariff (or

⁸⁸ *Id.* at P 248.

⁸⁹ *Id.* at P 251.

⁹⁰ *Id.* at P 252.

⁹¹ *Id.* at P 248.

Operating Agreement) to comply with the criteria.⁹² In response to this directive and to provide transparency and clarity with regard to the use of Immediate-need Reliability Projects, PJM amends section 1.5.8(m)(1) of Schedule 6 of the Operating Agreement as follows.⁹³

First, PJM amends section 1.5.8(m)(1) to clarify that through the RTEP process it will identify immediate reliability needs that must be addressed in three years or less. It then will develop Immediate-need Reliability Projects to address those needs when a proposal window pursuant to section 1.5.8(m)(2) is *infeasible*.

Second, PJM clarifies in section 1.5.8(m)(1) that in making the determination as to the feasibility of conducting a proposal window for Immediate-need Reliability Projects to meet a reliability need, it will consider the following criteria: “(i) nature of the reliability criteria violation; (ii) nature and type of potential solution required; and (iii) projected construction time for a potential solution to the type of reliability criteria violation to be addressed.”⁹⁴ By enumerating these criteria in Schedule 6 of the Operating Agreement, stakeholders are on notice of the criteria being considered, which enhances the transparency of PJM’s decision-making process and complies with the transparency requirement of the third criterion.⁹⁵

⁹² *Id.* at P 253.

⁹³ As the regional transmission planning process only is set forth in Schedule 6 of the Operating Agreement, no amendments to the PJM Tariff are necessary.

⁹⁴ Operating Agreement, Schedule 6 § 1.5.8(m)(1) (proposed).

⁹⁵ March 22 Order at P 248 (“[T]he process that PJM uses to decide whether an Immediate-need Reliability Project is assigned to an incumbent transmission owner must be clearly outlined in PJM’s OATT and must be open, transparent, and not unduly discriminatory.”).

Third, in the event that PJM determines that a proposal window for Immediate-need Reliability Projects pursuant to section 1.5.8(m)(2) is *not* feasible, it will post on the PJM website for review and comment by the TEAC and other stakeholders descriptions of the Immediate-need Reliability Projects. The descriptions shall include an explanation of the decision to designate the Transmission Owner as the Designated Entity rather than conducting a proposal window pursuant to section 1.5.8(m)(2), including an explanation of: (i) the time-sensitive need for the Immediate-need Reliability Project; (ii) other transmission and non-transmission options that were considered but concluded would not sufficiently address the immediate reliability need; (iii) the circumstances that generated the immediate reliability need; and (iv) why the immediate reliability need was not identified earlier. These modifications to section 1.5.8(m)(1) comply with the posting requirement of the third criterion.⁹⁶

Fourth, after the descriptions of the Immediate-need Reliability Projects are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments to the Office of the Interconnection regarding those projects. All comments received by the Office of the Interconnection shall be publicly available on the PJM

⁹⁶ *Id.* (“PJM must provide to stakeholders and post on its website a full and supported written description explaining: (1) the decision to designate an incumbent transmission owner as the entity responsible for construction and ownership of the project, including an explanation of other transmission or non-transmission options that the region considered but concluded would not sufficiently address the immediate reliability need; and (2) the circumstances that generated the immediate reliability need and an explanation of why that immediate reliability need was not identified earlier.”).

website.⁹⁷ This revision to section 1.5.8(m)(1) complies with the fourth criterion that requires an opportunity for stakeholder comment.⁹⁸

Fifth, PJM amends section 1.5.8(m)(1) to specify that in January of each year, PJM shall post on its website and file with the Commission for informational purposes a list of the Immediate-need Reliability Projects for which an existing Transmission Owner was designated in the prior year as the Designated Entity. The list shall include the need-by date of Immediate-need Reliability Project and the date the Transmission Owner actually energized the Immediate-need Reliability Project.⁹⁹ This complies with the March 22 Order requirement¹⁰⁰ that PJM post the Immediate-need Reliability Projects that were designated to existing Transmission Owners in the prior year.¹⁰¹

Finally, PJM amends section 1.5.8(m)(2) to provide that when there is sufficient time to open a proposal window for Immediate-need Reliability Projects, it will include in its posting of the violations and system conditions, an explanation of the time-sensitive need for an Immediate-need Reliability Project. This modification is consistent with

⁹⁷ Operating Agreement, Schedule 6 § 1.5.8(m)(1) (proposed).

⁹⁸ March 22 Order at P 248 (“[S]takeholders must be permitted time to provide comments in response to the description in criterion three and such comments must be made publicly available.”).

⁹⁹ *Id.*

¹⁰⁰ *Id.*

¹⁰¹ *Id.* (“Finally, PJM must maintain and post a list of prior year designations of all projects in the limited category of transmission projects for which the incumbent transmission owner was designated as the entity responsible for construction and ownership of the project. The list must include the project’s need-by date and the date the incumbent transmission owner actually energized the project. Such list must be filed with the Commission as an informational filing in January of each calendar year covering the designations of the prior calendar year.”).

criterion three and provides stakeholders information regarding the urgency of the need to be addressed.

L. Qualification Criteria Clarifications

1. Pre-Qualification Criteria Applies to Both Existing Transmission Owners and Nonincumbent Developers

In the March 22 Order, the Commission found that PJM's proposed qualification criteria for determining the eligibility of an incumbent transmission owner or nonincumbent transmission developer to propose a transmission project for selection in the RTEP for purposes of cost allocation partially complies with Order No. 1000. To be fully compliant, the Commission directed PJM to clarify that the pre-qualification criteria requirements set forth in sections 1.5.8(a) and (c) of Schedule 6 apply to both incumbent transmission owners and nonincumbent transmission developers.¹⁰²

In compliance with the Commission's directive, PJM proposes the following changes to clarify this point. First, PJM adds a definition of "Nonincumbent Developer"

¹⁰² *Id.* at P 276.

to clarify the distinction between a nonincumbent developer and an existing transmission owner. Specifically, PJM proposes that Nonincumbent Developer shall mean:

(1) a transmission developer that does not have an existing Zone in the PJM Region as set forth in Attachment J of the PJM Tariff; or (2) a Transmission Owner that proposes a transmission project outside of its existing Zone in the PJM Region as set forth in Attachment J of the PJM Tariff.¹⁰³

Second, PJM proposes to modify the definition of “Designated Entity”¹⁰⁴ to clarify that such qualification applies to both existing Transmission Owners as well as Nonincumbent Developers.

Finally, PJM further clarifies that the qualification criteria applies to *both* nonincumbent transmission developers and incumbent transmission owners by including references to existing Transmission Owners and Nonincumbent Developers in sections 1.5.8(a)(1), 1.5.8(c), 1.5.8(c)(2), 1.5.8(c)(3), and 1.5.8(c)(4) of Schedule 6 of the Operating Agreement.

2. *Include the Phrase “entity or its affiliate, partner, or parent company”*

In the March 22 Order, the Commission noted that LS Power suggested that the Commission direct PJM to add the phrase “entity or its affiliate, partner or parent

¹⁰³ Operating Agreement § 1.26A.01 (Definitions M-N) (proposed). This definition is consistent with the Commission’s description of “nonincumbent transmission developer” in Order No. 1000. *See* Order No. 1000 at P 225 (“For purposes of this Final Rule, ‘nonincumbent transmission developer’ refers to two categories of transmission developer: (1) a transmission developer that does not have a retail distribution service territory or footprint; and (2) a public utility transmission provider that proposes a Transmission project outside of its existing retail distribution service territory or footprint, where it is not the incumbent for purposes of that project.”).

¹⁰⁴ Operating Agreement § 1.7A (Definitions C-D) (proposed).

company” to section 1.5.8(a)(ix).¹⁰⁵ Upon reading section 1.5.8(a)(ix) within the context of section 1.5.8(a), the Commission found that the phrase appears to be intended to apply throughout the entire section 1.5.8(a).¹⁰⁶ Accordingly, the Commission directed PJM to add the phrase throughout section 1.5.8(a) as appropriate or demonstrate why such phrase should not be added to a particular provision in that section.

In compliance, PJM proposes to add the phrase to sections 1.5.8(a)(1)(vi), (viii), and (ix). PJM did not add the phrase to section 1.5.8(a)(1)(i), which requests the name and address of the entity, as PJM requires the name and address of the entity proposing to own the project, not its affiliate, partner, or parent company. PJM did not add the phrase to section 1.5.8(a)(1)(vii), which requires a commitment by the entity proposing the project to execute the Consolidated Transmission Owners Agreement, if the entity becomes a Designated Entity. Thus, while PJM recognizes that it may be appropriate to allow an affiliate, partner, or parent company to enhance an entity’s application in terms of technical and engineering qualifications, construction experience and expertise, or finances, one entity must be ultimately responsible for the project and PJM requires that such entity be the applicant and owner of the project proposal.

3. *Clarify the Timeline for the Pre-Qualification Window, the Re-Evaluation of an Entity’s Pre-Qualification and the Proposed Short-Term Reliability and Long-Lead Project Proposal Windows*

In the March 22 Order, the Commission found that PJM’s proposed revisions to Schedule 6 did not clarify how the timeframe between the pre-qualification process will

¹⁰⁵ March 22 Order at P 277.

¹⁰⁶ *Id.*

interact with PJM's proposal window process.¹⁰⁷ The Commission, therefore, directed PJM to clarify the interaction between and the timeline of: (i) the pre-qualification window; (ii) the re-evaluation of an entity's pre-qualification application based on additional information; and (iii) the proposed Short-term Project and Long-lead Project proposal windows. Specifically, the Commission directed PJM to explain to which proposal window that it is referring to when it indicates it will notify an entity whether it is qualified to be a Designated Entity "prior to the next proposal window." In an effort to add greater clarity to the process and ensure that pre-qualification is completed prior to the commencement of a planning cycle, PJM removed the reference to "prior to the next proposal window" and proposes to replace such language with the following modifications to Schedule 6 of the Operating Agreement.

First, section 1.5.8(a)(1) clarifies that on September 1 of each year, PJM will open a 30-day pre-qualification window for both existing Transmission Owners and Nonincumbent Developers either to submit a pre-qualification application or update information previously provided pursuant to section 1.5.8(a)(3). Section 1.5.8(a)(2) provides that no later than October 31, PJM will notify such entities whether they are, or will continue to be, pre-qualified as eligible to be a Designated Entity. In the event the entity is not, or no longer qualifies as, eligible to be a Designated Entity or fails to provide sufficient information to determine pre-qualification, section 1.5.8(a)(2) provides that PJM will so notify the entity and include the basis for such determination. The entity then may submit additional information, which PJM will consider in re-evaluating

¹⁰⁷ *Id.* at P 279.

whether the entity is eligible to be qualified. Section 1.5.8(a)(2) provides that if the entity submits the additional information by November 30, PJM will notify the entity of the results of its re-evaluation no later than December 15. If the entity submits the additional information after November 30, section 1.5.8(a)(2) provides that PJM will use “reasonable efforts” to re-evaluate the application and notify the entity of its results “as soon as practicable.” Section 1.5.8(a)(2) further provides that PJM will post on its website the list of entities that are pre-qualified as eligible to be Designated Entities no later than December 31.

Section 1.5.8(a)(3) provides that if an entity was pre-qualified as eligible to be a Designated Entity in the previous year, such entity is not required to pre-qualify for the upcoming year. However, if the entity’s information on which its pre-qualification is based changes with regard to the upcoming year, the entity is required to submit such updated information during the 30-day pre-qualification window and all notification requirements in section 1.5.8(a)(2) will apply. If the entity’s information on which pre-qualification is based changes with respect to the current year, such entity must submit all updated information to PJM at the time the information changes and PJM shall use reasonable efforts to evaluate the updated information and notify the entity as soon as practicable.

Section 1.5.8(a)(4) permits an entity to submit a pre-qualification application outside the annual 30-day window upon a showing of good cause. PJM will use reasonable efforts to process an application received outside the annual 30-day window and will notify the entity whether it pre-qualifies as soon as practicable.

Section 1.5.8(a)(5) provides that to be designated as a Designated Entity for a project proposal, Transmission Owners and Nonincumbent Developers must be pre-qualified as eligible to be a Designated Entity. Section 1.5.8(a)(5) further clarifies that section 1.5.8(a) does not apply to entities that do not intend to be a Designated Entity.

M. Clarification Regarding Use Of State Approval Dates And Development Schedules

In the March 22 Order, the Commission conditionally found that PJM's time-based transmission project proposal "is compliant with the information requirement of Order No. 1000, subject to further clarification."¹⁰⁸ Specifically, the Commission directed PJM to clarify that its "intended use of dates by which all necessary state approvals must be obtained is part of its ongoing monitoring of progress of the estimated construction schedules, consistent with Order No. 1000-A."¹⁰⁹ Accordingly, in compliance with this directive, PJM amends section 1.5.8(i) of Schedule 6 to state that the needed in-service date for the project and the date by which all necessary state approvals should be met included in the notification of Designated Entity shall be used by PJM "as part of its on-going monitoring of the progress of the project to ensure that the project is completed by its needed in-service date."¹¹⁰

In evaluating this compliance requirement, PJM determined that further changes should be made to section 1.5.8(j) of Schedule 6 to clarify the process surrounding the submission and use of development schedules submitted by Designated Entities. These revisions are necessary to enable Designated Entities and PJM the opportunity to develop

¹⁰⁸ March 22 Order at P 295.

¹⁰⁹ *Id.* at P 298.

¹¹⁰ Operating Agreement, Schedule 6 § 1.5.8(i) (proposed).

more accurate and workable development schedules and to ensure that projects are timely constructed to meet system needs. To that end, section 1.5.8(j) is revised to specify that, within 30 days of receiving notification that it has been selected as a Designated Entity (or as extended by PJM for good cause shown), such entity (both existing Transmission Owners and Nonincumbent Developers) shall submit to PJM a development schedule that includes “milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary authorizations and approvals, including but not limited to, state approvals.”¹¹¹ PJM will review the submitted development schedule and within 15 days or other reasonable time, will (1) notify the Designated Entity of any issues regarding the development schedule that may need to be addressed to ensure that the project meets its needed in-service date, and (2) tender the Designated Entity an executable Designated Entity Agreement. The Designated Entity then will have 60 days (or other period as mutually agreed by the PJM and the Designated Entity) to submit to PJM the necessary letter of credit and an executed Designated Entity Agreement containing a mutually agreed upon development schedule.¹¹² This 60-day period provides PJM and the Designated Entity an opportunity to determine appropriate reasonable milestones (including for obtaining state and other governmental approvals) that will ensure the completion of the project in a timely fashion to meet system needs, and will enable more effective monitoring of the progress of the project.

¹¹¹ *Id.*, Schedule 6 § 1.5.8(j) (proposed).

¹¹² *Id.*

In the event that the parties cannot mutually agree on a development schedule (or any other term of the Designated Agreement), to retain its status as a Designated Entity, the Designated Entity may request dispute resolution or request that the Designated Entity Agreement be filed unexecuted within the 60-day (or other mutually agreed upon) period.¹¹³ This provision is just and reasonable as it parallels the process for interconnection customers¹¹⁴ and provides resolution mechanisms for disputes regarding a Designated Entity's development schedule. These provisions are all necessary to ensure that the timelines are workable and practical given PJM's need to ensure smooth implementation of the new competitive solicitation process.

N. Designated Entity Agreement

In the March 22 Order, the Commission interpreted the requirement in section 1.5.8(j) for a Designated Entity to submit an executed agreement to PJM "within 60 days of receiving notification of its designation as Designated Entity to apply equally to incumbent transmission developers."¹¹⁵ This interpretation is correct. To clarify this point, PJM amends section 1.5.8(j) to state: "within 60 days of receiving notification of its designation (or other such period as mutually agreed upon by the Office of the Interconnection and the Designated Entity), the Designated Entity (*both existing Transmission Owners and Nonincumbent Developers*) shall . . . return to the Office of the Interconnection an executed Designated Entity Agreement"¹¹⁶

¹¹³ *Id.*

¹¹⁴ *See* PJM Tariff § 212.4.

¹¹⁵ March 22 Order at P 280.

¹¹⁶ Operating Agreement, Schedule 6 § 1.5.8(j) (proposed) (emphasis added).

In addition, the Commission directed that PJM submit any *pro forma* Designated Entity Agreement to the Commission for review.¹¹⁷ PJM anticipates developing the *pro forma* Designated Entity Agreement over the next several months and filing it with the Commission for review and acceptance prior to January 1, 2014, the effective date of its Order No. 1000 compliance reforms.

O. Communication Procedures During RTEP Process

In the March 22 Order, the Commission disagreed with the contention that PJM only should be permitted to conduct public discussions with stakeholders during the proposal window and evaluation process.¹¹⁸ It found that there “are circumstances in which it would be prudent for PJM to keep confidential the substance of discussions with stakeholders, both incumbent and nonincumbent transmission developers” but that “during the course of confidential discussions, the substance of the discussion may include information concerning the transmission project proposal process that would be beneficial for all stakeholders participating in the regional planning process.”¹¹⁹ Therefore, the Commission directed PJM “to propose a process and/or procedures whereby PJM will: (1) determine whether any generally applicable information regarding the transmission project proposal process is discussed in a confidential meeting; and (2) publicly provide that generally applicable information.”¹²⁰

¹¹⁷ March 22 Order at P 280.

¹¹⁸ *Id.* at P 311; *see also* Errata to Protest of LS Power Transmission, LLC, Docket No. ER13-198-000, at 26-28 (Dec. 11, 2012) (“LS Power Protest”).

¹¹⁹ March 22 Order at P 311.

¹²⁰ *Id.*

PJM will use the following procedures with regard to communications with stakeholders during the regional planning process. First, to avoid providing an undue advantage, PJM will not discuss with any stakeholder specific proposals entities are considering submitting in the proposal windows. Second, if at any point PJM becomes aware of information relevant to the regional transmission planning process, it shall post on the PJM website such information to the extent it: (1) relates to changes in the nature of a violation, system condition, economic constraint, or Public Policy Requirement posted in accordance with section 1.5.8(b) of Schedule 6 or related facilities; or (2) clarifies a posting made pursuant to section 1.5.8(b). Third, in the event that during the regional transmission planning process (including during the proposal window and evaluation process), PJM receives any confidential, or commercially sensitive data, or any data that would be appropriately classified as CEII, it will treat such information in accordance with its existing confidentiality and CEII procedures.¹²¹ This process will ensure that all interested stakeholders are aware of useful information that may arise in discussions between PJM and a stakeholder during the regional transmission planning process, while also protecting confidential information and CEII.

P. Evaluation Of Economic-Based Enhancements Or Expansions

In the March 22 Order, the Commission noted that PJM proposed “to amend its existing evaluation process for economic-based enhancements or expansions so that it allows PJM to consider other factors in addition to the Benefit/Cost Ratio when determining whether to select an economic transmission project” for inclusion in the

¹²¹ See Operating Agreement § 18.17 (Confidentiality); PJM’s CEII procedures are available on its website at: <http://www.pjm.com/documents/ferc-manuals/ceii.aspx>.

RTEP but failed to specify the other factors.¹²² Therefore, the Commission directed PJM “to provide additional detail in its OATT about the other factors that will be used in the evaluation process.”¹²³ After further review of the proposed change to section 1.5.7(d) of Schedule 6 referenced by the Commission, PJM has determined to withdraw its proposal to amend section 1.5.7(d) and instead reverts to the original language. The proposed amendment replaced “shall be included in the Regional Transmission Plan” with “shall be considered for inclusion in the Regional Transmission Plan.” This revision initially was proposed in anticipation of a future multi-driver approach, which is not yet fully developed in PJM. Under such an approach, projects would be evaluated in light of multiple different drivers. Until the development of the multi-driver approach is completed, PJM reverts in this filing to the 1.5.7(d) language in existence prior to the October 25 Filing.¹²⁴

Q. Cost-Effectiveness Is An Applicable Factor In Determining Whether A Proposed Project Will Be Selected For Inclusion In The Regional Transmission Expansion Plan

In its protest, LS Power requested that PJM propose additional revisions obligating PJM to consider cost-effectiveness in determining the more efficient or cost-

¹²² March 22 Order at P 312.

¹²³ *Id.*

¹²⁴ The pertinent language in section 1.5.7(d) of Schedule 6 of the Operating Agreement is reverts to:

An Economic-based Enhancement or Expansion shall be ~~considered for inclusion~~ included in the Regional Transmission Expansion Plan recommended to the PJM Board, if the relative benefits and costs of the Economic-based Enhancement or Expansion meet a Benefit/Cost Ratio Threshold of at least 1.25:1.

effective transmission solutions.¹²⁵ In the March 22 Order, the Commission noted that PJM's proposed revisions to Schedule 6 of the Operating Agreement provide that it will "consider the cost-effectiveness of a proposed transmission project, to the extent this factor is applicable in determining whether a proposed transmission project is a more efficient or cost-effective transmission solution to regional transmission needs."¹²⁶ In fact, in its proposal PJM provides that it will consider the criteria set forth in section 1.5.8(e) to the extent *any* of the criteria listed is applicable, not just cost-effectiveness.

The Commission directed PJM to "explain the circumstances, if any, under which . . . cost-effectiveness would not be applicable in PJM's evaluation" of transmission solutions.¹²⁷ In section 1.5.8(e), PJM sets forth specific criteria it will consider in selecting the more efficient or cost-effective transmission solution, which includes cost-effectiveness. For example, if presented with two or more competing project proposals with all other factors being equal, cost-effectiveness will be used in all cases as one factor in selecting a proposed transmission project. However, should PJM have two or more competing project proposals and only one project proposal solves the potential violation(s), then cost-effectiveness may not be as applicable in selecting among the competing project proposals. Thus, consistent with Commission precedent in Order No. 1000, PJM's proposed criteria set forth in section 1.5.8(e) of Schedule 6 permits PJM to "evaluate and select among competing transmission solutions and resources," using

¹²⁵ See LS Power Protest at 24-26.

¹²⁶ March 22 Order at P 313.

¹²⁷ *Id.*

criteria that includes “the relative economics and effectiveness of performance for each alternative offered for consideration.”¹²⁸

R. Re-Evaluation Process For Transmission Proposals For Selection In The Regional Transmission Plan For Purposes Of Cost Allocation

In the March 22 Order, the Commission concluded that “PJM’s proposal clearly identifies the circumstances and procedures for when it will re-evaluate transmission projects that are selected in the regional transmission plan for purposes of cost allocation, and for what purposes.”¹²⁹ It further acknowledged that “as a result of its reevaluation PJM may: (1) retain transmission projects in the RTEP; (2) remove transmission projects from the RTEP; or (3) include alternative solutions in the RTEP.”¹³⁰ But the Commission expressed concern that the lack of description regarding how PJM will make its decision “may allow PJM too much discretion in making this determination.”¹³¹ For that reason, it required PJM to provide “an explanation of the basis upon which PJM will retain or remove a selected transmission project, or select an alternative transmission solution.”¹³²

Section 1.5.8(k) specifies that PJM will re-evaluate the need for a project in the event a Designated Entity fails to provide a letter of credit or otherwise fails to meet a milestone that would delay its in-service date. In making this evaluation, PJM will evaluate several factors, including (1) current transmission needs and changes in the

¹²⁸ *Id.* (citing Order No. 1000 at P 315).

¹²⁹ *Id.* at P 318.

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² *Id.*

system since the project was designated and included in the regional transmission plan; (2) the development stage of the project (beginning, middle, end); and (3) the amount of delay caused by the failure of a project to meet the milestone versus choosing another solution.

System changes that PJM likely would consider in determining whether the project is still needed or the more efficient or cost-effective solution include, but are not limited to, increases or decreases in load, generation deactivations, generation interconnections, and intervening enhancements or expansions to the transmission system. For example, if the project is to serve an area where load growth has declined, PJM may determine that the project is no longer necessary or that a less robust solution is sufficient. On the other hand, if load growth has increased more than expected, a more robust enhancement or expansion may be the more efficient and cost-effective solution. In either case, if the project is in its final development stage when the re-evaluation occurs, it may be more efficient or cost-effective to retain the project. In contrast, if the project is in the beginning stages of development, there may be no advantage to retaining it in favor of an alternative project. Finally, PJM will consider the degree to which the project will be delayed as a result of the missed milestone. To illustrate, if the missed milestone only would delay a project a few weeks, but it would take a few months to designate a new project, thereby endangering the needed in-service date even further, PJM may determine that retaining the project is the more prudent action. However, if the delay were significant and a new project could be designated that would promptly meet the need, retaining the original project may not be the more efficient solution. Each situation will be fact-specific and will require PJM to use its best judgment. However,

there is an important check on PJM's discretion. Any modification to the regional transmission expansion plan that results from a re-evaluation pursuant to section 1.5.8(k) of Schedule 6 shall be presented to the TEAC for review and comment and approved by the PJM Board of Managers.¹³³ Thus, PJM will not have unfettered discretion in the re-evaluation process.

S. Cost Allocation Principle 4: PJM's Arrangements With Other Regions With Regard To Bearing Costs For Upgrades

Regional Cost Allocation Principle 4 requires that a regional transmission planning process must identify consequences of an RTEP transmission facility on another transmission planning region, such as upgrades that may be required in another region.¹³⁴ In the March 22 Order, the Commission found that the PJM Transmission Owners did not address whether PJM will identify the consequences of such facilities for other transmission planning regions or whether PJM has agreed to pay for costs for required upgrades in another transmission planning region or, if so, how such costs would be allocated within the PJM Region.¹³⁵

The Commission directed PJM and the PJM Transmission Owners to revise the Tariff to provide for identification of the consequences of a transmission facility selected in the RTEP for purposes of cost allocation on another transmission planning region. PJM's agreements with the New York Independent System Operator, Inc. ("NYISO") and Midcontinent Independent System Operator, Inc. ("MISO") together with the proposed tariff language relative to the Southeastern Regional Transmission Planning

¹³³ Operating Agreement, Schedule 6 § 1.5.8(k) (proposed).

¹³⁴ March 22 Order at P 422.

¹³⁵ *Id.*

(“SERTP”) Transmission Providers submitted with its Order No. 1000 interregional compliance filings (1) provide a process through which PJM will identify potential consequences of an RTEP transmission facility on another transmission planning region; and (2) address whether PJM has agreed to pay for costs for required upgrades in another transmission planning region.

Specifically, with regard to the joint operating agreement entered into between PJM and MISO,¹³⁶ section 9.2(j) of the PJM/MISO JOA provides that the parties will supply each other with “data and information as is needed for each Party to plan its own system accurately and reliably and to assess the impact of conditions existing on the system of the other party.” Under single party planning, section 9.3.1 of the PJM/MISO JOA also specifies that the parties will share on ongoing basis information arising in the performance of each party’s planning activities “as is necessary or appropriate for effective coordination between the [p]arties” including, *inter alia*, “the identification of proposed transmission system enhancements that may affect the [p]arties’ respective systems.” While the PJM/MISO JOA provides for allocation of costs of network upgrades associated with impacts on its neighboring region due to generation or merchant transmission interconnections¹³⁷ or long-term firm delivery service requests,¹³⁸ the PJM/MISO JOA does not provide for, nor have the parties agreed to, an allocation of costs for upgrades that may required on a neighboring region’s system due to impacts as a result of an RTEP upgrade.

¹³⁶ Joint Operating Agreement between the Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, L.L.C. (“PJM/MISO JOA”).

¹³⁷ PJM/MISO JOA at § 9.4.1.

¹³⁸ *Id.* at § 9.4.2.

Similarly, NYISO and PJM submitted mutually-agreed-to changes to the PJM/NYISO JOA¹³⁹ as part of their respective Order No. 1000 interregional compliance filings.¹⁴⁰ These modifications to the PJM/NYISO JOA add a process that provides for the coordination of transmission planning studies regarding reliability transmission projects located solely within one region. In particular, proposed section 35.10.7.1 of the PJM/NYISO JOA provides that PJM and NYISO will coordinate to share their respective regional baseline reliability analysis at the same time they share it with their stakeholders through their respective regional committee processes. Pursuant to proposed section 35.10.7.2, each regional transmission organization (“RTO”) is responsible to identify potential negative impacts to the reliability of its system based on analysis provided by its neighboring region. If any such impacts are identified, the regions have agreed to discuss the identified impacts and coordinate any special studies. Proposed section 35.10.7.3(a) provides that each region will be responsible for performing studies of such potential impacts but the RTOs may agree on the most efficient way to perform special studies on a case-by-case basis. Additionally, subsections 35.10.7.3.(b) through 35.10.7.3.(d) require the RTOs to: (i) provide each other with the technical information needed to perform the necessary studies; (ii) coordinate the timing and conduct of the studies; and

¹³⁹ Joint Operating Agreement Among and Between New York Independent System Operator, Inc. and PJM Interconnection, L.L.C. *See* PJM Interconnection, L.L.C., Rate Schedule 45 and NYISO OATT 35, Attachment CC.

¹⁴⁰ *See* Submission of Interregional Transmission Coordination Procedures between PJM Interconnection, L.L.C. and New York Independent System Operator, Inc., Docket No. ER13-1947-000 (July 10, 2013). This filing is pending Commission action.

(iii) be responsible for their respective study costs, as well costs of addressing the impacts on each other's respective system.¹⁴¹

Finally, Schedule 6-A of the Operating Agreement as proposed in Docket No. ER13-1936-000 provides that, at least annually, PJM and the SERTP Transmission Providers will share power flow models and data used in their respective regional planning processes to jointly evaluate each other's systems.¹⁴² Additionally, section 2.1 of Schedule 6-A provides that the parties will share additional transmission-based models and data arising in the performance of each party's regional planning activities as necessary, and if requested, for effective coordination between the parties.¹⁴³ With regard to an allocation of costs for upgrades that may be required on a neighboring region's system due to impacts as a result of an RTEP upgrade, Schedule 6-A does not provide for, nor have the parties agreed to, any allocation of costs for upgrades to a neighboring transmission provider's system in SERTP.

III. STAKEHOLDER PROCESS

PJM provided stakeholders multiple opportunities to provide input into the review and development of its proposed responses to the Commission's compliance directives set forth in the March 22 Order. The compliance filing was addressed at the Regional Planning Process Task Force ("RPPTF") meetings on March 27, 2013, April 18, 2013,

¹⁴¹ As noted in PJM's July 10 compliance filing, NYISO and PJM were unable to agree upon a process to address direct interconnections between the two planning regions needed for reliability. *See id.* at 2.

¹⁴² Operating Agreement, Schedule 6-A §§ 1.1 & 2.1.

¹⁴³ *Id.*, Schedule 6-A § 2.1.

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April 24, 2013, May 6, 2013, May 22, 2013, June 13, 2013, and July 18, 2013, at which time PJM engaged in discussions with the stakeholders regarding its proposal to comply with the March 22 Order. Stakeholders were encouraged to, and did, submit comments for PJM's consideration. Comments were posted on the PJM website under the RPPTF at <http://www.pjm.com/committees-and-groups/task-forces/rpptf.aspx> by meeting date. Additionally, in order to facilitate stakeholder review, PJM developed and posted an Order No. 1000 chart on its website, which set forth: (i) the specific compliance requirements; (ii) PJM's proposed compliance Operating Agreement/Tariff changes; and (iii) PJM's explanations/clarifications, as appropriate. PJM also provided a status update of its proposed compliance filing to the Markets and Reliability Committee at the April 25, 2013, May 30, 2013, and June 27, 2013 meetings.

IV. CONTENTS OF THIS FILING

PJM encloses the following:

1. This transmittal letter;
2. Attachment A – Revised Operating Agreement – Definitional Sections and Schedule 6 – and Part I of the PJM Tariff (in redlined form); and
3. Attachment B – Revised Operating Agreement – Definitional Sections and Schedule 6 – and Part I of the PJM Tariff (in clean form).¹⁴⁴

V. SERVICE

PJM has served a copy of this filing on all PJM members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. Electronic service is permitted as of November 3, 2008, under the Commission's regulations¹⁴⁵ pursuant to Order No. 714¹⁴⁶ and the Commission Notice of Effectiveness of Regulations issued on October 28, 2008, in Docket No. RM01-5-000. In compliance with these regulations, PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: <http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx> with a specific link to the newly-filed document and will send

¹⁴⁴ No revisions are proposed to the following sections accepted by the Commission in its March 22 Order. They are being included with this submittal in RTF format only to correct the effective date to January 1, 2014.

1. Tariff Definitions C - D
2. Tariff Definitions I - J - K
3. Tariff Definitions O - P - Q
4. Tariff Definitions R - S
5. Operating Agreement Schedule 6.1.4
6. Operating Agreement Schedule 6.1.6

¹⁴⁵ See 18 C.F.R. §§ 35.2, 154.2, 154.208, and 341.2 (2013).

¹⁴⁶ *Electronic Tariff Filings*, Order No. 714, III FERC Stats. & Regs., Regs. Preambles ¶ 31,276, at PP 13, 77-78 (2008).

an email on the same date as the filing to all PJM members and all state utility regulatory commissions in the PJM Region¹⁴⁷ alerting them that this filing has been made by PJM today and is available by following such link.

VI. CONCLUSION

As explained above, the Operating Agreement and PJM Tariff revisions along with the additional explanations submitted herein comply with the requirements of the March 22 Order. Therefore, PJM respectfully requests that the Commission accept this filing as compliant with the March 22 Order.

Respectfully submitted,

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¹⁴⁷ PJM already maintains, updates, and regularly uses email distribution lists for all PJM members and affected public utility commissions.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service lists compiled by the Secretary in Docket Nos. ER13-198-000, ER13-195-000, and ER13-90-000.

Dated at Washington, D.C., this 22nd day of July, 2013.



Pauline Foley

Attachment A

Revisions to the PJM Open Access Transmission Tariff and PJM Operating Agreement

(Marked / Redline Format)

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

Definitions – E - F

1.10A ~~[RESERVED]~~ Economic-based Enhancement or Expansion:

“Economic-based Enhancement or Expansion” shall have the same meaning provided in the Operating Agreement.

1.10B Economic Minimum:

The lowest incremental MW output level a unit can achieve while following economic dispatch.

1.11 Eligible Customer:

(i) Any electric utility (including any Transmission Owner and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale is an Eligible Customer under the Tariff. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that the Transmission Provider or Transmission Owner offer the unbundled transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner.

(ii) Any retail customer taking unbundled transmission service pursuant to a state requirement that the Transmission Provider or a Transmission Owner offer the transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner, is an Eligible Customer under the Tariff. As used in Part VI, Eligible Customer shall mean only those Eligible Customers that have submitted a Completed Application.

1.11.01 Emergency Condition:

A condition or situation (i) that in the judgment of any Interconnection Party is imminently likely to endanger life or property; or (ii) that in the judgment of the Interconnected Transmission Owner or Transmission Provider is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Transmission System, the Interconnection Facilities, or the transmission systems or distribution systems to which the Transmission System is directly or indirectly connected; or (iii) that in the judgment of Interconnection Customer is imminently likely (as determined in a non-discriminatory manner) to cause damage to the Customer Facility or to the Customer Interconnection Facilities. System restoration and black start shall be considered Emergency Conditions, provided that a Generation Interconnection Customer is not obligated by an Interconnection Service Agreement to possess black start capability. Any condition or situation that results from lack of sufficient generating capacity to meet load requirements or that results solely from economic conditions shall not constitute an Emergency Condition, unless one or more of the enumerated conditions or situations identified in this definition also exists.

1.11A Energy Resource:

A generating facility that is not a Capacity Resource.

1.11A.01 Energy Settlement Area:

The bus or distribution of busses that represents the physical location of Network Load and by which the obligations of the Network Customer to PJM are settled.

1.11B Energy Transmission Injection Rights:

The rights to schedule energy deliveries at a specified point on the Transmission System. Energy Transmission Injection Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System to another control area. Deliveries scheduled using Energy Transmission Injection Rights have rights similar to those under Non-Firm Point-to-Point Transmission Service.

1.11C Environmental Laws:

Applicable Laws or Regulations relating to pollution or protection of the environment, natural resources or human health and safety.

1.12 Facilities Study:

An engineering study conducted by the Transmission Provider (in coordination with the affected Transmission Owner(s)) to determine the required modifications to the Transmission Provider's Transmission System, including the cost and scheduled completion date for such modifications, that will be required to provide the requested transmission service or to accommodate an Interconnection Request or Upgrade Request. As used in the Interconnection Service Agreement or Construction Service Agreement, Facilities Study shall mean that certain Facilities Study conducted by Transmission Provider (or at its direction) to determine the design and specification of the Interconnection Facilities necessary to accommodate the New Service Customer's New Service Request in accordance with Section 207 of Part VI of the Tariff.

1.12A Federal Power Act:

The Federal Power Act, as amended, 16 U.S.C. §§ 791a, et seq.

1.12B FERC:

The Federal Energy Regulatory Commission or its successor.

1.13 Firm Point-To-Point Transmission Service:

Transmission Service under this Tariff that is reserved and/or scheduled between specified Points of Receipt and Delivery pursuant to Part II of this Tariff.

1.13A Firm Transmission Withdrawal Rights:

The rights to schedule energy and capacity withdrawals from a Point of Interconnection (as defined in Section 1.33A) of a Merchant Transmission Facility with the Transmission System. Firm Transmission Withdrawal Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System with another control area. Withdrawals scheduled using Firm Transmission Withdrawal Rights have rights similar to those under Firm Point-to-Point Transmission Service.

1.13A.01 Force Majeure:

Any cause beyond the control of the affected Interconnection Party or Construction Party, including but not restricted to, acts of God, flood, drought, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, acts of public enemy, explosions, orders, regulations or restrictions imposed by governmental, military, or lawfully established civilian authorities, which, in any of the foregoing cases, by exercise of due diligence such party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, it has been unable to overcome. Force Majeure does not include (i) a failure of performance that is due to an affected party's own negligence or intentional wrongdoing; (ii) any removable or remediable causes (other than settlement of a strike or labor dispute) which an affected party fails to remove or remedy within a reasonable time; or (iii) economic hardship of an affected party.

Definitions – L – M - N

1.15A List of Approved Contractors:

A list developed by each Transmission Owner and published in a PJM Manual of (a) contractors that the Transmission Owner considers to be qualified to install or construct new facilities and/or upgrades or modifications to existing facilities on the Transmission Owner's system, provided that such contractors may include, but need not be limited to, contractors that, in addition to providing construction services, also provide design and/or other construction-related services, and (b) manufacturers or vendors of major transmission-related equipment (e.g., high-voltage transformers, transmission line, circuit breakers) whose products the Transmission Owner considers acceptable for installation and use on its system.

1.16 Load Ratio Share:

Ratio of a Transmission Customer's Network Load to the Transmission Provider's total load.

1.17 Load Shedding:

The systematic reduction of system demand by temporarily decreasing load in response to transmission system or area capacity shortages, system instability, or voltage control considerations under Part II or Part III of the Tariff.

1.17A Local Upgrades:

Modifications or additions of facilities to abate any local thermal loading, voltage, short circuit, stability or similar engineering problem caused by the interconnection and delivery of generation to the Transmission System. Local Upgrades shall include:

(i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) Non-Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

1.17B Long-lead Project:

"Long-lead Project" shall have the same meaning provided in the Operating Agreement.

1.18 Long-Term Firm Point-To-Point Transmission Service:

Firm Point-To-Point Transmission Service under Part II of the Tariff with a term of one year or more.

1.18A [RESERVED]

1.18A.01 [RESERVED]

1.18A.02 Material Modification:

Any modification to an Interconnection Request that has a material adverse effect on the cost or timing of Interconnection Studies related to, or any Network Upgrades or Local Upgrades needed to accommodate, any Interconnection Request with a later Queue Position.

1.18A.03 Maximum Facility Output:

The maximum (not nominal) net electrical power output in megawatts, specified in the Interconnection Service Agreement, after supply of any parasitic or host facility loads, that a Generation Interconnection Customer's Customer Facility is expected to produce, provided that the specified Maximum Facility Output shall not exceed the output of the proposed Customer Facility that Transmission Provider utilized in the System Impact Study.

1.18B Merchant A.C. Transmission Facilities:

Merchant Transmission Facilities that are alternating current (A.C.) transmission facilities, other than those that are Controllable A.C. Merchant Transmission Facilities.

1.18C Merchant D.C. Transmission Facilities:

Direct current (D.C.) transmission facilities that are interconnected with the Transmission System pursuant to Part IV and Part VI of the Tariff.

1.18D Merchant Network Upgrades:

Merchant A.C. Transmission Facilities that are additions to, or modifications or replacements of, physical facilities of the Interconnected Transmission Owner that, on the date of the pertinent Transmission Interconnection Customer's Interconnection Request, are part of the Transmission System or are included in the Regional Transmission Expansion Plan.

1.18E Merchant Transmission Facilities:

A.C. or D.C. transmission facilities that are interconnected with or added to the Transmission System pursuant to Part IV and Part VI of the Tariff and that are so identified on Attachment T to the Tariff, provided, however, that Merchant Transmission Facilities shall not include (i) any Customer Interconnection Facilities, (ii) any physical facilities of the Transmission System that were in existence on or before March 20, 2003 ; (iii) any expansions or enhancements of the Transmission System that are not identified as Merchant Transmission Facilities in the Regional Transmission Expansion Plan and Attachment T to the Tariff, or (iv) any transmission facilities that are included in the rate base of a public utility and on which a regulated return is earned.

1.18F Merchant Transmission Provider:

An Interconnection Customer that (1) owns, controls, or controls the rights to use the transmission capability of, Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that connect the Transmission System with another control area, (2) has elected to receive Transmission Injection Rights and Transmission Withdrawal Rights associated with such facility pursuant to Section 36 of the Tariff, and (3) makes (or will make) the transmission capability of such facilities available for use by third parties under terms and conditions approved by the Commission and stated in the Tariff, consistent with Section 38 below.

1.18G Metering Equipment:

All metering equipment installed at the metering points designated in the appropriate appendix to an Interconnection Service Agreement.

1.19 Native Load Customers:

The wholesale and retail power customers of a Transmission Owner on whose behalf the Transmission Owner, by statute, franchise, regulatory requirement, or contract, has undertaken an obligation to construct and operate the Transmission Owner's system to meet the reliable electric needs of such customers.

1.19A NERC:

The North American Electric Reliability Council or any successor thereto.

1.19B Neutral Party

Shall have the meaning provided in Section 9.3(v).

1.20 Network Customer:

An entity receiving transmission service pursuant to the terms of the Transmission Provider's Network Integration Transmission Service under Part III of the Tariff.

1.21 Network Integration Transmission Service:

The transmission service provided under Part III of the Tariff.

1.22 Network Load:

The load that a Network Customer designates for Network Integration Transmission Service under Part III of the Tariff. The Network Customer's Network Load shall include all load (including losses) served by the output of any Network Resources designated by the Network Customer. A Network Customer may elect to designate less than its total load as Network Load but may not designate only part of the load at a discrete Point of Delivery. Where an Eligible

Customer has elected not to designate a particular load at discrete points of delivery as Network Load, the Eligible Customer is responsible for making separate arrangements under Part II of the Tariff for any Point-To-Point Transmission Service that may be necessary for such non-designated load.

1.23 Network Operating Agreement:

An executed agreement that contains the terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Network Integration Transmission Service under Part III of the Tariff.

1.24 Network Operating Committee:

A group made up of representatives from the Network Customer(s) and the Transmission Provider established to coordinate operating criteria and other technical considerations required for implementation of Network Integration Transmission Service under Part III of this Tariff.

1.25 Network Resource:

Any designated generating resource owned, purchased, or leased by a Network Customer under the Network Integration Transmission Service Tariff. Network Resources do not include any resource, or any portion thereof, that is committed for sale to third parties 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.

1.26 Network Upgrades:

Modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider's overall Transmission System for the general benefit of all users of such Transmission System. Network Upgrades shall include:

(i) **Direct Connection Network Upgrades** which are Network Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) **Non-Direct Connection Network Upgrades** which are parallel flow Network Upgrades that are not Direct Connection Network Upgrades.

1.26A New PJM Zone(s):

The Zone included in this Tariff, along with applicable Schedules and Attachments, for Commonwealth Edison Company, The Dayton Power and Light Company and the AEP East Operating Companies (Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company and Wheeling Power Company).

1.26B New Service Customers:

All customers that submit an Interconnection Request, a Completed Application, or an Upgrade Request that is pending in the New Services Queue.

1.26C New Service Request:

An Interconnection Request, a Completed Application, or an Upgrade Request.

1.26D New Services Queue:

All Interconnection Requests, Completed Applications, and Upgrade Requests that are received within each three-month period ending on January 31, April 30, July 31, and October 31 of each year shall collectively comprise a New Services Queue.

1.26E New Services Queue Closing Date:

Each January 31, April 30, July 31, and October 31 shall be the Queue Closing Date for the New Services Queue comprised of Interconnection Requests, Completed Applications, and Upgrade Requests received during the three-month period ending on such date.

1.26F Nominal Rated Capability:

The nominal maximum rated capability in megawatts of a Transmission Interconnection Customer's Customer Facility or the nominal increase in transmission capability in megawatts of the Transmission System resulting from the interconnection or addition of a Transmission Interconnection Customer's Customer Facility, as determined in accordance with pertinent Applicable Standards and specified in the Interconnection Service Agreement.

1.27 Non-Firm Point-To-Point Transmission Service:

Point-To-Point Transmission Service under the Tariff that is reserved and scheduled on an as-available basis and is subject to Curtailment or Interruption as set forth in Section 14.7 under Part II of this Tariff. Non-Firm Point-To-Point Transmission Service is available on a stand-alone basis for periods ranging from one hour to one month.

1.27.01 Non-Firm Sale:

An energy sale for which receipt or delivery may be interrupted for any reason or no reason, without liability on the part of either the buyer or seller.

1.27A Non-Firm Transmission Withdrawal Rights:

The rights to schedule energy withdrawals from a specified point on the Transmission System. Non-Firm Transmission Withdrawal Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System to another control area.

Withdrawals scheduled using Non-Firm Transmission Withdrawal Rights have rights similar to those under Non-Firm Point-to-Point Transmission Service.

1.27A.01 Nonincumbent Developer:

“Nonincumbent Developer” shall have the same meaning provided in the Operating Agreement.

1.27AA Non-Retail Behind The Meter Generation:

Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, or electric distribution companies to serve load.

1.27B Non-Zone Network Load:

Network Load that is located outside of the PJM Region.

Definitions – T – U - V

1.43A Tariff:

This document, the “PJM Open Access Transmission Tariff.”

1.44 Third-Party Sale:

Any sale for resale in interstate commerce to a Power Purchaser that is not designated as part of Network Load under the Network Integration Transmission Service but not including a sale of energy through the PJM Interchange Energy Market established under the PJM Operating Agreement.

1.45 Transmission Customer:

Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that the Transmission Provider file with the Commission, a proposed unexecuted Service Agreement to receive transmission service under Part II of the Tariff. This term is used in the Part I Common Service Provisions and in Part VI to include customers receiving transmission service under Part II and Part III of this Tariff.

1.45.01 Transmission Facilities

Transmission Facilities shall have the meaning set forth in the Operating Agreement.

1.45A Transmission Injection Rights:

Capacity Transmission Injection Rights and Energy Transmission Injection Rights.

1.45B Transmission Interconnection Customer:

An entity that submits an Interconnection Request to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region.

1.45C Transmission Interconnection Facilities Study:

A Facilities Study related to a Transmission Interconnection Request.

1.45D Transmission Interconnection Feasibility Study:

A study conducted by the Transmission Provider in accordance with Section 36.2 of the Tariff.

1.45E Transmission Interconnection Request:

A request by a Transmission Interconnection Customer pursuant to Part IV of the Tariff to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of existing Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region.

1.45F Transmission Owner:

Each entity that owns, leases or otherwise has a possessory interest in facilities used for the transmission of electric energy in interstate commerce under the Tariff. The Transmission Owners are listed in Attachment L.

1.45G Transmission Owner Attachment Facilities:

That portion of the Transmission Owner Interconnection Facilities comprised of all Attachment Facilities on the Interconnected Transmission Owner's side of the Point of Interconnection.

1.45H Transmission Owner Interconnection Facilities:

All Interconnection Facilities that are not Customer Interconnection Facilities and that, after the transfer under Section 5.5 of Appendix 2 to Attachment P of the PJM Tariff to the Interconnected Transmission Owner of title to any Transmission Owner Interconnection Facilities that the Interconnection Customer constructed, are owned, controlled, operated and maintained by the Interconnected Transmission Owner on the Interconnected Transmission Owner's side of the Point of Interconnection identified in appendices to the Interconnection Service Agreement and to the Interconnection Construction Service Agreement, including any modifications, additions or upgrades made to such facilities and equipment, that are necessary to physically and electrically interconnect the Customer Facility with the Transmission System or interconnected distribution facilities.

1.45I Transmission Owner Upgrade:

"Transmission Owner Upgrade" shall have the same meaning provided in the Operating Agreement.

1.46 Transmission Provider:

The Transmission Provider shall be the Office of the Interconnection for all purposes, provided that the Transmission Owners will have the responsibility for the following specified activities:

- (a) The Office of the Interconnection shall direct the operation and coordinate the maintenance of the Transmission System, except that the Transmission Owners will continue to direct the operation and maintenance of those transmission facilities that are not listed in the PJM Designated Facilities List contained in the PJM Manual on Transmission Operations;
- (b) Each Transmission Owner shall physically operate and maintain all of the facilities that it owns; and

(c) When studies conducted by the Office of the Interconnection indicate that enhancements or modifications to the Transmission System are necessary, the Transmission Owners shall have the responsibility, in accordance with the applicable terms of the Tariff, Operating Agreement and/or the Consolidated Transmission Owners Agreement to construct, own, and finance the needed facilities or enhancements or modifications to facilities.

1.47 Transmission Provider’s Monthly Transmission System Peak:

The maximum firm usage of the Transmission Provider’s Transmission System in a calendar month.

1.48 Transmission Service:

Point-To-Point Transmission Service provided under Part II of the Tariff on a firm and non-firm basis.

1.48A Transmission Service Request:

A request for Firm Point-To-Point Transmission Service or a request for Network Integration Transmission Service.

1.49 Transmission System:

The facilities controlled or operated by the Transmission Provider within the PJM Region that are used to provide transmission service under Part II and Part III of the Tariff.

1.49A Transmission Withdrawal Rights:

Firm Transmission Withdrawal Rights and Non-Firm Transmission Withdrawal Rights.

1.49A.01 Upgrade Construction Service Agreement:

That agreement entered into by a New Service Customer (other than an Interconnection Customer whose project includes generation capability or Merchant Transmission Facilities other than Merchant Network Upgrades), a Transmission Owner, and the Transmission Provider, pursuant to Subpart B of Part VI of the Tariff, and in the form set forth in Attachment GG of the Tariff.

1.49A.02 Upgrade Customer:

A customer that submits an Upgrade Request.

1.49A.03 Upgrade-Related Rights:

Incremental Auction Revenue Rights, Incremental Available Transfer Capability Revenue Rights, Incremental Deliverability Rights, and Incremental Capacity Transfer Rights (as defined in Section 2.35 of Attachment DD of the Tariff).

1.49A.04 Upgrade Request:

A request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement, submitted in the form prescribed in Attachment EE of the Tariff, for evaluation by the Transmission Provider of the feasibility and estimated costs of, (a) a particular proposed Customer-Funded Upgrade or (b) the Customer-Funded Upgrades that would be needed to provide the Incremented Auction Revenue Rights specified in the request.

1.49B [RESERVED]

1.49C [RESERVED]

1.49D [RESERVED]

1.49E [RESERVED]

1.49F [RESERVED]

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

Definitions C - D

1.6 Capacity Resource.

“Capacity Resource” have the meaning provided in the Reliability Assurance Agreement.

1.6A Consolidated Transmission Owners Agreement.

“Consolidated Transmission Owners Agreement” dated as of December 15, 2005, by and among the Transmission Owners and by and between the Transmission Owners and PJM Interconnection, L.L.C.

1.7 Control Area.

“Control Area” shall mean an electric power system or combination of electric power systems bounded by interconnection metering and telemetry to which a common automatic generation control scheme is applied in order to:

- (a) match the power output of the generators within the electric power system(s) and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- (b) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;
- (c) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice and the criteria of NERC and each Applicable Regional Entity;
- (d) maintain power flows on transmission facilities within appropriate limits to preserve reliability; and
- (e) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.7.01 Control Zone.

“Control Zone” shall mean one Zone or multiple contiguous Zones, as designated in the PJM Manuals.

1.7.01a Counterparty.

“Counterparty” shall mean PJMSettlement as the contracting party, in its name and own right and not as an agent, to an agreement or transaction with Market Participants or other entities, including the agreements and transactions with customers regarding transmission service and other transactions under the PJM Tariff and this Operating Agreement. PJMSettlement shall not be a counterparty to (i)

any bilateral transactions between Market Participants, or (ii) with respect to self-supplied or self-scheduled transactions reported to the Office of the Interconnection.

1.7.02 Default Allocation Assessment.

“Default Allocation Assessment” shall mean the assessment determined pursuant to section 15.2.2 of this Agreement.

1.7.03 Demand Resource.

“Demand Resource” shall have the meaning provided in the Reliability Assurance Agreement.

1.7A Designated Entity.

AnThe entity, including an existing Transmission Owner or Nonincumbent Developer, designated by the Office of the Interconnection with the responsibility to construct, own, operate, maintain, and finance Immediate-need Reliability Projects, Short-term Projects, ~~and~~ Long-lead Projects, or Economic-based Enhancements or Expansions pursuant to Section 1.5.8 of Schedule 6 of this Agreement.

1.7B [Reserved].

Definitions E - F

1.7C [Reserved]

1.7D ~~[Reserved]~~ Economic-based Enhancement or Expansion.

“Economic-based Enhancement or Expansion” means an enhancement or expansion described in Section 1.5.7(b) (i) – (iii) of Schedule 6 of the Operating Agreement that is designed to relieve transmission constraints that have an economic impact.

1.8 Electric Distributor.

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

1.9 Effective Date.

“Effective Date” shall mean August 1, 1997, or such later date that FERC permits this Agreement to go into effect.

1.10 Emergency.

“Emergency” shall mean: (i) an abnormal system condition requiring manual or automatic action to maintain system frequency, or to prevent loss of firm load, equipment damage, or tripping of system elements that could adversely affect the reliability of an electric system or the safety of persons or property; or (ii) a fuel shortage requiring departure from normal operating procedures in order to minimize the use of such scarce fuel; or (iii) a condition that requires implementation of emergency procedures as defined in the PJM Manuals.

1.11 End-Use Customer.

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

1.12 FERC.

“FERC” shall mean the Federal Energy Regulatory Commission or any successor federal agency, commission or department exercising jurisdiction over this Agreement.

1.13 Finance Committee.

“Finance Committee” shall mean the body formed pursuant to Section 7.5.1 of this Agreement.

Definitions I - L

1.15A Immediate-need Reliability Project.

A reliability-based transmission enhancement or expansion: ~~(i) with an in-service date of three years or less from the year the Office of the Interconnection identified the existing or projected limitations on the Transmission System that gave rise to the need for such enhancement or expansion pursuant to the study process described in section 1.5.3 of this Schedule 6; or (ii) for which the Office of the Interconnection determines that an expedited designation is required to address existing and projected limitations on the Transmission System due to immediacy of the reliability need in light of the projected time to complete the enhancement or expansion. In determining whether an expedited designation is required, the Office of the Interconnection shall consider time-based factors such as, but not limited to, the time necessary: (i) to obtain regulatory approvals; (ii) to acquire long lead equipment; (iii) to meet construction schedules; (iv) to complete engineering plans; and (v) for other time-based factors impacting the feasibility of achieving the required in-service date.~~

1.16 Information Request.

“Information Request” shall mean a written request, in accordance with the terms of this Agreement for disclosure of confidential information pursuant to Section 18.17.4 of this Agreement.

1.17 LLC.

“LLC” shall mean PJM Interconnection, L.L.C., a Delaware limited liability company.

1.18 Load Serving Entity.

“Load Serving Entity” shall mean an entity, including a load aggregator or power marketer, (1) serving end-users within the PJM Region, and (2) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the PJM Region, or the duly designated agent of such an entity.

1.18A Local Plan.

“Local Plan” shall mean the plan as developed by the Transmission Owners. The Local Plan shall include, at a minimum, the Subregional RTEP Projects and Supplemental Projects as identified by the Transmission Owners within their zone. The Local Plan will include those projects that are developed to comply with the Transmission Owner planning criteria.

1.19 Locational Marginal Price.

“Locational Marginal Price” or “LMP” shall mean the hourly integrated market clearing marginal price for energy at the location the energy is delivered or received, calculated as specified in Section 2 of Schedule 1 of this Agreement.

1.19A Long-lead Project.

A transmission enhancement or expansion with an in-service date more than five years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, ~~economic constraints, and/or~~ Public Policy Requirements to be addressed by the enhancement or expansion.

Definitions M - N

1.20 [Reserved]

1.20A PJM Mid-Atlantic Region.

“PJM Mid-Atlantic Region” shall mean the aggregate of the Transmission Facilities of Atlantic City Electric Company, Baltimore Gas and Electric Company, Delmarva Power and Light Company, Jersey Central Power and Light Company, Metropolitan Edison Company, PECO Energy Company, Pennsylvania Electric Company, PPL Electric Utilities Corporation, Potomac Electric Power Company, Public Service Electric and Gas Company, and Rockland Electric Company.

1.20B [Reserved]

1.20C [Reserved]

1.21 Market Buyer.

“Market Buyer” shall mean a Member that has met reasonable creditworthiness standards established by the Office of the Interconnection and that is otherwise able to make purchases in the PJM Interchange Energy Market.

1.22 Market Participant.

“Market Participant” shall mean a Market Buyer, a Market Seller, an Economic Load Response Participant, or all three.

1.23 Market Seller.

“Market Seller” shall mean a Member that has met reasonable creditworthiness standards established by the Office of the Interconnection and that is otherwise able to make sales in the PJM Interchange Energy Market.

1.24 Member.

“Member” shall mean an entity that satisfies the requirements of Section 11.6 of this Agreement and that (i) is a member of the LLC immediately prior to the Effective Date, or (ii) has executed an Additional Member Agreement in the form set forth in Schedule 4 hereof.

1.25 Members Committee.

“Members Committee” shall mean the committee specified in Section 8 of this Agreement composed of representatives of all the Members.

1.26 NERC.

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

1.26A Non-Disclosure Agreement.

“Non-Disclosure Agreement” shall mean an agreement between an Authorized Person and the Office of the Interconnection, pursuant to Section 18 of this Agreement, the form of which is appended to this Agreement as Schedule 10, wherein the Authorized Person is given access to otherwise restricted confidential information, for the benefit of their respective Authorized Commission.

1.26A.01 Nonincumbent Developer.

“Nonincumbent Developer” shall mean: (1) a transmission developer that does not have an existing Zone in the PJM Region as set forth in Attachment J of the PJM Tariff; or (2) a Transmission Owner that proposes a transmission project outside of its existing Zone in the PJM Region as set forth in Attachment J of the PJM Tariff.

1.26B Non-Retail Behind The Meter Generation.

“Non-Retail Behind The Meter Generation” shall mean Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, and electric distribution companies to serve load.

Definitions O - P

1.27 Office of the Interconnection.

“Office of the Interconnection” shall mean the LLC.

1.28 Operating Reserve.

“Operating Reserve” shall mean the amount of generating capacity scheduled to be available for a specified period of an Operating Day to ensure the reliable operation of a Control Zone, as specified in the PJM Manuals.

1.29 Original PJM Agreement.

“Original PJM Agreement” shall mean that certain agreement between certain of the Members, originally dated September 26, 1956, and as amended and supplemented up to and including December 31, 1996, relating to the coordinated operation of their electric supply systems and the interchange of electric capacity and energy among their systems.

1.30 Other Supplier.

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

1.31 PJM Board.

“PJM Board” shall mean the Board of Managers of the LLC, acting pursuant to this Agreement.

1.31A [Reserved].

1.32 PJM Control Area.

“PJM Control Area” shall mean the Control Area recognized by NERC as the PJM Control Area.

1.33 PJM Dispute Resolution Procedures.

“PJM Dispute Resolution Procedures” shall mean the procedures for the resolution of disputes set forth in Schedule 5 of this Agreement.

1.34 PJM Interchange Energy Market.

“PJM Interchange Energy Market” shall mean the regional competitive market administered by the Office of the Interconnection for the purchase and sale of spot electric energy at wholesale in interstate commerce and related services established pursuant to Schedule 1 to this Agreement.

1.35 PJM Manuals.

“PJM Manuals” shall mean the instructions, rules, procedures and guidelines established by the Office of the Interconnection for the operation, planning, and accounting requirements of the PJM Region and the PJM Interchange Energy Market.

1.35.01 PJM Market Monitor.

“PJM Market Monitor” shall mean the Market Monitoring Unit established under Attachment M to the PJM Tariff.

1.35A PJM Region.

“PJM Region” shall mean the aggregate of the Zones within PJM as set forth in Attachment J to the PJM Tariff.

1.35B PJM South Region.

“PJM South Region” shall mean the Transmission Facilities of Virginia Electric and Power Company.

1.35C PJMSettlement.

“PJMSettlement” shall mean PJM Settlement, Inc. (or its successor), established by PJM as set forth in Section 3.3.

1.36 PJM Tariff.

“PJM Tariff” shall mean the PJM Open Access Transmission Tariff providing transmission service within the PJM Region, including any schedules, appendices, or exhibits attached thereto, as in effect from time to time.

1.36A [Reserved.]

1.36B PJM West Region.

“PJM West Region” shall mean the Zones of Allegheny Power; Commonwealth Edison Company (including Commonwealth Edison Co. of Indiana); AEP East Operating Companies; The Dayton Power and Light Company; the Duquesne Light Company; American Transmission Systems, Incorporated; Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.

1.37 Planning Period.

“Planning Period” shall initially mean the 12 months beginning June 1 and extending through May 31 of the following year, or such other period established under the procedures of, as applicable, the Reliability Assurance Agreement.

1.38 President.

“President” shall have the meaning specified in Section 9.2.

1.38A Public Policy Objectives

“Public Policy Objectives” shall refer to Public Policy Requirements, as well as public policy initiatives of state or federal entities that have not been codified into law or regulation but which nonetheless may have important impacts on long term planning considerations.

1.38B Public Policy Requirements

“Public Policy Requirements” shall refer to policies pursued by: (a) state or federal entities, where such policies are reflected in duly enacted statutes or regulations, including but not limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations; and (b) local governmental entities such as a municipal or county government, where such policies are reflected in duly enacted laws or regulations passed by the local governmental entity.

Definitions S – T

1.40C SERC.

“SERC” or “Southeastern Electric Reliability Council” shall mean the reliability council under section 202 of the Federal Power Act established pursuant to the SERC Agreement dated January 14, 1970, or any successor thereto.

1.41 Sector Votes.

“Sector Votes” shall mean the affirmative and negative votes of each sector of a Senior Standing Committee, as specified in Section 8.4.

1.41A Senior Standing Committees.

“Senior Standing Committees” shall mean the Members Committee, and the Markets, and Reliability Committee, as established in Sections 8.1 and 8.6.

1.41A.01 Short-term Project.

A transmission enhancement or expansion with an in-service date of more than three years but no more than five years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, ~~economic constraints,~~ and-or Public Policy Requirements to be addressed by the enhancement or expansion.

1.41A.02 [Reserved].

1.41A.03 [Reserved].

1.41B Standing Committees.

“Standing Committees” shall mean the Members Committee, the committees established and maintained under Section 8.6, and such other committees as the Members Committee may establish and maintain from time to time.

1.42 State.

“State” shall mean the District of Columbia and any State or Commonwealth of the United States.

1.42.01 State Certification.

“State Certification” shall mean the Certification of an Authorized Commission, pursuant to Section 18 of this Agreement, the form of which is appended to this Agreement as Schedule

10A, wherein the Authorized Commission identifies all Authorized Persons employed or retained by such Authorized Commission, a copy of which shall be filed with FERC.

1.42A State Consumer Advocate.

“State Consumer Advocate” shall mean a legislatively created office from any State, all or any part of the territory of which is within the PJM Region, and the District of Columbia established, inter alia, for the purpose of representing the interests of energy consumers before the utility regulatory commissions of such states and the District of Columbia and the FERC.

1.42A.01 Subregional RTEP Project.

“Subregional RTEP Project” shall mean a transmission expansion or enhancement rated below 230 kV which is required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

1.42A.02 Supplemental Project.

“Supplemental Project” shall mean a Regional RTEP Project(s) or Subregional RTEP Project(s), which is not required for compliance with the following PJM criteria: System reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

1.42B [Reserved].

1.43 System.

“System” shall mean the interconnected electric supply system of a Member and its interconnected subsidiaries exclusive of facilities which it may own or control outside of the PJM Region. Each Member may include in its system the electric supply systems of any party or parties other than Members which are within the PJM Region, provided its interconnection agreements with such other party or parties do not conflict with such inclusion.

1.43A Third Party Request.

“Third Party Request” shall mean any request or demand by any entity upon an Authorized Person or an Authorized Commission for release or disclosure of confidential information provided to the Authorized Person or Authorized Commission by the Office of the Interconnection or PJM Market Monitor. A Third Party Request shall include, but shall not be limited to, any subpoena, discovery request, or other request for confidential information made by any: (i) federal, state, or local governmental subdivision, department, official, agency or court, or (ii) arbitration panel, business, company, entity or individual.

1.44 Transmission Facilities.

“Transmission Facilities” shall mean facilities that: (i) are within the PJM Region; (ii) meet the definition of transmission facilities pursuant to FERC’s Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities; and (iii) have been demonstrated to the satisfaction of the Office of the Interconnection to be integrated with the transmission system of the PJM Region and integrated into the planning and operation of such to serve all of the power and transmission customers within such region.

1.45 Transmission Owner.

“Transmission Owner” shall mean a Member that owns or leases with rights equivalent to ownership Transmission Facilities and is a signatory to the PJM Transmission Owners Agreement. Taking transmission service shall not be sufficient to qualify a Member as a Transmission Owner.

1.46 ~~[Reserved.]~~ Transmission Owner Upgrade

“Transmission Owner Upgrade” shall mean an upgrade to a Transmission Owner’s own transmission facilities, which is an improvement to, addition to, or replacement of a part of, an existing facility and is not an entirely new transmission facility.

1.3 Establishment of Committees.

(a) The Planning Committee shall be open to participation by (i) all Transmission Customers, as that term is defined in the PJM Tariff, 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, as that term is defined in the PJM Tariff, 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 Subregional RTEP Projects. 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 each Transmission Owner's Local Plan. This review shall include, but is not limited to, the review of the criteria, assumptions and models used by the Transmission Owner to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements, ~~and~~ proposed solutions 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 to the Transmission Owners on the criteria, assumptions, and models used in local planning activities prior to finalizing the Local Plan. 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 to the Transmission Owners 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.

(e) The Subregional RTEP Committees shall be open to participation by: (i) all Transmission Customers, as that term is defined in the PJM Tariff, 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 used by the Transmission Owner 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 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.

1.5 Procedure for Development of the Regional Transmission Expansion Plan.

1.5.1 Commencement of the Process.

(a) The Office of the Interconnection shall initiate the enhancement and expansion study process if: (i) required as a result of a need for transfer capability identified by the Office of the Interconnection in its evaluation of requests for interconnection with the Transmission System or for firm transmission service with a term of one year or more; (ii) required to address a need identified by the Office of the Interconnection in its on-going evaluation of the Transmission System's market efficiency and operational performance; (iii) required as a result of the Office of the Interconnection's assessment of the Transmission System's compliance with NERC Reliability Standards, more stringent reliability criteria, if any, or PJM planning and operating criteria; (iv) required to address constraints or available transfer capability shortages, including, but not limited to, available transfer capability shortages that prevent the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement, constraints or shortages as a result of expected generation retirements, constraints or shortages based on an evaluation of load forecasts, or system reliability needs arising from proposals for the addition of Transmission Facilities in the PJM Region; or (v) expansion of the Transmission System is proposed by one or more Transmission Owners, Interconnection Customers, Network Service Users or Transmission Customers, or any party that funds Network Upgrades pursuant to Section 7.8 of Schedule 1 of this Agreement. The Office of the Interconnection may initiate the enhancement and expansion study process to address or consider, where appropriate, requirements or needs arising from sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives.

(b) The Office of the Interconnection shall notify the Transmission Expansion Advisory Committee participants of, as well as publicly notice, the commencement of an enhancement and expansion study. The Transmission Expansion Advisory Committee participants shall notify the Office of the Interconnection in writing of any additional transmission considerations they would like to have included in the Office of the Interconnection's analyses.

1.5.2 Development of Scope, Assumptions and Procedures.

Once the need for an enhancement and expansion study has been established, the Office of the Interconnection shall consult with the Transmission Expansion Advisory Committee and the Subregional RTEP Committees, as appropriate, to prepare the study's scope, assumptions and procedures.

1.5.3 Scope of Studies.

In conducting the enhancement and expansion studies, the Office of the Interconnection shall not limit its analyses to bright line tests to identify and evaluate potential Transmission System limitations, violations of planning criteria, or transmission needs. In addition to the bright line tests, the Office of the Interconnection shall employ sensitivity studies, modeling assumption variations, and scenario analyses, and shall also consider Public Policy Objectives in the studies and analyses, so as to mitigate the possibility that bright line metrics may inappropriately include

or exclude transmission projects from the transmission plan. Sensitivity studies, modeling assumption variations, and scenario analyses shall take account of potential changes in expected future system conditions, including, but not limited to, load levels, transfer levels, fuel costs, the level and type of generation, generation patterns (including, but not limited to, the effects of assumptions regarding generation that is at risk for retirement and new generation to satisfy Public Policy Objectives), demand response, and uncertainties arising from estimated times to construct transmission upgrades. The Office of the Interconnection shall use the sensitivity studies, modeling assumption variations and scenario analyses in evaluating and choosing among alternative solutions to reliability, market efficiency and operational performance needs. The Office of the Interconnection shall provide the results of its studies and analyses to the Transmission Expansion Advisory Committee to consider the impact that sensitivities, assumptions, and scenarios may have on Transmission System needs and the need for transmission enhancements or expansions. Enhancement and expansion studies shall be completed by the Office of the Interconnection in collaboration with the affected Transmission Owners, as required. In general, enhancement and expansion studies shall include:

- (a) An identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance, with accompanying simulations to identify the costs of controlling those limitations. Potential enhancements and expansions will be proposed to mitigate limitations controlled by non-economic means.
- (b) Evaluation and analysis of potential enhancements and expansions, including alternatives thereto, needed to mitigate such limitations.
- (c) Identification, evaluation and analysis of potential transmission expansions and enhancements, demand response programs, and other alternative technologies as appropriate to maintain system reliability.
- (d) Identification, evaluation and analysis of potential enhancements and expansions for the purposes of supporting competition, market efficiency, operational performance, and Public Policy Requirements in the PJM Region.
- (e) Identification, evaluation and analysis of upgrades to support Incremental Auction Revenue Rights requested pursuant to Section 7.8 of Schedule 1 of this Agreement.
- (f) Identification, evaluation and analysis of upgrades to support all transmission customers, including native load and network service customers.
- (g) Engineering studies needed to determine the effectiveness and compliance of recommended enhancements and expansions, with the following PJM criteria: system reliability, operational performance, and market efficiency.
- (h) Identification, evaluation and analysis of potential enhancements and expansions designed to ensure that the Transmission System's capability can support the simultaneous feasibility of all stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement. Enhancements and expansions related to stage 1A Auction

Revenue Rights identified pursuant to this Section shall be recommended for inclusion in the Regional Transmission Expansion Plan together with a recommended in-service date based on the results of the ten (10) year stage 1A simultaneous feasibility analysis. Any such recommended enhancement or expansion under this Section 1.5.3(h) shall include, but shall not be limited to, the reason for the upgrade, the cost of the upgrade, the cost allocation identified pursuant to Section 1.5.6(l) of Schedule 6 of this Agreement and an analysis of the benefits of the enhancement or expansion, provided that any such upgrades will not be subject to a market efficiency cost/benefit analysis.

1.5.4 Supply of Data.

(a) The Transmission Owners shall provide to the Office of the Interconnection on an annual or periodic basis as specified by the Office of the Interconnection, any information and data reasonably required by the Office of the Interconnection to perform the Regional Transmission Expansion Plan, including but not limited to the following: (i) a description of the total load to be served from each substation; (ii) the amount of any interruptible loads included in the total load (including conditions under which an interruption can be implemented and any limitations on the duration and frequency of interruptions); (iii) a description of all generation resources to be located in the geographic region encompassed by the Transmission Owner's transmission facilities, including unit sizes, VAR capability, operating restrictions, and any must-run unit designations required for system reliability or contract reasons; the (iv) current Local Plan; and (v) all criteria, assumptions and models used in the current Local Plan. The data required under this Section shall be provided in the form and manner specified by the Office of the Interconnection.

(b) In addition to the foregoing, the Transmission Owners, those entities requesting transmission service and any other entities proposing to provide Transmission Facilities to be integrated into the PJM Region shall supply any other information and data reasonably required by the Office of the Interconnection to perform the enhancement and expansion study.

(c) The Office of the Interconnection also shall solicit from the Members, Transmission Customers and other interested parties, including but not limited to electric utility regulatory agencies within the States in the PJM Region, Independent State Agencies Committee, and the State Consumer Advocates, information required by, or anticipated to be useful to, the Office of the Interconnection in its preparation of the enhancement and expansion study, including information regarding potential sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives that may be considered.

(d) The Office of the Interconnection shall supply to the Transmission Expansion Advisory Committee and the Subregional RTEP Committees reasonably required information and data utilized to develop the Regional Transmission Expansion Plan. Such information and data shall be provided pursuant to the appropriate protection of confidentiality provisions and Office of the Interconnection's CEII process.

(e) The Office of the Interconnection shall provide access through the PJM website, to the Transmission Owner's Local Plan, including all criteria, assumptions and models used by the

Transmission Owners in developing their respective Local Plan (“Local Plan Information”). Local Plan Information shall be provided consistent with: (1) any applicable confidentiality provisions set forth in Section 18.17 of this Operating Agreement; (2) the Office of the Interconnection’s CEII process; and (3) any applicable copyright limitations. Notwithstanding the foregoing, the Office of the Interconnection may share with a third party Local Plan Information that has been designated as confidential, pursuant to the provisions for such designation as set forth in Section 18.17 of this Operating Agreement and subject to: (i) agreement by the disclosing Transmission Owner consistent with the process set forth in this Operating Agreement; and (ii) an appropriate non-disclosure agreement to be executed by PJM Interconnection, L.L.C., the Transmission Owner and the requesting third party. With the exception of confidential, CEII and copyright protected information, Local Plan Information will be provided for full review by the Planning Committee, the Transmission Expansion Advisory Committee, and the Subregional RTEP Committees.

1.5.5 Coordination of the Regional Transmission Expansion Plan.

(a) The Regional Transmission Expansion Plan shall be developed in accordance with the principles of interregional coordination with the Transmission Systems of the surrounding Regional Entities and with the local transmission providers, through the Transmission Expansion Advisory Committee and the Subregional RTEP Committee.

(b) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordinated regional transmission expansion planning established under the following agreements:

- Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C., *which is found at <http://www.pjm.com/~media/documents/agreements/joa-complete.ashx>*;
- Northeastern ISO/RTO Planning Coordination Protocol, *which is found at <http://www.pjm.com/~media/documents/agreements/northeastern-iso-rto-planning-coordination-protocol.ashx>*;
- *Joint Operating Agreement Among and Between New York Independent System Operator Inc., which is found at <http://www.pjm.com/~media/documents/agreements/nyiso-pjm.ashx>*;
- *Interregional Transmission Coordination Between the SERTP and PJM Regions, which is found at Schedule 6-A of this Agreement*;
- *Allocation of Costs of Certain Interregional Transmission Projects Located in the PJM and SERTP Regions, which is located at Schedule 12-B of the PJM Open Access Transmission Tariff*;
- Joint Reliability Coordination Agreement Between the Midwest Independent System Operator, Inc.; PJM Interconnection, L.L.C. and Progress Energy Carolinas.

Coordinated regional transmission expansion planning shall also incorporate input from parties that may be impacted by the coordination efforts, including but not limited to, the Members, Transmission Customers, electric utility regulatory agencies in the PJM Region, and the State Consumer Advocates, in accordance with the terms and conditions of the applicable regional coordination agreements.

(c) The Regional Transmission Expansion Plan shall be developed by the Office of the Interconnection in consultation with the Transmission Expansion Advisory Committee during the enhancement and expansion study process.

(d) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordination of the regional and subregional systems.

1.5.6 Development of the Recommended Regional Transmission Expansion Plan.

(a) The Office of the Interconnection shall be responsible for the development of the Regional Transmission Expansion Plan and for conducting the studies, including sensitivity studies and scenario analyses on which the plan is based. The Regional Transmission Expansion Plan, including the Regional RTEP Projects, the Subregional RTEP Projects and the Supplemental Projects shall be developed through an open and collaborative process with opportunity for meaningful participation through the Transmission Expansion Advisory Committee and the Subregional RTEP Committees.

(b) The Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall each facilitate a minimum of one initial assumptions meeting to be scheduled at the commencement of the Regional Transmission Expansion Plan process. The purpose of the assumptions meeting shall be to provide an open forum to discuss the following: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) Public Policy Requirements identified by the states for consideration in the Office of the Interconnection's transmission planning analyses; (iii) Public Policy Objectives identified by stakeholders for consideration in the Office of the Interconnection's transmission planning analyses; (iii) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, price responsive demand, generating additions and retirements, market efficiency and other trends in the industry; and (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the Committee participants. Prior to the initial assumptions meeting, Committee participants will be afforded the opportunity to provide input and submit suggestions regarding the information identified in items (i) through (iv) of this subsection. Following the assumptions meeting and prior to performing the evaluation and analyses, A range of assumptions to be used in the studies and scenario analyses shall be determined by the Office of the Interconnection shall determine the range of assumptions to be used in the studies and scenario analyses, based on, considering the advice and recommendations of the Transmission Expansion Advisory Committee and Subregional RTEP Committees and the validation of Public Policy Requirements and assessment and prioritization of Public Policy Objectives by the states through the Independent State Agencies Committee. The Office of the Interconnection participants and shall

be documented and publicly posted its determination for review. Such posting shall include an explanation of those Public Policy Requirements and Public Policy Objectives adopted at the assumptions stage to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission System and an explanation of why other Public Policy Requirements and Public Policy Objectives introduced by stakeholders at the assumptions stage were not adopted.

(c) After the assumptions meeting(s), the Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall facilitate additional meetings and shall post all communications required to provide early opportunity for the committee participants (as defined in Sections 1.3(b) and 1.3(c) of this Schedule 6) to review and evaluate the following arising from the studies performed by the Office of the Interconnection, including sensitivity studies and scenario analyses: (i) any identified violations of reliability criteria and analyses of the market efficiency and operational performance of the Transmission System; (ii) potential transmission solutions, including any acceleration, deceleration or modifications of a potential expansion or enhancement based on the results of sensitivities studies and scenario analyses; and (iii) the proposed Regional Transmission Expansion Plan. These meetings will be scheduled as deemed necessary by the Office of the Interconnection or upon the request of the Transmission Expansion Advisory Committee or the Subregional RTEP Committees. The Office of the Interconnection will provide updates on the status of the development of the Regional Transmission Expansion Plan at these meetings or at the regularly scheduled meetings of the Planning Committee.

(d) In addition, the Office of the Interconnection shall facilitate periodic meetings with the Independent State Agencies Committee to discuss: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) regulatory initiatives, as appropriate, including state regulatory agency initiated programs, and other Public Policy Objectives, to consider including in the Office of the Interconnection's transmission planning analyses; (iii) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, generating capacity, market efficiency and other trends in the industry; and (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by Independent State Agencies Committee. At such meetings, the Office of the Interconnection also shall discuss the current status of the enhancement and expansion study process. The Independent State Agencies Committee may request that the Office of Interconnection schedule additional meetings as necessary. The Office of the Interconnection shall inform the Transmission Expansion Advisory Committee and the Subregional RTEP Committees, as appropriate, of the input of the Independent State Agencies Committee and shall consider such input in developing the range of assumptions to be used in the studies and scenario analyses described in Section (b), above.

(e) Upon completion of its studies and analysis, including sensitivity studies and scenario analyses the Office of the Interconnection shall post on the PJM website the violations, system conditions, economic constraints, and Public Policy Requirements as detailed in Section 1.5.8(b) of this Schedule 6 to afford entities an opportunity to submit proposed enhancements or expansions to address the posted violations, system conditions, economic constraints and Public Policy Requirements as provided for in Section 1.5.8(c) of this Schedule 6. Following the close

of a proposal window, the Office of the Interconnection shall: (i) post all proposals submitted pursuant to Section 1.5.8(c) of this Schedule 6; (ii) consider proposals submitted during the proposal windows consistent with Section 1.5.8(d) of this Schedule 6 and develop a recommended plan. Following review by the Transmission Expansion Advisory Committee of proposals, the Office of the Interconnection, based on identified needs and the timing of such needs, and taking into account the sensitivity studies, modeling assumption variations and scenario analyses considered pursuant to Section 1.5.3 of this Schedule 6, shall determine, which more efficient or cost-effective enhancements and expansions shall be included in the recommended plan, including solutions identified as a result of the sensitivity studies, modeling assumption variations, and scenario analyses, that may accelerate, decelerate or modify a potential reliability, market efficiency or operational performance expansion or enhancement identified as a result of the sensitivity studies, modeling assumption variations and scenario analyses, shall be included in the recommended plan. The Office of the Interconnection shall post the proposed recommended plan for review and comment by the Transmission Expansion Advisory Committee. The Transmission Expansion Advisory Committee shall facilitate open meetings and communications as necessary to provide opportunity for the Transmission Expansion Advisory Committee participants to collaborate on the preparation of the recommended enhancement and expansion plan. The Office of the Interconnection also shall invite interested parties to submit comments on the plan to the Transmission Expansion Advisory Committee and to the Office of the Interconnection before submitting the recommended plan to the PJM Board for approval.

(f) The recommended plan shall separately identify enhancements and expansions for the three PJM subregions, the PJM Mid-Atlantic Region, the PJM West Region, and the PJM South Region, and shall incorporate recommendations from the Subregional RTEP Committees.

(g) The recommended plan shall separately identify enhancements and expansions that are classified as Supplemental Projects.

(h) The recommended plan shall identify enhancements and expansions that relieve transmission constraints and which, in the judgment of the Office of the Interconnection, are economically justified. Such economic expansions and enhancements shall be developed in accordance with the procedures, criteria and analyses described in Sections 1.5.7 and 1.5.8 of this Schedule 6.

(i) The recommended plan shall identify enhancements and expansions proposed by a state or states pursuant to Section 1.5.9 of this Schedule 6.

(j) The recommended plan shall include proposed Merchant Transmission Facilities within the PJM Region and any other enhancement or expansion of the Transmission System requested by any participant which the Office of the Interconnection finds to be compatible with the Transmission System, though not required pursuant to Section 1.1, provided that (1) the requestor has complied, to the extent applicable, with the procedures and other requirements of Parts IV and VI of the PJM Tariff; (2) the proposed enhancement or expansion is consistent with applicable reliability standards, operating criteria and the purposes and objectives of the regional planning protocol; (3) the requestor shall be responsible for all costs of such enhancement or

expansion (including, but not necessarily limited to, costs of siting, designing, financing, constructing, operating and maintaining the pertinent facilities), and (4) except as otherwise provided by Parts IV and VI of the PJM Tariff with respect to Merchant Network Upgrades, the requestor shall accept responsibility for ownership, construction, operation and maintenance of the enhancement or expansion through an undertaking satisfactory to the Office of the Interconnection.

(k) For each enhancement or expansion that is included in the recommended plan, the plan shall consider, based on the planning analysis: other input from participants, including any indications of a willingness to bear cost responsibility for such enhancement or expansion; and, when applicable, relevant projects being undertaken to ensure the simultaneous feasibility of Stage 1A ARRs, to facilitate Incremental ARRs pursuant to the provisions of Section 7.8 of Schedule 1 of this Agreement, or to facilitate upgrades pursuant to Parts II, III, or VI of the PJM Tariff, and designate one or more Transmission Owners or other entities to construct, own and, unless otherwise provided, finance the recommended transmission enhancement or expansion. ~~To the extent that one or more Transmission Owners are designated to construct, own and/or finance a recommended transmission enhancement or expansion, the recommended plan shall designate the Transmission Owner that owns transmission facilities located in the Zone where the particular enhancement or expansion is to be located. Otherwise, a~~Any designation under this paragraph of one or more entities to construct, own and/or finance a recommended transmission enhancement or expansion shall also include a designation of partial responsibility among them. Nothing herein shall prevent any Transmission Owner or other entity designated to construct, own and/or finance a recommended transmission enhancement or expansion from agreeing to undertake its responsibilities under such designation jointly with other Transmission Owners or other entities.

(l) Based on the planning analysis and other input from participants, including any indications of a willingness to bear cost responsibility for an enhancement or expansion, the recommended plan shall, for any enhancement or expansion that is included in the plan, designate (1) the Market Participant(s) in one or more Zones, or any other party that has agreed to fully fund upgrades pursuant to this Agreement or the PJM Tariff, that will bear cost responsibility for such enhancement or expansion, as and to the extent provided by any provision of the PJM Tariff or this Agreement, (2) in the event and to the extent that no provision of the PJM Tariff or this Agreement assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered through charges established pursuant to Schedule 12 of the Tariff, and (3) in the event and to the extent that the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C. assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered. Any designation under clause (2) of the preceding sentence (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants and, (B) subject to FERC review and approval, shall be incorporated in any amendment to Schedule 12 of the PJM Tariff that establishes a Transmission Enhancement Charge Rate in connection with an economic expansion or enhancement developed under Sections 1.5.6(h) and 1.5.7 of this Schedule 6, (C) the costs

associated with expansions and enhancements required to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7 of Schedule 1 of this Agreement shall (1) be allocated across transmission zones based on each zone's stage 1A eligible Auction Revenue Rights flow contribution to the total stage 1A eligible Auction Revenue Rights flow on the facility that limits stage 1A ARR feasibility and (2) within each transmission zone the Network Service Users and Transmission Customers that are eligible to receive stage 1A Auction Revenue Rights shall be the Responsible Customers under Section (b) of Schedule 12 of the PJM Tariff for all expansions and enhancements included in the Regional Transmission Expansion Plan to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights, and (D) the costs associated with expansions and enhancements required to reduce to zero the Locational Price Adder for LDAs as described in Section 15 of Attachment DD of OATT shall (1) be allocated across Zones based on each Zone's pro rata share of load in such LDA and (2) within each Zone, to all LSEs serving load in such LDA pro rata based on such load.

Any designation under clause (3), above, (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants, and (B), subject to FERC review and approval, shall be incorporated in an amendment to a Schedule of the PJM Tariff which establishes a charge in connection with the pertinent enhancement or expansion. Before designating fewer than all customers using Point-to-Point Transmission Service or Network Integration Transmission Service within a Zone as customers from which the costs of a particular enhancement or expansion may be recovered, Transmission Provider shall consult, in a manner and to the extent that it reasonably determines to be appropriate in each such instance, with affected state utility regulatory authorities and stakeholders. When the plan designates more than one responsible Market Participant, it shall also designate the proportional responsibility among them. Notwithstanding the foregoing, with respect to any facilities that the Regional Transmission Expansion Plan designates to be owned by an entity other than a Transmission Owner, the plan shall designate that entity as responsible for the costs of such facilities.

(m) Certain Regional RTEP Project(s) and Subregional RTEP Project(s) may not be required for compliance with the following PJM criteria: system reliability, market efficiency or operational performance, pursuant to a determination by the Office of the Interconnection. These Supplemental Projects shall be separately identified in the RTEP and are not subject to approval by the PJM Board.

1.5.7 Development of Economic-based ~~Transmission~~ Enhancements and or Expansions.

(a) Each year the Transmission Expansion Advisory Committee shall review and comment on the assumptions to be used in performing the market efficiency analysis to identify enhancements or expansions that could relieve transmission constraints that have an economic impact ("economic constraints"). Such assumptions shall include, but not be limited to, the discount rate used to determine the present value of the Total Annual Enhancement Benefit and Total Enhancement Cost, and the annual revenue requirement, including the recovery period, used to determine the Total Enhancement Cost. The discount rate shall be based on the

Transmission Owners' most recent after-tax embedded cost of capital weighted by each Transmission Owner's total transmission capitalization. Each year, each Transmission Owner will be requested to provide the Office of the Interconnection with the Transmission Owner's most recent after-tax embedded cost of capital, total transmission capitalization, and levelized carrying charge rate, including the recovery period. The recovery period shall be consistent with recovery periods allowed by the Commission for comparable facilities. Prior to PJM Board consideration of such assumptions, the assumptions shall be presented to the Transmission Expansion Advisory Committee for review and comment. Following review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection shall submit the assumptions to be used in performing the market efficiency analysis described in this Section 1.5.7 to the PJM Board for consideration.

(b) Following PJM Board consideration of the assumptions, the Office of the Interconnection shall perform a market efficiency analysis to compare the costs and benefits of: (i) accelerating reliability-based enhancements or expansions already included in the Regional Transmission Plan that if accelerated also could relieve one or more economic constraints; (ii) modifying reliability-based enhancements or expansions already included in the Regional Transmission Plan that as modified would relieve one or more economic constraints; and (iii) adding new enhancements or expansions that could relieve one or more economic constraints, but for which no reliability-based need has been identified. Economic constraints include, but are not limited to, constraints that cause: (1) significant historical gross congestion; (2) pro-ration of Stage 1B ARR requests as described in section 7.4.2(c) of Schedule 1 of this Agreement; or (3) significant simulated congestion as forecasted in the market efficiency analysis. The timeline for the market efficiency analysis and comparison of the costs and benefits for items 1.5.7(b)(i-iii) is described in the PJM Manuals.

(c) The process for conducting the market efficiency analysis described in subsection (b) above shall include the following:

(i) The Office of the Interconnection shall identify and provide to the Transmission Expansion Advisory Committee a list of economic constraints to be evaluated in the market efficiency analysis.

(ii) The Office of the Interconnection shall identify any planned reliability-based enhancements or expansions already included in the Regional Transmission Expansion Plan, which if accelerated would relieve such constraints, and present any such proposed reliability-based enhancements and expansions to be accelerated to the Transmission Expansion Advisory Committee for review and comment. The PJM Board, upon consideration of the advice of the Transmission Expansion Advisory Committee, thereafter shall consider and vote to approve any accelerations.

(iii) The Office of the Interconnection shall evaluate whether including any additional ~~economic~~Economic-based ~~enhancements~~Enhancements or ~~expansions~~Expansions in the Regional Transmission Expansion Plan or modifications of existing Regional Transmission Expansion Plan reliability-based enhancements or expansions would relieve an economic constraint. In addition, pursuant to Section 1.5.8(c) of this Schedule 6, any market participant

may submit to the Office of the Interconnection a proposal to construct an additional ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion to relieve an economic constraint. Upon completion of its evaluation, including consideration of any eligible market participant proposed ~~economic~~Economic-based ~~enhancements~~Enhancements or ~~expansions~~Expansions, the Office of the Interconnection shall present to the Transmission Expansion Advisory Committee a description of new ~~economic~~Economic-based ~~enhancements~~Enhancements ~~and-or~~ ~~expansions~~Expansions for review and comment. Upon consideration and advice of the Transmission Expansion Advisory Committee, the PJM Board shall consider any new ~~economic~~Economic-based ~~enhancements~~Enhancements ~~and-or~~ ~~expansions~~Expansions for inclusion in the Regional Transmission Plan and for those enhancements and expansions it approves, the PJM Board shall designate (a) the entity or entities that will be responsible for constructing and owning or financing the additional ~~economic~~Economic-based ~~enhancements~~Enhancements ~~and-or~~ ~~expansions~~Expansions, (b) the estimated costs of such enhancements and expansions, and (c) the market participants that will bear responsibility for the costs of the additional ~~economic~~Economic-based ~~enhancements~~Enhancements ~~and-or~~ ~~expansions~~Expansions pursuant to Section 1.5.6(1) of this Schedule 6. In the event the entity or entities designated as responsible for construction, owning or financing a designated new ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion declines to construct, own or finance the new ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion, the enhancement or expansion will not be included in the Regional Transmission Expansion Plan but will be included in the report filed with the FERC in accordance with Sections 1.6 and 1.7 of this Schedule 6. This report also shall include information regarding PJM Board approved accelerations of reliability-based enhancements or expansions that an entity declines to accelerate.

(d) To determine the economic benefits of accelerating or modifying planned reliability-based enhancements or expansions or of constructing additional ~~economic~~Economic-based ~~enhancements~~Enhancements or ~~expansions~~Expansions and whether such ~~economic~~Economic-based ~~enhancements~~Enhancements or ~~expansion~~Expansion are eligible for inclusion in the Regional Transmission Expansion Plan, the Office of the Interconnection shall perform and compare market simulations with and without the proposed accelerated or modified planned reliability-based enhancements or expansions or the additional ~~economic~~Economic-based ~~enhancements~~Enhancements or ~~expansions~~Expansions as applicable, using the Benefit/Cost Ratio calculation set forth below in this Section 1.5.7(d). An ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion shall be ~~considered for inclusion~~included in the Regional Transmission Expansion Plan ~~and~~ recommended to the PJM Board, if the relative benefits and costs of the ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion meet a Benefit/Cost Ratio Threshold of at least 1.25:1.

The Benefit/Cost Ratio shall be determined as follows:

Benefit/Cost Ratio = [Present value of the Total Annual Enhancement Benefit for each of the first 15 years of the life of the enhancement or expansion] ÷ [Present value of the Total Enhancement Cost for each of the first 15 years of the life of the enhancement or expansion]

Where

Total Annual Enhancement Benefit = Energy Market Benefit + Reliability Pricing Model Benefit

and

Energy Market Benefit = [.70] * [Change in Total Energy Production Cost] + [.30] * [Change in Load Energy Payment]

and

Change in Total Energy Production Cost = [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region without the ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion] – [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region with the ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion]

and

Change in Load Energy Payment = [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone without the ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion)] – [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone with the ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion)] – [the change in value of transmission rights for each Zone with the ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion)]. For ~~economic~~Economic-based ~~enhancements~~Enhancements ~~and-or~~ ~~expansions~~Expansions for which cost responsibility is assigned pursuant to Section (b)(i) of Schedule 12 of the PJM Tariff, the Change in the Load Energy Payment shall be the sum of the Change in Load Energy Payment in all Zones. For ~~economic~~Economic-based ~~enhancements~~Enhancements or ~~expansions~~Expansions for which cost responsibility is assigned

pursuant to Section (b)(v) of Schedule 12 of the PJM Tariff, the Change in Load Energy Payment shall be the sum of the Change in the Load Energy Payment only of the Zones that show a decrease in Load Energy Payment.

and

Reliability Pricing Benefit = [.70] * [Change in Total System Capacity Cost] + [.30] * [Change in Load Capacity Payment]

and

Change in Total System Capacity Cost = [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt without the ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion) * (the number of days in the study year)] – [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt with the ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion) * (the number of days in the study year)]

and

Change in Load Capacity Payment = [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff without the ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion) * (the number of days in the study year)] – [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff with the ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion) * (the number of days in the study year)]. The Change in Load Capacity Payment shall take account of the change in value of Capacity Transfer Rights in each Zone, including any additional Capacity Transfer Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion. For ~~economic~~Economic-based ~~enhancements~~Enhancements and/or ~~expansions~~Expansions for which cost responsibility is assigned pursuant to Section (b)(i) of Schedule 12 of the PJM Tariff, the Change in the Load Capacity

Payment shall be the sum of the change in Load Capacity Payment in all Zones. For ~~economic~~Economic-based ~~enhancements~~Enhancements or ~~expansions~~Expansions for which cost responsibility is assigned pursuant to Section (b)(v) of Schedule 12 of the PJM Tariff, the Change in Load Capacity Payment shall be the sum of the change in the Load Capacity Payment only of the Zones that show a decrease in Load Capacity Payment.

and

Total Enhancement Cost (except for accelerations of planned reliability-based enhancements or expansions) = the estimated annual revenue requirement for the ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion.

Total Enhancement Cost (for accelerations of planned reliability-based enhancements or expansions) = the estimated change in annual revenue requirement resulting from the acceleration of the planned reliability-based enhancement or expansion, taking account of all of the costs incurred that would not have been incurred but for the acceleration of the planned reliability-based enhancement or expansion.

(e) For informational purposes only, to assist the Office of the Interconnection and the Transmission Expansion Advisory Committee in evaluating the economic benefits of accelerating planned reliability-based enhancements or expansions or of constructing a new ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion, the Office of the Interconnection shall calculate and post on the PJM website the change in the following metrics on a zonal and system-wide basis: (i) total energy production costs (fuel costs, variable O&M costs and emissions costs);(ii) total load energy payments (zonal load MW times zonal load Locational Marginal Price); (iii) total generator revenue from energy production (generator MW times generator Locational Marginal Price); (iv) Financial Transmission Right credits (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of a planned reliability-based enhancement or expansion or new ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion); (v) marginal loss surplus credit; and (vi) total capacity costs and load capacity payments under the Office of the Interconnection's Commission-approved capacity construct.

(f) To assure that new ~~economic~~Economic-based ~~enhancements~~Enhancements ~~and or~~ ~~expansions~~Expansions included in the Regional Transmission Expansion Plan continue to be cost beneficial, the Office of the Interconnection annually shall review the costs and benefits of constructing such enhancements and expansions. In the event that there are changes in these costs and benefits, the Office of the Interconnection shall review the changes in costs and benefits with the Transmission Expansion Advisory Committee and recommend to the PJM Board whether the new ~~economic~~Economic-based ~~enhancements~~Enhancements ~~and or~~ ~~expansions~~Expansions continue to provide measurable benefits, as determined in accordance

with subsection (d), and should remain in the Regional Transmission Expansion Plan. The annual review of the costs and benefits of constructing new ~~economic~~Economic-based ~~enhancements~~Enhancements ~~and-or~~ ~~expansions~~Expansions included in the Regional Transmission Expansion Plan shall include review of changes in cost estimates of the ~~economic~~Economic-based ~~enhancement~~Enhancement or ~~expansion~~Expansion, and changes in system conditions, including but not limited to, changes in load forecasts, and anticipated Merchant Transmission Facilities, generation, and demand response, consistent with the requirements of Section 1.5.7(i) of this Schedule 6.

(g) For new economic enhancements or expansions with costs in excess of \$50 million, an independent review of such costs shall be performed to assure both consistency of estimating practices and that the scope of the new ~~economic~~Economic-based ~~enhancements~~Enhancements ~~and-or~~ ~~expansions~~Expansions is consistent with the new ~~economic~~Economic-based ~~enhancements~~Enhancements ~~and-or~~ ~~expansions~~Expansions as recommended in the market efficiency analysis.

(h) At any time, market participants may submit to the Office of the Interconnection requests to interconnect Merchant Transmission Facilities or generation facilities pursuant to Parts IV and VI of the PJM Tariff that could address an economic constraint. In the event the Office of the Interconnection determines that the interconnection of such facilities would relieve an economic constraint, the Office of the Interconnection may designate the project as a “market solution” and, in the event of such designation, Section 216 of the PJM Tariff, as applicable, shall apply to the project.

(i) The assumptions used in the market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) shall include, but not be limited to, the following:

- (i) Timely installation of Qualifying Transmission Upgrades, as defined in Section 2.5.7 of Attachment DD of the PJM Tariff, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region (“Reliability Assurance Agreement”).
- (ii) Availability of Generation Capacity Resources, as defined by Section 1.33 of the Reliability Assurance Agreement, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement.
- (iii) Availability of Demand Resources as defined in Section 1.13 of the Reliability Assurance Agreement that are committed to the PJM Region as a result of any Reliability Pricing Model Auction

pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement.

- (iv) Addition of Customer Facilities pursuant to an executed Interconnection Service Agreement or executed Interim Interconnection Service Agreement for which an Interconnection Service Agreement is expected to be executed.
- (v) Addition of Customer-Funded Upgrades pursuant to an executed Interconnection Construction Service Agreement or an Upgrade Construction Service Agreement.
- (vi) Expected level of demand response over at least the ensuing fifteen years based on analyses that consider historic levels of demand response, expected demand response growth trends, impact of capacity prices, current and emerging technologies.
- (vii) Expected levels of potential new generation and generation retirements over at least the ensuing fifteen years based on analyses that consider generation trends based on existing generation on the system, generation in the PJM interconnection queues and Capacity Resource Clearing Prices under Attachment DD of the PJM Tariff. If the Office of the Interconnection finds that the PJM reserve requirement is not met in any of its future year market efficiency analyses then it will model adequate future generation based on type and location of generation in existing PJM interconnection queues.
- (viii) Items (i) through (v) will be included in the market efficiency assumptions if qualified for consideration by the PJM Board. In the event that any of the items listed in (i) through (v) above qualify for inclusion in the market efficiency analysis assumptions, however, because of the timing of the qualification the item was not included in the assumptions used in developing the most recent Regional Transmission Expansion Plan, the Office of the Interconnection, to the extent necessary, shall notify any entity constructing an ~~economic~~Economic-based ~~enhancement~~ Enhancement or ~~expansion~~ Expansion that may be affected by inclusion of such item in the assumptions for the next market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) that the need for the ~~economic~~Economic-based ~~enhancement~~ Enhancement or ~~expansion~~ Expansion may be diminished or obviated as a result of the inclusion of the qualified item in the assumptions for the next annual market efficiency analysis or review of costs and benefits.

(j) For informational purposes only, with regard to ~~economic~~Economic-based ~~enhancements~~Enhancements or ~~expansions~~Expansions that are included in the Regional Transmission Expansion Plan pursuant to subsection (d) of this Section 1.5.7, the Office of the Interconnection shall perform sensitivity analyses consistent with Section 1.5.3 of this Schedule 6 and shall provide the results of such sensitivity analyses to the Transmission Expansion Advisory Committee.

1.5.8 Development of Long-lead Projects, Short-term Projects, ~~and~~ Immediate-need Reliability Projects, and Economic-based Enhancements or Expansions.

(a) Pre-Qualification ~~Requirements~~Process.

~~(a)(1) On September 1 of each year, the Office of the Interconnection shall open a thirty-day pre-qualification window for entities, including existing Transmission Owners and Nonincumbent Developers, to submit to the Office of the Interconnection: (i) applications to pre-qualify as eligible to be a Designated Entity; or (ii) updated information as described in Section 1.5.8(a)(3) of this Schedule 6. Pre-qualification applications shall contain the following information: On an annual basis, entities that desire to be the Designated Entity for Immediate-need Reliability Projects, Short-term Projects, or Long-lead Projects shall submit to the Office of the Interconnection during the pre-qualification window, noticed by the Office of the Intereconnection, the following information:~~ (i) name and address of the entity; (ii) the technical and engineering qualifications of the entity or its affiliate, partner, or parent company; (iii) the demonstrated experience of the entity or its affiliate, partner, or parent company to develop, construct, maintain, and operate transmission facilities, including a list or other evidence of transmission facilities the entity, its affiliate, partner, or parent company previously developed, constructed, maintained, or operated; (iv) the previous record of the entity or its affiliate, partner, or parent company regarding construction, maintenance, or operation of transmission facilities both inside and outside of the PJM Region; (v) the capability of the entity or its affiliate, partner, or parent company to adhere to standardized construction, maintenance and operating practices; (vi) the financial statements of the entity or its affiliate, partner, or parent company for the most recent fiscal quarter, as well as the most recent three fiscal years, or the period of existence of the entity, if shorter, or such other evidence demonstrating an entity's or its affiliate's, partner's, or parent company's current and expected financial capability acceptable to the Office of the Interconnection; (vii) a commitment by the entity to execute the Consolidated Transmission Owners Agreement, if the entity becomes a Designated Entity; (viii) evidence demonstrating the ability of the entity or its affiliate, partner, or parent company to address and timely remedy failure of facilities; (ix) a description of the experience of the entity or its affiliate, partner, or parent company in acquiring rights of way; and (x) such other supporting information that the Office of Interconnection requires to make the pre-qualification determinations consistent with this Section 1.5.8(a).

~~(a)(2) No later than October 31, the Office of the Interconnection shall notify the entities that submitted pre-qualification applications or updated information during the annual thirty-day pre-qualification window, whether they are, or will continue to be, pre-qualified as eligible to be~~

~~a Designated Entity. Based on this information, and prior to the opening of the next project proposal window, the Office of the Interconnection shall determine whether an entity is qualified to be a Designated Entity and shall notify the entity of such determination. In the event the Office of the Interconnection determines that an entity (i) is not, or no longer will continue to be, pre-qualified as eligible to be a Designated Entity, or (ii) provided insufficient information to determine pre-qualification, the Office of the Interconnection shall inform that the entity it is not pre-qualified and include in the notification the basis for its determination. The entity then may shall have 30 days or other such period as may be agreed to by the Office of the Interconnection to submit additional information, which the Office of the Interconnection shall consider in re-evaluating whether the entity is, or will continue to be, pre-qualified as eligible to be a Designated Entity. If the entity submits additional information by November 30, the Office of the Interconnection shall notify the entity of the results of this-its re-evaluation no later than December 15 within 15 business days of receiving the additional information or such other reasonable time period as needed by the Office of the Interconnection to make the determinations required by this Section prior to the opening of the next project proposal window. If the entity submits additional information after November 30, the Office of the Interconnection shall use reasonable efforts to re-evaluate the application, with the additional information, and notify the entity of its determination as soon as practicable. No later than December 31, the Office of the Interconnection shall post on the PJM website the list of entities that are pre-qualified as eligible to be Designated Entities. If an entity is notified by the Office of the Interconnection that itthe entity does not pre-qualify or will not continue to be pre-qualified as eligible to be a Designated Entity, such entity may request dispute resolution pursuant to Schedule 5 of the Operating Agreement.~~

~~(a)(3) If an entity was pre-qualified as eligible to be a Designated Entity in the previous year, such entity is not required to re-submit information to pre-qualify with respect to the upcoming to be a Designated Entity in the current year, provided, however, that In the event the information on which the entity's pre-qualification is based changes with respect to the upcoming year, such entity must submit to the Office of the Interconnection all updated information during the annual thirty-day pre-qualification window and the timeframes for notification in Section 1.5.8(a)(2) of this Schedule 6 shall apply. In the event the information on which the entity's pre-qualification is based changes with respect to the current year, such entity must submit to the Office of the Interconnection all updated information at the time the information changes and the Office of the Interconnection shall use reasonable efforts to evaluate the updated information and notify the entity of its determination as soon as practicable.has changed. In the event an entity submits updated information, the Office of the Interconnection shall determine whether the entity continues to qualify to be a Designated Entity and shall notify the entity of its determination within a reasonable period of time prior to the opening of the next proposal window.~~

~~(a)(4) As determined by the Office of the Interconnection, an entity may submit a pre-qualification application pre-qualify outside the annual thirty-day pre-qualification window for good cause shown. For a pre-qualification application received outside of the annual thirty-day pre-qualification window, the Office of the Interconnection shall use reasonable efforts to process the application and notify the entity as to whether it pre-qualifies as eligible to be a Designated Entity as soon as practicable. This Section shall not apply to entities that desire to~~

~~propose projects for inclusion in the recommended plan but do not intend to be a Designated Entity.~~

(a)(5) To be designated as a Designated Entity for any project proposed pursuant to Section 1.5.8 of this Schedule 6, existing Transmission Owners and Nonincumbent Developers must be pre-qualified as eligible to be a Designated Entity pursuant to this Section 1.5.8(a). This Section 1.5.8(a) shall not apply to entities that desire to propose projects for inclusion in the recommended plan but do not intend to be a Designated Entity.

(b) **Posting of Transmission System Needs.** Upon identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance in the enhancement and expansion analysis process described in this Schedule 6 and the PJM Manuals, and after consideration of non-transmission solutions, the Office of the Interconnection shall post on the PJM website the violations, system conditions, and economic constraints, and Public Policy Requirements, including (i) federal Public Policy Requirements; (ii) state Public Policy Requirements identified or agreed-to by the states in the PJM Region, which could be addressed by potential Short-term Projects, Long-lead Projects or projects determined pursuant to the State Agreement Approach in Section 1.5.9 of this Schedule 6, as applicable. The Office of the Interconnection also shall post an explanation regarding why transmission needs associated with federal or state Public Policy Requirements were identified but were not selected for further evaluation.

(c) **Project Proposal Windows.** The Office of the Interconnection shall provide notice to stakeholders of a 30-day proposal window for Short-term Projects and a 120-day proposal window for Long-lead Projects and Economic-based Enhancements or Expansions. The Office of Interconnection may ~~(i)~~ shorten ~~the a~~ proposal windows should ~~the an~~ identified need require a shorter proposal window to meet the needed in-service date of the proposed enhancements or expansions; ~~or (ii)~~ extend ~~the a proposal~~ windows as needed to accommodate updated information regarding system conditions. The Office of the Interconnection may shorten or lengthen a proposal window that is not yet opened based on one or more of the following criteria: (1) complexity of the violation or system condition; and (2) whether there is sufficient time remaining in the relevant planning cycle to accommodate a standard proposal window and timely address the violation or system condition. The Office of the Interconnection may lengthen a proposal window that already is opened based on or more of the following criteria: (i) changes in assumptions or conditions relating to the underlying need for the project, such as load growth or Reliability Pricing Model auction results; (ii) availability of new or changed information regarding the nature of the violations and the facilities involved; and (iii) time remaining in the relevant proposal window. In the event that the Office of the Interconnection determines to lengthen or shorten a proposal window, it will post on the PJM website the new proposal window period and an explanation as to the reasons for the change in the proposal window period. During these windows, the Office of the Interconnection will accept proposals from existing Transmission Owners and Nonincumbent Developers for potential enhancements or expansions to address the posted violations, system conditions, economic constraints, as well as Public Policy Requirements.

(c)(1) All Pproposals submitted in the proposal windows must contain: (i) the name and address of the proposing entity; (ii) a statement whether the entity intends to be the Designated Entity for the proposed project; (iii) the location of proposed project, including source and sink, if applicable; (iv) relevant engineering studies, and other relevant information as described in the PJM Manuals pertaining to the proposed project; (v) a proposed initial construction schedule including projected dates on which needed permits are required to be obtained in order to meet the required in-service date; and (vi) cost estimates and analyses that provide sufficient detail for the Office of Interconnection to review and analyze the proposed cost of the project.

(c)(2) Proposals from all entities (both existing Transmission Owners and Nonincumbent Developers) that indicate the entity ~~If the proposing entity states that it~~ intends to be a Designated Entity, ~~the proposal~~ also must contain information to the extent not previously provided pursuant to Section 1.5.8(a) demonstrating: (i) technical and engineering qualifications of the entity, its affiliate, partner, or parent company relevant to construction, operation, and maintenance of the proposed project; (ii) experience of the entity, its affiliate, partner, or parent company in developing, constructing, maintaining, and operating the type of transmission facilities contained in the project proposal; (iii) the emergency response capability of the entity that will be operating and maintaining the proposed project; (iv) evidence of transmission facilities the entity, its affiliate, partner, or parent company previously constructed, maintained, or operated; (v) the ability of the entity or its affiliate, partner, or parent company to obtain adequate financing relative to the proposed project, which may include a letter of intent from a financial institution approved by the Office of the Interconnection or such other evidence of the financial resources available to finance the construction, operation, and maintenance of the proposed project; (vi) the managerial ability of the entity, its affiliate, partner, or parent company to contain costs and adhere to construction schedules for the proposed project, including a description of verifiable past achievement of these goals; (vii) a demonstration of other advantages the entity may have to construct, operate, and maintain the proposed project, including any cost commitment the entity may wish to submit; and (viii) any other information that may assist the Office of the Interconnection in evaluating the proposed project.

(c)(3) The Office of the Interconnection may request additional reports or information from an existing Transmission Owner or Nonincumbent Developers that it determines are reasonably necessary to evaluate ~~the-its~~ specific project proposal pursuant to the criteria set forth in Sections 1.5.8(e) and 1.5.8(f) of this Schedule 6. If the Office of the Interconnection determines any of the information provided in a proposal is deficient or it requires additional reports or information to analyze the submitted proposal, the Office of the Interconnection shall notify the proposing entity of such deficiency or request. Within 10 business days of receipt of the notification of deficiency and/or request for additional reports or information, or other reasonable time period as determined by the Office of the Interconnection, the proposing entity shall provide the necessary information.

(c)(4) The request for additional reports or information by the Office of the Interconnection pursuant to Section 1.5.8(c)(3) of this Schedule 6 may be used only to clarify a proposed project as submitted. In response to the Office of the Information's request for additional reports or information, the proposing entity (whether an existing Transmission Owner or Nonincumbent Developer) may not submit a new project proposal or modifications to a

proposed project once the proposal window is closed. In the event that the proposing entity fails to timely cure the deficiency or provide the requested reports or information regarding a proposed project, the proposed project will not be considered for inclusion in the recommended plan.

(d) **Posting and Review of Projects.** Following the close of a proposal window, the Office of the Interconnection shall post on the PJM website all proposals submitted pursuant to Section 1.5.8(c) of this Schedule 6. All proposals addressing state Public Policy Requirements shall be provided to the applicable states in the PJM Region for review and consideration as a Supplemental Project or a state public policy project consistent with Section 1.5.9 of this Schedule 6. The Office of the Interconnection shall review all proposals submitted during a proposal window and determine and present to the Transmission Expansion Advisory Committee the proposals that merit further consideration for inclusion in the recommended plan. In making this determination, the Office of the Interconnection shall consider the criteria set forth in Sections 1.5.8(e) and 1.5.8(f) of this Schedule 6. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee for review and comment descriptions of the proposed enhancements and expansions, including any proposed Supplemental Projects or state public policy projects identified by a state(s). Based on review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary conduct further study and evaluation. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee the revised enhancements and expansions for review and comment. After consultation with the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the more efficient or cost-effective transmission enhancements and expansions for inclusion in the recommended plan consistent with this Schedule 6.

(e) **Criteria for Considering Inclusion of a Project in the Recommended Plan.** In determining whether a Short-term Project or Long-lead Project proposed pursuant to Section 1.5.8(c), individually or in combination with other Short-term Projects or Long-lead Projects, is the more efficient or cost-effective solution and therefore should be included in the recommended plan, the Office of the Interconnection, taking into account sensitivity studies and scenario analyses considered pursuant to Section 1.5.3 of this Schedule 6, shall consider the following criteria, to the extent applicable: (i) the extent to which a Short-term Project or Long-lead Project would address and solve the posted violation, system condition, or economic constraint; (ii) the extent to which the relative benefits of the project meets a Benefit/Cost Ratio Threshold of at least 1.25:1 as calculated pursuant to Section 1.5.7(d) of this Schedule 6; (iii) the extent to which the Short-term Project or Long-lead Project would have secondary benefits, such as addressing additional or other system reliability, operational performance, economic efficiency issues or federal Public Policy Requirements or state Public Policy Requirements identified by the states in the PJM Region; and (iv) other factors such as cost-effectiveness, the ability to timely complete the project, and project development feasibility.

(f) **Entity-Specific Criteria Considered in Determining the Designated Entity for a Project.** In determining whether the entity proposing a Short-term Project or a Long-lead Project recommended for inclusion in the plan shall be the Designated Entity, the Office of the Interconnection shall consider: (i) whether in its proposal, the entity indicated its intent to be the

Designated Entity; (ii) whether the entity is pre-qualified to be a Designated Entity pursuant to Section 1.5.8(a); (iii) information provided either in the proposing entity's submission pursuant to Section 1.5.8(a) or 1.5.8(c)(2) relative to the specific proposed project that demonstrates: (1) the technical and engineering experience of the entity or its affiliate, partner, or parent company, including its previous record regarding construction, maintenance, and operation of transmission facilities relative to the project proposed; (2) ability of the entity or its affiliate, partner, or parent company to construct, maintain, and operate transmission facilities, as proposed, (3) capability of the entity to adhere to standardized construction, maintenance, and operating practices, including the capability for emergency response and restoration of damaged equipment; (4) experience of the entity in acquiring rights of way; (5) evidence of the ability of the entity, its affiliate, partner, or parent company to secure a financial commitment from an approved financial institution(s) agreeing to finance the construction, operation, and maintenance of the project, if it is accepted into the recommended plan; and (iv) any other factors that may be relevant to the proposed project.

(g) **Procedures if No Long-lead Project or Economic-based Enhancement or Expansion Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Long-lead Projects received during the Long-lead Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation, or system condition, ~~or economic constraint,~~ the Office of the Interconnection may re-evaluate and re-post on the PJM website the unresolved violations, or system conditions, ~~or economic constraints~~ pursuant to Section 1.5.8(b), provided such re-evaluation and re-posting would not affect the ability of the Office of the Interconnection to timely address the identified reliability need. In the event that re-posting and conducting such re-evaluation would prevent the Office of the Interconnection from timely addressing the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion, the Office of the Interconnection shall propose a project to solve the posted violation, or system condition ~~or economic constraint~~ for inclusion in the recommended plan and shall present such project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the project is to be located shall be the Designated Entity(ies) for such project. In determining whether there is insufficient time for re-posting and re-evaluation, the Office of the Interconnection shall develop and post on the PJM website a transmission solution construction timeline for input and review by the Transmission Expansion Advisory Committee that will include ~~consider~~ factors such as, but not limited to, ~~the time necessary:~~ (i) deadlines for obtaining ~~to obtain~~ regulatory approvals, (ii) dates by which ~~to acquire~~ long lead equipment ~~should be acquired,~~ (iii) ~~to meet construction schedules,~~ (iv) ~~the time necessary~~ to complete a proposed solution to meet the required in-service date, and (iv) ~~for~~ other time-based factors impacting the feasibility of achieving the required in-service date. Based on input from the Transmission Expansion Advisory Committee and the time frames set forth in the construction timeline, the Office of the Interconnection shall determine whether there is sufficient time to conduct a re-evaluation and re-post and timely address the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion. To the extent that an economic constraint remains unaddressed, the economic constraint will be re-evaluated and re-posted.

(h) **Procedures if No Short-term Project Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Short-term Projects received during a Short-term Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation or system condition, the Office of the Interconnection shall propose a Short-term Project to solve the posted violation, or system condition for inclusion in the recommended plan and will present such Short-term Project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the Short-term Project is to be located shall be the Designated Entity(ies) for the Project.

(i) **Notification of Designated Entity.** Within 10 business days of PJM Board approval of the Regional Transmission Expansion Plan, the Office of the Interconnection shall notify the entities that have been designated as the Designated Entities for projects included in the Regional Transmission Expansion Plan of such designations. In such notices, the Office of the Interconnection shall provide ~~the dates by which:~~ (i) the needed in-service date of the project; and (ii) a date by which all necessary state approvals must should be obtained to timely meet the needed in-service date of the project. The Office of the Interconnection shall use these dates as part of its on-going monitoring of the progress of the project to ensure that the project is completed by its needed in-service date; and (ii) the projects must be in service.

(j) **Acceptance of Designation.** Within 30 days of receiving notification of its designation as a Designated Entity, the ~~Designated Entity~~ existing Transmission Owner or Nonincumbent Developer shall notify the Office of the Interconnection of its acceptance of such designation and submit to the Office of the Interconnection a development schedule, which shall include, but not be limited to, milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary authorizations and approvals, including but not limited to, state approvals. For good cause shown, the Office of the Interconnection may extend the deadline for submitting the development schedule. The Office of the Interconnection then shall review the development schedule and within 15 days or other reasonable time as required by the Office of the Interconnection: (i) notify the Designated Entity of any issues regarding the development schedule identified by the Office of the Interconnection that may need to be addressed to ensure that the project meets its needed in-service date; and (ii) tender to the Designated Entity an executable Designated Entity Agreement setting forth the rights and obligations of the parties. To retain its status as a Designated Entity, wWithin 60 days of receiving notification of its designation (or other such period as mutually agreed upon by the Office of the Interconnection and the Designated Entity), -or other reasonable time period as determined by the Office of the Interconnection, the Designated Entity (both existing Transmission Owners and Nonincumbent Developers) shall submit to the Office of the Interconnection a development schedule which shall include, but not be limited to: (i) construction milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary state approvals; (ii) submit to the Office of the Interconnection a letter of credit as determined by the Office of Interconnection to cover the incremental costs of construction resulting from reassignment of the project,; and (iii) return to the Office of the Interconnection an executed agreement with the Office of the Interconnection setting forth the rights and obligations related to being the Designated Entity for the project Designated Entity Agreement containing a mutually agreed upon development

schedule. In the alternative, the Designated Entity may request dispute resolution pursuant to Schedule 5 of this Agreement, or request that the Designated Entity Agreement be filed unexecuted with the Commission.

(k) **Failure of Designated Entity to Meet Milestones.** In the event the Designated Entity fails to ~~provide a development schedule or letter of credit comply with one or more of the requirements of pursuant to~~ Section 1.5.8(j); or fails to meet a milestone in ~~its-the~~ development schedule set forth in the Designated Entity Agreement that causes a delay of the project's in-service date, the Office of the Interconnection shall re-evaluate the need for the Short-term Project or Long-lead Project, and based on that re-evaluation may: (i) retain the Short-term Project or Long-lead Project in the Regional Transmission Expansion Plan; (ii) remove the Short-term Project or Long-lead Project from the Regional Transmission Expansion Plan; or (iii) include an alternative solution in the Regional Transmission Expansion Plan. If the Office of the Interconnection retains the Short-term or Long-term Project in the Regional Transmission Expansion Plan, it shall determine whether the delay is beyond the Designated Entity's control and whether to retain the Designated Entity or to designate the Transmission Owner(s) in the Zone(s) where the project is located as Designated Entity(ies) for the Short-term Project or Long-lead Project. If the Designated Entity is the Transmission Owner(s) in the Zone(s) where the project is located, the Office of the Interconnection shall seek recourse through the Consolidated Transmission Owners Agreement or FERC, as appropriate. Any modifications to the Regional Transmission Expansion Plan pursuant to this section shall be presented to the Transmission Expansion Advisory Committee for review and comment and approved by the PJM Board.

(l) **Transmission Owners Required to be the Designated Entity.** Notwithstanding anything to the contrary in this Section 1.5.8, in all events, the Transmission Owner(s) in whose Zone(s) a project proposed ~~Short-term Project or Long-lead Project pursuant to Section 1.5.8(c) of this Schedule 6~~ is to be located will be the Designated Entity for the project, when the Short-term Project or Long-lead Project is: (i) ~~an upgrade to~~ a Transmission Owner Upgrade's own transmission facilities; (ii) located solely within a Transmission Owner's Zone and the costs of the project are allocated solely to the Transmission Owner's Zone; or (iii) located solely within a Transmission Owner's Zone and is not selected in the Regional Transmission Expansion Plan for purposes of cost allocation; ~~or (iv) proposed to be located on a Transmission Owner's existing right of way and the project would alter the Transmission Owner's use and control of its existing right of way under state law. Transmission Owner shall be the Designated Entity when required by state law, regulation or administrative agency order with regard to enhancements or expansions or portions of such enhancements or expansions located within that state.~~

(m) **Immediate-need Reliability Projects:**

(m)(1) Pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, The Office of the Interconnection shall identify immediate reliability needs that must be addressed within three years or less ~~develop and recommend Immediate-need Reliability Projects for inclusion in the Regional Transmission Expansion Plan pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6.~~ The Office of the Interconnection shall develop Immediate-need Reliability Projects for which a proposal window pursuant to Section 1.5.8(m)(2) is infeasible. The Office of the Interconnection shall

consider the following factors in determining the infeasibility of such a proposal window: (i) nature of the reliability criteria violation; (ii) nature and type of potential solution required; and (iii) projected construction time for a potential solution to the type of reliability criteria violation to be addressed. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders ~~present to the Transmission Expansion Advisory Committee for review and comment~~ descriptions of the ~~proposed~~ Immediate-need Reliability Projects for which a proposal window pursuant to Section 1.5.8(m)(2) is infeasible ~~recommended for inclusion in the recommended plan~~. The descriptions shall include an explanation of the decision to designate the Transmission Owner as the Designated Entity for the Immediate-need Reliability Project rather than conducting a proposal window pursuant to Section 1.5.8(m)(2), including an explanation of the time-sensitive need for the Immediate-need Reliability Project, other transmission and non-transmission options that were considered but concluded would not sufficiently address the immediate reliability need, the circumstances that generated the immediate reliability need, and why the immediate reliability need was not identified earlier. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments to the Office of the Interconnection. All comments received by the Office of the Interconnection shall be publicly available on the PJM website. Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee ~~that review~~, the Office of the Interconnection shall, if necessary, conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee. The PJM Board shall approve the Immediate-need Reliability Projects for inclusion in the recommended plan. In January of each year, the Office of the Interconnection shall post on the PJM website and file with the Commission for informational purposes a list of the Immediate-need Reliability Projects for which an existing Transmission Owner was designated in the prior year as the Designated Entity in accordance with this Section 1.5.8(m)(1). The list shall include the need-by date of Immediate-need Reliability Project and the date the Transmission Owner actually energized the Immediate-need Reliability Project. ~~Transmission Owner(s) in the Zone(s) in which the Immediate-need Reliability Project is to be located shall be the Designated Entity for the Immediate-need Reliability Project included in the Regional Transmission Expansion Plan, provided the Immediate-need Reliability Project was not chosen pursuant to the expedited proposal process set forth in Section 1.5.8(m)(2).~~

(m)(2) If, in the judgment of the Office of the Interconnection, there is sufficient time for the Office of the Interconnection to accept proposals in a shortened proposal window for Immediate-need Reliability Projects, the Office of the Interconnection shall post on the PJM website the violations and system conditions that could be addressed by ~~such~~ Immediate-need Reliability Project proposals, including an explanation of the time-sensitive need for an Immediate-need Reliability Project and provide notice to stakeholders of a shortened proposal window. Proposals must contain the information required in Section 1.5.8(c) and, if the entity is seeking to be the Designated Entity, such entity must have pre-qualified to be a Designated Entity pursuant to Section 1.5.8(a). In determining the more efficient or cost-effective proposed Immediate-need Reliability Project for inclusion in the recommended plan, the Office of the Interconnection shall consider the extent to which the proposed Immediate-need Reliability Project, individually or in combination with other Immediate-need Reliability Projects, would address and solve the posted violations or system conditions and other factors such as cost-

effectiveness, the ability of the entity to timely complete the project, and project development feasibility in light of the required need. After PJM Board approval, the Office of the Interconnection, in accordance with Section 1.5.8(i) of this Schedule 6, shall notify the entities that have been designated as Designated Entities for Immediate-need Projects included in the Regional Transmission Expansion Plan of such designations. Designated Entities shall accept such designations in accordance with Section 1.5.8(j). In the event that (i) the Office of the Interconnection determines that no proposal resolves a posted violation or system condition; (ii) the proposing entity is not selected to be the Designated Entity; (iii) an entity does not accept the designation as a Designated Entity; or (iv) the Designated Entity fails to meet milestones that would delay the in-service date of the Immediate-need Reliability Project, the Office of the Interconnection shall develop and recommend an Immediate-need Reliability Project to solve the violation or system needs in accordance with Section 1.5.8(m)(1).

1.5.9 State Agreement Approach.

(a) State governmental entities authorized by their respective states, individually or jointly, may agree voluntarily to be responsible for the allocation of all costs of a proposed transmission expansion or enhancement that addresses state Public Policy Requirements identified or accepted by the state(s) in the PJM Region. As determined by the authorized state governmental entities, such transmission enhancements or expansions may be included in the recommended plan, either as a (i) Supplemental Project or (ii) state public policy project, which is a transmission enhancement or expansion, the costs of which will be recovered pursuant to a FERC-accepted cost allocation proposed by agreement of one or more states and voluntarily agreed to by those state(s). All costs related to a state public policy project or Supplemental Project included in the Regional Transmission Expansion Plan to address state Public Policy Requirements pursuant to this Section shall be recovered from customers in a state(s) in the PJM Region that agrees to be responsible for the projects. No such costs shall be recovered from customers in a state that did not agree to be responsible for such cost allocation. A state public policy project will be included in the Regional Transmission Expansion Plan for cost allocation purposes only if there is an associated FERC-accepted allocation permitting recovery of the costs of the state public policy project consistent with this Section.

(b) Subject to any designation reserved for Transmission Owners in Section 1.5.8(l) of this Schedule 6, the state(s) responsible for cost allocation for a Supplemental Project or a state public policy project in accordance with Section 1.5.9(a) in this Schedule 6 may submit to the Office of the Interconnection the entity(ies) to construct, own, operate and maintain the state public policy project from a list of entities supplied by the Office of the Interconnection that pre-qualified to be Designated Entities pursuant to Section 1.5.8(a) of this Schedule 6.

Attachment B

Revisions to the PJM Open Access Transmission Tariff and PJM Operating Agreement

(Clean Format)

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

Definitions – E - F

1.10A Economic-based Enhancement or Expansion:

“Economic-based Enhancement or Expansion” shall have the same meaning provided in the Operating Agreement.

1.10B Economic Minimum:

The lowest incremental MW output level a unit can achieve while following economic dispatch.

1.11 Eligible Customer:

(i) Any electric utility (including any Transmission Owner and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale is an Eligible Customer under the Tariff. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that the Transmission Provider or Transmission Owner offer the unbundled transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner.

(ii) Any retail customer taking unbundled transmission service pursuant to a state requirement that the Transmission Provider or a Transmission Owner offer the transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner, is an Eligible Customer under the Tariff. As used in Part VI, Eligible Customer shall mean only those Eligible Customers that have submitted a Completed Application.

1.11.01 Emergency Condition:

A condition or situation (i) that in the judgment of any Interconnection Party is imminently likely to endanger life or property; or (ii) that in the judgment of the Interconnected Transmission Owner or Transmission Provider is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Transmission System, the Interconnection Facilities, or the transmission systems or distribution systems to which the Transmission System is directly or indirectly connected; or (iii) that in the judgment of Interconnection Customer is imminently likely (as determined in a non-discriminatory manner) to cause damage to the Customer Facility or to the Customer Interconnection Facilities. System restoration and black start shall be considered Emergency Conditions, provided that a Generation Interconnection Customer is not obligated by an Interconnection Service Agreement to possess black start capability. Any condition or situation that results from lack of sufficient generating capacity to meet load requirements or that results solely from economic conditions shall not constitute an Emergency Condition, unless one or more of the enumerated conditions or situations identified in this definition also exists.

1.11A Energy Resource:

A generating facility that is not a Capacity Resource.

1.11A.01 Energy Settlement Area:

The bus or distribution of busses that represents the physical location of Network Load and by which the obligations of the Network Customer to PJM are settled.

1.11B Energy Transmission Injection Rights:

The rights to schedule energy deliveries at a specified point on the Transmission System. Energy Transmission Injection Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System to another control area. Deliveries scheduled using Energy Transmission Injection Rights have rights similar to those under Non-Firm Point-to-Point Transmission Service.

1.11C Environmental Laws:

Applicable Laws or Regulations relating to pollution or protection of the environment, natural resources or human health and safety.

1.12 Facilities Study:

An engineering study conducted by the Transmission Provider (in coordination with the affected Transmission Owner(s)) to determine the required modifications to the Transmission Provider's Transmission System, including the cost and scheduled completion date for such modifications, that will be required to provide the requested transmission service or to accommodate an Interconnection Request or Upgrade Request. As used in the Interconnection Service Agreement or Construction Service Agreement, Facilities Study shall mean that certain Facilities Study conducted by Transmission Provider (or at its direction) to determine the design and specification of the Interconnection Facilities necessary to accommodate the New Service Customer's New Service Request in accordance with Section 207 of Part VI of the Tariff.

1.12A Federal Power Act:

The Federal Power Act, as amended, 16 U.S.C. §§ 791a, et seq.

1.12B FERC:

The Federal Energy Regulatory Commission or its successor.

1.13 Firm Point-To-Point Transmission Service:

Transmission Service under this Tariff that is reserved and/or scheduled between specified Points of Receipt and Delivery pursuant to Part II of this Tariff.

1.13A Firm Transmission Withdrawal Rights:

The rights to schedule energy and capacity withdrawals from a Point of Interconnection (as defined in Section 1.33A) of a Merchant Transmission Facility with the Transmission System. Firm Transmission Withdrawal Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System with another control area. Withdrawals scheduled using Firm Transmission Withdrawal Rights have rights similar to those under Firm Point-to-Point Transmission Service.

1.13A.01 Force Majeure:

Any cause beyond the control of the affected Interconnection Party or Construction Party, including but not restricted to, acts of God, flood, drought, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, acts of public enemy, explosions, orders, regulations or restrictions imposed by governmental, military, or lawfully established civilian authorities, which, in any of the foregoing cases, by exercise of due diligence such party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, it has been unable to overcome. Force Majeure does not include (i) a failure of performance that is due to an affected party's own negligence or intentional wrongdoing; (ii) any removable or remediable causes (other than settlement of a strike or labor dispute) which an affected party fails to remove or remedy within a reasonable time; or (iii) economic hardship of an affected party.

Definitions – L – M - N

1.15A List of Approved Contractors:

A list developed by each Transmission Owner and published in a PJM Manual of (a) contractors that the Transmission Owner considers to be qualified to install or construct new facilities and/or upgrades or modifications to existing facilities on the Transmission Owner's system, provided that such contractors may include, but need not be limited to, contractors that, in addition to providing construction services, also provide design and/or other construction-related services, and (b) manufacturers or vendors of major transmission-related equipment (e.g., high-voltage transformers, transmission line, circuit breakers) whose products the Transmission Owner considers acceptable for installation and use on its system.

1.16 Load Ratio Share:

Ratio of a Transmission Customer's Network Load to the Transmission Provider's total load.

1.17 Load Shedding:

The systematic reduction of system demand by temporarily decreasing load in response to transmission system or area capacity shortages, system instability, or voltage control considerations under Part II or Part III of the Tariff.

1.17A Local Upgrades:

Modifications or additions of facilities to abate any local thermal loading, voltage, short circuit, stability or similar engineering problem caused by the interconnection and delivery of generation to the Transmission System. Local Upgrades shall include:

(i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) Non-Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

1.17B Long-lead Project:

"Long-lead Project" shall have the same meaning provided in the Operating Agreement.

1.18 Long-Term Firm Point-To-Point Transmission Service:

Firm Point-To-Point Transmission Service under Part II of the Tariff with a term of one year or more.

1.18A [RESERVED]

1.18A.01 [RESERVED]

1.18A.02 Material Modification:

Any modification to an Interconnection Request that has a material adverse effect on the cost or timing of Interconnection Studies related to, or any Network Upgrades or Local Upgrades needed to accommodate, any Interconnection Request with a later Queue Position.

1.18A.03 Maximum Facility Output:

The maximum (not nominal) net electrical power output in megawatts, specified in the Interconnection Service Agreement, after supply of any parasitic or host facility loads, that a Generation Interconnection Customer's Customer Facility is expected to produce, provided that the specified Maximum Facility Output shall not exceed the output of the proposed Customer Facility that Transmission Provider utilized in the System Impact Study.

1.18B Merchant A.C. Transmission Facilities:

Merchant Transmission Facilities that are alternating current (A.C.) transmission facilities, other than those that are Controllable A.C. Merchant Transmission Facilities.

1.18C Merchant D.C. Transmission Facilities:

Direct current (D.C.) transmission facilities that are interconnected with the Transmission System pursuant to Part IV and Part VI of the Tariff.

1.18D Merchant Network Upgrades:

Merchant A.C. Transmission Facilities that are additions to, or modifications or replacements of, physical facilities of the Interconnected Transmission Owner that, on the date of the pertinent Transmission Interconnection Customer's Interconnection Request, are part of the Transmission System or are included in the Regional Transmission Expansion Plan.

1.18E Merchant Transmission Facilities:

A.C. or D.C. transmission facilities that are interconnected with or added to the Transmission System pursuant to Part IV and Part VI of the Tariff and that are so identified on Attachment T to the Tariff, provided, however, that Merchant Transmission Facilities shall not include (i) any Customer Interconnection Facilities, (ii) any physical facilities of the Transmission System that were in existence on or before March 20, 2003 ; (iii) any expansions or enhancements of the Transmission System that are not identified as Merchant Transmission Facilities in the Regional Transmission Expansion Plan and Attachment T to the Tariff, or (iv) any transmission facilities that are included in the rate base of a public utility and on which a regulated return is earned.

1.18F Merchant Transmission Provider:

An Interconnection Customer that (1) owns, controls, or controls the rights to use the transmission capability of, Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that connect the Transmission System with another control area, (2) has elected to receive Transmission Injection Rights and Transmission Withdrawal Rights associated with such facility pursuant to Section 36 of the Tariff, and (3) makes (or will make) the transmission capability of such facilities available for use by third parties under terms and conditions approved by the Commission and stated in the Tariff, consistent with Section 38 below.

1.18G Metering Equipment:

All metering equipment installed at the metering points designated in the appropriate appendix to an Interconnection Service Agreement.

1.19 Native Load Customers:

The wholesale and retail power customers of a Transmission Owner on whose behalf the Transmission Owner, by statute, franchise, regulatory requirement, or contract, has undertaken an obligation to construct and operate the Transmission Owner's system to meet the reliable electric needs of such customers.

1.19A NERC:

The North American Electric Reliability Council or any successor thereto.

1.19B Neutral Party

Shall have the meaning provided in Section 9.3(v).

1.20 Network Customer:

An entity receiving transmission service pursuant to the terms of the Transmission Provider's Network Integration Transmission Service under Part III of the Tariff.

1.21 Network Integration Transmission Service:

The transmission service provided under Part III of the Tariff.

1.22 Network Load:

The load that a Network Customer designates for Network Integration Transmission Service under Part III of the Tariff. The Network Customer's Network Load shall include all load (including losses) served by the output of any Network Resources designated by the Network Customer. A Network Customer may elect to designate less than its total load as Network Load but may not designate only part of the load at a discrete Point of Delivery. Where an Eligible

Customer has elected not to designate a particular load at discrete points of delivery as Network Load, the Eligible Customer is responsible for making separate arrangements under Part II of the Tariff for any Point-To-Point Transmission Service that may be necessary for such non-designated load.

1.23 Network Operating Agreement:

An executed agreement that contains the terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Network Integration Transmission Service under Part III of the Tariff.

1.24 Network Operating Committee:

A group made up of representatives from the Network Customer(s) and the Transmission Provider established to coordinate operating criteria and other technical considerations required for implementation of Network Integration Transmission Service under Part III of this Tariff.

1.25 Network Resource:

Any designated generating resource owned, purchased, or leased by a Network Customer under the Network Integration Transmission Service Tariff. Network Resources do not include any resource, or any portion thereof, that is committed for sale to third parties 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.

1.26 Network Upgrades:

Modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider's overall Transmission System for the general benefit of all users of such Transmission System. Network Upgrades shall include:

(i) **Direct Connection Network Upgrades** which are Network Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) **Non-Direct Connection Network Upgrades** which are parallel flow Network Upgrades that are not Direct Connection Network Upgrades.

1.26A New PJM Zone(s):

The Zone included in this Tariff, along with applicable Schedules and Attachments, for Commonwealth Edison Company, The Dayton Power and Light Company and the AEP East Operating Companies (Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company and Wheeling Power Company).

1.26B New Service Customers:

All customers that submit an Interconnection Request, a Completed Application, or an Upgrade Request that is pending in the New Services Queue.

1.26C New Service Request:

An Interconnection Request, a Completed Application, or an Upgrade Request.

1.26D New Services Queue:

All Interconnection Requests, Completed Applications, and Upgrade Requests that are received within each three-month period ending on January 31, April 30, July 31, and October 31 of each year shall collectively comprise a New Services Queue.

1.26E New Services Queue Closing Date:

Each January 31, April 30, July 31, and October 31 shall be the Queue Closing Date for the New Services Queue comprised of Interconnection Requests, Completed Applications, and Upgrade Requests received during the three-month period ending on such date.

1.26F Nominal Rated Capability:

The nominal maximum rated capability in megawatts of a Transmission Interconnection Customer's Customer Facility or the nominal increase in transmission capability in megawatts of the Transmission System resulting from the interconnection or addition of a Transmission Interconnection Customer's Customer Facility, as determined in accordance with pertinent Applicable Standards and specified in the Interconnection Service Agreement.

1.27 Non-Firm Point-To-Point Transmission Service:

Point-To-Point Transmission Service under the Tariff that is reserved and scheduled on an as-available basis and is subject to Curtailment or Interruption as set forth in Section 14.7 under Part II of this Tariff. Non-Firm Point-To-Point Transmission Service is available on a stand-alone basis for periods ranging from one hour to one month.

1.27.01 Non-Firm Sale:

An energy sale for which receipt or delivery may be interrupted for any reason or no reason, without liability on the part of either the buyer or seller.

1.27A Non-Firm Transmission Withdrawal Rights:

The rights to schedule energy withdrawals from a specified point on the Transmission System. Non-Firm Transmission Withdrawal Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System to another control area.

Withdrawals scheduled using Non-Firm Transmission Withdrawal Rights have rights similar to those under Non-Firm Point-to-Point Transmission Service.

1.27A.01 Nonincumbent Developer:

“Nonincumbent Developer” shall have the same meaning provided in the Operating Agreement.

1.27AA Non-Retail Behind The Meter Generation:

Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, or electric distribution companies to serve load.

1.27B Non-Zone Network Load:

Network Load that is located outside of the PJM Region.

Definitions – T – U - V

1.43A Tariff:

This document, the “PJM Open Access Transmission Tariff.”

1.44 Third-Party Sale:

Any sale for resale in interstate commerce to a Power Purchaser that is not designated as part of Network Load under the Network Integration Transmission Service but not including a sale of energy through the PJM Interchange Energy Market established under the PJM Operating Agreement.

1.45 Transmission Customer:

Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that the Transmission Provider file with the Commission, a proposed unexecuted Service Agreement to receive transmission service under Part II of the Tariff. This term is used in the Part I Common Service Provisions and in Part VI to include customers receiving transmission service under Part II and Part III of this Tariff.

1.45.01 Transmission Facilities

Transmission Facilities shall have the meaning set forth in the Operating Agreement.

1.45A Transmission Injection Rights:

Capacity Transmission Injection Rights and Energy Transmission Injection Rights.

1.45B Transmission Interconnection Customer:

An entity that submits an Interconnection Request to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region.

1.45C Transmission Interconnection Facilities Study:

A Facilities Study related to a Transmission Interconnection Request.

1.45D Transmission Interconnection Feasibility Study:

A study conducted by the Transmission Provider in accordance with Section 36.2 of the Tariff.

1.45E Transmission Interconnection Request:

A request by a Transmission Interconnection Customer pursuant to Part IV of the Tariff to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of existing Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region.

1.45F Transmission Owner:

Each entity that owns, leases or otherwise has a possessory interest in facilities used for the transmission of electric energy in interstate commerce under the Tariff. The Transmission Owners are listed in Attachment L.

1.45G Transmission Owner Attachment Facilities:

That portion of the Transmission Owner Interconnection Facilities comprised of all Attachment Facilities on the Interconnected Transmission Owner's side of the Point of Interconnection.

1.45H Transmission Owner Interconnection Facilities:

All Interconnection Facilities that are not Customer Interconnection Facilities and that, after the transfer under Section 5.5 of Appendix 2 to Attachment P of the PJM Tariff to the Interconnected Transmission Owner of title to any Transmission Owner Interconnection Facilities that the Interconnection Customer constructed, are owned, controlled, operated and maintained by the Interconnected Transmission Owner on the Interconnected Transmission Owner's side of the Point of Interconnection identified in appendices to the Interconnection Service Agreement and to the Interconnection Construction Service Agreement, including any modifications, additions or upgrades made to such facilities and equipment, that are necessary to physically and electrically interconnect the Customer Facility with the Transmission System or interconnected distribution facilities.

1.45I Transmission Owner Upgrade:

"Transmission Owner Upgrade" shall have the same meaning provided in the Operating Agreement.

1.46 Transmission Provider:

The Transmission Provider shall be the Office of the Interconnection for all purposes, provided that the Transmission Owners will have the responsibility for the following specified activities:

- (a) The Office of the Interconnection shall direct the operation and coordinate the maintenance of the Transmission System, except that the Transmission Owners will continue to direct the operation and maintenance of those transmission facilities that are not listed in the PJM Designated Facilities List contained in the PJM Manual on Transmission Operations;
- (b) Each Transmission Owner shall physically operate and maintain all of the facilities that it owns; and

(c) When studies conducted by the Office of the Interconnection indicate that enhancements or modifications to the Transmission System are necessary, the Transmission Owners shall have the responsibility, in accordance with the applicable terms of the Tariff, Operating Agreement and/or the Consolidated Transmission Owners Agreement to construct, own, and finance the needed facilities or enhancements or modifications to facilities.

1.47 Transmission Provider’s Monthly Transmission System Peak:

The maximum firm usage of the Transmission Provider’s Transmission System in a calendar month.

1.48 Transmission Service:

Point-To-Point Transmission Service provided under Part II of the Tariff on a firm and non-firm basis.

1.48A Transmission Service Request:

A request for Firm Point-To-Point Transmission Service or a request for Network Integration Transmission Service.

1.49 Transmission System:

The facilities controlled or operated by the Transmission Provider within the PJM Region that are used to provide transmission service under Part II and Part III of the Tariff.

1.49A Transmission Withdrawal Rights:

Firm Transmission Withdrawal Rights and Non-Firm Transmission Withdrawal Rights.

1.49A.01 Upgrade Construction Service Agreement:

That agreement entered into by a New Service Customer (other than an Interconnection Customer whose project includes generation capability or Merchant Transmission Facilities other than Merchant Network Upgrades), a Transmission Owner, and the Transmission Provider, pursuant to Subpart B of Part VI of the Tariff, and in the form set forth in Attachment GG of the Tariff.

1.49A.02 Upgrade Customer:

A customer that submits an Upgrade Request.

1.49A.03 Upgrade-Related Rights:

Incremental Auction Revenue Rights, Incremental Available Transfer Capability Revenue Rights, Incremental Deliverability Rights, and Incremental Capacity Transfer Rights (as defined in Section 2.35 of Attachment DD of the Tariff).

1.49A.04 Upgrade Request:

A request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement, submitted in the form prescribed in Attachment EE of the Tariff, for evaluation by the Transmission Provider of the feasibility and estimated costs of, (a) a particular proposed Customer-Funded Upgrade or (b) the Customer-Funded Upgrades that would be needed to provide the Incremented Auction Revenue Rights specified in the request.

1.49B [RESERVED]

1.49C [RESERVED]

1.49D [RESERVED]

1.49E [RESERVED]

1.49F [RESERVED]

Section(s) of the
PJM Operating Agreement
(Clean Format)

Definitions C - D

1.6 Capacity Resource.

“Capacity Resource” have the meaning provided in the Reliability Assurance Agreement.

1.6A Consolidated Transmission Owners Agreement.

“Consolidated Transmission Owners Agreement” dated as of December 15, 2005, by and among the Transmission Owners and by and between the Transmission Owners and PJM Interconnection, L.L.C.

1.7 Control Area.

“Control Area” shall mean an electric power system or combination of electric power systems bounded by interconnection metering and telemetry to which a common automatic generation control scheme is applied in order to:

- (a) match the power output of the generators within the electric power system(s) and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- (b) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;
- (c) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice and the criteria of NERC and each Applicable Regional Entity;
- (d) maintain power flows on transmission facilities within appropriate limits to preserve reliability; and
- (e) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.7.01 Control Zone.

“Control Zone” shall mean one Zone or multiple contiguous Zones, as designated in the PJM Manuals.

1.7.01a Counterparty.

“Counterparty” shall mean PJMSettlement as the contracting party, in its name and own right and not as an agent, to an agreement or transaction with Market Participants or other entities, including the agreements and transactions with customers regarding transmission service and other transactions under the PJM Tariff and this Operating Agreement. PJMSettlement shall not be a counterparty to (i)

any bilateral transactions between Market Participants, or (ii) with respect to self-supplied or self-scheduled transactions reported to the Office of the Interconnection.

1.7.02 Default Allocation Assessment.

“Default Allocation Assessment” shall mean the assessment determined pursuant to section 15.2.2 of this Agreement.

1.7.03 Demand Resource.

“Demand Resource” shall have the meaning provided in the Reliability Assurance Agreement.

1.7A Designated Entity.

An entity, including an existing Transmission Owner or Nonincumbent Developer, designated by the Office of the Interconnection with the responsibility to construct, own, operate, maintain, and finance Immediate-need Reliability Projects, Short-term Projects, Long-lead Projects, or Economic-based Enhancements or Expansions pursuant to Section 1.5.8 of Schedule 6 of this Agreement.

1.7B [Reserved].

Definitions E - F

1.7C [Reserved]

1.7D Economic-based Enhancement or Expansion.

“Economic-based Enhancement or Expansion” means an enhancement or expansion described in Section 1.5.7(b) (i) – (iii) of Schedule 6 of the Operating Agreement that is designed to relieve transmission constraints that have an economic impact.

1.8 Electric Distributor.

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

1.9 Effective Date.

“Effective Date” shall mean August 1, 1997, or such later date that FERC permits this Agreement to go into effect.

1.10 Emergency.

“Emergency” shall mean: (i) an abnormal system condition requiring manual or automatic action to maintain system frequency, or to prevent loss of firm load, equipment damage, or tripping of system elements that could adversely affect the reliability of an electric system or the safety of persons or property; or (ii) a fuel shortage requiring departure from normal operating procedures in order to minimize the use of such scarce fuel; or (iii) a condition that requires implementation of emergency procedures as defined in the PJM Manuals.

1.11 End-Use Customer.

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

1.12 FERC.

“FERC” shall mean the Federal Energy Regulatory Commission or any successor federal agency, commission or department exercising jurisdiction over this Agreement.

1.13 Finance Committee.

“Finance Committee” shall mean the body formed pursuant to Section 7.5.1 of this Agreement.

Definitions I - L

1.15A Immediate-need Reliability Project.

A reliability-based transmission enhancement or expansion with an in-service date of three years or less from the year the Office of the Interconnection identified the existing or projected limitations on the Transmission System that gave rise to the need for such enhancement or expansion pursuant to the study process described in section 1.5.3 of this Schedule 6.

1.16 Information Request.

“Information Request” shall mean a written request, in accordance with the terms of this Agreement for disclosure of confidential information pursuant to Section 18.17.4 of this Agreement.

1.17 LLC.

“LLC” shall mean PJM Interconnection, L.L.C., a Delaware limited liability company.

1.18 Load Serving Entity.

“Load Serving Entity” shall mean an entity, including a load aggregator or power marketer, (1) serving end-users within the PJM Region, and (2) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the PJM Region, or the duly designated agent of such an entity.

1.18A Local Plan.

“Local Plan” shall mean the plan as developed by the Transmission Owners. The Local Plan shall include, at a minimum, the Subregional RTEP Projects and Supplemental Projects as identified by the Transmission Owners within their zone. The Local Plan will include those projects that are developed to comply with the Transmission Owner planning criteria.

1.19 Locational Marginal Price.

“Locational Marginal Price” or “LMP” shall mean the hourly integrated market clearing marginal price for energy at the location the energy is delivered or received, calculated as specified in Section 2 of Schedule 1 of this Agreement.

1.19A Long-lead Project.

A transmission enhancement or expansion with an in-service date more than five years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, or Public Policy Requirements to be addressed by the enhancement or expansion.

Definitions M - N

1.20 [Reserved]

1.20A PJM Mid-Atlantic Region.

“PJM Mid-Atlantic Region” shall mean the aggregate of the Transmission Facilities of Atlantic City Electric Company, Baltimore Gas and Electric Company, Delmarva Power and Light Company, Jersey Central Power and Light Company, Metropolitan Edison Company, PECO Energy Company, Pennsylvania Electric Company, PPL Electric Utilities Corporation, Potomac Electric Power Company, Public Service Electric and Gas Company, and Rockland Electric Company.

1.20B [Reserved]

1.20C [Reserved]

1.21 Market Buyer.

“Market Buyer” shall mean a Member that has met reasonable creditworthiness standards established by the Office of the Interconnection and that is otherwise able to make purchases in the PJM Interchange Energy Market.

1.22 Market Participant.

“Market Participant” shall mean a Market Buyer, a Market Seller, an Economic Load Response Participant, or all three.

1.23 Market Seller.

“Market Seller” shall mean a Member that has met reasonable creditworthiness standards established by the Office of the Interconnection and that is otherwise able to make sales in the PJM Interchange Energy Market.

1.24 Member.

“Member” shall mean an entity that satisfies the requirements of Section 11.6 of this Agreement and that (i) is a member of the LLC immediately prior to the Effective Date, or (ii) has executed an Additional Member Agreement in the form set forth in Schedule 4 hereof.

1.25 Members Committee.

“Members Committee” shall mean the committee specified in Section 8 of this Agreement composed of representatives of all the Members.

1.26 NERC.

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

1.26A Non-Disclosure Agreement.

“Non-Disclosure Agreement” shall mean an agreement between an Authorized Person and the Office of the Interconnection, pursuant to Section 18 of this Agreement, the form of which is appended to this Agreement as Schedule 10, wherein the Authorized Person is given access to otherwise restricted confidential information, for the benefit of their respective Authorized Commission.

1.26A.01 Nonincumbent Developer.

“Nonincumbent Developer” shall mean: (1) a transmission developer that does not have an existing Zone in the PJM Region as set forth in Attachment J of the PJM Tariff; or (2) a Transmission Owner that proposes a transmission project outside of its existing Zone in the PJM Region as set forth in Attachment J of the PJM Tariff.

1.26B Non-Retail Behind The Meter Generation.

“Non-Retail Behind The Meter Generation” shall mean Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, and electric distribution companies to serve load.

Definitions O - P

1.27 Office of the Interconnection.

“Office of the Interconnection” shall mean the LLC.

1.28 Operating Reserve.

“Operating Reserve” shall mean the amount of generating capacity scheduled to be available for a specified period of an Operating Day to ensure the reliable operation of a Control Zone, as specified in the PJM Manuals.

1.29 Original PJM Agreement.

“Original PJM Agreement” shall mean that certain agreement between certain of the Members, originally dated September 26, 1956, and as amended and supplemented up to and including December 31, 1996, relating to the coordinated operation of their electric supply systems and the interchange of electric capacity and energy among their systems.

1.30 Other Supplier.

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

1.31 PJM Board.

“PJM Board” shall mean the Board of Managers of the LLC, acting pursuant to this Agreement.

1.31A [Reserved].

1.32 PJM Control Area.

“PJM Control Area” shall mean the Control Area recognized by NERC as the PJM Control Area.

1.33 PJM Dispute Resolution Procedures.

“PJM Dispute Resolution Procedures” shall mean the procedures for the resolution of disputes set forth in Schedule 5 of this Agreement.

1.34 PJM Interchange Energy Market.

“PJM Interchange Energy Market” shall mean the regional competitive market administered by the Office of the Interconnection for the purchase and sale of spot electric energy at wholesale in interstate commerce and related services established pursuant to Schedule 1 to this Agreement.

1.35 PJM Manuals.

“PJM Manuals” shall mean the instructions, rules, procedures and guidelines established by the Office of the Interconnection for the operation, planning, and accounting requirements of the PJM Region and the PJM Interchange Energy Market.

1.35.01 PJM Market Monitor.

“PJM Market Monitor” shall mean the Market Monitoring Unit established under Attachment M to the PJM Tariff.

1.35A PJM Region.

“PJM Region” shall mean the aggregate of the Zones within PJM as set forth in Attachment J to the PJM Tariff.

1.35B PJM South Region.

“PJM South Region” shall mean the Transmission Facilities of Virginia Electric and Power Company.

1.35C PJMSettlement.

“PJMSettlement” shall mean PJM Settlement, Inc. (or its successor), established by PJM as set forth in Section 3.3.

1.36 PJM Tariff.

“PJM Tariff” shall mean the PJM Open Access Transmission Tariff providing transmission service within the PJM Region, including any schedules, appendices, or exhibits attached thereto, as in effect from time to time.

1.36A [Reserved.]

1.36B PJM West Region.

“PJM West Region” shall mean the Zones of Allegheny Power; Commonwealth Edison Company (including Commonwealth Edison Co. of Indiana); AEP East Operating Companies; The Dayton Power and Light Company; the Duquesne Light Company; American Transmission Systems, Incorporated; Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.

1.37 Planning Period.

“Planning Period” shall initially mean the 12 months beginning June 1 and extending through May 31 of the following year, or such other period established under the procedures of, as applicable, the Reliability Assurance Agreement.

1.38 President.

“President” shall have the meaning specified in Section 9.2.

1.38A Public Policy Objectives

“Public Policy Objectives” shall refer to Public Policy Requirements, as well as public policy initiatives of state or federal entities that have not been codified into law or regulation but which nonetheless may have important impacts on long term planning considerations.

1.38B Public Policy Requirements

“Public Policy Requirements” shall refer to policies pursued by: (a) state or federal entities, where such policies are reflected in duly enacted statutes or regulations, including but not limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations; and (b) local governmental entities such as a municipal or county government, where such policies are reflected in duly enacted laws or regulations passed by the local governmental entity.

Definitions S – T

1.40C SERC.

“SERC” or “Southeastern Electric Reliability Council” shall mean the reliability council under section 202 of the Federal Power Act established pursuant to the SERC Agreement dated January 14, 1970, or any successor thereto.

1.41 Sector Votes.

“Sector Votes” shall mean the affirmative and negative votes of each sector of a Senior Standing Committee, as specified in Section 8.4.

1.41A Senior Standing Committees.

“Senior Standing Committees” shall mean the Members Committee, and the Markets, and Reliability Committee, as established in Sections 8.1 and 8.6.

1.41A.01 Short-term Project.

A transmission enhancement or expansion with an in-service date of more than three years but no more than five years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, or Public Policy Requirements to be addressed by the enhancement or expansion.

1.41A.02 [Reserved].

1.41A.03 [Reserved].

1.41B Standing Committees.

“Standing Committees” shall mean the Members Committee, the committees established and maintained under Section 8.6, and such other committees as the Members Committee may establish and maintain from time to time.

1.42 State.

“State” shall mean the District of Columbia and any State or Commonwealth of the United States.

1.42.01 State Certification.

“State Certification” shall mean the Certification of an Authorized Commission, pursuant to Section 18 of this Agreement, the form of which is appended to this Agreement as Schedule

10A, wherein the Authorized Commission identifies all Authorized Persons employed or retained by such Authorized Commission, a copy of which shall be filed with FERC.

1.42A State Consumer Advocate.

“State Consumer Advocate” shall mean a legislatively created office from any State, all or any part of the territory of which is within the PJM Region, and the District of Columbia established, inter alia, for the purpose of representing the interests of energy consumers before the utility regulatory commissions of such states and the District of Columbia and the FERC.

1.42A.01 Subregional RTEP Project.

“Subregional RTEP Project” shall mean a transmission expansion or enhancement rated below 230 kV which is required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

1.42A.02 Supplemental Project.

“Supplemental Project” shall mean a Regional RTEP Project(s) or Subregional RTEP Project(s), which is not required for compliance with the following PJM criteria: System reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

1.42B [Reserved].

1.43 System.

“System” shall mean the interconnected electric supply system of a Member and its interconnected subsidiaries exclusive of facilities which it may own or control outside of the PJM Region. Each Member may include in its system the electric supply systems of any party or parties other than Members which are within the PJM Region, provided its interconnection agreements with such other party or parties do not conflict with such inclusion.

1.43A Third Party Request.

“Third Party Request” shall mean any request or demand by any entity upon an Authorized Person or an Authorized Commission for release or disclosure of confidential information provided to the Authorized Person or Authorized Commission by the Office of the Interconnection or PJM Market Monitor. A Third Party Request shall include, but shall not be limited to, any subpoena, discovery request, or other request for confidential information made by any: (i) federal, state, or local governmental subdivision, department, official, agency or court, or (ii) arbitration panel, business, company, entity or individual.

1.44 Transmission Facilities.

“Transmission Facilities” shall mean facilities that: (i) are within the PJM Region; (ii) meet the definition of transmission facilities pursuant to FERC’s Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities; and (iii) have been demonstrated to the satisfaction of the Office of the Interconnection to be integrated with the transmission system of the PJM Region and integrated into the planning and operation of such to serve all of the power and transmission customers within such region.

1.45 Transmission Owner.

“Transmission Owner” shall mean a Member that owns or leases with rights equivalent to ownership Transmission Facilities and is a signatory to the PJM Transmission Owners Agreement. Taking transmission service shall not be sufficient to qualify a Member as a Transmission Owner.

1.46 Transmission Owner Upgrade

“Transmission Owner Upgrade” shall mean an upgrade to a Transmission Owner’s own transmission facilities, which is an improvement to, addition to, or replacement of a part of, an existing facility and is not an entirely new transmission facility.

1.3 Establishment of Committees.

(a) The Planning Committee shall be open to participation by (i) all Transmission Customers, as that term is defined in the PJM Tariff, 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, as that term is defined in the PJM Tariff, 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 Subregional RTEP Projects. 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 each Transmission Owner's Local Plan. This review shall include, but is not limited to, the review of the criteria, assumptions and models used by the Transmission Owner to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements, proposed solutions 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 to the Transmission Owners on the criteria, assumptions, and models used in local planning activities prior to finalizing the Local Plan. 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 to the Transmission Owners 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.

(e) The Subregional RTEP Committees shall be open to participation by: (i) all Transmission Customers, as that term is defined in the PJM Tariff, 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 used by the Transmission Owner 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 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.

1.5 Procedure for Development of the Regional Transmission Expansion Plan.

1.5.1 Commencement of the Process.

(a) The Office of the Interconnection shall initiate the enhancement and expansion study process if: (i) required as a result of a need for transfer capability identified by the Office of the Interconnection in its evaluation of requests for interconnection with the Transmission System or for firm transmission service with a term of one year or more; (ii) required to address a need identified by the Office of the Interconnection in its on-going evaluation of the Transmission System's market efficiency and operational performance; (iii) required as a result of the Office of the Interconnection's assessment of the Transmission System's compliance with NERC Reliability Standards, more stringent reliability criteria, if any, or PJM planning and operating criteria; (iv) required to address constraints or available transfer capability shortages, including, but not limited to, available transfer capability shortages that prevent the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement, constraints or shortages as a result of expected generation retirements, constraints or shortages based on an evaluation of load forecasts, or system reliability needs arising from proposals for the addition of Transmission Facilities in the PJM Region; or (v) expansion of the Transmission System is proposed by one or more Transmission Owners, Interconnection Customers, Network Service Users or Transmission Customers, or any party that funds Network Upgrades pursuant to Section 7.8 of Schedule 1 of this Agreement. The Office of the Interconnection may initiate the enhancement and expansion study process to address or consider, where appropriate, requirements or needs arising from sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives.

(b) The Office of the Interconnection shall notify the Transmission Expansion Advisory Committee participants of, as well as publicly notice, the commencement of an enhancement and expansion study. The Transmission Expansion Advisory Committee participants shall notify the Office of the Interconnection in writing of any additional transmission considerations they would like to have included in the Office of the Interconnection's analyses.

1.5.2 Development of Scope, Assumptions and Procedures.

Once the need for an enhancement and expansion study has been established, the Office of the Interconnection shall consult with the Transmission Expansion Advisory Committee and the Subregional RTEP Committees, as appropriate, to prepare the study's scope, assumptions and procedures.

1.5.3 Scope of Studies.

In conducting the enhancement and expansion studies, the Office of the Interconnection shall not limit its analyses to bright line tests to identify and evaluate potential Transmission System limitations, violations of planning criteria, or transmission needs. In addition to the bright line tests, the Office of the Interconnection shall employ sensitivity studies, modeling assumption variations, and scenario analyses, and shall also consider Public Policy Objectives in the studies and analyses, so as to mitigate the possibility that bright line metrics may inappropriately include

or exclude transmission projects from the transmission plan. Sensitivity studies, modeling assumption variations, and scenario analyses shall take account of potential changes in expected future system conditions, including, but not limited to, load levels, transfer levels, fuel costs, the level and type of generation, generation patterns (including, but not limited to, the effects of assumptions regarding generation that is at risk for retirement and new generation to satisfy Public Policy Objectives), demand response, and uncertainties arising from estimated times to construct transmission upgrades. The Office of the Interconnection shall use the sensitivity studies, modeling assumption variations and scenario analyses in evaluating and choosing among alternative solutions to reliability, market efficiency and operational performance needs. The Office of the Interconnection shall provide the results of its studies and analyses to the Transmission Expansion Advisory Committee to consider the impact that sensitivities, assumptions, and scenarios may have on Transmission System needs and the need for transmission enhancements or expansions. Enhancement and expansion studies shall be completed by the Office of the Interconnection in collaboration with the affected Transmission Owners, as required. In general, enhancement and expansion studies shall include:

- (a) An identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance, with accompanying simulations to identify the costs of controlling those limitations. Potential enhancements and expansions will be proposed to mitigate limitations controlled by non-economic means.
- (b) Evaluation and analysis of potential enhancements and expansions, including alternatives thereto, needed to mitigate such limitations.
- (c) Identification, evaluation and analysis of potential transmission expansions and enhancements, demand response programs, and other alternative technologies as appropriate to maintain system reliability.
- (d) Identification, evaluation and analysis of potential enhancements and expansions for the purposes of supporting competition, market efficiency, operational performance, and Public Policy Requirements in the PJM Region.
- (e) Identification, evaluation and analysis of upgrades to support Incremental Auction Revenue Rights requested pursuant to Section 7.8 of Schedule 1 of this Agreement.
- (f) Identification, evaluation and analysis of upgrades to support all transmission customers, including native load and network service customers.
- (g) Engineering studies needed to determine the effectiveness and compliance of recommended enhancements and expansions, with the following PJM criteria: system reliability, operational performance, and market efficiency.
- (h) Identification, evaluation and analysis of potential enhancements and expansions designed to ensure that the Transmission System's capability can support the simultaneous feasibility of all stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement. Enhancements and expansions related to stage 1A Auction

Revenue Rights identified pursuant to this Section shall be recommended for inclusion in the Regional Transmission Expansion Plan together with a recommended in-service date based on the results of the ten (10) year stage 1A simultaneous feasibility analysis. Any such recommended enhancement or expansion under this Section 1.5.3(h) shall include, but shall not be limited to, the reason for the upgrade, the cost of the upgrade, the cost allocation identified pursuant to Section 1.5.6(l) of Schedule 6 of this Agreement and an analysis of the benefits of the enhancement or expansion, provided that any such upgrades will not be subject to a market efficiency cost/benefit analysis.

1.5.4 Supply of Data.

(a) The Transmission Owners shall provide to the Office of the Interconnection on an annual or periodic basis as specified by the Office of the Interconnection, any information and data reasonably required by the Office of the Interconnection to perform the Regional Transmission Expansion Plan, including but not limited to the following: (i) a description of the total load to be served from each substation; (ii) the amount of any interruptible loads included in the total load (including conditions under which an interruption can be implemented and any limitations on the duration and frequency of interruptions); (iii) a description of all generation resources to be located in the geographic region encompassed by the Transmission Owner's transmission facilities, including unit sizes, VAR capability, operating restrictions, and any must-run unit designations required for system reliability or contract reasons; the (iv) current Local Plan; and (v) all criteria, assumptions and models used in the current Local Plan. The data required under this Section shall be provided in the form and manner specified by the Office of the Interconnection.

(b) In addition to the foregoing, the Transmission Owners, those entities requesting transmission service and any other entities proposing to provide Transmission Facilities to be integrated into the PJM Region shall supply any other information and data reasonably required by the Office of the Interconnection to perform the enhancement and expansion study.

(c) The Office of the Interconnection also shall solicit from the Members, Transmission Customers and other interested parties, including but not limited to electric utility regulatory agencies within the States in the PJM Region, Independent State Agencies Committee, and the State Consumer Advocates, information required by, or anticipated to be useful to, the Office of the Interconnection in its preparation of the enhancement and expansion study, including information regarding potential sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives that may be considered.

(d) The Office of the Interconnection shall supply to the Transmission Expansion Advisory Committee and the Subregional RTEP Committees reasonably required information and data utilized to develop the Regional Transmission Expansion Plan. Such information and data shall be provided pursuant to the appropriate protection of confidentiality provisions and Office of the Interconnection's CEII process.

(e) The Office of the Interconnection shall provide access through the PJM website, to the Transmission Owner's Local Plan, including all criteria, assumptions and models used by the

Transmission Owners in developing their respective Local Plan (“Local Plan Information”). Local Plan Information shall be provided consistent with: (1) any applicable confidentiality provisions set forth in Section 18.17 of this Operating Agreement; (2) the Office of the Interconnection’s CEII process; and (3) any applicable copyright limitations. Notwithstanding the foregoing, the Office of the Interconnection may share with a third party Local Plan Information that has been designated as confidential, pursuant to the provisions for such designation as set forth in Section 18.17 of this Operating Agreement and subject to: (i) agreement by the disclosing Transmission Owner consistent with the process set forth in this Operating Agreement; and (ii) an appropriate non-disclosure agreement to be executed by PJM Interconnection, L.L.C., the Transmission Owner and the requesting third party. With the exception of confidential, CEII and copyright protected information, Local Plan Information will be provided for full review by the Planning Committee, the Transmission Expansion Advisory Committee, and the Subregional RTEP Committees.

1.5.5 Coordination of the Regional Transmission Expansion Plan.

(a) The Regional Transmission Expansion Plan shall be developed in accordance with the principles of interregional coordination with the Transmission Systems of the surrounding Regional Entities and with the local transmission providers, through the Transmission Expansion Advisory Committee and the Subregional RTEP Committee.

(b) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordinated regional transmission expansion planning established under the following agreements:

- Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C., *which is found at <http://www.pjm.com/~media/documents/agreements/joa-complete.ashx>*;
- Northeastern ISO/RTO Planning Coordination Protocol, *which is found at <http://www.pjm.com/~media/documents/agreements/northeastern-iso-rto-planning-coordination-protocol.ashx>*;
- *Joint Operating Agreement Among and Between New York Independent System Operator Inc., which is found at <http://www.pjm.com/~media/documents/agreements/nyiso-pjm.ashx>*;
- *Interregional Transmission Coordination Between the SERTP and PJM Regions, which is found at Schedule 6-A of this Agreement*;
- *Allocation of Costs of Certain Interregional Transmission Projects Located in the PJM and SERTP Regions, which is located at Schedule 12-B of the PJM Open Access Transmission Tariff*;
- Joint Reliability Coordination Agreement Between the Midwest Independent System Operator, Inc.; PJM Interconnection, L.L.C. and Progress Energy Carolinas.

Coordinated regional transmission expansion planning shall also incorporate input from parties that may be impacted by the coordination efforts, including but not limited to, the Members, Transmission Customers, electric utility regulatory agencies in the PJM Region, and the State Consumer Advocates, in accordance with the terms and conditions of the applicable regional coordination agreements.

(c) The Regional Transmission Expansion Plan shall be developed by the Office of the Interconnection in consultation with the Transmission Expansion Advisory Committee during the enhancement and expansion study process.

(d) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordination of the regional and subregional systems.

1.5.6 Development of the Recommended Regional Transmission Expansion Plan.

(a) The Office of the Interconnection shall be responsible for the development of the Regional Transmission Expansion Plan and for conducting the studies, including sensitivity studies and scenario analyses on which the plan is based. The Regional Transmission Expansion Plan, including the Regional RTEP Projects, the Subregional RTEP Projects and the Supplemental Projects shall be developed through an open and collaborative process with opportunity for meaningful participation through the Transmission Expansion Advisory Committee and the Subregional RTEP Committees.

(b) The Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall each facilitate a minimum of one initial assumptions meeting to be scheduled at the commencement of the Regional Transmission Expansion Plan process. The purpose of the assumptions meeting shall be to provide an open forum to discuss the following: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) Public Policy Requirements identified by the states for consideration in the Office of the Interconnection's transmission planning analyses; (iii) Public Policy Objectives identified by stakeholders for consideration in the Office of the Interconnection's transmission planning analyses; (iii) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, price responsive demand, generating additions and retirements, market efficiency and other trends in the industry; and (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the Committee participants. Prior to the initial assumptions meeting, Committee participants will be afforded the opportunity to provide input and submit suggestions regarding the information identified in items (i) through (iv) of this subsection. Following the assumptions meeting and prior to performing the evaluation and analyses, the Office of the Interconnection shall determine the range of assumptions to be used in the studies and scenario analyses, based on the advice and recommendations of the Transmission Expansion Advisory Committee and Subregional RTEP Committees and the validation of Public Policy Requirements and assessment and prioritization of Public Policy Objectives by the states through the Independent State Agencies Committee. The Office of the Interconnection shall document and publicly post its determination for review. Such posting shall include an explanation of those Public Policy

Requirements and Public Policy Objectives adopted at the assumptions stage to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission System and an explanation of why other Public Policy Requirements and Public Policy Objectives introduced by stakeholders at the assumptions stage were not adopted.

(c) After the assumptions meeting(s), the Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall facilitate additional meetings and shall post all communications required to provide early opportunity for the committee participants (as defined in Sections 1.3(b) and 1.3(c) of this Schedule 6) to review and evaluate the following arising from the studies performed by the Office of the Interconnection, including sensitivity studies and scenario analyses: (i) any identified violations of reliability criteria and analyses of the market efficiency and operational performance of the Transmission System; (ii) potential transmission solutions, including any acceleration, deceleration or modifications of a potential expansion or enhancement based on the results of sensitivities studies and scenario analyses; and (iii) the proposed Regional Transmission Expansion Plan. These meetings will be scheduled as deemed necessary by the Office of the Interconnection or upon the request of the Transmission Expansion Advisory Committee or the Subregional RTEP Committees. The Office of the Interconnection will provide updates on the status of the development of the Regional Transmission Expansion Plan at these meetings or at the regularly scheduled meetings of the Planning Committee.

(d) In addition, the Office of the Interconnection shall facilitate periodic meetings with the Independent State Agencies Committee to discuss: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) regulatory initiatives, as appropriate, including state regulatory agency initiated programs, and other Public Policy Objectives, to consider including in the Office of the Interconnection's transmission planning analyses; (iii) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, generating capacity, market efficiency and other trends in the industry; and (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by Independent State Agencies Committee. At such meetings, the Office of the Interconnection also shall discuss the current status of the enhancement and expansion study process. The Independent State Agencies Committee may request that the Office of Interconnection schedule additional meetings as necessary. The Office of the Interconnection shall inform the Transmission Expansion Advisory Committee and the Subregional RTEP Committees, as appropriate, of the input of the Independent State Agencies Committee and shall consider such input in developing the range of assumptions to be used in the studies and scenario analyses described in Section (b), above.

(e) Upon completion of its studies and analysis, including sensitivity studies and scenario analyses the Office of the Interconnection shall post on the PJM website the violations, system conditions, economic constraints, and Public Policy Requirements as detailed in Section 1.5.8(b) of this Schedule 6 to afford entities an opportunity to submit proposed enhancements or expansions to address the posted violations, system conditions, economic constraints and Public Policy Requirements as provided for in Section 1.5.8(c) of this Schedule 6. Following the close of a proposal window, the Office of the Interconnection shall: (i) post all proposals submitted pursuant to Section 1.5.8(c) of this Schedule 6; (ii) consider proposals submitted during the

proposal windows consistent with Section 1.5.8(d) of this Schedule 6 and develop a recommended plan. Following review by the Transmission Expansion Advisory Committee of proposals, the Office of the Interconnection, based on identified needs and the timing of such needs, and taking into account the sensitivity studies, modeling assumption variations and scenario analyses considered pursuant to Section 1.5.3 of this Schedule 6, shall determine, which more efficient or cost-effective enhancements and expansions shall be included in the recommended plan, including solutions identified as a result of the sensitivity studies, modeling assumption variations, and scenario analyses, that may accelerate, decelerate or modify a potential reliability, market efficiency or operational performance expansion or enhancement identified as a result of the sensitivity studies, modeling assumption variations and scenario analyses, shall be included in the recommended plan. The Office of the Interconnection shall post the proposed recommended plan for review and comment by the Transmission Expansion Advisory Committee. The Transmission Expansion Advisory Committee shall facilitate open meetings and communications as necessary to provide opportunity for the Transmission Expansion Advisory Committee participants to collaborate on the preparation of the recommended enhancement and expansion plan. The Office of the Interconnection also shall invite interested parties to submit comments on the plan to the Transmission Expansion Advisory Committee and to the Office of the Interconnection before submitting the recommended plan to the PJM Board for approval.

(f) The recommended plan shall separately identify enhancements and expansions for the three PJM subregions, the PJM Mid-Atlantic Region, the PJM West Region, and the PJM South Region, and shall incorporate recommendations from the Subregional RTEP Committees.

(g) The recommended plan shall separately identify enhancements and expansions that are classified as Supplemental Projects.

(h) The recommended plan shall identify enhancements and expansions that relieve transmission constraints and which, in the judgment of the Office of the Interconnection, are economically justified. Such economic expansions and enhancements shall be developed in accordance with the procedures, criteria and analyses described in Sections 1.5.7 and 1.5.8 of this Schedule 6.

(i) The recommended plan shall identify enhancements and expansions proposed by a state or states pursuant to Section 1.5.9 of this Schedule 6.

(j) The recommended plan shall include proposed Merchant Transmission Facilities within the PJM Region and any other enhancement or expansion of the Transmission System requested by any participant which the Office of the Interconnection finds to be compatible with the Transmission System, though not required pursuant to Section 1.1, provided that (1) the requestor has complied, to the extent applicable, with the procedures and other requirements of Parts IV and VI of the PJM Tariff; (2) the proposed enhancement or expansion is consistent with applicable reliability standards, operating criteria and the purposes and objectives of the regional planning protocol; (3) the requestor shall be responsible for all costs of such enhancement or expansion (including, but not necessarily limited to, costs of siting, designing, financing, constructing, operating and maintaining the pertinent facilities), and (4) except as otherwise

provided by Parts IV and VI of the PJM Tariff with respect to Merchant Network Upgrades, the requestor shall accept responsibility for ownership, construction, operation and maintenance of the enhancement or expansion through an undertaking satisfactory to the Office of the Interconnection.

(k) For each enhancement or expansion that is included in the recommended plan, the plan shall consider, based on the planning analysis: other input from participants, including any indications of a willingness to bear cost responsibility for such enhancement or expansion; and, when applicable, relevant projects being undertaken to ensure the simultaneous feasibility of Stage 1A ARR, to facilitate Incremental ARRs pursuant to the provisions of Section 7.8 of Schedule 1 of this Agreement, or to facilitate upgrades pursuant to Parts II, III, or VI of the PJM Tariff, and designate one or more Transmission Owners or other entities to construct, own and, unless otherwise provided, finance the recommended transmission enhancement or expansion. Any designation under this paragraph of one or more entities to construct, own and/or finance a recommended transmission enhancement or expansion shall also include a designation of partial responsibility among them. Nothing herein shall prevent any Transmission Owner or other entity designated to construct, own and/or finance a recommended transmission enhancement or expansion from agreeing to undertake its responsibilities under such designation jointly with other Transmission Owners or other entities.

(l) Based on the planning analysis and other input from participants, including any indications of a willingness to bear cost responsibility for an enhancement or expansion, the recommended plan shall, for any enhancement or expansion that is included in the plan, designate (1) the Market Participant(s) in one or more Zones, or any other party that has agreed to fully fund upgrades pursuant to this Agreement or the PJM Tariff, that will bear cost responsibility for such enhancement or expansion, as and to the extent provided by any provision of the PJM Tariff or this Agreement, (2) in the event and to the extent that no provision of the PJM Tariff or this Agreement assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered through charges established pursuant to Schedule 12 of the Tariff, and (3) in the event and to the extent that the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C. assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered. Any designation under clause (2) of the preceding sentence (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants and, (B) subject to FERC review and approval, shall be incorporated in any amendment to Schedule 12 of the PJM Tariff that establishes a Transmission Enhancement Charge Rate in connection with an economic expansion or enhancement developed under Sections 1.5.6(h) and 1.5.7 of this Schedule 6, (C) the costs associated with expansions and enhancements required to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7 of Schedule 1 of this Agreement shall (1) be allocated across transmission zones based on each zone's stage 1A eligible Auction Revenue Rights flow contribution to the total stage 1A eligible Auction Revenue Rights flow on the facility that limits stage 1A ARR feasibility and (2) within each transmission zone the Network Service Users and Transmission Customers that are eligible to

receive stage 1A Auction Revenue Rights shall be the Responsible Customers under Section (b) of Schedule 12 of the PJM Tariff for all expansions and enhancements included in the Regional Transmission Expansion Plan to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights, and (D) the costs associated with expansions and enhancements required to reduce to zero the Locational Price Adder for LDAs as described in Section 15 of Attachment DD of OATT shall (1) be allocated across Zones based on each Zone's pro rata share of load in such LDA and (2) within each Zone, to all LSEs serving load in such LDA pro rata based on such load.

Any designation under clause (3), above, (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants, and (B), subject to FERC review and approval, shall be incorporated in an amendment to a Schedule of the PJM Tariff which establishes a charge in connection with the pertinent enhancement or expansion. Before designating fewer than all customers using Point-to-Point Transmission Service or Network Integration Transmission Service within a Zone as customers from which the costs of a particular enhancement or expansion may be recovered, Transmission Provider shall consult, in a manner and to the extent that it reasonably determines to be appropriate in each such instance, with affected state utility regulatory authorities and stakeholders. When the plan designates more than one responsible Market Participant, it shall also designate the proportional responsibility among them. Notwithstanding the foregoing, with respect to any facilities that the Regional Transmission Expansion Plan designates to be owned by an entity other than a Transmission Owner, the plan shall designate that entity as responsible for the costs of such facilities.

(m) Certain Regional RTEP Project(s) and Subregional RTEP Project(s) may not be required for compliance with the following PJM criteria: system reliability, market efficiency or operational performance, pursuant to a determination by the Office of the Interconnection. These Supplemental Projects shall be separately identified in the RTEP and are not subject to approval by the PJM Board.

1.5.7 Development of Economic-based Enhancements or Expansions.

(a) Each year the Transmission Expansion Advisory Committee shall review and comment on the assumptions to be used in performing the market efficiency analysis to identify enhancements or expansions that could relieve transmission constraints that have an economic impact ("economic constraints"). Such assumptions shall include, but not be limited to, the discount rate used to determine the present value of the Total Annual Enhancement Benefit and Total Enhancement Cost, and the annual revenue requirement, including the recovery period, used to determine the Total Enhancement Cost. The discount rate shall be based on the Transmission Owners' most recent after-tax embedded cost of capital weighted by each Transmission Owner's total transmission capitalization. Each year, each Transmission Owner will be requested to provide the Office of the Interconnection with the Transmission Owner's most recent after-tax embedded cost of capital, total transmission capitalization, and levelized carrying charge rate, including the recovery period. The recovery period shall be consistent with recovery periods allowed by the Commission for comparable facilities. Prior to PJM Board

consideration of such assumptions, the assumptions shall be presented to the Transmission Expansion Advisory Committee for review and comment. Following review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection shall submit the assumptions to be used in performing the market efficiency analysis described in this Section 1.5.7 to the PJM Board for consideration.

(b) Following PJM Board consideration of the assumptions, the Office of the Interconnection shall perform a market efficiency analysis to compare the costs and benefits of: (i) accelerating reliability-based enhancements or expansions already included in the Regional Transmission Plan that if accelerated also could relieve one or more economic constraints; (ii) modifying reliability-based enhancements or expansions already included in the Regional Transmission Plan that as modified would relieve one or more economic constraints; and (iii) adding new enhancements or expansions that could relieve one or more economic constraints, but for which no reliability-based need has been identified. Economic constraints include, but are not limited to, constraints that cause: (1) significant historical gross congestion; (2) pro-ration of Stage 1B ARR requests as described in section 7.4.2(c) of Schedule 1 of this Agreement; or (3) significant simulated congestion as forecasted in the market efficiency analysis. The timeline for the market efficiency analysis and comparison of the costs and benefits for items 1.5.7(b)(i-iii) is described in the PJM Manuals.

(c) The process for conducting the market efficiency analysis described in subsection (b) above shall include the following:

(i) The Office of the Interconnection shall identify and provide to the Transmission Expansion Advisory Committee a list of economic constraints to be evaluated in the market efficiency analysis.

(ii) The Office of the Interconnection shall identify any planned reliability-based enhancements or expansions already included in the Regional Transmission Expansion Plan, which if accelerated would relieve such constraints, and present any such proposed reliability-based enhancements and expansions to be accelerated to the Transmission Expansion Advisory Committee for review and comment. The PJM Board, upon consideration of the advice of the Transmission Expansion Advisory Committee, thereafter shall consider and vote to approve any accelerations.

(iii) The Office of the Interconnection shall evaluate whether including any additional Economic-based Enhancements or Expansions in the Regional Transmission Expansion Plan or modifications of existing Regional Transmission Expansion Plan reliability-based enhancements or expansions would relieve an economic constraint. In addition, pursuant to Section 1.5.8(c) of this Schedule 6, any market participant may submit to the Office of the Interconnection a proposal to construct an additional Economic-based Enhancement or Expansion to relieve an economic constraint. Upon completion of its evaluation, including consideration of any eligible market participant proposed Economic-based Enhancements or Expansions, the Office of the Interconnection shall present to the Transmission Expansion Advisory Committee a description of new Economic-based Enhancements or Expansions for review and comment. Upon consideration and advice of the Transmission Expansion Advisory Committee, the PJM Board

shall consider any new Economic-based Enhancements or Expansions for inclusion in the Regional Transmission Plan and for those enhancements and expansions it approves, the PJM Board shall designate (a) the entity or entities that will be responsible for constructing and owning or financing the additional Economic-based Enhancements or Expansions, (b) the estimated costs of such enhancements and expansions, and (c) the market participants that will bear responsibility for the costs of the additional Economic-based Enhancements or Expansions pursuant to Section 1.5.6(1) of this Schedule 6. In the event the entity or entities designated as responsible for construction, owning or financing a designated new Economic-based Enhancement or Expansion declines to construct, own or finance the new Economic-based Enhancement or Expansion, the enhancement or expansion will not be included in the Regional Transmission Expansion Plan but will be included in the report filed with the FERC in accordance with Sections 1.6 and 1.7 of this Schedule 6. This report also shall include information regarding PJM Board approved accelerations of reliability-based enhancements or expansions that an entity declines to accelerate.

(d) To determine the economic benefits of accelerating or modifying planned reliability-based enhancements or expansions or of constructing additional Economic-based Enhancements or Expansions and whether such Economic-based Enhancements or Expansion are eligible for inclusion in the Regional Transmission Expansion Plan, the Office of the Interconnection shall perform and compare market simulations with and without the proposed accelerated or modified planned reliability-based enhancements or expansions or the additional Economic-based Enhancements or Expansions as applicable, using the Benefit/Cost Ratio calculation set forth below in this Section 1.5.7(d). An Economic-based Enhancement or Expansion shall be included in the Regional Transmission Expansion Plan recommended to the PJM Board, if the relative benefits and costs of the Economic-based Enhancement or Expansion meet a Benefit/Cost Ratio Threshold of at least 1.25:1.

The Benefit/Cost Ratio shall be determined as follows:

Benefit/Cost Ratio = [Present value of the Total Annual Enhancement Benefit for each of the first 15 years of the life of the enhancement or expansion] ÷ [Present value of the Total Enhancement Cost for each of the first 15 years of the life of the enhancement or expansion]

Where

Total Annual Enhancement Benefit = Energy Market Benefit + Reliability Pricing Model Benefit

and

Energy Market Benefit = [.70] * [Change in Total Energy Production Cost] + [.30] * [Change in Load Energy Payment]

and

Change in Total Energy Production Cost = [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region without the Economic-based Enhancement or Expansion] – [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region with the Economic-based Enhancement or Expansion]

and

Change in Load Energy Payment = [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone without the Economic-based Enhancement or Expansion)] – [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone with the Economic-based Enhancement or Expansion)] – [the change in value of transmission rights for each Zone with the Economic-based Enhancement or Expansion (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion)]. For Economic-based Enhancements or Expansions for which cost responsibility is assigned pursuant to Section (b)(i) of Schedule 12 of the PJM Tariff, the Change in the Load Energy Payment shall be the sum of the Change in Load Energy Payment in all Zones. For Economic-based Enhancements or Expansions for which cost responsibility is assigned pursuant to Section (b)(v) of Schedule 12 of the PJM Tariff, the Change in Load Energy Payment shall be the sum of the Change in the Load Energy Payment only of the Zones that show a decrease in Load Energy Payment.

and

Reliability Pricing Benefit = [.70] * [Change in Total System Capacity Cost] + [.30] * [Change in Load Capacity Payment]

and

Change in Total System Capacity Cost = [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt without the Economic-based Enhancement or

Expansion) * (the number of days in the study year)] – [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt with the Economic-based Enhancement or Expansion) * (the number of days in the study year)]

and

Change in Load Capacity Payment = [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff without the Economic-based Enhancement or Expansion) * (the number of days in the study year)] – [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff with the Economic-based Enhancement or Expansion) * (the number of days in the study year)]. The Change in Load Capacity Payment shall take account of the change in value of Capacity Transfer Rights in each Zone, including any additional Capacity Transfer Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion. For Economic-based Enhancements or Expansions for which cost responsibility is assigned pursuant to Section (b)(i) of Schedule 12 of the PJM Tariff, the Change in the Load Capacity Payment shall be the sum of the change in Load Capacity Payment in all Zones. For Economic-based Enhancements or Expansions for which cost responsibility is assigned pursuant to Section (b)(v) of Schedule 12 of the PJM Tariff, the Change in Load Capacity Payment shall be the sum of the change in the Load Capacity Payment only of the Zones that show a decrease in Load Capacity Payment.

and

Total Enhancement Cost (except for accelerations of planned reliability-based enhancements or expansions) = the estimated annual revenue requirement for the Economic-based Enhancement or Expansion.

Total Enhancement Cost (for accelerations of planned reliability-based enhancements or expansions) = the estimated change in annual revenue requirement resulting from the acceleration of the planned reliability-based enhancement or expansion, taking account of all of the costs incurred that would not have been incurred but for the acceleration of the planned reliability-based enhancement or expansion.

(e) For informational purposes only, to assist the Office of the Interconnection and the Transmission Expansion Advisory Committee in evaluating the economic benefits of accelerating planned reliability-based enhancements or expansions or of constructing a new Economic-based Enhancement or Expansion, the Office of the Interconnection shall calculate and post on the PJM website the change in the following metrics on a zonal and system-wide basis: (i) total energy production costs (fuel costs, variable O&M costs and emissions costs);(ii) total load energy payments (zonal load MW times zonal load Locational Marginal Price); (iii) total generator revenue from energy production (generator MW times generator Locational Marginal Price); (iv) Financial Transmission Right credits (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of a planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion); (v) marginal loss surplus credit; and (vi) total capacity costs and load capacity payments under the Office of the Interconnection’s Commission-approved capacity construct.

(f) To assure that new Economic-based Enhancements or Expansions included in the Regional Transmission Expansion Plan continue to be cost beneficial, the Office of the Interconnection annually shall review the costs and benefits of constructing such enhancements and expansions. In the event that there are changes in these costs and benefits, the Office of the Interconnection shall review the changes in costs and benefits with the Transmission Expansion Advisory Committee and recommend to the PJM Board whether the new Economic-based Enhancements or Expansions continue to provide measurable benefits, as determined in accordance with subsection (d), and should remain in the Regional Transmission Expansion Plan. The annual review of the costs and benefits of constructing new Economic-based Enhancements or Expansions included in the Regional Transmission Expansion Plan shall include review of changes in cost estimates of the Economic-based Enhancement or Expansion, and changes in system conditions, including but not limited to, changes in load forecasts, and anticipated Merchant Transmission Facilities, generation, and demand response, consistent with the requirements of Section 1.5.7(i) of this Schedule 6.

(g) For new economic enhancements or expansions with costs in excess of \$50 million, an independent review of such costs shall be performed to assure both consistency of estimating practices and that the scope of the new Economic-based Enhancements or Expansions is consistent with the new Economic-based Enhancements or Expansions as recommended in the market efficiency analysis.

(h) At any time, market participants may submit to the Office of the Interconnection requests to interconnect Merchant Transmission Facilities or generation facilities pursuant to Parts IV and VI of the PJM Tariff that could address an economic constraint. In the event the Office of the Interconnection determines that the interconnection of such facilities would relieve an economic constraint, the Office of the Interconnection may designate the project as a “market solution” and, in the event of such designation, Section 216 of the PJM Tariff, as applicable, shall apply to the project.

(i) The assumptions used in the market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) shall include, but not be limited to, the following:

- (i) Timely installation of Qualifying Transmission Upgrades, as defined in Section 2.5.7 of Attachment DD of the PJM Tariff, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region (“Reliability Assurance Agreement”).
- (ii) Availability of Generation Capacity Resources, as defined by Section 1.33 of the Reliability Assurance Agreement, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement.
- (iii) Availability of Demand Resources as defined in Section 1.13 of the Reliability Assurance Agreement that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement.
- (iv) Addition of Customer Facilities pursuant to an executed Interconnection Service Agreement or executed Interim Interconnection Service Agreement for which an Interconnection Service Agreement is expected to be executed.
- (v) Addition of Customer-Funded Upgrades pursuant to an executed Interconnection Construction Service Agreement or an Upgrade Construction Service Agreement.
- (vi) Expected level of demand response over at least the ensuing fifteen years based on analyses that consider historic levels of demand response, expected demand response growth trends, impact of capacity prices, current and emerging technologies.
- (vii) Expected levels of potential new generation and generation retirements over at least the ensuing fifteen years based on analyses that consider generation trends based on existing generation on the system, generation in the PJM interconnection queues and Capacity Resource Clearing Prices under Attachment DD of the PJM Tariff. If the Office of the Interconnection finds

that the PJM reserve requirement is not met in any of its future year market efficiency analyses then it will model adequate future generation based on type and location of generation in existing PJM interconnection queues.

- (viii) Items (i) through (v) will be included in the market efficiency assumptions if qualified for consideration by the PJM Board. In the event that any of the items listed in (i) through (v) above qualify for inclusion in the market efficiency analysis assumptions, however, because of the timing of the qualification the item was not included in the assumptions used in developing the most recent Regional Transmission Expansion Plan, the Office of the Interconnection, to the extent necessary, shall notify any entity constructing an Economic-based Enhancement or Expansion that may be affected by inclusion of such item in the assumptions for the next market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) that the need for the Economic-based Enhancement or Expansion may be diminished or obviated as a result of the inclusion of the qualified item in the assumptions for the next annual market efficiency analysis or review of costs and benefits.

(j) For informational purposes only, with regard to Economic-based Enhancements or Expansions that are included in the Regional Transmission Expansion Plan pursuant to subsection (d) of this Section 1.5.7, the Office of the Interconnection shall perform sensitivity analyses consistent with Section 1.5.3 of this Schedule 6 and shall provide the results of such sensitivity analyses to the Transmission Expansion Advisory Committee.

1.5.8 Development of Long-lead Projects, Short-term Projects, Immediate-need Reliability Projects, and Economic-based Enhancements or Expansions.

(a) Pre-Qualification Process.

(a)(1) On September 1 of each year, the Office of the Interconnection shall open a thirty-day pre-qualification window for entities, including existing Transmission Owners and Nonincumbent Developers, to submit to the Office of the Interconnection: (i) applications to pre-qualify as eligible to be a Designated Entity; or (ii) updated information as described in Section 1.5.8(a)(3) of this Schedule 6. Pre-qualification applications shall contain the following information: (i) name and address of the entity; (ii) the technical and engineering qualifications of the entity or its affiliate, partner, or parent company; (iii) the demonstrated experience of the entity or its affiliate, partner, or parent company to develop, construct, maintain, and operate transmission facilities, including a list or other evidence of transmission facilities the entity, its affiliate, partner, or parent company previously developed, constructed, maintained, or operated; (iv) the previous record of the entity or its affiliate, partner, or parent company regarding construction, maintenance, or operation of transmission facilities both inside and outside of the

PJM Region; (v) the capability of the entity or its affiliate, partner, or parent company to adhere to standardized construction, maintenance and operating practices; (vi) the financial statements of the entity or its affiliate, partner, or parent company for the most recent fiscal quarter, as well as the most recent three fiscal years, or the period of existence of the entity, if shorter, or such other evidence demonstrating an entity's or its affiliate's, partner's, or parent company's current and expected financial capability acceptable to the Office of the Interconnection; (vii) a commitment by the entity to execute the Consolidated Transmission Owners Agreement, if the entity becomes a Designated Entity; (viii) evidence demonstrating the ability of the entity or its affiliate, partner, or parent company to address and timely remedy failure of facilities; (ix) a description of the experience of the entity or its affiliate, partner, or parent company in acquiring rights of way; and (x) such other supporting information that the Office of Interconnection requires to make the pre-qualification determinations consistent with this Section 1.5.8(a).

(a)(2) No later than October 31, the Office of the Interconnection shall notify the entities that submitted pre-qualification applications or updated information during the annual thirty-day pre-qualification window, whether they are, or will continue to be, pre-qualified as eligible to be a Designated Entity. In the event the Office of the Interconnection determines that an entity (i) is not, or no longer will continue to be, pre-qualified as eligible to be a Designated Entity, or (ii) provided insufficient information to determine pre-qualification, the Office of the Interconnection shall inform that the entity it is not pre-qualified and include in the notification the basis for its determination. The entity then may submit additional information, which the Office of the Interconnection shall consider in re-evaluating whether the entity is, or will continue to be, pre-qualified as eligible to be a Designated Entity. If the entity submits additional information by November 30, the Office of the Interconnection shall notify the entity of the results of its re-evaluation no later than December 15. If the entity submits additional information after November 30, the Office of the Interconnection shall use reasonable efforts to re-evaluate the application, with the additional information, and notify the entity of its determination as soon as practicable. No later than December 31, the Office of the Interconnection shall post on the PJM website the list of entities that are pre-qualified as eligible to be Designated Entities. If an entity is notified by the Office of the Interconnection that it does not pre-qualify or will not continue to be pre-qualified as eligible to be a Designated Entity, such entity may request dispute resolution pursuant to Schedule 5 of the Operating Agreement.

(a)(3) If an entity was pre-qualified as eligible to be a Designated Entity in the previous year, such entity is not required to re-submit information to pre-qualify with respect to the upcoming year. In the event the information on which the entity's pre-qualification is based changes with respect to the upcoming year, such entity must submit to the Office of the Interconnection all updated information during the annual thirty-day pre-qualification window and the timeframes for notification in Section 1.5.8(a)(2) of this Schedule 6 shall apply. In the event the information on which the entity's pre-qualification is based changes with respect to the current year, such entity must submit to the Office of the Interconnection all updated information at the time the information changes and the Office of the Interconnection shall use reasonable efforts to evaluate the updated information and notify the entity of its determination as soon as practicable.

(a)(4) As determined by the Office of the Interconnection, an entity may submit a pre-qualification application outside the annual thirty-day pre-qualification window for good cause shown. For a pre-qualification application received outside of the annual thirty-day pre-qualification window, the Office of the Interconnection shall use reasonable efforts to process the application and notify the entity as to whether it pre-qualifies as eligible to be a Designated Entity as soon as practicable.

(a)(5) To be designated as a Designated Entity for any project proposed pursuant to Section 1.5.8 of this Schedule 6, existing Transmission Owners and Nonincumbent Developers must be pre-qualified as eligible to be a Designated Entity pursuant to this Section 1.5.8(a). This Section 1.5.8(a) shall not apply to entities that desire to propose projects for inclusion in the recommended plan but do not intend to be a Designated Entity.

(b) **Posting of Transmission System Needs.** Upon identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance in the enhancement and expansion analysis process described in this Schedule 6 and the PJM Manuals, and after consideration of non-transmission solutions, the Office of the Interconnection shall post on the PJM website the violations, system conditions, and economic constraints, and Public Policy Requirements, including (i) federal Public Policy Requirements; (ii) state Public Policy Requirements identified or agreed-to by the states in the PJM Region, which could be addressed by potential Short-term Projects, Long-lead Projects or projects determined pursuant to the State Agreement Approach in Section 1.5.9 of this Schedule 6, as applicable. The Office of the Interconnection also shall post an explanation regarding why transmission needs associated with federal or state Public Policy Requirements were identified but were not selected for further evaluation.

(c) **Project Proposal Windows.** The Office of the Interconnection shall provide notice to stakeholders of a 30-day proposal window for Short-term Projects and a 120-day proposal window for Long-lead Projects and Economic-based Enhancements or Expansions. The Office of Interconnection may shorten a proposal window should an identified need require a shorter proposal window to meet the needed in-service date of the proposed enhancements or expansions, or extend a proposal window as needed to accommodate updated information regarding system conditions. The Office of the Interconnection may shorten or lengthen a proposal window that is not yet opened based on one or more of the following criteria: (1) complexity of the violation or system condition; and (2) whether there is sufficient time remaining in the relevant planning cycle to accommodate a standard proposal window and timely address the violation or system condition. The Office of the Interconnection may lengthen a proposal window that already is opened based on or more of the following criteria: (i) changes in assumptions or conditions relating to the underlying need for the project, such as load growth or Reliability Pricing Model auction results; (ii) availability of new or changed information regarding the nature of the violations and the facilities involved; and (iii) time remaining in the relevant proposal window. In the event that the Office of the Interconnection determines to lengthen or shorten a proposal window, it will post on the PJM website the new proposal window period and an explanation as to the reasons for the change in the proposal window period. During these windows, the Office of the Interconnection will accept proposals from

existing Transmission Owners and Nonincumbent Developers for potential enhancements or expansions to address the posted violations, system conditions, economic constraints, as well as Public Policy Requirements.

(c)(1) All proposals submitted in the proposal windows must contain: (i) the name and address of the proposing entity; (ii) a statement whether the entity intends to be the Designated Entity for the proposed project; (iii) the location of proposed project, including source and sink, if applicable; (iv) relevant engineering studies, and other relevant information as described in the PJM Manuals pertaining to the proposed project; (v) a proposed initial construction schedule including projected dates on which needed permits are required to be obtained in order to meet the required in-service date; and (vi) cost estimates and analyses that provide sufficient detail for the Office of Interconnection to review and analyze the proposed cost of the project.

(c)(2) Proposals from all entities (both existing Transmission Owners and Nonincumbent Developers) that indicate the entity intends to be a Designated Entity, also must contain information to the extent not previously provided pursuant to Section 1.5.8(a) demonstrating: (i) technical and engineering qualifications of the entity, its affiliate, partner, or parent company relevant to construction, operation, and maintenance of the proposed project; (ii) experience of the entity, its affiliate, partner, or parent company in developing, constructing, maintaining, and operating the type of transmission facilities contained in the project proposal; (iii) the emergency response capability of the entity that will be operating and maintaining the proposed project; (iv) evidence of transmission facilities the entity, its affiliate, partner, or parent company previously constructed, maintained, or operated; (v) the ability of the entity or its affiliate, partner, or parent company to obtain adequate financing relative to the proposed project, which may include a letter of intent from a financial institution approved by the Office of the Interconnection or such other evidence of the financial resources available to finance the construction, operation, and maintenance of the proposed project; (vi) the managerial ability of the entity, its affiliate, partner, or parent company to contain costs and adhere to construction schedules for the proposed project, including a description of verifiable past achievement of these goals; (vii) a demonstration of other advantages the entity may have to construct, operate, and maintain the proposed project, including any cost commitment the entity may wish to submit; and (viii) any other information that may assist the Office of the Interconnection in evaluating the proposed project.

(c)(3) The Office of the Interconnection may request additional reports or information from an existing Transmission Owner or Nonincumbent Developers that it determines are reasonably necessary to evaluate its specific project proposal pursuant to the criteria set forth in Sections 1.5.8(e) and 1.5.8(f) of this Schedule 6. If the Office of the Interconnection determines any of the information provided in a proposal is deficient or it requires additional reports or information to analyze the submitted proposal, the Office of the Interconnection shall notify the proposing entity of such deficiency or request. Within 10 business days of receipt of the notification of deficiency and/or request for additional reports or information, or other reasonable time period as determined by the Office of the Interconnection, the proposing entity shall provide the necessary information.

(c)(4) The request for additional reports or information by the Office of the Interconnection pursuant to Section 1.5.8(c)(3) of this Schedule 6 may be used only to clarify a proposed project as submitted. In response to the Office of the Information's request for additional reports or information, the proposing entity (whether an existing Transmission Owner or Nonincumbent Developer) may not submit a new project proposal or modifications to a proposed project once the proposal window is closed. In the event that the proposing entity fails to timely cure the deficiency or provide the requested reports or information regarding a proposed project, the proposed project will not be considered for inclusion in the recommended plan.

(d) **Posting and Review of Projects.** Following the close of a proposal window, the Office of the Interconnection shall post on the PJM website all proposals submitted pursuant to Section 1.5.8(c) of this Schedule 6. All proposals addressing state Public Policy Requirements shall be provided to the applicable states in the PJM Region for review and consideration as a Supplemental Project or a state public policy project consistent with Section 1.5.9 of this Schedule 6. The Office of the Interconnection shall review all proposals submitted during a proposal window and determine and present to the Transmission Expansion Advisory Committee the proposals that merit further consideration for inclusion in the recommended plan. In making this determination, the Office of the Interconnection shall consider the criteria set forth in Sections 1.5.8(e) and 1.5.8(f) of this Schedule 6. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee for review and comment descriptions of the proposed enhancements and expansions, including any proposed Supplemental Projects or state public policy projects identified by a state(s). Based on review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary conduct further study and evaluation. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee the revised enhancements and expansions for review and comment. After consultation with the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the more efficient or cost-effective transmission enhancements and expansions for inclusion in the recommended plan consistent with this Schedule 6.

(e) **Criteria for Considering Inclusion of a Project in the Recommended Plan.** In determining whether a Short-term Project or Long-lead Project proposed pursuant to Section 1.5.8(c), individually or in combination with other Short-term Projects or Long-lead Projects, is the more efficient or cost-effective solution and therefore should be included in the recommended plan, the Office of the Interconnection, taking into account sensitivity studies and scenario analyses considered pursuant to Section 1.5.3 of this Schedule 6, shall consider the following criteria, to the extent applicable: (i) the extent to which a Short-term Project or Long-lead Project would address and solve the posted violation, system condition, or economic constraint; (ii) the extent to which the relative benefits of the project meets a Benefit/Cost Ratio Threshold of at least 1.25:1 as calculated pursuant to Section 1.5.7(d) of this Schedule 6; (iii) the extent to which the Short-term Project or Long-lead Project would have secondary benefits, such as addressing additional or other system reliability, operational performance, economic efficiency issues or federal Public Policy Requirements or state Public Policy Requirements identified by the states in the PJM Region; and (iv) other factors such as cost-effectiveness, the ability to timely complete the project, and project development feasibility.

(f) **Entity-Specific Criteria Considered in Determining the Designated Entity for a Project.** In determining whether the entity proposing a Short-term Project or a Long-lead Project recommended for inclusion in the plan shall be the Designated Entity, the Office of the Interconnection shall consider: (i) whether in its proposal, the entity indicated its intent to be the Designated Entity; (ii) whether the entity is pre-qualified to be a Designated Entity pursuant to Section 1.5.8(a); (iii) information provided either in the proposing entity's submission pursuant to Section 1.5.8(a) or 1.5.8(c)(2) relative to the specific proposed project that demonstrates: (1) the technical and engineering experience of the entity or its affiliate, partner, or parent company, including its previous record regarding construction, maintenance, and operation of transmission facilities relative to the project proposed; (2) ability of the entity or its affiliate, partner, or parent company to construct, maintain, and operate transmission facilities, as proposed, (3) capability of the entity to adhere to standardized construction, maintenance, and operating practices, including the capability for emergency response and restoration of damaged equipment; (4) experience of the entity in acquiring rights of way; (5) evidence of the ability of the entity, its affiliate, partner, or parent company to secure a financial commitment from an approved financial institution(s) agreeing to finance the construction, operation, and maintenance of the project, if it is accepted into the recommended plan; and (iv) any other factors that may be relevant to the proposed project.

(g) **Procedures if No Long-lead Project or Economic-based Enhancement or Expansion Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Long-lead Projects received during the Long-lead Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation, or system condition, the Office of the Interconnection may re-evaluate and re-post on the PJM website the unresolved violations, or system conditions pursuant to Section 1.5.8(b), provided such re-evaluation and re-posting would not affect the ability of the Office of the Interconnection to timely address the identified reliability need. In the event that re-posting and conducting such re-evaluation would prevent the Office of the Interconnection from timely addressing the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion, the Office of the Interconnection shall propose a project to solve the posted violation, or system condition for inclusion in the recommended plan and shall present such project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the project is to be located shall be the Designated Entity(ies) for such project. In determining whether there is insufficient time for re-posting and re-evaluation, the Office of the Interconnection shall develop and post on the PJM website a transmission solution construction timeline for input and review by the Transmission Expansion Advisory Committee that will include factors such as, but not limited to: (i) deadlines for obtaining regulatory approvals, (ii) dates by which long lead equipment should be acquired, (iii) the time necessary to complete a proposed solution to meet the required in-service date, and (iv) other time-based factors impacting the feasibility of achieving the required in-service date. Based on input from the Transmission Expansion Advisory Committee and the time frames set forth in the construction timeline, the Office of the Interconnection shall determine whether there is sufficient time to conduct a re-evaluation and re-post and timely address the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion. To the

extent that an economic constraint remains unaddressed, the economic constraint will be re-evaluated and re-posted.

(h) **Procedures if No Short-term Project Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Short-term Projects received during a Short-term Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation or system condition, the Office of the Interconnection shall propose a Short-term Project to solve the posted violation, or system condition for inclusion in the recommended plan and will present such Short-term Project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the Short-term Project is to be located shall be the Designated Entity(ies) for the Project.

(i) **Notification of Designated Entity.** Within 10 business days of PJM Board approval of the Regional Transmission Expansion Plan, the Office of the Interconnection shall notify the entities that have been designated as the Designated Entities for projects included in the Regional Transmission Expansion Plan of such designations. In such notices, the Office of the Interconnection shall provide: (i) the needed in-service date of the project; and (ii) a date by which all necessary state approvals should be obtained to timely meet the needed in-service date of the project. The Office of the Interconnection shall use these dates as part of its on-going monitoring of the progress of the project to ensure that the project is completed by its needed in-service date.

(j) **Acceptance of Designation.** Within 30 days of receiving notification of its designation as a Designated Entity, the existing Transmission Owner or Nonincumbent Developer shall notify the Office of the Interconnection of its acceptance of such designation and submit to the Office of the Interconnection a development schedule, which shall include, but not be limited to, milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary authorizations and approvals, including but not limited to, state approvals. For good cause shown, the Office of the Interconnection may extend the deadline for submitting the development schedule. The Office of the Interconnection then shall review the development schedule and within 15 days or other reasonable time as required by the Office of the Interconnection: (i) notify the Designated Entity of any issues regarding the development schedule identified by the Office of the Interconnection that may need to be addressed to ensure that the project meets its needed in-service date; and (ii) tender to the Designated Entity an executable Designated Entity Agreement setting forth the rights and obligations of the parties. To retain its status as a Designated Entity, within 60 days of receiving notification of its designation (or other such period as mutually agreed upon by the Office of the Interconnection and the Designated Entity), the Designated Entity (both existing Transmission Owners and Nonincumbent Developers) shall submit to the Office of the Interconnection a letter of credit as determined by the Office of Interconnection to cover the incremental costs of construction resulting from reassignment of the project, and return to the Office of the Interconnection an executed Designated Entity Agreement containing a mutually agreed upon development schedule. In the alternative, the Designated Entity may request dispute resolution pursuant to Schedule 5 of this Agreement, or request that the Designated Entity Agreement be filed unexecuted with the Commission.

(k) **Failure of Designated Entity to Meet Milestones.** In the event the Designated Entity fails to comply with one or more of the requirements of Section 1.5.8(j); or fails to meet a milestone in the development schedule set forth in the Designated Entity Agreement that causes a delay of the project's in-service date, the Office of the Interconnection shall re-evaluate the need for the Short-term Project or Long-lead Project, and based on that re-evaluation may: (i) retain the Short-term Project or Long-lead Project in the Regional Transmission Expansion Plan; (ii) remove the Short-term Project or Long-lead Project from the Regional Transmission Expansion Plan; or (iii) include an alternative solution in the Regional Transmission Expansion Plan. If the Office of the Interconnection retains the Short-term or Long-term Project in the Regional Transmission Expansion Plan, it shall determine whether the delay is beyond the Designated Entity's control and whether to retain the Designated Entity or to designate the Transmission Owner(s) in the Zone(s) where the project is located as Designated Entity(ies) for the Short-term Project or Long-lead Project. If the Designated Entity is the Transmission Owner(s) in the Zone(s) where the project is located, the Office of the Interconnection shall seek recourse through the Consolidated Transmission Owners Agreement or FERC, as appropriate. Any modifications to the Regional Transmission Expansion Plan pursuant to this section shall be presented to the Transmission Expansion Advisory Committee for review and comment and approved by the PJM Board.

(l) **Transmission Owners Required to be the Designated Entity.** Notwithstanding anything to the contrary in this Section 1.5.8, in all events, the Transmission Owner(s) in whose Zone(s) a project proposed pursuant to Section 1.5.8(c) of this Schedule 6 is to be located will be the Designated Entity for the project, when the Short-term Project or Long-lead Project is: (i) a Transmission Owner Upgrade; (ii) located solely within a Transmission Owner's Zone and the costs of the project are allocated solely to the Transmission Owner's Zone; or (iii) located solely within a Transmission Owner's Zone and is not selected in the Regional Transmission Expansion Plan for purposes of cost allocation.

(m) **Immediate-need Reliability Projects:**

(m)(1) Pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify immediate reliability needs that must be addressed within three years or less. The Office of the Interconnection shall develop Immediate-need Reliability Projects for which a proposal window pursuant to Section 1.5.8(m)(2) is infeasible. The Office of the Interconnection shall consider the following factors in determining the infeasibility of such a proposal window: (i) nature of the reliability criteria violation; (ii) nature and type of potential solution required; and (iii) projected construction time for a potential solution to the type of reliability criteria violation to be addressed. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the Immediate-need Reliability Projects for which a proposal window pursuant to Section 1.5.8(m)(2) is infeasible. The descriptions shall include an explanation of the decision to designate the Transmission Owner as the Designated Entity for the Immediate-need Reliability Project rather than conducting a proposal window pursuant to Section 1.5.8(m)(2), including an explanation of the time-sensitive need for the Immediate-need Reliability Project, other transmission and non-

transmission options that were considered but concluded would not sufficiently address the immediate reliability need, the circumstances that generated the immediate reliability need, and why the immediate reliability need was not identified earlier. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments to the Office of the Interconnection. All comments received by the Office of the Interconnection shall be publicly available on the PJM website. Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee, the Office of the Interconnection shall, if necessary, conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee. The PJM Board shall approve the Immediate-need Reliability Projects for inclusion in the recommended plan. In January of each year, the Office of the Interconnection shall post on the PJM website and file with the Commission for informational purposes a list of the Immediate-need Reliability Projects for which an existing Transmission Owner was designated in the prior year as the Designated Entity in accordance with this Section 1.5.8(m)(1). The list shall include the need-by date of Immediate-need Reliability Project and the date the Transmission Owner actually energized the Immediate-need Reliability Project.

(m)(2) If, in the judgment of the Office of the Interconnection, there is sufficient time for the Office of the Interconnection to accept proposals in a shortened proposal window for Immediate-need Reliability Projects, the Office of the Interconnection shall post on the PJM website the violations and system conditions that could be addressed by Immediate-need Reliability Project proposals, including an explanation of the time-sensitive need for an Immediate-need Reliability Project and provide notice to stakeholders of a shortened proposal window. Proposals must contain the information required in Section 1.5.8(c) and, if the entity is seeking to be the Designated Entity, such entity must have pre-qualified to be a Designated Entity pursuant to Section 1.5.8(a). In determining the more efficient or cost-effective proposed Immediate-need Reliability Project for inclusion in the recommended plan, the Office of the Interconnection shall consider the extent to which the proposed Immediate-need Reliability Project, individually or in combination with other Immediate-need Reliability Projects, would address and solve the posted violations or system conditions and other factors such as cost-effectiveness, the ability of the entity to timely complete the project, and project development feasibility in light of the required need. After PJM Board approval, the Office of the Interconnection, in accordance with Section 1.5.8(i) of this Schedule 6, shall notify the entities that have been designated as Designated Entities for Immediate-need Projects included in the Regional Transmission Expansion Plan of such designations. Designated Entities shall accept such designations in accordance with Section 1.5.8(j). In the event that (i) the Office of the Interconnection determines that no proposal resolves a posted violation or system condition; (ii) the proposing entity is not selected to be the Designated Entity; (iii) an entity does not accept the designation as a Designated Entity; or (iv) the Designated Entity fails to meet milestones that would delay the in-service date of the Immediate-need Reliability Project, the Office of the Interconnection shall develop and recommend an Immediate-need Reliability Project to solve the violation or system needs in accordance with Section 1.5.8(m)(1).

1.5.9 State Agreement Approach.

(a) State governmental entities authorized by their respective states, individually or jointly, may agree voluntarily to be responsible for the allocation of all costs of a proposed transmission expansion or enhancement that addresses state Public Policy Requirements identified or accepted by the state(s) in the PJM Region. As determined by the authorized state governmental entities, such transmission enhancements or expansions may be included in the recommended plan, either as a (i) Supplemental Project or (ii) state public policy project, which is a transmission enhancement or expansion, the costs of which will be recovered pursuant to a FERC-accepted cost allocation proposed by agreement of one or more states and voluntarily agreed to by those state(s). All costs related to a state public policy project or Supplemental Project included in the Regional Transmission Expansion Plan to address state Public Policy Requirements pursuant to this Section shall be recovered from customers in a state(s) in the PJM Region that agrees to be responsible for the projects. No such costs shall be recovered from customers in a state that did not agree to be responsible for such cost allocation. A state public policy project will be included in the Regional Transmission Expansion Plan for cost allocation purposes only if there is an associated FERC-accepted allocation permitting recovery of the costs of the state public policy project consistent with this Section.

(b) Subject to any designation reserved for Transmission Owners in Section 1.5.8(l) of this Schedule 6, the state(s) responsible for cost allocation for a Supplemental Project or a state public policy project in accordance with Section 1.5.9(a) in this Schedule 6 may submit to the Office of the Interconnection the entity(ies) to construct, own, operate and maintain the state public policy project from a list of entities supplied by the Office of the Interconnection that pre-qualified to be Designated Entities pursuant to Section 1.5.8(a) of this Schedule 6.