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The Honorable Debbie-Anne A. Reese
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E., Room 1A
Washington, D.C. 20426

Re: *PJM Interconnection, L.L.C.*, Docket No. ER26-1556-000
        Proposal to Extend The Price Cap and Price Floor for the 2028/2029 and 2029/2030
        Delivery Years, And Request for a Waiver of the 60-Days' Notice Requirement to
        Allow for a March 31, 2026 Effective Date

Dear Secretary Reese:

PJM Interconnection, L.L.C. ("PJM"), pursuant to section 205 of the Federal Power

Act ("FPA"),[1] proposes revisions to the PJM Open Access Transmission Tariff ("Tariff")

to extend the existing price cap of approximately $325/megawatt ("MW")-day (in

Unforced Capacity ("UCAP")) and a price floor of approximately $175/MW-day (in

UCAP) for all Reliability Pricing Model ("RPM") Auctions through the 2028/2029 and

2029/2030 Delivery Years.[2]

1. *This Filing is One Component of a Larger Set of Initiatives to Address Resource
    Adequacy Concerns Stemming From Large Loads.*

This proposal is one element of a multi-prong approach that, when taken together,

establish a roadmap to address resource adequacy challenges in the PJM Region.

Specifically, the PJM Board detailed the various elements of this roadmap in its January

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[1] 16 U.S.C. § 824d.

[2] All capitalized terms that are not otherwise defined herein have the meaning defined in the Tariff, Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., or the Reliability Assurance Agreement among Load Serving Entities in the PJM Region.

16, 2026 letter announcing its decision on the Critical Issues Fast Path Process addressing large load issues in PJM.[3] Those key elements of the roadmap include:

- An Expedited Interconnection Track ("EIT") designed to expedite the interconnection of new generation that, among other things, commits to firm commercial in service dates and has support from the state or primary siting authority to timely advance the applicable siting;

- Updates to load curtailment priorities so as to better align curtailment priorities with the entities and zones that are contributing to the particular resource adequacy issue giving rise to the need for curtailment;

- Development of a backstop procurement mechanism to secure an additional level of new Generation Capacity Resources to help mitigate the shortfall in capacity; and

- Commitment to a holistic review of the current wholesale energy and capacity market design (including potential changes to that design) so that PJM's markets continue to meet the needs of both investors and customers.

While PJM diligently works on all of the above issues with its stakeholders, it is appropriate to simultaneously seek an extension of the existing price collar used in the capacity market through RPM Auctions associated with the 2028/2029 and 2029/2030 Delivery Years. PJM urges the Commission to note the larger context in which this proposal is being submitted under section 205 of the Federal Power Act. PJM further notes

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[3] PJM, Board Decisional Letter on Critical Issue Fast Path – Large Load Additions (Jan. 16, 2026), https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260116-pjm-board-letter-re-results-of-the-cifp-process-large-load-additions.pdf.

that the projected dates for filing the different components set forth above are discussed in

PJM's recent informational report.[4] As noted in that filing, PJM commits to supplement

that filing as it continues work on each of the above initiatives.

2. *Circumstances that Support This Proposed Temporary Extension of the Price Collar.*

In recent years, PJM has worked diligently to propose enhancements to the RPM,

implement the recently approved and far-reaching interconnection queue reforms, and

complete a comprehensive analysis of the recent market conditions in the latest periodic

review of the inputs used in the capacity market.[5] Despite these efforts, load growth driven

primarily by new data centers continues to outpace the speed of new generation

development. Moreover, as a result of delays in the auction schedule dating back to the

Commission's extended period of consideration of the Minimum Offer Price Rule,[6] PJM

has had to hold Base Residual Auctions every six months in an effort to return to the

originally designed three-year forward nature of PJM's capacity market design. This

compressed timeframe between the Base Residual Auctions and the actual Delivery Year

has also created challenges that, in part, have hindered the ability of new generation

entering the queue now to reach commercial operation in time to meet capacity

commitment obligations associated with participating in near term RPM Auctions. The

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[4] *PJM Interconnection, L.L.C.*, PJM Informational Report, Docket Nos. EL25-49-000, *et al*. (Jan. 20, 2026).

[5] *See PJM Interconnection, L.L.C.*, 190 FERC ¶ 61,088 (2025) (counting qualifying resources subject to reliability must run agreements as capacity and institution of uniform Non-Performance Charge); *PJM Interconnection, L.L.C.*, 190 FERC ¶ 61,084 (2025) (facilitating expedited interconnection of critical capacity resources that meet certain criteria); *PJM Interconnection, L.L.C.*, 190 FERC ¶ 61,117 (2025) (extending the capacity must offer requirement to all Generation Capacity Resources); *PJM Interconnection, L.L.C.*, 194 FERC ¶ 61,049 (2026) (updating capacity market parameters).

[6] *PJM Interconnection, L.L.C.*, 163 FERC ¶ 61,236 (2018).

currently compressed auction schedule is expected to continue for RPM Auctions through the 2029/2030 Delivery Year.[7]

Under this backdrop, and since PJM submitted the latest periodic review filing, PJM cleared the Base Residual Auction associated with the 2027/2028 Delivery Year with a reserve margin that was 5.6% below the PJM Region Installed Reserve Margin target.[8] As a result, the PJM Board directed PJM to immediately initiate a reliability backstop procurement to procure new generation to help meet the resource adequacy requirements for the PJM Region.[9] PJM is now actively engaged with stakeholders to develop a separate backstop procurement process to help mitigate the current supply imbalance and aims to complete such a backstop procurement before the end of this year.

Given these developments, PJM is proposing to extend the existing price collar used in the RPM Auctions for two additional Delivery Years (i.e., through the 2029/2030 Delivery Year) until PJM completes the upcoming reliability backstop procurement and subsequent holistic review of PJM's wholesale energy and capacity markets. Specifically, PJM is proposing to temporarily extend the price ceiling of approximately $325/MW-day UCAP and a price floor of approximately $175/MW-day UCAP to be applied to the RPM Auctions associated with the 2028/2029 and 2029/2030 Delivery Years.[10]

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[7] *See* Tariff, Attachment DD, section 5.4.

[8] *See* PJM, 2027/2028 Base Residual Auction Reserve Target Shortfall Report (Feb. 9, 2026), https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2027-2028/2027-2028-bra-reserve-target-shortfall-report.pdf.

[9] *Id*. at 5-6.

[10] As further explained in section III.A.2, *infra*, PJM proposes to maintain the price collar in ICAP terms to provide for the same revenue stream of the Reference Resource at the price cap if its ELCC Class Rating changes between the 2028/2029 and 2029/2030 Delivery Years.

Resource adequacy within the PJM Region relies on third parties to continue to invest in developing, operating, and maintaining Capacity Resources. As an independent entity operating the capacity market, PJM is keenly aware of the need for the market to establish proper incentives for developers to decide when to invest in the market. Clearly, now is a time in which investment is needed. With that in mind, PJM recognized that reducing the potential revenue upside by extending the cap called for a symmetrical limitation on the downside in order to maintain investor confidence and attract the investment required to maintain reliability. Thus, to mitigate this impact and bolster the overarching goal of stimulating investment to maintain future resource adequacy, PJM's proposal to extend the price collar includes extending both the existing price cap and price floor. The extension of the price floor, in conjunction with extending the price cap, will reduce the volatility of auction clearing prices, directly decrease uncertainty surrounding auction market revenues, and enhance developers' ability to confidently maintain existing generation within the PJM footprint. In short, extending both a cap and floor continues to provide a longer-term signal to investors that interventions will not be one-sided, which could help continue to attract merchant resource development and future investment in the PJM market.

The PJM Board exercised its independent authority in directing PJM to propose these revisions. Before making this decision, the PJM Board sought input from stakeholders and received hundreds of written comments.[11] The PJM Board also noted the support from both the White House and the Governors of each of the states in the PJM

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[11] PJM, Stakeholder Survey Results to PJM Board's Questions Regarding Capacity Auction Price Collar (Feb 4, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/cifp-lla/postings/20260204-board-questions-re-capacity-auction-price-collar-stakeholder-survey-responses.pdf.

region that advocated for this temporary extension of the price collar. After reviewing all

of these submittals, the PJM Board took independent action directing PJM to submit this

filing pursuant to its authority to modify its Tariff under FPA section 205 pursuant to Tariff,

Part 1, section 9.2(a) and the Consolidated Transmission Owners Agreement, Article 7,

section 7.5.1(i), following the requisite consultation specified under Tariff, Part 1, section

9.2(b) and the Consolidated Transmission Owners Agreement, Article 7, section 7.5.1(ii).

I.   REQUEST FOR A WAIVER OF THE 60-DAYS' NOTICE REQUIREMENT

A. *PJM requests that the Commission issue an order on these proposed Tariff revisions by April 28, 2026, and accept the proposed revisions contained herein effective March 31, 2026*.

To facilitate a March 31, 2026 effective date, PJM requests a waiver of the 60-days'

notice requirement to implement this proposal. Good cause exists for granting waiver of

the 60-days' notice requirement because it will provide the Commission with the full 60

days to consider this proposal while avoiding potential retroactive ratemaking arguments

given that the existing deadline for PJM to post certain VRR Curves for the upcoming

2028/2029 Base Residual Auction is March 31, 2026.[12] Thus, granting the 60-days' notice

requirement will allow PJM to implement the proposed changes in the upcoming

2028/2029 Base Residual Auction without further delay of the auction.

Given the limited time remaining to conduct pre-auction activities and otherwise

prepare for the 2028/2029 Base Residual Auction, further delay of the already-delayed

capacity auction could result in greater adverse consequences. As a result, PJM urges the

Commission to act on this filing by the requested April 28, 2026 order date, so as to give

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[12] *See* Tariff, Attachment DD, section 5.10(a)(ii)(C) ("Office of the Interconnection shall post . . . such LDA, and such Variable Resource Requirement Curve on its internet site no later than the March 31 last preceding the Base Residual Auction for such Delivery Year").

Market Participants adequate time to evaluate and prepare for the upcoming Base Residual Auction associated with the 2028/2029 Delivery Year, currently scheduled to commence on June 30, 2026.

To allow PJM to conduct an orderly 2028/2029 Base Residual Auction and mitigate against the uncertainty of whether the Commission will grant a waiver of the 60-days' notice requirement prior to March 31, 2026, PJM submitted on February 18, 2026, in Docket No. ER26-1432-000, a separate waiver request to extend the deadline to post certain VRR Curve from March 31, 2026, to May 5, 2026.[13] Commission acceptance of the waiver request would allow PJM to post one set of VRR Curves for the 2028/2029 Base Residual Auction on or before May 5, 2026, while continuing to post all other planning parameters under the existing timelines. Thus, granting the waiver in Docket No. ER26-1432-000 will allow PJM to maintain the current Base Residual Auction schedule and reduce uncertainty with posting different sets of VRR Curves. Grant of that waiver request would obviate the need for a waiver of the 60-days' notice requirement PJM seeks here. However, in the event the Commission denies the requested waiver in Docket No. ER26-1432-000, the Commission should grant waiver of the 60-days' notice requirement and make the enclosed Tariff revisions effective March 31, 2026. To be clear, PJM is not seeking a Commission order by this March 31, 2026 date, and instead requests that the Commission issue an order on this section 205 filing by April 28, 2026, (i.e., 60 days).

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[13] *PJM Interconnection, L.L.C.*, Request of PJM Interconnection, L.L.C. for Shortened Ten-Day Comment Period and Expedited Action on Prospective Waiver to Extend the Deadline to Post the Variable Resource Requirement Curve by 28 Days, Docket No. ER26-1325-000 (Feb. 14, 2026).

II. THE CONFLUENCE OF EVENTS FACING THE PJM REGION SUPPORTS EXTENSION OF THE EXISTING PRICE COLLAR FOR TWO ADDITIONAL DELIVERY YEARS

Since its inception, RPM has been designed to respond to capacity shortages through elevated prices, indicating demand's willingness to pay for additional new entry and to maintain resource adequacy. However, the capacity market has recently had to absorb a significant number of external events, including, but not limited to: unprecedented and rapid load growth for the foreseeable future as the result of, among other things, the proliferation of high-demand data centers; retirements of generators with attributes needed to maintain reliability; state and federal policies that significantly affect the economics of the existing resource fleet and potential replacement capacity, and slow new entry of replacement generation resources due to industry and external forces including siting, permitting and supply chain constraints. In short, the amount of supply necessary to maintain resource adequacy has not kept pace with the increasing demand, driven primarily by the addition of new data centers. Indeed, PJM has been raising concerns of impending supply shortages for years.[14]

In addition to the foregoing, the compressed auction schedule for the 2028/2029 and 2029/2030 Delivery Years have forward periods of approximately 23 months and 29 months, respectively. This compressed timing may, in part, make it more challenging for Capacity Market Sellers to develop new greenfield generation resources that could be in

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[14] PJM, Reliability in PJM: Today and Tomorrow, at 12 (Mar. 11, 2021), https://pjm.com/-/media/DotCom/library/reports-notices/special-reports/2021/20210311-reliability-in-pjm-today-and-tomorrow.ashx ("The changes occurring in the electric industry and evolving resource mix have the potential to significantly impact the provision of adequate supply and reliability in PJM."); PJM, Energy Transition in PJM: Resource Retirements, Replacements & Risks, at 2, 12 and 17 (Feb. 24, 2023), https://www.pjm.com/-/media/library/reports-notices/special-reports/2023/energy-transition-in-pjm-resource-retirements-replacements-and-risks.ashx.

service by the start of these Delivery Years.[15] Likewise, significant quantities of External

Resources that have not previously been offered as capacity in PJM's markets are also not

expected to be offered within the next two Delivery Years because the deliverability

requirements require time for Capacity Market Sellers to Pseudo-Tie External Resources

into PJM.[16]

Under this backdrop, the National Energy Dominance Council within the White

House and all thirteen governors from the PJM states issued a "Statement of Principles

Regarding PJM" urging PJM to expeditiously file Tariff revisions to, *inter alia*, extend the

existing price collar for RPM Auctions through the 2029/2030 Delivery Year.[17] On the

same day as the issuance of the Statement of Principles, the PJM Board sought stakeholder

feedback on extending the existing price collar for two additional Delivery Years.[18] After

considering the various stakeholder feedback, and the Statement of Principles Regarding

PJM, the PJM Board decided to proceed with seeking approval from the Commission to

extend the existing price collar used in the RPM Auctions for the two additional Delivery

Years (i.e., through the 2029/2030 Delivery Year).

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[15] To be clear, as discussed in part II.B.2 below, PJM *does expect* new supply to respond to the price signals sent by RPM Auctions for these Delivery Years. For example, short lead-time resources like uprates, Demand Resources, reactivations, and acceleration of resources that have already cleared or are in late stages of the interconnection queue are likely to respond to these auction prices.

[16] *See* Tariff, Attachment DD, section 5.5A(b) (setting forth rules for external resource participation in PJM's capacity market).

[17] National Energy Dominance Council, Statement of Principles Regarding PJM (Jan. 15, 2026), https://www.energy.gov/documents/statement-principles-regarding-pjm.

[18] PJM, Board Questions Regarding Capacity Auction Price Collar – Stakeholder Survey Responses (Feb. 4, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/cifp-lla/postings/20260204-board-questions-re-capacity-auction-price-collar-stakeholder-survey-responses.pdf.

A. PJM's Proposal Is Consistent with Commission Precedent and an Appropriate Response in this Context.

The Commission previously accepted the exact price collar that PJM is proposing to extend here.[19] While the Commission had initially accepted the price collar to be applied to the 2026/2027 and 2027/2028 Delivery Years, nothing in the Commission's prior order precludes PJM from seeking an extension of such collar. Although the primary rationale for the initial acceptance of the collar was to allow for the completion of the latest periodic review,[20] which has now been accepted, recent additional and new developments that did not previously exist provide additional justification for extending the price collar.

That is, after PJM submitted the latest periodic review, the Base Residual Auction associated with the 2027/2028 Delivery Year cleared a reserve margin that was 5.6% *below* the Installed Reserve Margin target, and with total Unforced Capacity of all Base Load Generation Resources less than the forecasted minimum hourly load.[21] The PJM Board has made clear that the outcome of the auction was a "clear signal that current trends are not acceptable and warrant corrective action."[22] As a result, the PJM Board has directed PJM to immediately initiate a reliability backstop procurement to procure new generation necessary to meet the resource adequacy requirements for the PJM Region.[23]

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[19] *PJM Interconnection, L.L.C.*, 191 FERC ¶ 61,066, at P 51 (2025).

[20] *Id.* at P 53.

[21] *See* PJM, 2027/2028 Base Residual Auction Reserve Target Shortfall Report (Feb. 9, 2026), https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2027-2028/2027-2028-bra-reserve-target-shortfall-report.pdf.

[22] PJM, Board Decisional Letter on Critical Issue Fast Path – Large Load Additions, at 1-2 (Jan. 16, 2026), https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260116-pjm-board-letter-re-results-of-the-cifp-process-large-load-additions.pdf.

[23] *Id*. at 5-6.

To prepare for this backstop procurement, PJM is actively engaged with stakeholders to develop the rules for this backstop procurement that will ultimately mitigate the current supply imbalance. PJM is aiming to implement such a backstop procurement before the end of this year (currently targeted to be conducted in September 2026).

However, the existence of the backstop procurement, which would likely award commitments on a multi-year basis, could have interactive effects with the RPM Auctions. Specifically, given that PJM is planning to proceed with a backstop procurement that is likely to commit resources on a multi-year basis, it is questionable whether there would be appreciable new entry that is offered in the upcoming Base Residual Auctions that will be conducted this year. Therefore, higher prices intended to stimulate new entry may not be necessary and could increase the risk of price volatility absent extending the existing price collar for two additional Delivery Years.

In sum, good cause exists for the Commission to extend the existing price collar and narrow the acceptable market outcomes to within the price collar given the current and unique circumstances.

B.   *This Proposal is a Just and Reasonable Interim Solution that Paves the Way for Longer Term Solutions.*

In addition to the backstop procurement, the PJM Board recently explained "that the investment environment for new generation has evolved materially in recent years, and in ways that differ significantly from conditions that prevailed at the inception of the [] capacity market."[24] In other words, the PJM Board "acknowledged that the current one-year capacity commitment procured three years forward may not match the current

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[24] *Id.* at 6.

investment climate that may be required to incentivize new generation."[25]   That is, the current one-year commitment "may not provide the stable revenue streams needed to justify new investment in today's volatile and uncertain investment environment, particularly when elevated costs are combined with external constraints or intervention."[26] As a result, the PJM Board has "directed PJM to conduct a holistic evaluation of investment incentives in PJM's markets this year."[27]   Specifically, the PJM Board's twofold objectives are: "(1) to advance necessary changes to the energy and reserve markets that are already underway and that support system operators in managing an increasingly dynamic grid; and (2) to ensure that such changes are aligned with anticipated reforms to support resource adequacy, while continuing to provide a residual mechanism for states with vertically integrated structures."[28]   Thus, PJM will be exploring significant changes to the current market rules in relative short order and may potentially amend the rules to better reflect the current investment climate.

At the same time, PJM is taking steps to encourage data centers to bring their own new generation to support the increased loads.   To that end, PJM will be submitting proposed Tariff updates related to an EIT to facilitate such additional new generation that

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[25] PJM, Board Decision on Price Collar for 2028/2029 and 2029/2030 Capacity Auctions (Feb 12, 2026), https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260212-board-decision-on-price-collar-for-2028-2029-and-2029-2030-capacity-auctions.pdf.

[26] PJM, Board Decisional Letter on Critical Issue Fast Path – Large Load Additions, at 6 (Jan. 16, 2026), https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260116-pjm-board-letter-re-results-of-the-cifp-process-large-load-additions.pdf.

[27] PJM, Board Decision on Price Collar for 2028/2029 and 2029/2030 Capacity Auctions (Feb 12, 2026), https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260212-board-decision-on-price-collar-for-2028-2029-and-2029-2030-capacity-auctions.pdf.

[28] PJM, Board Decisional Letter on Critical Issue Fast Path – Large Load Additions, at 7 (Jan. 16, 2026), https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260116-pjm-board-letter-re-results-of-the-cifp-process-large-load-additions.pdf.

is supported by applicable siting authorities. While these steps are undertaken, PJM is also planning to advance the concept of "connect and manage." Under this framework, the incremental demand associated with new data center growth that does not bring incremental new generation to the grid would be subject to curtailment prior to the deployment of pre-emergency Demand Response.

While all of the aforementioned changes are being contemplated and ultimately implemented, extending the price collar will provide stable market outcomes in the near-term. This temporary proposal is designed to mitigate price volatility in the market until PJM, working with independent consultants and stakeholders, completes the upcoming reliability backstop procurement and holistic market reforms. In the interim, this filing supports PJM's ongoing efforts to add stability to and reduce uncertainty in the capacity market clearing prices.

III.   **PJM PROPOSES TO EXTEND THE EXISTING PRICE COLLAR FOR TWO ADDITIONAL DELIVERY YEARS**

In recognition of the confluence of events detailed above, PJM proposes to extend the existing price collar for two additional Delivery Years to limit the possible auction outcomes for the 2028/2029 and 2029/2030 Delivery Years to be between $256.75/MW-day ICAP, or approximately $325/MW-day UCAP, and $138.25/MW-day ICAP, or approximately $175/MW-day UCAP, with annual adjustments to both the cap and floor to account for the level of accreditation of the Reference Resource.

Applying this collar: (1) for the two Delivery Years facing extremely tight supply/demand conditions, (2) as PJM and stakeholders explore significant enhancements to PJM's energy and capacity market rules, and (3) while PJM conducts a backstop procurement by the end of this year would allow the clearing prices from the RPM Auction

to continue to signal the need for existing resources to stay in the market while protecting customers from prices higher than required given the confluence of events faced by PJM's capacity market. In short, PJM's proposal reasonably mitigates the impact of the current market conditions in the RPM Auctions for two additional Delivery Years (i.e., through the 2029/2030 Delivery Year).

The level of the proposed extension of the price cap and floor, which the Commission previously accepted "will operate together to narrow the range of potential capacity price outcomes, which will reduce the price volatility" stemming from the capacity market.[29] In other words, as the Commission previously determined, "the combination of the price cap and price floor will establish a price collar that protects consumers from price volatility outside the bounds of the price collar while also enabling capacity prices to reflect the system's need for capacity and support near-term capacity investment in PJM . . . ."[30] Extending the price collar with the existing cap paired with the existing floor price, will provide Capacity Market Sellers of "capacity resources a greater degree of certainty and stability concerning capacity revenues over the two forthcoming delivery years . . . ."[31]

Absent the changes proposed in this 205 filing, the price cap for the 2028/2029 Base Residual Auction is expected to be approximately $550/MW-day (UCAP), while the price floor would be zero dollars. The PJM proposal here is to temporarily extend the existing price collar for the 2028/2029 and 2029/2030 Delivery Years. Such extension of

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[29] *PJM Interconnection, L.L.C.*, 191 FERC ¶ 61,066, at P 51.

[30] *Id.* at P 55.

[31] *Id.* at P 57.

the price collar would allow all Market Participants to be able to plan on the auctions clearing at prices between approximately \$175/MW-day and \$325/MW-day in UCAP terms. At the same time, the level of the proposed collar continues to allow the clearing price to fluctuate above and below the estimated Net CONE of \$289/MW-day UCAP for the 2028/2029 Delivery Year that was estimated as part of the latest periodic review filing.[32] As the Commission recently explained, "capacity market prices should be able to rise above Net CONE during tight market conditions such that the price averages Net CONE in the long term."[33]

Narrowing possible auction outcomes in such a symmetrical fashion is necessary to maintain investor confidence. The capacity market relies on investors to respond to auction clearing price signals. That is, the enduring viability of PJM's capacity market hinges on its ability to induce efficient entry, retention, and/or retirement of Capacity Resources through a stream of capacity prices that vary on far shorter time scales than the investment horizons of the resources providing that supply.

> **A.** **_PJM Proposes To Maintain the Recently Accepted VRR Curve Shape, While Establishing a Lower Price Cap and a Higher Price Floor—Both Based on ICAP Values._**
>
> > **1.** _Mechanically, PJM Proposes to Overlay on Top of the Recently Updated VRR Curve Shape a Lower Price Cap and to Raise the Price Floor from Zero._

To extend the price cap and floor, PJM proposes to utilize the shape of the VRR Curve that the Commission recently accepted.[34] That is, PJM is proposing to overlay the

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[32] _PJM Interconnection, L.L.C._, 2025 Periodic Review of Variable Resource Requirement Curve Shape and Key Parameters, Docket No. ER26-455-000, at 44 (Nov. 7, 2025).

[33] _PJM Interconnection, L.L.C.,_ 194 FERC ¶ 61,049, at P 46.

[34] _See generally id_.

new price cap and new price floor on the recently updated curve design that will be effective with the 2028/2029 Delivery Year, which would have the effect of significantly narrowing the permissible auction outcomes. To do so, PJM would continue to calculate the VRR Curve points 1, 2, and 3 in accordance with the updated VRR Curve as specified in Tariff, Attachment DD, section 5.10(a)(i). After plotting that curve, PJM would then:

(1) draw a horizontal line from the y-axis equal to the lesser of $256.75/MW-day (ICAP)—i.e., around $325/MW-day (UCAP)—or the value of point 1 to the point at which such horizontal line intersects with the curve;[35] and

(2) find the point on the curve where the y-coordinate equals the UCAP-equivalent of $138.25/MW-day (ICAP)—i.e., around $175/MW-day (UCAP)—then draw a horizontal line from that point rightward.[36]

Further, to set the curve, PJM's proposal utilizes as the Reference Resource the same gas combustion turbine dual-fuel class that the Commission recently approved beginning with the 2028/2029 Delivery Year.[37] Such is a just and reasonable Reference Resource as PJM demonstrated in that proceeding.[38] Figure 1 below illustrates how the proposed curve would look, with PJM's proposed price cap and price floor.

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[35] *See* proposed Tariff, Attachment DD, section 5.10(a)(i). PJM is specifying the lesser of $256.75/MW-day (ICAP) or Point 1 in the unlikely event the updated Point 1, which is a function of Gross Cost of New Entry minus the Net Energy and Ancillary Service Offset, is lower than the proposed cap. This is appropriate because the intent is for the collar to prevent the clearing price from going above the maximum value on the VRR Curve- not to raise it to a level beyond the recently adopted VRR Curve.

[36] *See* proposed Tariff, Attachment DD, section 5.10(a)(i).

[37] *See PJM Interconnection, L.L.C.*, 194 FERC ¶ 61,049, at P 16.

[38] *Id*.

Figure 1
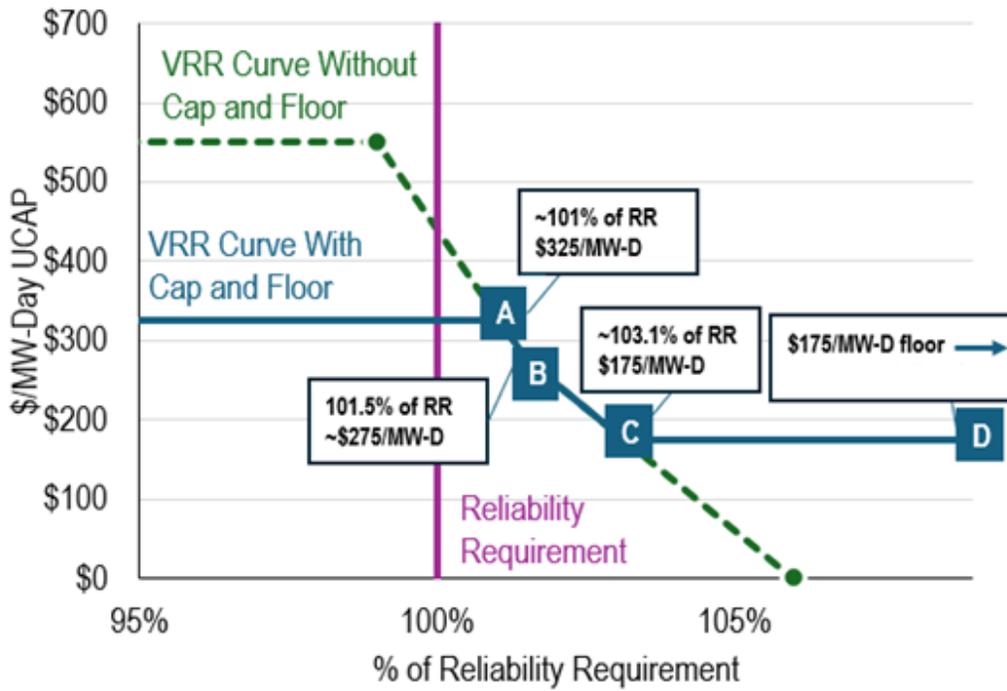
The solid line implements the proposal and would be the VRR Curve used to clear all RPM Auctions, including the Base Residual Auctions and Incremental Auctions, for the 2028/2029 and 2029/2030 Delivery Years. The same logic would be used to develop the VRR Curve for all Locational Delivery Areas ("LDAs"). Any Sell Offer above the price cap *would not* clear the auction, while any offer below the price floor *would* clear the auction.[39]

While, as discussed below, the proposed floor could have a meaningful impact on retaining existing resources by providing a level of revenue assurance, the floor is not likely

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[39] If there were excess capacity that PJM would release back in Incremental Auctions, such excess capacity would be sold back at no less than $175/MW-day given that is the minimum for how much load paid for such capacity.

to have any mechanical impact on actually clearing the market.[40] Nonetheless, if there is sufficient capacity offered such that the supply stack extends rightward beyond where line segment 2 intersects with the floor value and line segment 3 begins, *and* the most expensive resource is offered at less than $175/MW-day, then the supply curve would end without intersecting the demand curve. In that case, the clearing price is determined by drawing a vertical line from the end of the supply curve to the demand curve.

Given that this proposal seeks to extend the price collar only for RPM Auctions associated with the 2028/2029 and 2029/2030 Delivery Years, the recently accepted VRR Curve without the price collar will be utilized effective with the 2030/2031 Delivery Year.[41]

> 2. *To provide for the same revenue stream of the Reference Resource at the price cap if its ELCC Class Rating changes between the 2028/2029 and 2029/2030 Delivery Years, PJM proposes price cap and floor values in installed capacity terms that will be translated to Unforced Capacity terms in advance of conducting the auctions.*

Consistent with the existing price collar, PJM proposes to specify the values in installed capacity terms (i.e., a cap of $256.75/MW-day and a floor of $138.25/MW-day),[42] which would require PJM to translate these values to Unforced Capacity terms as part of the planning parameters PJM posts in advance of the auction. The purpose for hardcoding installed capacity-based values in the Tariff instead of Unforced Capacity-based values is to ensure that, assuming that the Base Residual Auction clears at the price cap, a seller of

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[40] As was the case previously, the floor price would apply in all Incremental Auctions for the 2028/2029 and 2029/2030 Delivery Years. This means that PJM would need to sell back any excess capacity at $175/MW-day, but other buyers and sellers would be free to offer to buy or sell at prices less than the floor price.

[41] Proposed Tariff, Attachment DD, section 5.10(a)(i).

[42] Proposed Tariff, Attachment DD, section 5.10(a)(i).

the Reference Resource is generally assured of the same revenue stream for both Delivery

Years. While the capacity market trades in Unforced Capacity, developers do not construct

resources on an *unforced* capacity basis, but rather on an *installed* capacity basis. As such,

the cost of developing and constructing a combustion turbine dual-fuel generating facility

does not change based on year-to-year fluctuations when PJM perceives expected unserved

energy risk and the resource class's ability to perform during those hours.[43] Recognizing

this and the need for a developer to assume a consistent revenue stream, under PJM's

proposal, if the dual-fuel combustion turbine ELCC Class Rating *increases* between the

2028/2029 and the 2029/2030 Base Residual Auctions, the price cap would *decrease* for

the 2029/2030 Base Residual Auction (relative to that used in the 2028/2029 Base Residual

Auction), but, because the resource would clear more megawatts of Unforced Capacity, its

overall capacity revenues would be the same.   As the Commission previously

acknowledged, "the selection of ICAP values ensures that the hypothetical reference

resource will receive the same capacity market revenue during both applicable BRAs if the

price cap or price floor binds in both of those auctions."[44]

IV.   STAKEHOLDER CONSULTATION

In response to the "Statement of Principles Regarding PJM" issued by the National

Energy Dominance Council within the White House and all thirteen governors from the

PJM states,[45] PJM sought stakeholder feedback on extending the existing price collar for

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[43] Of course, while the cost to develop and construct a new facility may not change much from year to year, a developer's analysis would take into account annual changes to the resource's ELCC Class Ratings in deciding whether to build a new resource or retire an existing one.

[44] *PJM Interconnection, L.L.C.*, 191 FERC ¶ 61,066, at P 61.

[45] National Energy Dominance Council, Statement of Principles Regarding PJM (Jan. 15, 2026), https://www.energy.gov/documents/statement-principles-regarding-pjm.

two additional Delivery Years.[46]   After carefully considering hundreds of written comments, the PJM Board decided to proceed with seeking approval from the Commission to extend the existing price collar for the two additional Delivery Years (i.e., through the 2029/2030 Delivery Year).

To that end, and as required by Tariff, Part 1, section 9.2(b), PJM consulted the Members Committee and the Transmission Owners no less than seven days prior to submitting this filing.   PJM consulted with the Members Committee on February 19, 2026.[47]   In addition, PJM also consulted with the Transmission Owners on February 20, 2026, in accordance with the Consolidated Transmission Owners Agreement, Article 7, section 7.5.1(ii).[48]

V.   REQUESTED EFFECTIVE DATE AND REQUEST FOR COMMISSION ACTION

PJM requests an effective date for the enclosed Tariff revisions of **March 31, 2026**. To that end, PJM further requests that the Commission grant waiver of section 35.3 of the Commission's regulations,[49] and submits that good cause for such waiver exists under section 35.11 of the Commission's regulations,[50] as granting the waiver would provide the Commission with the full 60 days to consider this proposal while avoiding potential retroactive ratemaking arguments given that the existing deadline for PJM to post certain

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[46] PJM, Board Questions Regarding Capacity Auction Price Collar – Stakeholder Survey Responses (Feb. 4, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/cifp-lla/postings/20260204-board-questions-re-capacity-auction-price-collar-stakeholder-survey-responses.pdf.

[47] *See* PJM, Members Committee Agenda, at Item 2 (Feb. 19, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/committees/mc/2026/20260219/20260219-agenda.pdf.

[48] PJM, TOA-AC Open-Session Special Session Agenda (Feb. 20, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/committees/toa-ac/2026/20260220-special/agenda.pdf.

[49] 18 C.F.R. § 35.3.

[50] 18 C.F.R. § 35.11.

VRR Curve for the upcoming 2028/2029 Base Residual Auction is March 31, 2026.[51] At

the same time, granting the 60-days' notice requirement will allow PJM to proceed with

the upcoming 2028/2029 Base Residual Auction without further delay. Notwithstanding,

the requested waiver of the 60-day notice requirement would not be necessary in the event

the Commission grants PJM's February 18, 2026 request for waiver (in Docket No. ER26-

1432-000) to extend the deadline for posting certain VRR Curves from March 31, 2026 to

May 5, 2026.[52] As a result, PJM requests waiver of the 60-days' notice requirement only

to the extent the Commission denies PJM's separate waiver to delay the posting of certain

VRR Curves for the 2028/2029 Delivery Year until May 5, 2026. In the event the

Commission grants the requested waiver in Docket No. ER26-1432-000 or the

Commission declines to grant waiver of the 60-days' notice requirement, PJM respectfully

requests that the Commission make the enclosed Tariff revisions effective April 29, 2026,

which is 61 days from the date of filing.

PJM also requests that the Commission act on this filing on or before

April 28, 2026. Such an order date will allow the pre-auction process for the 2028/2029

Base Residual Auction to continue and ultimately allow for the timely completion of such

auction as currently scheduled.

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[51] *See* Tariff, Attachment DD, section 5.10.

[52] *PJM Interconnection, L.L.C.*, Request of PJM Interconnection, L.L.C. for Shortened Ten Day Comment Period and Expedited Action on Prospective Waiver to Extend the Deadline to Post the Variable Resource Requirement Curve by 28 Days, Docket No. ER25-1325-000 (Feb. 14, 2025).

VI.   CORRESPONDENCE

The following individuals are designated for inclusion on the official service list in

this proceeding and for receipt of any communications regarding this filing:

Craig Glazer	Chenchao Lu
Vice President–Federal Government Policy	Associate General Counsel
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VII.   DOCUMENTS ENCLOSED

This filing consists of the following:

1.   This transmittal letter; and

2.   Revisions to the PJM Tariff (in redlined and non-redlined format (as Attachments A and B, respectively) and in electronic tariff filing format as required by Order No. 714).[53]

VIII. SERVICE

PJM has served a copy of this filing on all PJM members and on all state utility

regulatory commissions in the PJM Region by posting this filing electronically.   In

accordance with the Commission's regulations,[54] PJM will post a copy of this filing to the

FERC   filings   section   of   its   internet   site,   located   at   the   following   link:

https://www.pjm.com/library/filing-order.aspx, with a specific link to the newly filed

document, and will send an e-mail on the same date as this filing to all PJM members and

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[53] *Electronic Tariff Filings*, Order No. 714, 124 FERC ¶ 61,270 (2008), *final rule*, Order No. 714-A, 147 FERC ¶ 61,115 (2014).

[54] *See* 18 C.F.R. §§ 35.2(e), 385.2010(f)(3).

all state utility regulatory commissions in the PJM Region[55] alerting them that this filing

has been made by PJM and is available by following such link. PJM also serves the parties

listed on the Commission's official service list for this docket. If the document is not

immediately available by using the referenced link, the document will be available through

the referenced link within 24 hours of the filing. Also, a copy of this filing will be available

on FERC's eLibrary website located at the following link: http://www.ferc.gov/docs-

filing/elibrary.asp in accordance with the Commission's regulations and Order No. 714.

IX.   CONCLUSION

PJM's proposal to extend the proposed price cap and floor changes for only two

additional Delivery Years (i.e., 2028/2029 and 2029/2030 Delivery Years) is just and

reasonable. As noted above, this proposal is part of a comprehensive set of reforms to

address the resource adequacy challenges resulting from rapid growth in the region

principally from data centers.

First, this proposal will prevent volatility in the market while these other steps are

underway. Second, the reliability backstop procurement is anticipated to be conducted

prior to the end of this year. Third, in accordance with the PJM Board's directive, PJM is

analyzing how the energy, reserve and capacity markets can evolve in a coordinated

manner to provide appropriate incentives for both investment and performance. Upon

completion of this analysis, PJM will engage with stakeholders to discuss a potential

holistic market enhancements. Finally, the strong support from federal and state

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

policymakers for this proposal as one feature of a comprehensive set of principles is worthy of considerable deference.

Given the confluence of these events and anticipated upcoming changes, an extension of the price collar for the capacity market demand curve at the same price levels that the Commission previously already accepted is reasonable.[56] To that end, PJM requests that the Commission accept the enclosed Tariff revisions by April 28, 2026, with an effective date as requested in this filing.

Respectfully submitted,

/s/   Chenchao Lu

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[56] *PJM Interconnection, L.L.C.*, 191 FERC ¶ 61,066.

Attachment A

Revisions to the PJM

Open Access Transmission Tariff

(Marked/Redline Format)

5.10   Auction Clearing Requirements

The Office of the Interconnection shall clear each Base Residual Auction and Incremental Auction for a Delivery Year in accordance with the following:

a)   Variable Resource Requirement Curve

The Office of the Interconnection shall determine Variable Resource Requirement Curves for the PJM Region and for such Locational Deliverability Areas as determined appropriate in accordance with subsection (a)(iii) for such Delivery Year to establish the level of Capacity Resources that will provide an acceptable level of reliability consistent with the Reliability Principles and Standards. It is recognized that the variable resource requirement reflected in the Variable Resource Requirement Curve can result in an optimized auction clearing in which the level of Capacity Resources committed for a Delivery Year exceeds the PJM Region Reliability Requirement or Locational Deliverability Area Reliability Requirement for such Delivery Year. For any auction, the Updated Forecast Peak Load applicable to such auction, shall be used, and Price Responsive Demand from any applicable approved PRD Plan, including any associated PRD Reservation Prices, shall be reflected in the derivation of the Variable Resource Requirement Curves, in accordance with the methodology specified in the PJM Manuals.

i)   Methodology to Establish the Variable Resource Requirement Curve

Prior to the Base Residual Auction, in accordance with the schedule in the PJM Manuals, the Office of the Interconnection shall establish the Variable Resource Requirement Curve for the PJM Region as follows:

- Each Variable Resource Requirement Curve shall be plotted on a graph on which Unforced Capacity is on the x-axis and price is on the y-axis.

- For the 2025/2026 Delivery Year, the Variable Resource Requirement curve for the PJM Region shall be plotted by combining (i) a horizontal line from the y-axis to point (1), (ii) a straight line connecting points (1) and (2), and (iii) a straight line connecting points (2) and (3), where:

  - For point (1), price equals: {the greater of [the Cost of New Entry] or [1.5 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)]} divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 98.9%];

  - For point (2), price equals: [0.75 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)] divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 101.6%]; and

- For point (3), price equals zero and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 106.8%].

- For the 2026/2027 Delivery Year and 2027/2028 Delivery Years, the Variable Resource Requirement Curve for the PJM Region shall be plotted by a horizontal line from the y-axis equal to $256.75/MW-day ICAP divided by the applicable ELCC Class Rating for the Reference Resource until such line intersects the curve that is based on the following: (i) a straight line connecting points (1) and (2), and (ii) a straight line connecting points (2) and (3), where:

  - For point (1), price equals: {the greater of [the Cost of New Entry] or [1.75 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)]} divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 99%];

  - For point (2), price equals: [0.75 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)] divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 101.5%]; and

  - For point (3), price equals zero and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 104.5%].

- Once the horizontal line intersects the above curve, the Variable Resource Requirement Curve shall follow the lines that are based on the above points until the price reaches $138.25/MW-day ICAP divided by the applicable ELCC Class Rating of the Reference Resource, at which point it shall be extended as a horizontal line at $138.25/MW-day ICAP divided by the applicable ELCC Class Rating of the Reference Resource for the remainder of the curve.

- For the 2028/2029 and 2029/2030 Delivery Years and for subsequent Delivery Years, the Variable Resource Requirement curve for the PJM Region shall be plotted by a horizontal line from the y-axis equal to the lesser of $256.75/MW-day ICAP divided by the applicable ELCC Class Rating for the Reference Resource or the value of point 1, until such line intersects the curve that is based on the following: (i) combining (i) a horizontal line from the y-axis to point (1), (ii) a straight line connecting points (1) and (2), and (iii) a straight line connecting points (2) and (3), where:

- For point (1), price equals: {the greater of [1.15 times Cost of New Entry minus 0.75 times the Net Energy and Ancillary Service Revenue Offset] or [0.2 times Cost of New Entry)]} divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 99%];

- For point (2), price equals: [0.5 times the price calculated for point 1] divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 101.5%]; and

- For point (3), price equals zero and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 106.0%].

- Once the horizontal line intersects the above curve, the Variable Resource Requirement Curve shall follow the lines that are based on the above points until the price reaches $138.25/MW-day ICAP divided by the applicable ELCC Class Rating of the Reference Resource, at which point it shall be extended as a horizontal line at $138.25/MW-day ICAP divided by the applicable ELCC Class Rating of the Reference Resource for the remainder of the curve.

- For the 2030/2031 Delivery Year and for subsequent Delivery Years, the Variable Resource Requirement curve for the PJM Region shall be plotted by combining (i) a horizontal line from the y-axis to point (1), (ii) a straight line connecting points (1) and (2), and (iii) a straight line connecting points (2) and (3), where:

    - For point (1), price equals: {the greater of [1.15 times Cost of New Entry minus 0.75 times the Net Energy and Ancillary Service Revenue Offset] or [0.2 times Cost of New Entry)]} divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 99%];

    - For point (2), price equals: [0.5 times the price calculated for point 1] divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 101.5%]; and

    - For point (3), price equals zero and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 106.0%].

ii)   For any Delivery Year, the Office of the Interconnection shall establish a separate Variable Resource Requirement Curve for each LDA for which:

A.   the Capacity Emergency Transfer Limit is less than 1.15 times the Capacity Emergency Transfer Objective, as determined by the Office of the Interconnection in accordance with NERC and Applicable Regional Entity guidelines; or

B.   such LDA had a Locational Price Adder in any one or more of the three immediately preceding Base Residual Auctions; or

C.   such LDA is determined in a preliminary analysis by the Office of the Interconnection to be likely to have a Locational Price Adder, based on historic offer price levels; provided however that for the Base Residual Auction conducted for the Delivery Year, the Eastern Mid-Atlantic Region ("EMAR"), Southwest Mid-Atlantic Region ("SWMAR"), and Mid-Atlantic Region ("MAR") LDAs shall employ separate Variable Resource Requirement Curves regardless of the outcome of the above three tests; and provided further that the Office of the Interconnection may establish a separate Variable Resource Requirement Curve for an LDA not otherwise qualifying under the above three tests if it finds that such is required to achieve an acceptable level of reliability consistent with the Reliability Principles and Standards, in which case the Office of the Interconnection shall post such finding, such LDA, and such Variable Resource Requirement Curve on its internet site no later than the March 31 last preceding the Base Residual Auction for such Delivery Year. The same process as set forth in subsection (a)(i) shall be used to establish the Variable Resource Requirement Curve for any such LDA, except that the Locational Deliverability Area Reliability Requirement for such LDA shall be substituted for the PJM Region Reliability Requirement. For purposes of calculating the Capacity Emergency Transfer Limit under this section, all generation resources located in the PJM Region that are, or that qualify to become, Capacity Resources, shall be modeled at their full capacity rating, regardless of the amount of capacity cleared from such resource for the immediately preceding Delivery Year.

For Delivery Years up to and including the 2027/2028 Delivery Year for each such LDA, the Office of the Interconnection shall (a) determine the Net Cost of New Entry for each Zone in such LDA, with such Net Cost of New Entry equal to the applicable Cost of New Entry value for such Zone minus the Net Energy and Ancillary Services Revenue Offset value for such Zone, and (b) compute the average of the Net Cost of New Entry values of all such Zones to determine the Net Cost of New Entry for such LDA.

For the 2028/2029 Delivery Year and for subsequent Delivery Years for each such LDA, the Office of the Interconnection shall determine the applicable Cost of New Entry and Net Energy and Ancillary Services Revenue Offset value for each LDA, with such Cost of New Entry equal to the average of all five Cost of New Entry areas for RTO and the average of

the Cost of New Entry for all zones in an LDA, and the Net Energy and Ancillary Services Revenue Offset value equal to the 67th percentile of the Net Energy and Ancillary Services Revenue Offset for all zones in such LDA.

iii)   Procedure for ongoing review of Variable Resource Requirement Curve shape.

Beginning with the Delivery Year that commences June 1, 2018, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall perform a review of the shape of the Variable Resource Requirement Curve, as established by the requirements of the foregoing subsection. Such analysis shall be based on simulation of market conditions to quantify the ability of the market to invest in new Capacity Resources and to meet the applicable reliability requirements on a probabilistic basis. Based on the results of such review, PJM shall prepare a recommendation to either modify or retain the existing Variable Resource Requirement Curve shape. The Office of the Interconnection shall post the recommendation and shall review the recommendation through the stakeholder process to solicit stakeholder input. If a modification of the Variable Resource Requirement Curve shape is recommended, the following process shall be followed:

A)   If the Office of the Interconnection determines that the Variable Resource Requirement Curve shape should be modified, Staff of the Office of the Interconnection shall propose a new Variable Resource Requirement Curve shape on or before May 15, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

B)   The PJM Members shall review the proposed modification to the Variable Resource Requirement Curve shape.

C)   The PJM Members shall either vote to (i) endorse the proposed modification, (ii) propose alternate modifications or (iii) recommend no modification, by August 31, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

D)   The PJM Board of Managers shall consider a proposed modification to the Variable Resource Requirement Curve shape, and the Office of the Interconnection shall file any approved modified Variable Resource Requirement Curve shape with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

iv)   Cost of New Entry

A)   For the Incremental Auctions, the Cost of New Entry for the PJM Region and for each LDA shall be the respective value used in the

Base Residual Auction for each corresponding Delivery Year and LDA. For the Delivery Year commencing on June 1, 2022 through and including the Delivery Year commencing on June 1, 2025, the Cost of New Entry for the PJM Region shall be the average of the Cost of New Entry for each CONE Area listed in this section as adjusted pursuant to subsection (a)(iv)(B).

Geographic Location Within the PJM Region Encompassing These Zones	Cost of New Entry in $/MW-Year
PS, JCP&L, AE, PECO, DPL, RECO ("CONE Area 1")	108,000
BGE, PEPCO ("CONE Area 2")	109,700
AEP, Dayton, ComEd, APS, DQL, ATSI, DEOK, EKPC, Dominion, OVEC ("CONE Area 3")	105,500
PPL, MetEd, Penelec ("CONE Area 4")	105,500

A-1) Cost of New Entry for 2025/2026 Delivery Year

A new CONE Area 5 encompassing only the ComEd Zone shall be established and the ComEd Zone will be removed from CONE Area 3. For the 2025/2026 Delivery Year, the Cost of New Entry for CONE Area 5 will be equal to the product of the Cost of New Entry determined for CONE Area 3 for the 2025/2026 Delivery Year multiplied by an asset life factor of 1.0069. For the 2025/2026 Delivery Year, the Cost of New Entry for the PJM Region shall be the average of the Cost of New Entry for all CONE Areas.

B) Beginning with the 2023/2024 Delivery Year through and including the 2025/2026 Delivery Year, the CONE for each CONE Area (except for CONE Area 5) shall be adjusted to reflect changes in generating plant construction costs based on changes in the Applicable United States Bureau of Labor Statistics ("BLS") Composite Index, and then adjusted further by a factor of 1.022 to reflect the annual decline in bonus depreciation scheduled under federal corporate tax law, in accordance with the following:

(1) The Applicable BLS Composite Index for any Delivery Year and CONE Area shall be the most recently published twelve-month change, at the time CONE values are required to be posted for the Base Residual Auction for such Delivery Year, in a composite of the BLS Quarterly Census of

Employment and Wages for Utility System Construction (weighted 20%), the BLS Producer Price Index for Construction Materials and Components (weighted 55%), and the BLS Producer Price Index Turbines and Turbine Generator Sets (weighted 25%), as each such index is further specified for each CONE Area in the PJM Manuals.

(2) The CONE in a CONE Area shall be adjusted prior to the Base Residual Auction for each Delivery Year by applying the Applicable BLS Composite Index for such CONE Area to the Benchmark CONE for such CONE Area, and then multiplying the result by 1.022.

(3) The Benchmark CONE for a CONE Area shall be the CONE used for such CONE Area in the Base Residual Auction for the prior Delivery Year (provided, however that the Gross CONE values stated in subsection (a)(iv)(A) above shall be the Benchmark CONE values for the 2022/2023 Delivery Year to which the Applicable BLS Composite Index shall be applied to determine the CONE for subsequent Delivery Years), and then multiplying the result by 1.022.

(4) Notwithstanding the foregoing, CONE values for any CONE Area for any Delivery Year shall be subject to amendment pursuant to appropriate filings with FERC under the Federal Power Act, including, without limitation, any filings resulting from the process described in section 5.10(a)(vi)(C) or any filing to establish new or revised CONE Areas.

C) For the 2026/2027 Delivery Year and 2027/2028 Delivery Year, the Cost of New Entry for the PJM Region shall be the average of the Cost of New Entry for each CONE Area listed in this section as adjusted pursuant to subsection (a)(iv)(C)(1).

Geographic Location Within the PJM Region Encompassing These Zones	Cost of New Entry in $/MW-Year (ICAP)
PS, JCP&L, AE, PECO, DPL, RECO ("CONE Area 1")	136,000
BGE, PEPCO ("CONE Area 2")	142,000

AEP, Dayton, APS, DQL, ATSI, DEOK, EKPC, Dominion, OVEC ("CONE Area 3")	147,600
PPL, MetEd, Penelec ("CONE Area 4")	143,500
ComEd ("CONE Area 5")	150,800

(1) For the 2027/2028 Delivery Year, the CONE for each CONE Area shall be adjusted to reflect changes in generating plant construction costs based on changes in the Applicable United States Bureau of Labor Statistics ("BLS") Composite Index, in accordance with the following:

(a) The Applicable BLS Composite Index for any Delivery Year and CONE Area shall be the most recently published twelve-month change, at the time CONE values are required to be posted for the Base Residual Auction for such Delivery Year, in a composite of the BLS Quarterly Census of Employment and Wages for Utility System Construction (weighted 40%), the BLS Producer Price Index for Construction Materials and Components (weighted 45%), and the BLS Producer Price Index Turbines and Turbine Generator Sets (weighted 15%), as each such index is further specified for each CONE Area in the PJM Manuals.

(b) For CONE Areas 1 through 4, the Benchmark CONE for each CONE Area shall be the CONE used for such CONE Area in the Base Residual Auction for the prior Delivery Year (provided, however that the Gross CONE values stated in subsection (a)(iv)(C) above shall be the Benchmark CONE values for the 2026/2027 Delivery Year to which the Applicable BLS Composite Index shall be applied to determine the CONE for subsequent Delivery Years).

(c) For the 2027/2028 Delivery Year, the CONE for CONE Area 5 for a given Delivery Year shall be set equal to the product of the CONE of CONE Area 3 as determined for the

relevant Delivery Year in accordance with (a) and (b) above, multiplied by the asset life factor applicable to that Delivery Year where such asset life factors is 1.0376 for the 2027/2028 Delivery Year.

(d) Notwithstanding the foregoing, CONE values for any CONE Area for any Delivery Year shall be subject to amendment pursuant to appropriate filings with FERC under the Federal Power Act, including, without limitation, any filings resulting from the process described in section 5.10(a)(vi)(C) or any filing to establish new or revised CONE Areas.

D) For the 2028/2029 Delivery Year and for subsequent Delivery Years, the Cost of New Entry for the PJM Region shall be the average of the Cost of New Entry for each CONE Area listed in this section.

Geographic Location Within the PJM Region Encompassing These Zones	Cost of New Entry in $/MW-Year (ICAP)
PS, JCP&L, AE, PECO, DPL, RECO ("CONE Area 1")	218,000
BGE, PEPCO ("CONE Area 2")	222,000
AEP, Dayton, APS, DQL, ATSI, DEOK, EKPC, Dominion, OVEC ("CONE Area 3")	215,000
PPL, MetEd, Penelec ("CONE Area 4")	216,000
ComEd ("CONE Area 5")	248,000

(1) Beginning with the 2029/2030 Delivery Year, the Cost of New Entry for each CONE Area shall be adjusted to reflect changes in generating plant construction costs based on changes in the Applicable United States Bureau of Labor Statistics ("BLS") Composite Index, in accordance with the following:

(a) The Applicable BLS Composite Index for any Delivery Year and CONE Area shall be the most recently published twelve-month change, at the time Cost of New Entry values are required to be posted for the Base Residual Auction for such Delivery Year,

in a composite of the Quarterly Census of Employment and Wages, which shall use NAICS 2371 Utility System Construction, Private, All Establishment Sizes (weighted 15%), BLS Producer Price Index for Commodities, Not Seasonally Adjusted, Intermediate Demand by Commodity Type, Materials and Components for Construction (weighted 10%), BLS Producer Price Index for Commodities, Not Seasonally Adjusted, Machinery and Equipment, Turbines and Turbine Generator Sets (weighted 46%), and the Bureau of Economic Analysis: Gross Domestic Product Implicit Price Deflator, Index 2017=100, Seasonally Adjusted (weighted 29%), as each such index is further specified for each CONE Area in the PJM Manuals.

(b) For CONE Areas 1 through 5, the Benchmark CONE for each CONE Area shall be the Cost of New Entry used for such CONE Area in the Base Residual Auction for the prior Delivery Year (provided, however that the Cost of New Entry values stated in subsection (a)(iv)(C) above shall be the Benchmark CONE values for the 2028/2029 Delivery Year to which the Applicable BLS Composite Index shall be applied to determine the Cost of New Entry for subsequent Delivery Years).

(c) For the 2029/2030 Delivery Year through and including the 2031/2032 Delivery Year, the Cost of New Entry for CONE Area 5 for a given Delivery Year shall be multiplied by the asset life factor applicable to that Delivery Year where such asset life factors are 1.025 for the 2029/2030 Delivery Year, 1.054 for the 2030/2031 Delivery Year, and 1.088 for the 2031/2032 Delivery Year.

v) Net Energy and Ancillary Services Revenue Offset for 2023/2024 Delivery Year through and including the 2025/2026 Delivery Years (except that the calculation of the MOPR Floor Price pursuant to Tariff, Attachment DD, section 5.14(h-2) for combustion turbine resources shall remain applicable beyond the 2025/2026 Delivery Year):

A) The Office of the Interconnection shall determine the Net Energy and Ancillary Services Revenue Offset each year for the PJM Region as (A) the annual average of the revenues that would have been received by the Reference Resource from the PJM energy markets during a period of three consecutive calendar years

preceding the time of the determination, based on (1) the heat rate and other characteristics of such Reference Resource; (2) fuel prices reported during such period at an appropriate pricing point for the PJM Region with a fuel transmission adder appropriate for such region, as set forth in the PJM Manuals, assumed variable operation and maintenance expenses for such resource of $6.93 per MWh, and actual PJM hourly average Locational Marginal Prices recorded in the PJM Region during such period; and (3) an assumption that the Reference Resource would be dispatched for both the Day-Ahead and Real-Time Energy Markets on a Peak-Hour Dispatch basis; plus (B) ancillary service revenues of $2,199 per MW-year to be included through the 2025/2026 Delivery Year.

B)   The Office of the Interconnection also shall determine a Net Energy and Ancillary Service Revenue Offset each year for each Zone, using the same procedures and methods as set forth in the previous subsection; provided, however, that: (1) the average hourly LMPs for such Zone shall be used in place of the PJM Region average hourly LMPs; (2) if such Zone was not integrated into the PJM Region for the entire applicable period, then the offset shall be calculated using only those whole calendar years during which the Zone was integrated; and (3) a posted fuel pricing point in such Zone, if available, and (if such pricing point is not available in such Zone) a fuel transmission adder appropriate to such Zone from an appropriate PJM Region pricing point shall be used for each such Zone.

v-1)   Net Energy and Ancillary Services Revenue Offset for the 2026/2027 Delivery Year and subsequent Delivery Years:

A)   For the 2026/2027 and the 2027/2028 Delivery Years, the Office of the Interconnection shall determine the Net Energy and Ancillary Services Revenue Offset each year for the PJM Region as the average of the net energy and ancillary services revenues that the Reference Resource is projected to receive from the PJM energy and ancillary service markets for the applicable Delivery Year from three separate simulations, with each such simulation using forward prices shaped using historical data from one of the three consecutive calendar years preceding the time of the determination for the RPM Auction to take account of year-to-year variability in such hourly shapes. Each net energy and ancillary services revenue simulation is based on (a) the heat rate and other characteristics of such Reference Resource such as assumed variable operation and maintenance expenses of $1.19 per MWh and $21,170 per start-up, and emissions costs; (b) Forward Hourly LMPs for the PJM Region; (c) Forward Hourly Ancillary Services Prices, (d) Forward Daily Natural Gas Prices at an appropriate pricing point for the PJM Region with a fuel

transmission adder appropriate for such region, as set forth in the PJM Manuals; and (e) an assumption that the Reference Resource would be dispatched on a Projected EAS Dispatch basis.

A-1)   For the 2028/2029 and subsequent Delivery Years, the Office of the Interconnection shall determine the Net Energy and Ancillary Services Revenue Offset each year for the PJM Region as the 67th percentile of all of the calculated zonal Net Energy and Ancillary Services Revenues Offsets that the Reference Resource is projected to receive from the PJM energy and ancillary service markets for the applicable Delivery Year from three separate simulations, with each such simulation using forward prices shaped using historical data from one of the three consecutive calendar years preceding the time of the determination for the RPM Auction to take account of year-to-year variability in such hourly shapes. Each Net Energy and Ancillary Service Revenue Offset simulation is based on (a) the heat rate and other characteristics of such Reference Resource such as assumed variable operation and maintenance expenses of $2.65 per MWh, and emissions costs; (b) Forward Hourly LMPs for the PJM Region; (c) Forward Hourly Ancillary Services Prices, (d) Forward Daily Natural Gas Prices at an appropriate pricing point for the PJM Region with a fuel transmission adder appropriate for such region, as set forth in the PJM Manuals; and (e) an assumption that the Reference Resource would be dispatched on a Projected EAS Dispatch basis.

B)   The Office of the Interconnection also shall determine a Net Energy and Ancillary Service Revenue Offset each year for each Zone, using the same procedures and methods as set forth in the previous subsection; provided, however, that: (1) the Forward Hourly LMPs for such Zone shall be used in place of the Forward Hourly LMP for the PJM Region; (2) if such Zone was not integrated into the PJM Region for the entire three calendar years preceding the time of the determination for the RPM Auction, then simulations shall rely on only those whole calendar years during which the Zone was integrated; and (3) Forward Daily Natural Gas Prices for the fuel pricing point mapped to such Zone.

C)   "Forward Hourly LMPs" shall be determined as follows:

(1)   Identify the liquid hub to which each Zone is mapped, as specified in the PJM Manuals.

(2)   For each liquid hub, calculate the average day-ahead on-peak and day-ahead off-peak energy prices for each month during the Delivery Year over the most recent thirty trading days as of 180 days prior to the Base Residual Auction. For each of

the remaining steps, the historical prices used herein shall be taken from the most recent three calendar years preceding the time of the determination for the RPM Auction:

(3)   Determine and add monthly basis differentials between the hub and each of its mapped Zones to the forward monthly day-ahead on-peak and off-peak energy prices for the hub. This differential is developed using the prices for the Planning Period closest in time to the Delivery Year from the most recent long-term Financial Transmission Rights auction conducted prior to the Base Residual Auction. The difference between the annual long-term Financial Transmission Rights auction prices for the Zone and the hub are converted to monthly values by adding, for each month of the year, the difference between (a) the historical monthly average day-ahead congestion price differentials between the Zone and relevant hub and (b) the historical annual average day-ahead congestion price differentials between the Zone and hub. This step is only used when developing forward prices for locations other than the liquid hubs;

(4)   Determine and add marginal loss differentials to the forward monthly day-ahead on-peak and off-peak energy prices for the hub. For each month of the year, calculate the marginal loss differential, which is the average of the difference between the loss components of the historical on peak or off peak day-ahead LMPs for the Zone and relevant hub in that month across the three year period scaled by the ratio of (a) the forward monthly average on-peak or off-peak day-ahead LMP at such hub to (b) the average of the historical on-peak or off-peak day-ahead LMPs for such hub in that month across the three year period. This step is only used when developing forward prices for locations other than the liquid hubs;

(5)   Shape the forward monthly day-ahead on-peak and off-peak prices to (a) forward hourly day-ahead LMPs using historic hourly day-ahead LMP shapes for the Zone and (b) forward hourly real-time LMPs using historic hourly real-time LMP shapes for the Zone. The historic hourly shapes are based on the ratio of the historic day-ahead or real-time LMP for the Zone for each given hour in a monthly on-peak or off-peak period to the average of the historic day-ahead or real-time LMP for the Zone for all hours in such monthly on-peak or off-peak period. The historical prices used in this step shall be taken from one of each of the most recent three calendar

years preceding the time of the determination for the RPM Auction;

(6) For unit-specific energy and ancillary service offset calculations, determine and apply basis differentials from the Zone to the generation bus to the forward day-ahead and real-time hourly LMPs for the Zone. The differential for each hour of the year is developed using the difference between the historical DA or RT LMP for the generation bus and the historical DA or RT LMP for the Zone in which the generation bus is located for that same hour; and

(7) Develop the Forward Hourly LMPs for the PJM Region pricing point. Calculate the load-weighted average of the monthly on-peak and off-peak Zonal LMPs developed in step (4) above, using the historical average load within each monthly on-peak or off-peak period. The load-weighted average monthly on-peak or off-peak Zonal LMPs are then shaped to forward hourly day-ahead and real-time LMPs using the same procedure as defined in step (5) above, except using historical LMPs for the PJM Region pricing point.

D) Forward Hourly Ancillary Services Prices shall include prices for Synchronized Reserve, Non-Synchronized Reserve and Secondary Reserve and shall be determined as follows. The historical prices used herein shall be taken from one of each of the most recent three calendar years preceding the time of the determination for the RPM Auction:

(1) For Synchronized Reserve, the forward real-time Synchronized Reserve market clearing price shall be calculated by multiplying the historical RTO real-time hourly Synchronized Reserve market clearing price for each hour of the Delivery Year by the ratio of the real-time Forward Hourly LMP at an appropriate pricing point, as defined in the PJM manuals, to the historic hourly real-time LMP at such pricing point for the corresponding hour of the year;

(2) For Non-Synchronized Reserve, the forward real-time Non-Synchronized Reserve market clearing price shall be calculated by multiplying the historical RTO real-time hourly Non-Synchronized Reserve market clearing price for each hour of the Delivery Year by the ratio of the real-time Forward Hourly LMP at an appropriate pricing point, as defined in the PJM manuals, to the historic hourly real-time LMP at such pricing point for the corresponding hour of the year; and

(3)   For Secondary Reserve, the forward day-ahead and real-time Secondary Reserve market clearing price shall be $0.00/MWh for all hours.

E)   Forward Daily Natural Gas Prices shall be determined as follows:

(1)   Map each Zone to the appropriate natural gas hub in the PJM Region, as listed in the PJM Manuals;

(2)   Map each natural gas hub lacking sufficient liquidity to the liquid hub to which it has the highest historic price correlation;

(3)   For each sufficiently liquid natural gas hub, calculate the simple average natural gas monthly settlement prices over the most recent thirty trading days as of 180 days prior to the Base Residual Auction;

(4)   Calculate the forward monthly prices for each illiquid hub by scaling the forward monthly price of the mapped liquid hub by the average ratio of historical monthly prices at the insufficiently liquid hub to the historical monthly prices at the sufficiently liquid over the most recent three calendar years preceding the time of determination for the RPM Auction;

(5)   Shape the forward monthly prices for each hub to Forward Daily Natural Gas Prices using historic daily natural gas price shapes for the hub. The historic daily shapes are based on the ratio of the historic price for the hub for each given day in a month to the average of the historic prices for the hub for all days in such month. The daily prices are then assigned to each hour starting 10am Eastern Prevailing Time each day. The historical prices used in this step shall be taken from one of each of the most recent three calendar years preceding the time of the determination for the RPM Auction.

vi)   Process for Establishing Parameters of Variable Resource Requirement Curve

A)   The parameters of the Variable Resource Requirement Curve will be established prior to the conduct of the Base Residual Auction for a Delivery Year and will be used for such Base Residual Auction.

B)   The Office of the Interconnection shall determine the PJM Region Reliability Requirement and the Locational Deliverability Area

Reliability Requirement for each Locational Deliverability Area for which a Variable Resource Requirement Curve has been established for such Base Residual Auction on or before February 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values will be applied, in accordance with the Reliability Assurance Agreement.

C)   Beginning with the Delivery Year that commences June 1, 2018, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall review the calculation of the Cost of New Entry for each CONE Area.

1)   If the Office of the Interconnection determines that the Cost of New Entry values should be modified, the Staff of the Office of the Interconnection shall propose new Cost of New Entry values on or before May 15, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

2)   The PJM Members shall review the proposed values.

3)   The PJM Members shall either vote to (i) endorse the proposed values, (ii) propose alternate values or (iii) recommend no modification, by August 31, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

4)   The PJM Board of Managers shall consider Cost of New Entry values, and the Office of the Interconnection shall file any approved modified Cost of New Entry values with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

D)   Beginning with the Delivery Year that commences June 1, 2018, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall review the methodology set forth in this Attachment for determining the Net Energy and Ancillary Services Revenue Offset for the PJM Region and for each Zone.

1)   If the Office of the Interconnection determines that the Net Energy and Ancillary Services Revenue Offset methodology should be modified, Staff of the Office of the Interconnection shall propose a new Net Energy and Ancillary Services Revenue Offset methodology on or before May 15, prior to the conduct of the Base Residual Auction for the first

Delivery Year in which the new methodology would be applied.

2) The PJM Members shall review the proposed methodology.

3) The PJM Members shall either vote to (i) endorse the proposed methodology, (ii) propose an alternate methodology or (iii) recommend no modification, by August 31, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new methodology would be applied.

4) The PJM Board of Managers shall consider the Net Revenue Offset methodology, and the Office of the Interconnection shall file any approved modified Net Energy and Ancillary Services Revenue Offset values with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

b) Locational Requirements

The Office of Interconnection shall establish locational requirements prior to the Base Residual Auction to quantify the amount of Unforced Capacity that must be committed in each Locational Deliverability Area, in accordance with the Reliability Assurance Agreement.

c) [Reserved]

d) Preliminary PJM Region Peak Load Forecast for the Delivery Year

The Office of the Interconnection shall establish the Preliminary PJM Region Load Forecast for the Delivery Year in accordance with the PJM Manuals by February 1, prior to the conduct of the Base Residual Auction for such Delivery Year.

e) Updated PJM Region Peak Load Forecasts for Incremental Auctions

The Office of the Interconnection shall establish the updated PJM Region Peak Load Forecast for a Delivery Year in accordance with the PJM Manuals by February 1, prior to the conduct of the First, Second, and Third Incremental Auction for such Delivery Year.

Attachment B

Revisions to the PJM

Open Access Transmission Tariff

(Clean Format)

5.10   Auction Clearing Requirements

The Office of the Interconnection shall clear each Base Residual Auction and Incremental Auction for a Delivery Year in accordance with the following:

a)   Variable Resource Requirement Curve

The Office of the Interconnection shall determine Variable Resource Requirement Curves for the PJM Region and for such Locational Deliverability Areas as determined appropriate in accordance with subsection (a)(iii) for such Delivery Year to establish the level of Capacity Resources that will provide an acceptable level of reliability consistent with the Reliability Principles and Standards. It is recognized that the variable resource requirement reflected in the Variable Resource Requirement Curve can result in an optimized auction clearing in which the level of Capacity Resources committed for a Delivery Year exceeds the PJM Region Reliability Requirement or Locational Deliverability Area Reliability Requirement for such Delivery Year. For any auction, the Updated Forecast Peak Load applicable to such auction, shall be used, and Price Responsive Demand from any applicable approved PRD Plan, including any associated PRD Reservation Prices, shall be reflected in the derivation of the Variable Resource Requirement Curves, in accordance with the methodology specified in the PJM Manuals.

i)   Methodology to Establish the Variable Resource Requirement Curve

Prior to the Base Residual Auction, in accordance with the schedule in the PJM Manuals, the Office of the Interconnection shall establish the Variable Resource Requirement Curve for the PJM Region as follows:

- Each Variable Resource Requirement Curve shall be plotted on a graph on which Unforced Capacity is on the x-axis and price is on the y-axis.

- For the 2025/2026 Delivery Year, the Variable Resource Requirement curve for the PJM Region shall be plotted by combining (i) a horizontal line from the y-axis to point (1), (ii) a straight line connecting points (1) and (2), and (iii) a straight line connecting points (2) and (3), where:

  - For point (1), price equals: {the greater of [the Cost of New Entry] or [1.5 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)]} divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 98.9%];

  - For point (2), price equals: [0.75 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)] divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 101.6%]; and

- For point (3), price equals zero and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 106.8%].

- For the 2026/2027 Delivery Year and 2027/2028 Delivery Years, the Variable Resource Requirement Curve for the PJM Region shall be plotted by a horizontal line from the y-axis equal to $256.75/MW-day ICAP divided by the applicable ELCC Class Rating for the Reference Resource until such line intersects the curve that is based on the following: (i) a straight line connecting points (1) and (2), and (ii) a straight line connecting points (2) and (3), where:

  - For point (1), price equals: {the greater of [the Cost of New Entry] or [1.75 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)]} divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 99%];

  - For point (2), price equals: [0.75 times (the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset)] divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 101.5%]; and

  - For point (3), price equals zero and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 104.5%].

- Once the horizontal line intersects the above curve, the Variable Resource Requirement Curve shall follow the lines that are based on the above points until the price reaches $138.25/MW-day ICAP divided by the applicable ELCC Class Rating of the Reference Resource, at which point it shall be extended as a horizontal line at $138.25/MW-day ICAP divided by the applicable ELCC Class Rating of the Reference Resource for the remainder of the curve.

- For the 2028/2029 and 2029/2030 Delivery Years, the Variable Resource Requirement curve for the PJM Region shall be plotted by a horizontal line from the y-axis equal to the lesser of $256.75/MW-day ICAP divided by the applicable ELCC Class Rating for the Reference Resource or the value of point 1, until such line intersects the curve that is based on the following: (i) a straight line connecting points (1) and (2), and (ii) a straight line connecting points (2) and (3), where:

  - For point (1), price equals: {the greater of [1.15 times Cost of New Entry minus 0.75 times the Net Energy and Ancillary Service Revenue Offset] or [0.2 times Cost of New Entry)]} divided by (the

applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 99%];

- For point (2), price equals: [0.5 times the price calculated for point 1] divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 101.5%]; and

- For point (3), price equals zero and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 106.0%].

- Once the horizontal line intersects the above curve, the Variable Resource Requirement Curve shall follow the lines that are based on the above points until the price reaches $138.25/MW-day ICAP divided by the applicable ELCC Class Rating of the Reference Resource, at which point it shall be extended as a horizontal line at $138.25/MW-day ICAP divided by the applicable ELCC Class Rating of the Reference Resource for the remainder of the curve.

- For the 2030/2031 Delivery Year and for subsequent Delivery Years, the Variable Resource Requirement curve for the PJM Region shall be plotted by combining (i) a horizontal line from the y-axis to point (1), (ii) a straight line connecting points (1) and (2), and (iii) a straight line connecting points (2) and (3), where:

  - For point (1), price equals: {the greater of [1.15 times Cost of New Entry minus 0.75 times the Net Energy and Ancillary Service Revenue Offset] or [0.2 times Cost of New Entry)]} divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 99%];

  - For point (2), price equals: [0.5 times the price calculated for point 1] divided by (the applicable ELCC Class Rating of the Reference Resource) and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 101.5%]; and

  - For point (3), price equals zero and Unforced Capacity equals: [the PJM Region Reliability Requirement multiplied by 106.0%].

ii)   For any Delivery Year, the Office of the Interconnection shall establish a separate Variable Resource Requirement Curve for each LDA for which:

A.   the Capacity Emergency Transfer Limit is less than 1.15 times the Capacity Emergency Transfer Objective, as determined by the Office of the

Interconnection in accordance with NERC and Applicable Regional Entity guidelines; or

B.   such LDA had a Locational Price Adder in any one or more of the three immediately preceding Base Residual Auctions; or

C.   such LDA is determined in a preliminary analysis by the Office of the Interconnection to be likely to have a Locational Price Adder, based on historic offer price levels; provided however that for the Base Residual Auction conducted for the Delivery Year, the Eastern Mid-Atlantic Region ("EMAR"), Southwest Mid-Atlantic Region ("SWMAR"), and Mid-Atlantic Region ("MAR") LDAs shall employ separate Variable Resource Requirement Curves regardless of the outcome of the above three tests; and provided further that the Office of the Interconnection may establish a separate Variable Resource Requirement Curve for an LDA not otherwise qualifying under the above three tests if it finds that such is required to achieve an acceptable level of reliability consistent with the Reliability Principles and Standards, in which case the Office of the Interconnection shall post such finding, such LDA, and such Variable Resource Requirement Curve on its internet site no later than the March 31 last preceding the Base Residual Auction for such Delivery Year. The same process as set forth in subsection (a)(i) shall be used to establish the Variable Resource Requirement Curve for any such LDA, except that the Locational Deliverability Area Reliability Requirement for such LDA shall be substituted for the PJM Region Reliability Requirement. For purposes of calculating the Capacity Emergency Transfer Limit under this section, all generation resources located in the PJM Region that are, or that qualify to become, Capacity Resources, shall be modeled at their full capacity rating, regardless of the amount of capacity cleared from such resource for the immediately preceding Delivery Year.

For Delivery Years up to and including the 2027/2028 Delivery Year for each such LDA, the Office of the Interconnection shall (a) determine the Net Cost of New Entry for each Zone in such LDA, with such Net Cost of New Entry equal to the applicable Cost of New Entry value for such Zone minus the Net Energy and Ancillary Services Revenue Offset value for such Zone, and (b) compute the average of the Net Cost of New Entry values of all such Zones to determine the Net Cost of New Entry for such LDA.

For the 2028/2029 Delivery Year and for subsequent Delivery Years for each such LDA, the Office of the Interconnection shall determine the applicable Cost of New Entry and Net Energy and Ancillary Services Revenue Offset value for each LDA, with such Cost of New Entry equal to the average of all five Cost of New Entry areas for RTO and the average of the Cost of New Entry for all zones in an LDA, and the Net Energy and Ancillary Services Revenue Offset value equal to the 67th percentile of the

Net Energy and Ancillary Services Revenue Offset for all zones in such LDA.

iii)   Procedure for ongoing review of Variable Resource Requirement Curve shape.

Beginning with the Delivery Year that commences June 1, 2018, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall perform a review of the shape of the Variable Resource Requirement Curve, as established by the requirements of the foregoing subsection. Such analysis shall be based on simulation of market conditions to quantify the ability of the market to invest in new Capacity Resources and to meet the applicable reliability requirements on a probabilistic basis. Based on the results of such review, PJM shall prepare a recommendation to either modify or retain the existing Variable Resource Requirement Curve shape. The Office of the Interconnection shall post the recommendation and shall review the recommendation through the stakeholder process to solicit stakeholder input. If a modification of the Variable Resource Requirement Curve shape is recommended, the following process shall be followed:

A)   If the Office of the Interconnection determines that the Variable Resource Requirement Curve shape should be modified, Staff of the Office of the Interconnection shall propose a new Variable Resource Requirement Curve shape on or before May 15, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

B)   The PJM Members shall review the proposed modification to the Variable Resource Requirement Curve shape.

C)   The PJM Members shall either vote to (i) endorse the proposed modification, (ii) propose alternate modifications or (iii) recommend no modification, by August 31, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

D)   The PJM Board of Managers shall consider a proposed modification to the Variable Resource Requirement Curve shape, and the Office of the Interconnection shall file any approved modified Variable Resource Requirement Curve shape with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

iv)   Cost of New Entry

A)   For the Incremental Auctions, the Cost of New Entry for the PJM Region and for each LDA shall be the respective value used in the Base Residual Auction for each corresponding Delivery Year and LDA. For the Delivery Year commencing on June 1, 2022 through

and including the Delivery Year commencing on June 1, 2025, the Cost of New Entry for the PJM Region shall be the average of the Cost of New Entry for each CONE Area listed in this section as adjusted pursuant to subsection (a)(iv)(B).

Geographic Location Within the PJM Region Encompassing These Zones	Cost of New Entry in $/MW-Year
PS, JCP&L, AE, PECO, DPL, RECO ("CONE Area 1")	108,000
BGE, PEPCO ("CONE Area 2")	109,700
AEP, Dayton, ComEd, APS, DQL, ATSI, DEOK, EKPC, Dominion, OVEC ("CONE Area 3")	105,500
PPL, MetEd, Penelec ("CONE Area 4")	105,500

A-1)   Cost of New Entry for 2025/2026 Delivery Year

A new CONE Area 5 encompassing only the ComEd Zone shall be established and the ComEd Zone will be removed from CONE Area 3. For the 2025/2026 Delivery Year, the Cost of New Entry for CONE Area 5 will be equal to the product of the Cost of New Entry determined for CONE Area 3 for the 2025/2026 Delivery Year multiplied by an asset life factor of 1.0069. For the 2025/2026 Delivery Year, the Cost of New Entry for the PJM Region shall be the average of the Cost of New Entry for all CONE Areas.

B)   Beginning with the 2023/2024 Delivery Year through and including the 2025/2026 Delivery Year, the CONE for each CONE Area (except for CONE Area 5) shall be adjusted to reflect changes in generating plant construction costs based on changes in the Applicable United States Bureau of Labor Statistics ("BLS") Composite Index, and then adjusted further by a factor of 1.022 to reflect the annual decline in bonus depreciation scheduled under federal corporate tax law, in accordance with the following:

(1)   The Applicable BLS Composite Index for any Delivery Year and CONE Area shall be the most recently published twelve-month change, at the time CONE values are required to be posted for the Base Residual Auction for such Delivery Year, in a composite of the BLS Quarterly Census of Employment and Wages for Utility System Construction (weighted 20%), the BLS Producer

Price Index for Construction Materials and Components (weighted 55%), and the BLS Producer Price Index Turbines and Turbine Generator Sets (weighted 25%), as each such index is further specified for each CONE Area in the PJM Manuals.

(2)   The CONE in a CONE Area shall be adjusted prior to the Base Residual Auction for each Delivery Year by applying the Applicable BLS Composite Index for such CONE Area to the Benchmark CONE for such CONE Area, and then multiplying the result by 1.022.

(3)   The Benchmark CONE for a CONE Area shall be the CONE used for such CONE Area in the Base Residual Auction for the prior Delivery Year (provided, however that the Gross CONE values stated in subsection (a)(iv)(A) above shall be the Benchmark CONE values for the 2022/2023 Delivery Year to which the Applicable BLS Composite Index shall be applied to determine the CONE for subsequent Delivery Years), and then multiplying the result by 1.022.

(4)   Notwithstanding the foregoing, CONE values for any CONE Area for any Delivery Year shall be subject to amendment pursuant to appropriate filings with FERC under the Federal Power Act, including, without limitation, any filings resulting from the process described in section 5.10(a)(vi)(C) or any filing to establish new or revised CONE Areas.

C)   For the 2026/2027 Delivery Year and 2027/2028 Delivery Year, the Cost of New Entry for the PJM Region shall be the average of the Cost of New Entry for each CONE Area listed in this section as adjusted pursuant to subsection (a)(iv)(C)(1).

Geographic Location Within the PJM Region Encompassing These Zones	Cost of New Entry in $/MW-Year (ICAP)
PS, JCP&L, AE, PECO, DPL, RECO ("CONE Area 1")	136,000
BGE, PEPCO ("CONE Area 2")	142,000
AEP, Dayton, APS, DQL, ATSI, DEOK, EKPC, Dominion, OVEC ("CONE Area 3")	147,600

PPL, MetEd, Penelec ("CONE Area 4")	143,500
ComEd ("CONE Area 5")	150,800

(1) For the 2027/2028 Delivery Year, the CONE for each CONE Area shall be adjusted to reflect changes in generating plant construction costs based on changes in the Applicable United States Bureau of Labor Statistics ("BLS") Composite Index, in accordance with the following:

(a) The Applicable BLS Composite Index for any Delivery Year and CONE Area shall be the most recently published twelve-month change, at the time CONE values are required to be posted for the Base Residual Auction for such Delivery Year, in a composite of the BLS Quarterly Census of Employment and Wages for Utility System Construction (weighted 40%), the BLS Producer Price Index for Construction Materials and Components (weighted 45%), and the BLS Producer Price Index Turbines and Turbine Generator Sets (weighted 15%), as each such index is further specified for each CONE Area in the PJM Manuals.

(b) For CONE Areas 1 through 4, the Benchmark CONE for each CONE Area shall be the CONE used for such CONE Area in the Base Residual Auction for the prior Delivery Year (provided, however that the Gross CONE values stated in subsection (a)(iv)(C) above shall be the Benchmark CONE values for the 2026/2027 Delivery Year to which the Applicable BLS Composite Index shall be applied to determine the CONE for subsequent Delivery Years).

(c) For the 2027/2028 Delivery Year, the CONE for CONE Area 5 for a given Delivery Year shall be set equal to the product of the CONE of CONE Area 3 as determined for the relevant Delivery Year in accordance with (a) and (b) above, multiplied by the asset life factor applicable to that Delivery Year where

such asset life factors is 1.0376 for the 2027/2028 Delivery Year.

(d)   Notwithstanding the foregoing, CONE values for any CONE Area for any Delivery Year shall be subject to amendment pursuant to appropriate filings with FERC under the Federal Power Act, including, without limitation, any filings resulting from the process described in section 5.10(a)(vi)(C) or any filing to establish new or revised CONE Areas.

D)   For the 2028/2029 Delivery Year and for subsequent Delivery Years, the Cost of New Entry for the PJM Region shall be the average of the Cost of New Entry for each CONE Area listed in this section.

Geographic Location Within the PJM Region Encompassing These Zones	Cost of New Entry in $/MW-Year (ICAP)
PS, JCP&L, AE, PECO, DPL, RECO ("CONE Area 1")	218,000
BGE, PEPCO ("CONE Area 2")	222,000
AEP, Dayton, APS, DQL, ATSI, DEOK, EKPC, Dominion, OVEC ("CONE Area 3")	215,000
PPL, MetEd, Penelec ("CONE Area 4")	216,000
ComEd ("CONE Area 5")	248,000

(1)   Beginning with the 2029/2030 Delivery Year, the Cost of New Entry for each CONE Area shall be adjusted to reflect changes in generating plant construction costs based on changes in the Applicable United States Bureau of Labor Statistics ("BLS") Composite Index, in accordance with the following:

(a)   The Applicable BLS Composite Index for any Delivery Year and CONE Area shall be the most recently published twelve-month change, at the time Cost of New Entry values are required to be posted for the Base Residual Auction for such Delivery Year, in a composite of the Quarterly Census of Employment and Wages, which shall use NAICS 2371 Utility System Construction, Private, All

Establishment Sizes (weighted 15%), BLS Producer Price Index for Commodities, Not Seasonally Adjusted, Intermediate Demand by Commodity Type, Materials and Components for Construction (weighted 10%), BLS Producer Price Index for Commodities, Not Seasonally Adjusted, Machinery and Equipment, Turbines and Turbine Generator Sets (weighted 46%), and the Bureau of Economic Analysis: Gross Domestic Product Implicit Price Deflator, Index 2017=100, Seasonally Adjusted (weighted 29%), as each such index is further specified for each CONE Area in the PJM Manuals.

(b) For CONE Areas 1 through 5, the Benchmark CONE for each CONE Area shall be the Cost of New Entry used for such CONE Area in the Base Residual Auction for the prior Delivery Year (provided, however that the Cost of New Entry values stated in subsection (a)(iv)(C) above shall be the Benchmark CONE values for the 2028/2029 Delivery Year to which the Applicable BLS Composite Index shall be applied to determine the Cost of New Entry for subsequent Delivery Years).

(c) For the 2029/2030 Delivery Year through and including the 2031/2032 Delivery Year, the Cost of New Entry for CONE Area 5 for a given Delivery Year shall be multiplied by the asset life factor applicable to that Delivery Year where such asset life factors are 1.025 for the 2029/2030 Delivery Year, 1.054 for the 2030/2031 Delivery Year, and 1.088 for the 2031/2032 Delivery Year.

v) Net Energy and Ancillary Services Revenue Offset for 2023/2024 Delivery Year through and including the 2025/2026 Delivery Years (except that the calculation of the MOPR Floor Price pursuant to Tariff, Attachment DD, section 5.14(h-2) for combustion turbine resources shall remain applicable beyond the 2025/2026 Delivery Year):

A) The Office of the Interconnection shall determine the Net Energy and Ancillary Services Revenue Offset each year for the PJM Region as (A) the annual average of the revenues that would have been received by the Reference Resource from the PJM energy markets during a period of three consecutive calendar years preceding the time of the determination, based on (1) the heat rate and other characteristics of such Reference Resource; (2) fuel prices reported during such period at an appropriate pricing point for the

PJM Region with a fuel transmission adder appropriate for such region, as set forth in the PJM Manuals, assumed variable operation and maintenance expenses for such resource of $6.93 per MWh, and actual PJM hourly average Locational Marginal Prices recorded in the PJM Region during such period; and (3) an assumption that the Reference Resource would be dispatched for both the Day-Ahead and Real-Time Energy Markets on a Peak-Hour Dispatch basis; plus (B) ancillary service revenues of $2,199 per MW-year to be included through the 2025/2026 Delivery Year.

B)   The Office of the Interconnection also shall determine a Net Energy and Ancillary Service Revenue Offset each year for each Zone, using the same procedures and methods as set forth in the previous subsection; provided, however, that: (1) the average hourly LMPs for such Zone shall be used in place of the PJM Region average hourly LMPs; (2) if such Zone was not integrated into the PJM Region for the entire applicable period, then the offset shall be calculated using only those whole calendar years during which the Zone was integrated; and (3) a posted fuel pricing point in such Zone, if available, and (if such pricing point is not available in such Zone) a fuel transmission adder appropriate to such Zone from an appropriate PJM Region pricing point shall be used for each such Zone.

v-1)   Net Energy and Ancillary Services Revenue Offset for the 2026/2027 Delivery Year and subsequent Delivery Years:

A)   For the 2026/2027 and the 2027/2028 Delivery Years, the Office of the Interconnection shall determine the Net Energy and Ancillary Services Revenue Offset each year for the PJM Region as the average of the net energy and ancillary services revenues that the Reference Resource is projected to receive from the PJM energy and ancillary service markets for the applicable Delivery Year from three separate simulations, with each such simulation using forward prices shaped using historical data from one of the three consecutive calendar years preceding the time of the determination for the RPM Auction to take account of year-to-year variability in such hourly shapes. Each net energy and ancillary services revenue simulation is based on (a) the heat rate and other characteristics of such Reference Resource such as assumed variable operation and maintenance expenses of $1.19 per MWh and $21,170 per start-up, and emissions costs; (b) Forward Hourly LMPs for the PJM Region; (c) Forward Hourly Ancillary Services Prices, (d) Forward Daily Natural Gas Prices at an appropriate pricing point for the PJM Region with a fuel transmission adder appropriate for such region, as set forth in the PJM Manuals; and (e) an assumption that the Reference Resource would be dispatched on a Projected EAS Dispatch basis.

A-1)   For the 2028/2029 and subsequent Delivery Years, the Office of the Interconnection shall determine the Net Energy and Ancillary Services Revenue Offset each year for the PJM Region as the 67th percentile of all of the calculated zonal Net Energy and Ancillary Services Revenues Offsets that the Reference Resource is projected to receive from the PJM energy and ancillary service markets for the applicable Delivery Year from three separate simulations, with each such simulation using forward prices shaped using historical data from one of the three consecutive calendar years preceding the time of the determination for the RPM Auction to take account of year-to-year variability in such hourly shapes. Each Net Energy and Ancillary Service Revenue Offset simulation is based on (a) the heat rate and other characteristics of such Reference Resource such as assumed variable operation and maintenance expenses of $2.65 per MWh, and emissions costs; (b) Forward Hourly LMPs for the PJM Region; (c) Forward Hourly Ancillary Services Prices, (d) Forward Daily Natural Gas Prices at an appropriate pricing point for the PJM Region with a fuel transmission adder appropriate for such region, as set forth in the PJM Manuals; and (e) an assumption that the Reference Resource would be dispatched on a Projected EAS Dispatch basis.

B)   The Office of the Interconnection also shall determine a Net Energy and Ancillary Service Revenue Offset each year for each Zone, using the same procedures and methods as set forth in the previous subsection; provided, however, that: (1) the Forward Hourly LMPs for such Zone shall be used in place of the Forward Hourly LMP for the PJM Region; (2) if such Zone was not integrated into the PJM Region for the entire three calendar years preceding the time of the determination for the RPM Auction, then simulations shall rely on only those whole calendar years during which the Zone was integrated; and (3) Forward Daily Natural Gas Prices for the fuel pricing point mapped to such Zone.

C)   "Forward Hourly LMPs" shall be determined as follows:

    (1)   Identify the liquid hub to which each Zone is mapped, as specified in the PJM Manuals.

    (2)   For each liquid hub, calculate the average day-ahead on-peak and day-ahead off-peak energy prices for each month during the Delivery Year over the most recent thirty trading days as of 180 days prior to the Base Residual Auction. For each of the remaining steps, the historical prices used herein shall be taken from the most recent three calendar years preceding the time of the determination for the RPM Auction:

(3)   Determine and add monthly basis differentials between the hub and each of its mapped Zones to the forward monthly day-ahead on-peak and off-peak energy prices for the hub. This differential is developed using the prices for the Planning Period closest in time to the Delivery Year from the most recent long-term Financial Transmission Rights auction conducted prior to the Base Residual Auction. The difference between the annual long-term Financial Transmission Rights auction prices for the Zone and the hub are converted to monthly values by adding, for each month of the year, the difference between (a) the historical monthly average day-ahead congestion price differentials between the Zone and relevant hub and (b) the historical annual average day-ahead congestion price differentials between the Zone and hub. This step is only used when developing forward prices for locations other than the liquid hubs;

(4)   Determine and add marginal loss differentials to the forward monthly day-ahead on-peak and off-peak energy prices for the hub. For each month of the year, calculate the marginal loss differential, which is the average of the difference between the loss components of the historical on peak or off peak day-ahead LMPs for the Zone and relevant hub in that month across the three year period scaled by the ratio of (a) the forward monthly average on-peak or off-peak day-ahead LMP at such hub to (b) the average of the historical on-peak or off-peak day-ahead LMPs for such hub in that month across the three year period. This step is only used when developing forward prices for locations other than the liquid hubs;

(5)   Shape the forward monthly day-ahead on-peak and off-peak prices to (a) forward hourly day-ahead LMPs using historic hourly day-ahead LMP shapes for the Zone and (b) forward hourly real-time LMPs using historic hourly real-time LMP shapes for the Zone. The historic hourly shapes are based on the ratio of the historic day-ahead or real-time LMP for the Zone for each given hour in a monthly on-peak or off-peak period to the average of the historic day-ahead or real-time LMP for the Zone for all hours in such monthly on-peak or off-peak period. The historical prices used in this step shall be taken from one of each of the most recent three calendar years preceding the time of the determination for the RPM Auction;

(6)   For unit-specific energy and ancillary service offset calculations, determine and apply basis differentials from the Zone to the generation bus to the forward day-ahead and real-time hourly LMPs for the Zone. The differential for each hour of the year is developed using the difference between the historical DA or RT LMP for the generation bus and the historical DA or RT LMP for the Zone in which the generation bus is located for that same hour; and

(7)   Develop the Forward Hourly LMPs for the PJM Region pricing point. Calculate the load-weighted average of the monthly on-peak and off-peak Zonal LMPs developed in step (4) above, using the historical average load within each monthly on-peak or off-peak period. The load-weighted average monthly on-peak or off-peak Zonal LMPs are then shaped to forward hourly day-ahead and real-time LMPs using the same procedure as defined in step (5) above, except using historical LMPs for the PJM Region pricing point.

D)   Forward Hourly Ancillary Services Prices shall include prices for Synchronized Reserve, Non-Synchronized Reserve and Secondary Reserve and shall be determined as follows. The historical prices used herein shall be taken from one of each of the most recent three calendar years preceding the time of the determination for the RPM Auction:

(1)   For Synchronized Reserve, the forward real-time Synchronized Reserve market clearing price shall be calculated by multiplying the historical RTO real-time hourly Synchronized Reserve market clearing price for each hour of the Delivery Year by the ratio of the real-time Forward Hourly LMP at an appropriate pricing point, as defined in the PJM manuals, to the historic hourly real-time LMP at such pricing point for the corresponding hour of the year;

(2)   For Non-Synchronized Reserve, the forward real-time Non-Synchronized Reserve market clearing price shall be calculated by multiplying the historical RTO real-time hourly Non-Synchronized Reserve market clearing price for each hour of the Delivery Year by the ratio of the real-time Forward Hourly LMP at an appropriate pricing point, as defined in the PJM manuals, to the historic hourly real-time LMP at such pricing point for the corresponding hour of the year; and

(3)   For Secondary Reserve, the forward day-ahead and real-time Secondary Reserve market clearing price shall be $0.00/MWh for all hours.

E)   Forward Daily Natural Gas Prices shall be determined as follows:

(1)   Map each Zone to the appropriate natural gas hub in the PJM Region, as listed in the PJM Manuals;

(2)   Map each natural gas hub lacking sufficient liquidity to the liquid hub to which it has the highest historic price correlation;

(3)   For each sufficiently liquid natural gas hub, calculate the simple average natural gas monthly settlement prices over the most recent thirty trading days as of 180 days prior to the Base Residual Auction;

(4)   Calculate the forward monthly prices for each illiquid hub by scaling the forward monthly price of the mapped liquid hub by the average ratio of historical monthly prices at the insufficiently liquid hub to the historical monthly prices at the sufficiently liquid over the most recent three calendar years preceding the time of determination for the RPM Auction;

(5)   Shape the forward monthly prices for each hub to Forward Daily Natural Gas Prices using historic daily natural gas price shapes for the hub. The historic daily shapes are based on the ratio of the historic price for the hub for each given day in a month to the average of the historic prices for the hub for all days in such month. The daily prices are then assigned to each hour starting 10am Eastern Prevailing Time each day. The historical prices used in this step shall be taken from one of each of the most recent three calendar years preceding the time of the determination for the RPM Auction.

vi)   Process for Establishing Parameters of Variable Resource Requirement Curve

A)   The parameters of the Variable Resource Requirement Curve will be established prior to the conduct of the Base Residual Auction for a Delivery Year and will be used for such Base Residual Auction.

B)   The Office of the Interconnection shall determine the PJM Region Reliability Requirement and the Locational Deliverability Area Reliability Requirement for each Locational Deliverability Area for

which a Variable Resource Requirement Curve has been established for such Base Residual Auction on or before February 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values will be applied, in accordance with the Reliability Assurance Agreement.

C)   Beginning with the Delivery Year that commences June 1, 2018, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall review the calculation of the Cost of New Entry for each CONE Area.

  1)   If the Office of the Interconnection determines that the Cost of New Entry values should be modified, the Staff of the Office of the Interconnection shall propose new Cost of New Entry values on or before May 15, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

  2)   The PJM Members shall review the proposed values.

  3)   The PJM Members shall either vote to (i) endorse the proposed values, (ii) propose alternate values or (iii) recommend no modification, by August 31, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

  4)   The PJM Board of Managers shall consider Cost of New Entry values, and the Office of the Interconnection shall file any approved modified Cost of New Entry values with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

D)   Beginning with the Delivery Year that commences June 1, 2018, and continuing no later than for every fourth Delivery Year thereafter, the Office of the Interconnection shall review the methodology set forth in this Attachment for determining the Net Energy and Ancillary Services Revenue Offset for the PJM Region and for each Zone.

  1)   If the Office of the Interconnection determines that the Net Energy and Ancillary Services Revenue Offset methodology should be modified, Staff of the Office of the Interconnection shall propose a new Net Energy and Ancillary Services Revenue Offset methodology on or before May 15, prior to the conduct of the Base Residual Auction for the first

Delivery Year in which the new methodology would be applied.

2) The PJM Members shall review the proposed methodology.

3) The PJM Members shall either vote to (i) endorse the proposed methodology, (ii) propose an alternate methodology or (iii) recommend no modification, by August 31, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new methodology would be applied.

4) The PJM Board of Managers shall consider the Net Revenue Offset methodology, and the Office of the Interconnection shall file any approved modified Net Energy and Ancillary Services Revenue Offset values with the FERC by October 1, prior to the conduct of the Base Residual Auction for the first Delivery Year in which the new values would be applied.

b) Locational Requirements

The Office of Interconnection shall establish locational requirements prior to the Base Residual Auction to quantify the amount of Unforced Capacity that must be committed in each Locational Deliverability Area, in accordance with the Reliability Assurance Agreement.

c) [Reserved]

d) Preliminary PJM Region Peak Load Forecast for the Delivery Year

The Office of the Interconnection shall establish the Preliminary PJM Region Load Forecast for the Delivery Year in accordance with the PJM Manuals by February 1, prior to the conduct of the Base Residual Auction for such Delivery Year.

e) Updated PJM Region Peak Load Forecasts for Incremental Auctions

The Office of the Interconnection shall establish the updated PJM Region Peak Load Forecast for a Delivery Year in accordance with the PJM Manuals by February 1, prior to the conduct of the First, Second, and Third Incremental Auction for such Delivery Year.