PJM Interconnection, L.L.C.
2750 Monroe Blvd. Audubon, PA
19403

Chenchao Lu
Associate General Counsel
(610) 500-3245
chenchao.lu@pjm.com

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The Honorable Debbie-Anne A. Reese
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E. Washington, D.C. 20426-
0001

Re: *PJM Interconnection, L.L.C., Docket No. ER27-454-000*
Proposed Amendments to the Reliability Backstop Procurement
Request for Waiver of Tariff Attachment DD, Sections 16.2 and 16.3

Dear Secretary Reese:

Pursuant to section 205 of the Federal Power Act ("FPA"),[1] the Federal Energy Regulatory Commission's ("Commission") Regulations,[2] PJM Interconnection, L.L.C. ("PJM") hereby submits proposed revisions to the PJM Open Access Transmission Tariff ("Tariff") that updates the Reliability Backstop Procurement ("RBP") rules to address, *inter alia*, issues identified in the Commission's September 29 Order.[3] Specifically, this filing proposes modifications to establish just and reasonable rules to (i) allocate responsibility for RBP Charges to certain Load Serving Entities ("LSE"); (ii) require LSEs responsible for RBP Charges to post an appropriate level of credit; and (iii) provide notice to LSEs exiting PJM of their continuing responsibility for RBP Charges allocated to them through the remainder of the RBP commitment term.[4] This FPA section 205 filing is

[1] 16 U.S.C. § 824d.

[2] 18 C.F.R. part 35.

[3] *PJM Interconnection, L.L.C.*, 196 FERC ¶ 61,245 (2026) ("September 29 Order").

[4] For the purpose of this filing, capitalized terms not defined herein shall have the meaning as contained in the PJM Tariff, Amended and Restated Operating Agreement, the Reliability Assurance Agreement Among

substantively identical to the October 29, 2026 filing submitted in Docket No. ER27-330-000,[5] but merely updates the eTariff metadata code to reflect this filing as a FPA section 205 filing rather than a compliance filing.[6]

PJM requests that most of the proposed revisions become effective on February 28, 2027—the same effective date for the RBP rules the Commission accepted in the September 29 Order.[7] However, because PJM is proposing certain pre-conduct of RBP activities from Electric Distributors, PJM has proposed one Tariff record to be effective January 29, 2027, which is 60 days from the date of the October 29 Fling. PJM is also requesting that the Commission issue an order on all aspects of this filing no later than January 29, 2027, to facilitate conduct of the RBP and provide participants the advance notice necessary for the efficient administration of the RBP.

Given that this filing is substantively identical to the October 29 Filing in Docket No. ER27-330-000, the deadline for comments and interventions should continue to be November 30, 2026, which is 21-days from the date of this filing and the same comment deadline that the Commission previously noticed.[8] Even accounting for the intervening holidays, issuance of an order by January 29, 2027, would still leave the Commission with approximately 60 days following the close of the comment period to consider the record

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Load Serving Entities in the PJM Region ("RAA"), and the PJM RBP filing under Docket No. ER26-3380-000. *See PJM Interconnection, L.L.C.*, Reliability Backstop Procurement to Address Resource Adequacy Concerns Stemming from Large Loads, Docket No. ER26-3380-000 (July 31, 2026) ("July 31 Filing").

[5] *PJM Interconnection, L.L.C.*, Proposed Amendments to the Reliability Backstop Procurement Request for Waiver of Tariff Attachment DD, Sections 16.2 and 16.3, Docket Nos. ER27-330-000, -001 (Oct. 29, 2026) ("October 29 Filing").

[6] PJM will withdraw the filing in Docket No. ER26-330-000.

[7] September 29 Order, 196 FERC ¶ 61,245 at P 1.

[8] *PJM Interconnection, L.L.C.*, Combined Notice of Filings #1, Docket No. ER27-330-000 (November 2, 2026).

and act on the filing. However, the Commission should not feel constrained to wait until January 29, 2027, to issue an order on the proposed RBP rules, but should feel free to issue an order whenever it feels appropriate before January 29, 2027.

In addition, through this filing, PJM also conditionally requests waiver of the requirement in Tariff, Attachment DD, section 16.2 for PJM to "investigate the cause for the shortage, and recommend corrective action"[9] in the event the 2029/2030 Base Residual Auction clears short of the reliability requirement. Likewise, should the 2029/2030 Delivery Year Base Residual Auction clear short, resulting in three consecutive Delivery Years with insufficient capacity procurement, PJM conditionally requests waiver of the requirement in Tariff, Attachment DD, section 16.3 that PJM "declare a capacity shortage and make a filing with FERC for approval to conduct a Reliability Backstop Auction" following three consecutive Delivery Years in which the Base Residual Auction clears short. As discussed below in Part IV, the Commission should grant this one-time, prospective waiver.

I. BACKGROUND

On July 31, 2026, PJM filed a comprehensive proposal to establish the RBP, a targeted, one-time procurement mechanism designed to address emerging resource adequacy challenges driven principally by the rapid growth of Large Loads and the resulting acceleration of capacity needs across the PJM Region.[10] In its September 29 Order, the Commission accepted PJM's proposed RBP framework, but suspended the Tariff revisions for a period of five months and established additional procedures to further

[9] Tariff, Attachment DD, section 16.2.

[10] *See* July 31 Filing.

examine three discrete aspects of the proposal: cost allocation, Transmission Owner exit provisions, and LSE collateral requirements.[11] While the Commission initiated a paper hearing and a related proceeding under section 206 of the FPA to develop a more complete record regarding those issues, it also expressly and strongly encouraged PJM to submit, an alternative proposal pursuant to its FPA section 205 filing rights to address the concerns identified in the order.[12]

PJM submits this section 205 filing in accordance with the Commission's guidance from the September 29 Order. The revisions proposed herein are carefully tailored to address the specific issues identified by the Commission while preserving the fundamental structure and policy objectives of the RBP framework that the Commission otherwise accepted in the September 29 Order.[13] Consistent with the Commission's direction, this filing presents targeted modifications to the RBP's cost allocation, exit responsibilities, and collateral provisions that are intended to resolve the Commission's remaining areas of concern, strengthen the overall design of the RBP, and facilitate timely implementation of a mechanism that is needed to address pressing reliability and resource adequacy risks. By narrowing the issues in dispute and building upon the framework that the Commission has

[11] September 29 Order, 196 FERC ¶ 61,245 at P 24.

[12] September 29 Order, 196 FERC ¶ 61,245 at P 28.

[13] While 18 CFR § 35.17(d) generally prohibits amendments to tariff sections that are in suspension, good cause exists for PJM to request a waiver of 18 CFR § 35.17(d) to the extent necessary given that the Commission "strongly encourage[d] PJM to address the issues discussed in the [RBP] order by submitting an alternative proposal pursuant to its FPA section 205 filing rights without delay." September 29 Order at P 28. Updating the relevant suspended tariff sheets promotes administrative efficiency as it allows PJM to address the discrete issues raised by the Commission in its September 29 Order without delay through this section 205 filing. Further, "[t]he Commission has stated that the purpose behind section 35.17 is to limit instances in which the Commission and the utility's customers must confront and evaluate a 'moving target' of rate levels designed to avoid the consequences of a maximum suspension period." *W. Tex. Util. Co.*, 30 FERC ¶ 61,292 (1985). Here, the Commission issued an abeyance of the paper hearing stemming from Docket No. ER26-3380-000 that placed the relevant tariff records in suspension so no such moving target exists.

already found generally just and reasonable, this filing will promote administrative efficiency, reduce regulatory uncertainty, and enable PJM to move forward with the RBP on an expedited basis.[14] Through this section 205 filing, PJM has addressed the issues set for paper hearing in the September 29 Order.

PJM respectfully submits that each aspect of the filing is just and reasonable. Nevertheless, to facilitate prompt Commission action and avoid further delay in the implementation of the RBP, PJM consents to the Commission's exercise of its authority, to the extent permitted under section 205 of the FPA and *NRG Power Marketing, LLC v. FERC*,[15] to modify, reject, or sever discrete elements of the proposed Tariff revisions while accepting the remainder of the filing. Such an approach, if deemed necessary by the Commission, would preserve the benefits of the proposed reforms and support the timely commencement of the RBP.

II. PROPOSED UPDATES THAT ADDRESS ISSUES IDENTIFIED IN THE COMMISSION'S SEPTEMBER 29 ORDER

A. PJM Proposes Updates that Directly Address the Commission's RBP Cost Allocation Concerns.

Under FPA section 205, cost allocation must be grounded in the principle that costs are assigned to those who cause them or benefit from the facilities and services provided.[16] At the same time, courts have long recognized that cost causation is not a standard of

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[14] The pieces of the RBP that are not proposed to be modified through this filing are not further discussed in this filing given that the Commission accepted all of the proposed RBP rules in its September 29 Order. To the extent necessary, the Commission may take administrative notice of PJM's initial RBP filing in Docket No. ER26-3380-000.

[15] *NRG Power Mktg., LLC v. FERC*, 862 F.3d 108, 114-15 (D.C. Cir. 2017).

[16] *E.g.*, *Pub. Serv. Elec. & Gas Co. v. FERC*, 989 F.3d 10, 13 (D.C. Cir. 2021) (The Commission "has long viewed the just-and-reasonable requirement" under FPA section 205 "to incorporate a cost-causation principle." (internal quotation marks and citation omitted)); *Ill. Com. Comm'n v. FERC*, 576 F.3d 470, 476 (7th Cir. 2009).

mathematical precision. Indeed, courts have long recognized that "it would no doubt be impossible, even if desirable, to formulate a rate scheme with such precision that each customer—or even customer group—is made to bear the exact cost of the service he received."[17] Therefore, costs need not be "allocate[d] . . . with exacting precision."[18] Rather, they need only "be allocated in a manner that is *roughly* commensurate with the benefits received."[19] Consistent with this standard, the Commission possesses broad discretion to evaluate whether a proposed cost allocation reasonably aligns cost responsibility with causation and benefits.[20]

As an initial matter, the Commission largely agreed with the foundational premise of PJM's proposed RBP cost allocation methodology: the costs of procuring new capacity to address reliability concerns arising from large load growth should be assigned to the zone/areas experiencing that growth. Specifically, the Commission's September 29 Order explained that:

> allocating RBP costs to Electric Distributor zone/areas based on a "snapshot" of load growth between 2026/2027 and 2028/2029, adjusted down by qualifying offset capacity, may be just and reasonable, because it reasonably assigns costs to those responsible for the near-term capacity shortfall. Thus, such zone/areas benefit from procurement of new resources to fill this urgent gap. We generally find that PJM's proposal to initially assign RBP costs to Electric Distributor zone/areas, with the ultimate cost allocation to the LSEs as determined by the state and/or [Relevant Electric Retail Regulatory Authority ("RERRA")] and as reported to the Electric

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[17] *Ala. Elec. Coop., Inc. v. FERC*, 684 F.2d 20, 28 (D.C. Cir. 1982); *see also Sithe/Indep. Power Partners, L.P. v. FERC*, 285 F.3d 1, 5 (D.C. Cir. 2002) (explaining the Court has consistently upheld rates based on cost-causation principles as applied in *Alabama Electric Cooperative*).

[18] *Ill. Com. Comm'n*, 576 F.3d at 477 (quoting *Midwest ISO Transmission Owners v. FERC*, 373 F.3d 1361, 1369 (D.C. Cir. 2004)).

[19] *City Util. of Springfield v. FERC*, 185 F.4th 1262, 1271 (D.C. Cir. 2026) (internal quotation marks and alteration omitted).

[20] *City Util. of Springfield*, 185 F.4th at 1273.

> Distributor by PJM, may be just and reasonable, as it reflects the authority of PJM under the Tariff and respects the authority of the states and/or RERRAs.[21]

The Commission's concerns were therefore not directed at the underlying cost allocation to the zone/area. Rather, the Commission questioned whether PJM's use of Load Adjustment data provided the most accurate means of identifying the Large Load growth that is driving the need for the RBP.[22] More particularly, the Commission was concerned with "relying on Load Adjustments to measure load growth [because that] may be inconsistent or not reasonably capture forecasted load growth or actual large load growth."[23] That is, some large loads may be reflected in PJM's underlying load forecast rather than in the incremental Load Adjustments used in PJM's initial proposal.[24] Consequently, the Commission was concerned that the use of the Load Adjustment delta "could lead to the costs imposed on certain entities not being at least roughly commensurate with the benefits they will receive from the procurement."[25]

This filing directly addresses the Commission's concern by allocating the "RBP costs to the Electric Distributor zone/areas with the reported new load that is driving the need for the procurement."[26] Specifically, rather than relying on Load Adjustment data as a proxy for Large Load growth, PJM is proposing to require Electric Distributors outside

[21] September 29 Order, 196 FERC ¶ 61,245 at P 154.

[22] PJM is utilizing the recently accepted definition of Large Load to capture only those loads that are end-use customer load that has a cumulative peak load of 50 MW or greater at a single electrical site behind one or more points of interconnection.

[23] September 29 Order, 196 FERC ¶ 61,245 at P 154.

[24] September 29 Order, 196 FERC ¶ 61,245 at P 155.

[25] September 29 Order, 196 FERC ¶ 61,245 at P 155.

[26] September 29 Order, 196 FERC ¶ 61,245 at P 159.

of a Fixed Resource Requirement ("FRR") Service Area to report, by no later than seven days prior to the commencement of the RBP, the aggregate incremental peak Large Load growth between the 2026 actual summer peak and the 2028/2029 Delivery Year expected summer peak to PJM.[27] This updated approach will better align cost responsibility with the specific Large Load growth that necessitates the RBP while preserving the cost-allocation framework that the Commission otherwise found to be just and reasonable.

1. Requiring Electric Distributors to report the Large Load increase between 2026 and the expected 2028/2029 Delivery Year will allow RBP cost allocation to all incremental Large Loads.

Requiring each Electric Distributor to report the aggregate incremental Large Load growth between the 2026 actual summer peak and the 2028/2029 Delivery Year expected summer peak is consistent with Commission precedent.[28] Indeed, Electric Distributors already report actual and forecasted peak loads to PJM today. This proposal merely requires Electric Distributors to provide a more granular subset of information relating specifically to Large Load growth. Under this proposal, each Electric Distributor outside an FRR Service Area will be required to report the aggregate incremental quantity of Large Load, where the Large Load quantity for each load is calculated as the difference between: (1) the actual summer peak load associated with the Large Load in 2026; and (2) the expected summer peak load associated with Large Load for the 2028/2029 Delivery Year.[29]

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[27] Proposed Tariff, Attachment DD, section 18.3A.

[28] *See PJM Interconnection, L.L.C.*, 197 FERC ¶ 61,019, at PP 48-50 (2026); *see also PJM Interconnection, L.L.C.*, 188 FERC ¶ 61,200, at P 40 & n.65 (2024) (finding that an "Electric Distributor is the party with the distribution and metering facilities defining a zone/area and responsible for reporting load information to PJM," and also noting that, "under the current framework, each LSE already reports their peak load contribution to the Electric Distributor, which is the entity ultimately responsible for reporting that information to PJM").

[29] Proposed Tariff, Attachment DD, section 18.3A.

Additionally, Electric Distributors will be required to report the identity of the Large Load that is supported by an electric service obligation, construction commitment, or equivalent agreement.[30] Because Electric Distributors maintain the direct distribution and metering relationships associated with these loads and already serve as PJM's primary source of zonal load information, they are uniquely and aptly positioned to provide the most accurate and comprehensive information regarding incremental Large Load growth.

Consistent with PJM's load forecasting process, the expected quantity of Large Load for the 2028/2029 Delivery Year reported under this proposal should largely align with the information the Electric Distributor previously provided to PJM for development of the applicable load forecast. However, because Large Load development is dynamic, circumstances may change after submission of forecast data and before the reporting of Large Load values for purposes of establishing the Reliability Pricing Model ("RPM") procurement targets. This could potentially include new Large Loads that are now expected to be online by the 2028/2029 Delivery Year that may not have previously been expected at the time PJM developed the load forecast. Conversely, there could be electric service agreements with Large Loads that are canceled between the time Electric Distributors initially reported the data as part of PJM's load forecast process and when the Electric Distributors report expected Large Loads for RBP purposes. In either case, the proposal requires an Electric Distributor to "provide an explanation for any deviation between the expected quantity of Large Loads for the 2028/2029 Delivery Year and the values provided by the Electric Distributor to [PJM] as part of the development for the load

[30] Proposed Tariff, Attachment DD, section 18.3A.

forecast."[31] As always, PJM maintains the ability to refer Electric Distributors to the Commission's Office of Enforcement in the event the reported information is significantly different from what the Electric Distributor reported as part of PJM's load forecast development process and such deviations are not sufficiently explained. This requirement safeguards against potential incorrect submissions while allowing PJM to rely on the most current available information.

The proposed approach also satisfies the Commission's cost-causation standards because it assigns costs in a manner that is roughly commensurate with the benefits received.[32] Cost causation requires that "all approved rates reflect *to some degree* the costs actually caused by the customer who must pay them."[33] Indeed, as the courts have held, "nothing requires the Commission to ensure full or perfect cost causation,"[34] and the Commission "is not bound to reject any rate mechanism that tracks the cost causation principle less than perfectly."[35]

Here, the data reported by Electric Distributors represent the most practical and administratively feasible measure of incremental Large Load growth for purposes of establishing a cost allocation approach that will assign costs to the zone/areas where the

[31] Proposed Tariff, Attachment DD, section 18.3A.

[32] *Ill. Com. Comm'n*, 576 F.3d at 477 (requiring "an articulable and plausible reason to believe that the benefits are at least roughly commensurate with [the costs]"); *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, 136 FERC ¶ 61,051, at PP 622, 639 (2011) (requiring costs of regional transmission facilities to be allocated in a manner that is at least roughly commensurate with estimated benefits), *order on reh'g & clarification*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g & clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff'd sub nom.*, *S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41 (D.C. Cir. 2014) ("*South Carolina PSA*").

[33] *K N Energy v. FERC*, 968 F.2d 1295, 1300 (D.C. Cir. 1992) (emphasis added); *see also Midwest ISO Transmission Owners*, 373 F.3d at 1368 (quoting *K N Energy*, 968 F.2d at 1300)).

[34] *South Carolina PSA*, 762 F.3d at 88.

[35] *Sithe/Indep. Power Partners*, 285 F.3d at 5.

incremental Large Loads will be located. While no cost allocation methodology can achieve perfect precision, the Commission has repeatedly recognized that feasibility considerations are relevant and that cost-causation principles need only be applied in a reasonably accurate and practical manner.[36] By relying on Electric Distributor's reported incremental Large Load growth at the zonal or area level, the proposal tracks the costs associated with emerging Large Load demand to the most granular level that is reasonably feasible and therefore satisfies the Commission's cost-causation requirements.

To be clear, the information required under this proposal will initially be reported separately from the Large Load Registry that the Commission recently accepted because the information required from the Electric Distributors serves a different purpose. Specifically, the reporting requirement here is targeted to quantify incremental Large Load growth between 2026 and the 2028/2029 Delivery Year for purposes of establishing the Initial RBP Target. Nonetheless, to the extent appropriate, certain information submitted through this process may ultimately be incorporated into the Large Load Registry.

2. RBP costs will be allocated to the zone/areas associated with incremental Large Loads.

Based on information provided by Electric Distributors, PJM will allocate the Initial RBP Target among Electric Distributor zone/areas in proportion to each zone/area's share of the total incremental Large Load growth. PJM will then reduce a zone/area's allocated share to the extent PJM receives the requisite evidence, as detailed in Tariff,

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[36] *South Carolina PSA*, 762 F.3d at 88; *Midwest ISO Transmission Owners*, 373 F.3d at 1368-69; *Pub. Serv. Comm'n of Wis. v. FERC*, 545 F.3d 1058, 1066-67 (D.C. Cir. 2008); *Carnegie Nat. Gas Co. v. FERC*, 968 F.2d 1291, 1293-94 (D.C. Cir. 1992) (noting that, in the section of the Natural Gas Act likened to FPA section 205, there is "no requirement in the Act itself that rates precisely match cost causation and responsibility" and that instead "the Commission may rationally emphasize other, competing policies and approve measures that do not best match cost responsibility and causation").

Attachment DD, section 18.2(c),[37] of new capacity in the form of Qualifying RBP Offset UCAP MW that is the subject of a bilateral agreement with a Large Load.[38] In addition, to the extent an Electric Distributor requests, with the required accompanying support pursuant to Tariff, Attachment DD, section 18.1(d), that the Initial RBP Target be decremented to reflect the associated MW quantity of load participating in a qualifying Peak Shaving Adjustment program, the Initial RBP Target may be further reduced.[39] After accounting for all Qualifying RBP Offset UCAP MW and any applicable Peak Shaving Adjustment opt-out, PJM will determine each zone/area's adjusted incremental Large Load quantity. That quantity, floored at zero, will serve as the basis for calculating the zone/area's pro rata share of the Final RBP Target MW. Ms. Danielle Croop, PJM's senior manager of market design, provides a detailed example that demonstrates how the RBP obligations will be allocated to each Electric Distributor's zone/area.[40]

This approach is consistent with the Commission's determination that "[a]llocating RBP costs based on a snapshot of this shortfall over the term of the RBP commitment period may provide greater certainty to the LSEs in the Electric Distributor zone/areas ultimately bearing responsibility for those costs."[41] Accordingly, PJM proposes to continue using a snapshot of incremental Large Load growth between the 2026 summer peak and the forecasted summer peak for the 2028/2029 Delivery Year to establish each

[37] Specifically, evidence of Qualifying RBP Offset UCAP MW must include signed bilateral contracts with Large Loads for at least five Delivery Years with a commercial operation date prior to the start of the 2032/2033 Delivery Year as further detailed in Tariff, Attachment DD, section 18.2(c).

[38] Proposed Tariff, Attachment DD, section 18.2(c).

[39] Proposed Tariff, Attachment DD, section 18.1(d).

[40] Affidavit of Danielle Croop on Behalf of PJM Interconnection, L.L.C. (Attachment D) ¶¶ 19-27 ("Croop Aff.").

[41] September 29 Order, 196 FERC ¶ 61,245 at P 156.

zone/area's share of the Final RBP Target MW. That allocation to the zone/area will remain fixed throughout the 15-year RBP commitment period. Maintaining a fixed allocation to the zone/area promotes certainty, provides transparent cost responsibility at the outset of the commitment period, and avoids repeated reallocation of costs to different zone/areas during the term of the RBP Resource commitment.

3. PJM will further allocate RBP Charges to relevant LSEs in the zone/areas with incremental Large Loads.

PJM is retaining the mechanism through which RBP Charges may be more granularly allocated to LSEs within an Electric Distributor's zone/area. As noted, above, the September 29 Order held that "the ultimate cost allocation to the LSEs as determined by the state and/or RERRA and as reported to the Electric Distributor . . . may be just and reasonable[.]"[42] Specifically, RBP Charges may be allocated based on "the state and/or RERRA-determined allocation of cleared RBP UCAP MW to LSEs within each Electric Distributor's zone/area, as reported by each Electric Distributor to [PJM]."[43] Likewise, PJM is maintaining the term, "RBP Obligation" or "RBO" to provide flexibility for states and/or RERRAs to further determine which retail customers should be allocated RBP Charges.[44]

The RBO framework provides states and RERRAs, through the relevant Electric Distributors, with flexibility to determine how cost responsibility for RBP Resources should be allocated among LSEs serving load within a zone/area. To facilitate more

[42] September 29 Order, 196 FERC ¶ 61,245 at P 154.

[43] Tariff, Attachment DD, section 18.3(b)(iii).

[44] Tariff, Part 1, Definitions – R-S, RBP Obligation ("'RBP Obligation' or 'RBO' shall mean the state and/or RERRA-determined allocation of RBP UCAP MW to Load Serving Entities within each Electric Distributor's zone/area.").

targeted cost allocation, an Electric Distributor may report to PJM an RBO allocation identifying the RBP UCAP MW assigned to individual LSEs in the zone/area. Where an RBO is reported, PJM will allocate the daily RBP Charges to each LSE based on its proportionate share of the reported RBO MW. In this way, states and RERRAs may direct relevant Electric Distributors to report RBO so that RBP costs can more precisely be allocated to the LSEs serving the Large Loads that drive the need for the RBP Resources.

Electric Distributors electing to provide RBO allocations must submit the initial allocation no later than 120 days before the start of the 2028/2029 Delivery Year.[45] PJM proposes this deadline to allow sufficient time for the calculation and communication of each affected LSE's credit requirements before collateral must be posted. PJM has advanced this deadline from the 60-day period proposed in the July 31 Filing to provide LSEs with additional notice regarding their potential credit obligations and adequate time to arrange and post collateral. Importantly, the 120-day reporting deadline serves solely to establish the initial allocation sufficiently in advance of the commencement of the 2028/2029 Delivery Year. That is, Electric Distributors do not have a continuing obligation to report RBO to PJM by a certain deadline prior to the commencement of a subsequent Delivery Year after the 2028/2029 Delivery Year. Rather, Electric Distributors may report updates to the RBO any time after the start of the 2028/2029 Delivery Year to reflect changes to the initial allocation. This may occur, as an example, if a Large Load switches LSEs after the initial RBO is reported to PJM.

[45] Proposed Tariff, Attachment DD, section 18.3(b)(iii).

PJM must be able to settle RBP Charges regardless of whether an Electric Distributor submits an RBO allocation. Accordingly, if no RBO MW are reported for a zone/area, PJM will apply a backstop allocation methodology based on the existing methodology for allocating capacity costs pursuant to RAA, Schedule 8.[46] Under this approach, if no allocation is reported by the relevant Electric Distributors with allocated RBP UCAP MW, PJM will allocate RBP Charges among LSEs in the relevant zone/area using each LSE's proportional Daily Unforced Capacity Obligation. This fallback methodology allows PJM to calculate and settle wholesale charges among its jurisdictional customers even in the absence of state- or RERRA-directed RBO allocations.

4. The proposed allocation methodology respects the federal-state jurisdictional boundary; cost allocation to retail customers, including data centers, is within the states' and/or RERRAs' purview.

The proposed methodology also appropriately respects the longstanding division of jurisdiction between PJM and the states. As the Commission recognized, "states determine how Commission-approved rates are collected among the relevant retail consumers along with the rates for state-jurisdictional matters."[47] Consistent with that principle, PJM's proposal governs only the allocation of RBP Charges among wholesale market participants, specifically the LSEs responsible for paying those charges.

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[46] Proposed Tariff, Attachment DD, section 18.3(b)(iii) ("If no RBO MW are reported to the Office of the Interconnection for an Electric Distributor zone/area, PJM will allocate the RBP Charges for that zone/area to all load in the zone/area using each LSE's ratio share of the Daily Unforced Capacity Obligation for the zone/area as determined in RAA, Schedule 8. PJMSettlement shall be the Counterparty to each LSE's obligation to pay, and payments of, RBP Charges.").

[47] September 29 Order, 196 FERC ¶ 61,245 at P 161 (quoting *PJM Interconnection, L.L.C.*, 195 FERC ¶ 61,211, at P 69 (2026)).

PJM does not propose, and lacks authority, to dictate how any LSE subsequently allocates or recovers those costs from retail customers. Thus, even where PJM applies its default LSE-level allocation methodology because no RBO has been reported, PJM would not determine how costs are ultimately assigned among retail customers served by those LSEs. In this way, the proposed approach appropriately allocates wholesale cost responsibility while preserving the ability of states and RERRAs to determine how those costs should be reflected at the retail level. In short, the proposal maintains a framework through which states and RERRAs may, if they choose, direct RBP costs more precisely to the specific Large Load retail customers whose load growth drives the need for the underlying RBP Resources.

B. Credit Requirements of LSEs Commensurate with Risks (Proposed Tariff, Attachment DD, Section 18.8).

PJM is proposing revisions to the LSE credit rules in Tariff, Attachment DD, section 18.8(b) that the Commission accepted, subject to refund and further procedures, in the September 29 Order.

In the July 31 Filing, and as accepted subject to the outcome of a paper hearing, PJM proposed to establish an initial RBP Credit Rate of $1.5 million per committed RBP UCAP MW, which would collateralize approximately 50% of the (up to) 15-year contractual payment obligation to the committed RBP Resources. The Commission identified several issues that, "[t]aken together," led the Commission to find that PJM's initial RBP LSE credit rules may be unjust and unreasonable.[48] Specifically, the Commission indicated that PJM did not adequately support the level of RBP Charges that

[48] September 29 Order, 196 FERC ¶ 61,245 at P 205.

PJM asserted needed to be collateralized "with any quantitative measures, including an expected probability of default, a loss-given-default assumption, a historical LSE default experience, a liquidation or replacement period, or any other quantitative measure."[49] The Commission also found that PJM's proposed LSE credit rules provided LSEs "little flexibility . . . to manage their collateral requirements, including a short timeline for [learning of] and posting collateral and limited, acceptable forms of collateral."[50] Thus, the Commission held that PJM did not demonstrate that its proposed approach struck "a reasonable balance . . . against the risk of default and ensuring market participants have adequate flexibility to manage their collateral requirements."[51]

PJM has re-evaluated its initial proposal in light of the Commission's guidance and developed a new RBP Credit Rate along with revisions to other aspects of the LSE credit rules to provide LSEs greater flexibility. PJM proposes five broad changes to the RBP LSE credit rules:

(1) establish, using objective data, a revised uniform credit rate, based on quantitative analyses, for LSEs allocated responsibility for RBP Charges to post collateral;[52]

(2) lengthen the timeframe from when an LSE is assigned responsibility for RBP Charges before a Delivery Year to the time by which collateral must be posted;[53]

(3) broaden the instruments that may be used to provide collateral to include surety bonds in addition to Letters of Credit and cash;[54]

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[49] September 29 Order, 196 FERC ¶ 61,245 at P 205.

[50] September 29 Order, 196 FERC ¶ 61,245 at P 205.

[51] September 29 Order, 196 FERC ¶ 61,245 at P 205.

[52] *See* proposed Tariff, Attachment DD, section 18.8(b)(i)(B).

[53] *See* proposed Tariff, Attachment DD, section 18.3(b)(iii) and proposed Tariff, Attachment DD, section 18.8(b)(i)(B).

[54] *See* proposed Tariff, Part 1, Definitions – R-S, RBP Collateral.

(4) memorialize a commitment to review the RBP Credit Rate used to determine the credit requirement for LSEs assigned responsibility for RBP Charges;[55] and

(5) clarify that an LSE's payment obligations for committed RBP Resources, i.e., both RBP Charges and associated RPM capacity payments will not be considered in determining such LSE's Peak Market Activity.[56]

As discussed below, these revisions offer an approach that strikes "a reasonable balance between protecting PJM's markets and its members against the risk of default and ensuring that market participants have adequate flexibility to manage their collateral requirements."[57]

1. PJM is proposing a revised RBP Credit Rate, determined using objective, quantitative analyses, for LSEs allocated responsibility for RBP Charges.

a. PJM derived the revised RBP Credit Rate based on an economic analysis of quantitative and qualitative inputs.

The 15-year term of RBP commitments is markedly different from all other forward payment obligations contemplated by PJM's credit rules today. To address this credit risk in a just and reasonable manner, PJM considered a number of different approaches with an eye toward approaches that would minimize costs to LSEs and appropriately mitigate cost of socialized default on PJM Members. Specifically, PJM considered credit approaches that would provide more fluid and constant assessments of credit risk and vary the collateral required, based on either new data as it becomes known (e.g., RPM Auction clearing prices) or forecasts of variable data (e.g., RPM Auction clearing prices). But, as Ms. Gwen Kelly explains, an approach based on forecasts would fail to adequately mitigate

[55] *See* proposed Tariff, Attachment DD, section 18.8(b)(i)(A).

[56] *See* proposed Tariff, Attachment DD, section 18.8.

[57] *PJM Interconnection, L.L.C.*, 186 FERC ¶ 61,055, at P 27 (2024).

risk to Members as "PJM could be left with insufficient collateral to secure the LSE's payment obligations"[58] because their efficacy would be dependent on the accuracy of "forecasts of RPM clearing prices extending many years into the future."[59] Ultimately, as proposed in this filing, PJM selected an approach that collateralizes the entire payment obligation to an RBP Resource, i.e., both the BRP Charge (which is a contract for difference) and the resource's RPM capacity payment. As Ms. Kelly testifies, "PJM favors a methodology that establishes meaningful credit protection based on long-term RBP commitments rather than making that protection substantially dependent on forecasts of future RPM clearing prices or on the ability to obtain additional collateral over time."[60] That is, PJM's approach does not require forecasting of future RPM clearing prices or annual adjustments based on the applicable RPM capacity payment for a given Delivery Year. Rather, PJM is maintaining its initial approach of establishing a single credit obligation applicable to the entire RBP payment obligation through application of a uniform RBP Credit Rate for each RBP UCAP MW for which an LSE is assigned cost responsibility.

However, PJM determined that its approach to determining the RBP Credit Rate should be revisited. Ms. Kelly testifies that "PJM sought to identify the collateral percentage at which the combined expected costs of posting collateral and socialized default amounts are minimized."[61] Given that "[t]hese costs generally move in opposite

[58] Affidavit of Gwen Kelly on Behalf of PJM Interconnection, L.L.C. (Attachment C) ¶ 13 ("Kelly Aff.").

[59] Kelly Aff. ¶ 11.

[60] Kelly Aff. ¶ 14.

[61] Kelly Aff. ¶ 19.

directions,"[62] PJM "performed an economic analysis evaluating the cost of posting collateral and the expected cost of socialized default amounts at different collateral levels, expressed as percentages of the net present value of the total RBP payment obligation" to determine the appropriate collateral percentage, i.e., the RBP Credit Rate.[63] In performing this economic analysis, PJM considered the following inputs: the weighted-average RBP clearing price, the credit quality of the portfolio of LSEs active in PJM, the probability of default, the loss given default, and the cost of posting collateral.[64]

Ms. Kelly details in her affidavit how PJM developed and considered these quantitative and qualitative inputs.[65] The results of PJM's economic analysis is presented in Table 1 below.

[62] Kelly Aff. ¶ 18.

[63] Kelly Aff. ¶ 22.

[64] Kelly Aff. ¶ 23. Ms. Kelly also testifies that "PJM has used a discount rate of 9.5%, based on the capacity market Weighted Average Cost of Capital developed by The Brattle Group as part of PJM's 2025 periodic review of the Cost of New Entry of Capacity Resources into the PJM Region. PJM considers this rate appropriate for purposes of calculating the net present value of the total RBP payment obligation." Kelly Aff. ¶ 24.

[65] *See* Kelly Aff. ¶¶ 25-38.

Table 1: Cost of Socialized Default Amount

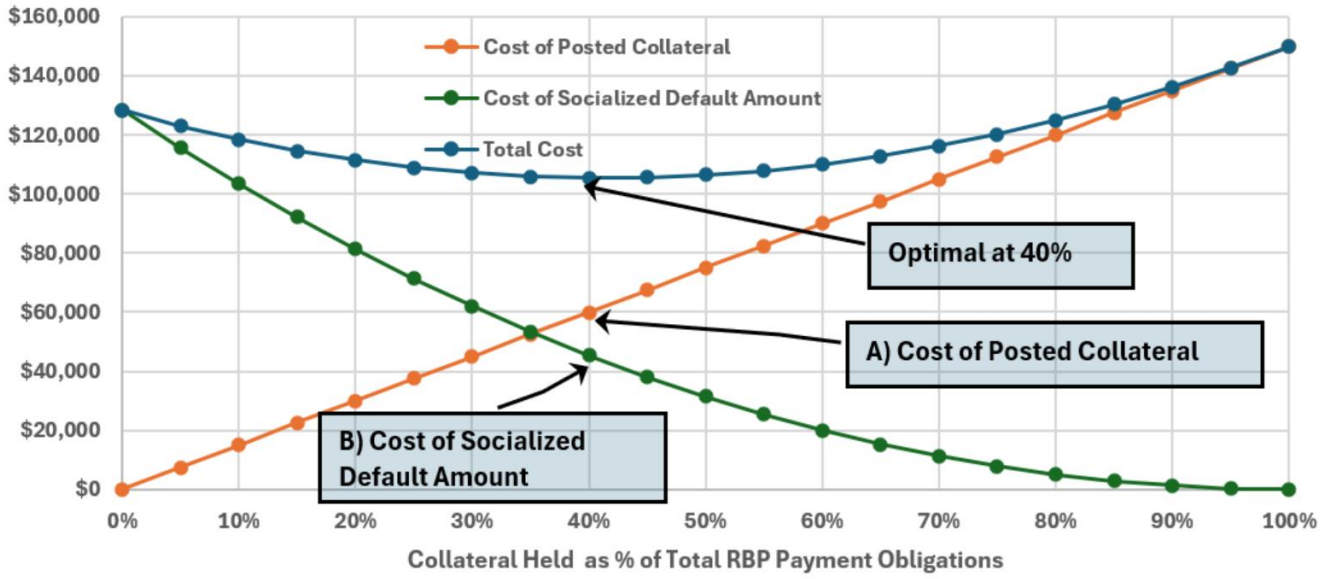
a) LSE Credit Ratings (weighted average)	BBB	
b) Probability of Default	4.05%	
c) Loss Given Default	100%	
		adjusted by the amount
d) expected default %	2.4%	posted to PJM
e) Defaulted Amount	$73,839	=$555 x 1 x 365 x 15 x 2.4%
f) Collateral Held	$29,535	=$73,839 x 40%
g) Socialized Amount (=Defaulted Amount- Collateral Held)	$44,303	=$73,839 - $29,535
h) Socialized Cost to Non Default LSEs	$45,407	=$44,303 / (1-2.4%)

PJM then took these inputs to evaluate "the combined expected costs of posting collateral and socialized default amounts at different collateral levels, expressed as percentages of the discounted total RBP payment obligation."[66] Ms. Kelly explains that "the combined cost of posting collateral and expected socialized default amounts is minimized at a collateral level equal to 40% of the net present value of the total RBP payment obligation,"[67] as shown in Figure 1 below.

[66] Kelly Aff. ¶ 39.

[67] Kelly Aff. ¶ 40.

Figure 1: Optimal Collateralization



As Ms. Kelly explains, this 40% rate "does not represent the percentage of gross RBP payments that PJM expects LSEs to pay through contract-for-differences settlements," rather, it represents the rate at which "the combined cost of posting collateral and expected socialized default amounts" are minimized.[68] Or stated another way, it is an economically optimal rate.

In sum, following the Commission's guidance in the September 29 Order,[69] PJM performed an economic analysis, that considered the qualitative measure of the credit quality of the portfolio of LSEs active in PJM and the quantitative measure of probability of default, the loss given default, and the cost of posting collateral. Based on such analysis,

[68] Kelly Aff. ¶ 42.

[69] *See* September 29 Order, 196 FERC ¶ 61,245 at P 205 (finding that PJM did not support the initial RBP Credit Rate "with any quantitative measures, including an expected probably of default, a loss-given-default assumption, a historical LSE default experience, a liquidation or replacement period, or any qualitative measure").

PJM proposes to set the RBP Credit Rate at 40% of the net present value of the total RBP payment obligation.[70]

Applying the proposed new RBP Credit Rate at an assumed weighted-average RBP clearing price of $555/MW-day, Ms. Kelly finds that "the proposed methodology produces an illustrative RBP Credit Rate of approximately $686,000 per MW. This amount is equivalent to approximately 3.4 years of undiscounted RBP payments per MW."[71] This represents a significant reduction from the $1.5 million/MW RBP Credit Rate PJM initially proposed—a reduction in cost to post to affected LSEs which naturally results in a tradeoff reduction in the collateral coverage that protects PJM Members against socialized default amounts. Given that for the purposes of this example PJM assumed the weighted-average RBP clearing price would be at maximum allowable value of $555/MW-day,[72] the illustrative RBP Credit Rate of approximately $686,000 per MW is the highest possible RBP Credit Rate and would be lower to the extent the MW-weighted average of the levelized procurement cost of all committed RBP Resources is less than $555/MW-day.

b. Clarifying revisions for determining cumulative LSE RBP Credit Requirement

As noted, PJM is retaining its initial structure of first determining the overall credit requirement needed to address this risk at an aggregate level before then determining an individual LSE's RBP credit requirement. PJM will determine the cumulative LSE RBP credit requirement equal to "the RBP Credit Rate (as determined in accordance with Tariff,

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[70] *See* proposed Tariff, Attachment DD, section 18.8(b)(i)(A). Ms. Kelly explains how PJM will determine the net present value of the total RBP payment obligation. *See* Kelly Aff. ¶ 24.

[71] Kelly Aff. ¶ 48.

[72] *See* September 29 Order, 196 FERC ¶ 61,245, at P 74 ("[W]e find that using the $555/MW-day price cap for the 2028/2029 BRA . . . is a reasonable proxy of load's maximum willingness to pay for RBP capacity.")

Attachment DD, section 18.8(b)(i)(B)) multiplied by the committed RBP UCAP MW amount."[73] That is, one uniform RBP Credit Rate will be applicable to *all* committed RBP UCAP MW, and the cumulative RBP credit requirement for LSEs shall be met through RBP Collateral posted by those LSEs with responsibility for RBP Charges pursuant to Tariff, Attachment DD, section 18.3.

However, PJM is proposing revisions to clarify that the committed RBP UCAP MW for such purpose will be the "total amount of RBP UCAP MW that receives a commitment through the Reliability Backstop Procurement and is supported by an RBP Resource that has reached commercial operation by the start of the applicable Delivery Year."[74] And, the committed RBP UCAP MW "shall exclude" any RBP UCAP MW that is rescinded pursuant to Tariff, Attachment DD, section 18.6(e).[75] In other words, no collateral would be required for RBP Resources not in service for that Delivery Year.

c. Clarifying revisions regarding PJM's return of excess collateral

While the accepted Tariff provides that PJM will reduce the RBP Credit Rate "when total posted RBP Collateral is greater than the total remaining RBP Charges obligations over time by the Office of the Interconnection to an amount sufficient to cover the total existing RBP Charges obligations,"[76] PJM proposes to not change the RBP Credit Rate in such instance. Rather, PJM proposes that "[w]hen total posted RBP Collateral is greater than the total remaining RBP payment of obligations, the Office of the Interconnection will

[73] Proposed Tariff, Attachment DD, section 18.8(b)(i)(A).

[74] Proposed Tariff, Attachment DD, section 18.8(b)(i)(A).

[75] Proposed Tariff, Attachment DD, section 18.8(b)(i)(A).

[76] Tariff, Attachment DD, section 18.8(b)(i)(A).

make available excess collateral, upon request by an applicable Load Serving Entity."[77] That is, PJM will only be holding collateral sufficient to cover about 3.4 years of remaining RBP payment obligations (the sum of RBP Charges and RPM payments). Thus, as the RBP commitment period carries on, the new approach affords PJM flexibility to release excess collateral while maintaining sufficient collateral to mitigate against default risk.

d. Clarifying revisions for the determination of the RBP LSE credit requirement

PJM proposes to maintain its approach that the RBP credit requirement will follow cost allocation for RBP Resources. Thus, only those LSEs allocated cost responsibility will be assigned an RBP credit requirement and be required to post RBP Collateral, and the RPM credit requirement will be based on the level of RBP UCAP MW for which an LSE is allocated cost responsibility. In this manner, the RBP credit requirement is aligned with cost allocation.

PJM is proposing new Tariff language to clarify the determination of an LSE's RBP credit requirement, which will still equal the product of (1) the uniform RBP Credit Rate; and (2) the LSE's allocated RBP UCAP MW amount, i.e., its Allocated RBP Credit MW. First, reflective of PJM's movement from a stated RBP Credit Rate to one based on a percentage of the payment obligation, PJM is proposing to define RBP Credit Rate as "an amount per MW equal to 40% of the discounted total RBP payment obligation per MW over the applicable RBP commitment term, calculated using the weighted-average RBP clearing price of all RBP UCAP MW committed through the RBP."[78] Second, for clarity

[77] Proposed Tariff, Attachment DD, section 18.8(b)(i)(A).

[78] Proposed Tariff, Attachment DD, section 18.8(b)(i)(B).

and ease of understanding and application, PJM is defining "Allocated RBP Credit MW" as "the amount of RBP UCAP MW, expressed in MW, for which the LSE has been allocated responsibility for RBP Charges in accordance with Tariff, Attachment DD, section 18.3 and as determined in accordance with this Tariff, Attachment DD, section 18.8(b)(i)(B)(1) or (2), as appropriate."[79]

Accepted sections 18.8(b)(i)(B)(1) and (2) detail how an LSE allocated cost responsibility determine the amount of collateral they need to post. While PJM is not proposing to change this structure, PJM is proposing some revisions to reflect the new RBP Credit Rate and clarify the determination of an LSE's Allocated RBP Credit MW. PJM is also taking the opportunity to make some wordsmithing revisions for ease of understanding.[80] Specifically, PJM is clarifying that, in the event the LSE's cost allocation is determined through an RBO, PJM will determine its Allocated RBP Credit MW "based on the relevant Load Serving Entity's percent share of the zone/area's RBP Obligation MW assigned by the Electric Distributor,"[81] instead of scaling the RBP Obligation MW "in the event the total the RBP Obligation MW values uploaded by the Electric Distributor do not sum to the fixed, Final RBP Target MW for the zone/area."[82]

2. PJM is proposing to lengthen the timeframe from when an LSE is assigned responsibility for RBP Charges to the time by which collateral must be posted from 15 days to 75 days.

PJM is proposing that LSEs be provided at least 75 days' notice of their collateral obligation prior to a given Delivery Year before the LSE must have the requisite RBP

[79] Proposed Tariff, Attachment DD, section 18.8(b)(i)(B).

[80] *See* proposed Tariff, Attachment DD, section 18.8(b)(i)(B)(1) and (2) (wordsmithing revisions).

[81] Proposed Tariff, Attachment DD, section 18.8(b)(i)(B)(1).

[82] Tariff, Attachment DD, section 18.8(b)(i)(B)(1).

Collateral posted. That is, PJM is not changing the rule that LSEs must post RBP Collateral at least 45 days before the start of a Delivery Year in which the LSE is allocated responsibility for RBP Charges.[83] Rather, as discussed above in Part II.A, PJM is proposing that Electric Distributors report their initial RBP Obligation values to PJM at least 120 days prior to the start of the 2028/2029 Delivery Year. PJM is not proposing to change the rule that if no RBP Obligation is reported for an Electric Distributor zone/area, then RBP Charges allocated to that zone/area will be assign to each LSE "using each LSE's ratio share of the Daily Unforced Capacity Obligation for the zone/area as determined in RAA, Schedule 8."[84]

Thus, each LSE will know no later than 120 days before the 2028/2029 Delivery Year whether it will be assigned RBP Charges and if so, how much. Correspondingly, by applying the uniform RBP Credit Rate to the MW underlying its assigned RBP Charges, each LSE will also be able to easily determine its RBP Collateral requirement 120 days before the start of the 2028/2029 Delivery Year. As such, LSEs will be afforded at least 75 days to post their RBP Collateral, providing LSEs greater flexibility to manage their collateral requirements.

3. PJM is proposing to broaden the forms of acceptable collateral to include surety bonds.

In response to the Commission's assertion that PJM's initial LSE credit rules errantly "limited . . . acceptable forms of collateral"[85] to Letters of Credit and cash, PJM

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[83] *Compare* July 31 Filing, Attachment B at proposed Tariff, Attachment DD, sections 18.8(b)(i)(B)(1), (2), *with* proposed Tariff, Attachment DD, sections 18.8(b)(i)(B)(1), (2).

[84] Tariff, Attachment DD, section 18.3(b)(iii).

[85] September 29 Order, 196 FERC ¶ 61,245 at P 205.

re-assessed whether it could accept other forms of collateral, and determined that it also could accept surety bonds. Accordingly, PJM is proposing to revise the definition of RBP Collateral to include surety bonds,[86] providing LSEs additional flexibility to manage their collateral requirements. As Ms. Kelly testifies, all three of these acceptable forms of collateral "provide [PJM] reliable financial protection that PJM can access promptly when necessary, without conditions that could delay or impair its ability to obtain payment."[87]

From the start, PJM considered the unsecured credit available from existing Market Participants. But, as PJM explained in the initial RBP proceeding, there are two primary reasons that unsecured credit is not an appropriate form of collateral for RBP payment obligations. One, PJM's experience "has shown that, generally speaking, Market Participants used their full amount of unsecured credit to cover their Peak Market Activity credit obligations associated with those periods."[88] Two, the ability of the entity proffering the unsecured credit to "access to liquidity may . . . evaporate [during the up to 15-year term of the RBP contract], making it functionally unable to post additional collateral precisely when default risk rises."[89] In short, Market Participants already use all their unsecured credit available today so none is available to cover a 15-year payment obligation. And, even if some were available, it is not a form of collateral you can draw down on, and

[86] Proposed Tariff, Part 1, Definitions – R-S, RBP Collateral ("'RBP Collateral' shall mean any one of: (1) a cash deposit, including any interest thereon, (2) a surety bond with a provider, amount and form determined by and acceptable to PJM or PJMSettlement, or (3) a letter of credit issued for the benefit of PJM or PJMSettlement, with a provider, amount and form determined by and acceptable to PJM or PJMSettlement.").

[87] Kelly Aff. ¶ 57.

[88] *PJM Interconnection, L.L.C.*, Motion for Leave to Answer and Answer of PJM Interconnection, L.L.C., Docket No. ER26-3380-000, at 85 (Sep. 10, 2026) ("PJM RBP Answer").

[89] PJM RBP Answer at 85.

it is not convertible to cash. In addition, RBP's long-term payment obligation precludes PJM having the requisite confidence in the ability to draw on an unsecured credit to meaningfully cover the payment obligation. Therefore, allowing an LSE's credit requirement to be met through unsecured credit would inappropriately shift the default risk to PJM's Members.

4. Upon garnering sufficient experience, PJM will review the RBP Credit Rate and will present any recommendations to stakeholders.

Things change over time; PJM recognizes that. The quantitative and qualitative analysis that support the proposed RBP Credit Rate could change over time such that a review of the RBP Credit Rate may be warranted in order for the LSE credit requirement to continue to "strike a reasonable balance . . . against the risk of default and ensuring market participants have adequate flexibility to manage their collateral requirements."[90] Accordingly, PJM is proposing to memorialize in its Tariff a requirement for PJM to review the RBP Credit Rate "[f]ollowing the commencement of commercial operation of all Capacity Resources with RBP commitments."[91] This review will look at the inputs used to the determine the RBP Credit Rate, allowing PJM to identify whether and to what degree changes in the inputs over time may affect the RBP Credit Rate. In other words, PJM would evaluate the inputs discussed in Part II.B.1 above, including, for example, changes in the weighted-average credit rating of the portfolio of LSEs operating in PJM and the cost incurred by LSEs in providing collateral (e.g., the five-year historical trend in the 30-day average Secured Overnight Financing Rate). As Ms. Kelly explains, "[i]f PJM

[90] September 29 Order, 196 FERC ¶ 61,245 at P 205.

[91] Proposed Tariff, Attachment DD, section 18.8(b)(i)(A).

identifies material changes that would affect the RBP Credit Rate, PJM will reassess the RBP Credit Rate."[92] To the extent PJM identifies the need for any changes, the proposed Tariff revisions require PJM to "present any recommendations to stakeholders through the Members Committee."[93]

PJM is proposing to conduct this review once all committed RBP Resources reach commercial operation,[94] which will be a point in time in which there will be certainty as to the entire set of RBP Resources as well as afford PJM and Market Participants a few Delivery Years' worth of experience under the proposed RBP Credit Rate before evaluating whether it needs to be revised. PJM would conduct such review no later than the 2035/2036 Delivery Year, given that all RBP Resources should achieve commercial operation by June 1, 2032, or face RBP Shortfall Charges and RBP commitments will be rescinded for RBP Resources that fail to achieve commercial operation within three Delivery Years of the first Delivery Year for which the RBP Resource is committed.

5. PJM is clarifying that Credit Requirements for RBP Charges shall not be included in existing PJM credit tools.

The proposed LSE credit requirement should require the provision of adequate credit to mitigate the risk of paying for the RBP commitments over their term. To be clear, the LSE credit requirement is designed to cover both parts of the forward payment obligation due to a committed RBP Resource—the RBP Charges (i.e., the contract for differences) and the Locational Reliability Charges (i.e., RPM capacity payments).[95]

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[92] Kelly Aff. ¶ 62.

[93] Proposed Tariff, Attachment DD, section 18.8(b)(i)(A).

[94] To the extent any RBP commitment is rescinded pursuant to Tariff, Attachment DD, section 18.6(e), PJM would ignore such RBP Resource in determining when to commence the review.

[95] *See* Kelly Aff. ¶ 59.

Therefore, to avoid double counting the RPM capacity payment obligation, PJM is proposing revisions to Tariff, Attachment DD, section 18.8 to remove language that could allow PJM to consider RBP Charges and RPM capacity payments owed such RBP Resource through its other credit tools in Tariff, Attachment Q, including the Peak Market Activity. In fact, PJM is proposing revisions to make explicit that such payment obligations "shall not be included in Peak Market Activity" and is deleting the language that "[n]othing in this Tariff, Attachment DD, section 18.8 supersedes the provisions of Tariff, Attachment Q."[96] These revisions resolve in the negative any doubt as to whether PJM's proposed RBP credit requirement is duplicative of any existing PJM credit rule.

C. Treatment of RBP Commitment in Event of Transmission Owner Exit During Term of the Commitment (Proposed Tariff, Attachment DD, Section 18.7)

The September 29 Order states that "the proposed Transmission Owner exit provisions [from PJM's July 31 Filing] may be inconsistent with the cost causation principle because they do not assign costs to the entities that cause the costs and benefit from the capacity procurement under the RBP, i.e. LSEs."[97] In response, PJM is proposing to modify Tariff, Attachment DD, section 18.7 to put LSEs on notice that, in the event of a withdrawal from PJM, LSEs will continue to be responsible for any remaining RBP Charges that are allocated to them during the term of the RBP commitment. To be clear, this provision is designed to address the limited scenario where an LSE assigned responsibility for RBP Charges is electrically separated from PJM as a result of another entity that physically withdraws from PJM. It does not apply to scenarios where a Large

[96] Tariff, Attachment DD, section 18.8.

[97] September 29 Order, 196 FERC ¶ 61,245 at P 179.

Load may switch LSEs during the term of the RBP commitment as those changes would ordinarily be reflected in the Daily Unforced Capacity Obligation or Reliability Backstop Obligation that is used to charge for the RBP obligations.

Specifically, PJM proposes to modify the exit provision in proposed Tariff, Attachment DD, section 18.7 as follows:

> In the event a Load Serving Entity that is allocated RBP Charges withdraws from PJM (whether or not caused by the physical withdrawal of another entity from the PJM Region), such Load Serving Entity shall be responsible for the remainder of the RBP Charges allocated to it, subject to a rate filing with the Federal Energy Regulatory Commission that details the specific terms and amounts owed. Nothing in this provision shall limit such Load Serving Entity's ability to seek redress from another entity to the extent the Load Serving Entity's withdrawal is caused by that other entity's physical withdrawal from the PJM Region.

To date, no LSEs have indicated an intention to withdraw from PJM. Nevertheless, the proposed Tariff provision is needed to: (1) put LSEs on notice of how RBP commitments will be honored; (2) recognize that a primary incentive for developers to participate in the RBP is the cost certainty afforded by a 15-year commitment; (3) aid in the financing of RBP Resources that can be developed and placed in service quickly; and (4) protect remaining customers in PJM from stranded costs arising from RBP Charges. As proposed, the Tariff language may be divided into the following three distinct subparts, which PJM will address, in turn, below:

1) broad notice to LSEs of their responsibility for allocated RBP Charges in the event of withdrawal;

2) recognition that, in the event of withdrawal, details about specific terms and amounts owed will be subject to subsequent filings with the Commission; and

3) express preservation of an LSE's ability to seek redress under certain circumstances.

1. LSEs are on notice that, in the event of withdrawal, LSEs will continue to be responsible for RBP Charges allocated to them.

The September 29 Order suggests that "a just and reasonable approach could require LSEs in an exiting Transmission Owner's zone to pay RBP exit fees commensurate with their cost allocation under the RBP, to prevent cost shifts to other LSEs in the PJM Region."[98] Accordingly, PJM proposes to require that LSEs, rather than exiting Transmission Owners, cover costs commensurate with the RBP Charges allocated to them. The modified Tariff language follows the guidance provided in the September 29 Order and finds support in Commission precedent, and is therefore just and reasonable.

First, the September 29 Order suggests that a more legally durable approach to guarding against stranded RBP costs in the event of a withdrawal from PJM would be to require RBP Charges to follow an exiting LSE, rather than the exiting Transmission Owner. As the Commission observed in the September 29 Order, in *Duquesne*, the LSE "understood that PJM was procuring capacity on its behalf," and "PJM's obligation to pay generators is fixed at the time of the auction."[99] It follows that, in *Duquesne*, LSEs located in an exiting Transmission Owner's zone continued to be obligated to pay for capacity procured through the RPM.[100]

According to the September 29 Order, RBP Charges are analogous to the cost of capacity procured through the RPM in *Duquesne*, because:

> Under its RBP proposal, PJM similarly proposes to procure capacity through the RBP on behalf of LSEs, establish obligations to pay RBP Resources at the time of the procurement, and later allocate

[98] September 29 Order, 196 FERC ¶ 61,245 at P 181.

[99] September 29 Order, 196 FERC ¶ 61,245 at P 178 (quoting *Duquesne Light Co.*, 122 FERC ¶ 61,039, at P 89 (2008)).

[100] September 29 Order, 196 FERC ¶ 61,245 at P 178.

> those costs to LSEs. PJM fails to explain why Transmission Owners—who are not the buyers for which PJM procures capacity under the RBP—should be responsible for RBP Charges.[101]

Because LSEs, not exiting Transmission Owners, are the buyers for which PJM procures capacity under the RBP, LSEs are the beneficiaries of the RBP Resources procured by PJM. Thus, as the September 29 Order suggests, even where an exiting Transmission Owner ultimately causes an LSE to withdraw involuntarily from PJM, LSEs nevertheless remain the underlying cause for the RBP Resources and associated RBP Charges established at the time of procurement. Thus, as the Commission suggests, it is reasonable to continue requiring LSEs to cover RBP Charges allocated to them, even after they have withdrawn from PJM. Thus, PJM is revising its proposed Tariff, Attachment DD, section 18.7 to require that LSEs, rather than exiting Transmission Owners, continue to cover the costs of RBP Charges allocated to them.

Second, PJM's proposed Tariff language is drafted broadly to put exiting LSEs on notice of ongoing cost responsibility for RBP Charges allocated to them, without regard to whether those LSEs have exited PJM involuntarily based on their location in an exiting Transmission Owner's zone. In PJM, an LSE is defined by its role as an entity serving end-use customers within the PJM Region with the authority or obligation to sell electric energy to such end-users.[102] LSEs without physical assets would generally withdraw from PJM when the end-users they serve are located in an exiting Transmission Owner's zone. Thus, the September 29 Order suggests that a just and reasonable approach could require

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[101] September 29 Order, 196 FERC ¶ 61,245 at P 178.

[102] RAA, Article 1, Definitions; Tariff, Part 1, Definitions – L-M-N.

"LSEs in an exiting Transmission Owner's zone" to continue paying RBP Charges allocated to them.[103]

PJM's proposed Tariff provision recognizes that, in light of the numerous different configurations found in PJM, it is possible that LSEs may withdraw from PJM for reasons other than a Transmission Owner's physical withdrawal from the PJM Region. Thus, PJM's proposed Tariff provision puts LSEs on notice that they will be responsible for the remainder of RBP Charges allocated to them whether or not their exit was caused by the physical withdrawal of another entity from the PJM Region. Likewise, the revised Tariff provision puts LSEs on notice that their ongoing cost responsibility for RBP Charges will continue to follow them even if an LSE's withdrawal is the result of the physical withdrawal of entities other than an exiting Transmission Owner. Thus, the proposed Tariff provision is drafted broadly to provide assurances against stranded RBP Charges and cost shifts.

2. The modified proposal expressly recognizes that the specific terms and amounts owed in RBP Charges are subject to future filings with the Commission.

In response to PJM's July 31 Filing, a number of protestors raised concerns that PJM's previously proposed exit provisions were unnecessarily constraining. The Commission, "disagree[d] with protesters that establishing exit provisions in the Tariff would unnecessarily constrain the parties involved in effectuating a Transmission Owner's withdrawal from PJM. As PJM states, the cost obligations will be 'appropriately decided at the time of Transmission Owner's exit and subject to Commission approval.'"[104] As the

[103] September 29 Order, 196 FERC ¶ 61,245 at PP 181-82.

[104] September 29 Order, 196 FERC ¶ 61,245 at P 180 (quoting PJM RBP Answer at 98).

Commission has previously recognized, "there are a number of steps involved in proceeding with an orderly withdrawal from [a Regional Transmission Organization ("RTO")]" through "an orderly, phased-in sequence."[105]

PJM is proposing to modify its Tariff provision to expressly state that RBP Charges associated with a withdrawing LSE will be "subject to a rate filing with the Federal Energy Regulatory Commission that details the specific terms and amounts owed."[106] The modified proposal clarifies an important point and adheres to the September 29 Order and Commission precedent and is therefore just and reasonable.

First, like other exit provisions that the Commission has previously found to be just and reasonable, PJM's proposal does *not* establish specific cost obligations arising from specific circumstances surrounding a particular LSE's withdrawal or prejudge any potential settlement agreements pertaining to cost responsibility.[107] Under the proposed Tariff language, LSEs will only be responsible for the remainder of RBP Charges allocated to it. Depending on the specific circumstance of an LSE's withdrawal, RBP Obligation MW and associated RBP Charges may be subsequently allocated to other LSEs that have not withdrawn from the PJM Region, in accordance with Tariff, Attachment DD, section 18.3(b).

Second, in accordance with the September 29 Order, PJM is proposing a Tariff provision that "still leave[s] flexibility for LSEs"[108] that have been allocated responsibility

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[105] *Duke Energy Ohio, Inc.*, 133 FERC ¶ 61,058, at P 133 (2010) (quoting *Am. Transmission Sys., Inc. v. PJM Interconnection, L.L.C.*, 129 FERC ¶ 61,249, at P 29 (2009)).

[106] Proposed Tariff, Attachment DD, section 18.7.

[107] *See, e.g.*, *Midwest Indep. Transmission Sys. Operator, Inc.*, 133 FERC ¶ 61,221, at P 471 (2010), *order on reh'g*, 137 FERC ¶ 61,074 (2011).

[108] September 29 Order, 196 FERC ¶ 61,245 at P 181.

for RBP Charges. PJM agrees with the Commission that LSEs withdrawing from PJM should retain the flexibility to enter into appropriate business arrangements to cover its allocated RBP Charges. As the September 29 Order suggests, exiting LSEs may still have the flexibility "to enter into agreements with RBP Resources (which they may need to serve their load) or pay to pseudo-tie RBP Resources located within the exiting Transmission Owner's zone back into PJM."[109]

3. The modified proposal expressly preserves an LSE's ability to seek redress under certain circumstances.

While the modified proposal requires exiting LSEs—rather than exiting Transmission Owners—to continue covering their allocated RBP Charges, PJM nevertheless recognizes that LSEs retain the flexibility to seek redress when another entity's physical withdrawal from the PJM Region, such as a Transmission Owner's, causes an LSE to also be withdrawn from PJM. Therefore, PJM's modified Tariff provision expressly states that "[n]othing in this provision shall limit such Load Serving Entity's ability to seek redress from another entity to the extent the Load Serving Entity's withdrawal is caused by that other entity's physical withdrawal from the PJM Region."[110] The proposed language is just and reasonable and supported by Commission precedent.

First, as noted above, the proposed exit provision is drafted broadly to include, but not be limited to, instances where a Transmission Owner's physical withdrawal from the PJM Region causes LSEs to involuntarily withdraw from PJM. The Commission has expressly recognized that LSEs "may be required to associate with the same RTO as the

[109] September 29 Order, 196 FERC ¶ 61,245 at P 181.

[110] Proposed Tariff, Attachment DD, section 18.7.

transmission owner" and thus could require the "involuntary withdrawal by other LSEs in the [withdrawing transmission owner's] zone."[111]

When Transmission Owners have exited an RTO/Independent System Operator ("ISO"), LSEs that must involuntarily withdraw in order to associate with the same RTO/ISO as the exiting Transmission Owners have invariably challenged costs associated with the Transmission Owners' withdrawal from the RTO/ISO.[112] The Commission has previously found an exiting transmission owner's proposal to recover costs from its customers to be unjust and unreasonable where the transmission owner has "not sufficiently shown that wholesale transmission customers would realize net benefits from the RTO realignment."[113] The proposed Tariff provision recognizes that LSEs retain the right to file for cost recovery or intervene, challenge, and protest cost assignments following their involuntary withdrawal, including, but not limited to, by challenging the subsequent rate filings before the Commission.

Second, the proposed Tariff provision recognizes that the Commission has previously upheld Tariff provisions that shift cost responsibility from transmission customers to their exiting transmission owners. In *FirstEnergy Service Co. v. Midwest Independent Transmission System Operator, Inc.*, for example, the Commission upheld Schedule 39 of the Midwest Independent Transmission System Operator, Inc. ("MISO") Tariff, which held Transmission Owners exiting from MISO responsible for the costs of

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[111] *Duquesne Light Co.*, 122 FERC ¶ 61,039 at P 130.

[112] *See, e.g.*, *PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,029 (2015) (approving settlement between exiting transmission owner and wholesale transmission customers excluding 100% of certain exit and integration costs following Commission's denial, without prejudice, of transmission owner's request to recover such costs).

[113] *PJM Interconnection, L.L.C.*, 144 FERC ¶ 61,217, at P 22 (2013).

Multi-Value Project Charges, even though such charges are typically borne transmission customers. Therein, the Commission "disagree[d] with parties'assertions that Schedule 39 improperly shifts responsibility from the transmission customers to the Withdrawing Transmission Owner."[114] As the Commission explained:

> The transmission owner, not its transmission customers, makes the decision to withdraw from MISO and, therefore, Attachment FF [of the MISO Tariff] neither contemplates nor prescribes any financial obligations for transmission customers in the Withdrawing Transmission Owner's zone. Moreover, we disagree that MVP charges cannot be part of a transmission owner's exit fee obligation because, prior to a transmission owner's withdrawal, MVP charges are assessed to transmission customers. Attachment FF states . . . that transmission owners, upon withdrawal, become responsible for costs contemplated in Attachment FF.[115]

Subsequently, the Commission expressly distinguished *FirstEnergy* from *Duquesne*, reasoning:

> Although the Commission agreed that the allocation and usage-based rate design of MISO's MVPs are similar to the allocation and usage-based rate design of PJM's 500 kV facilities at issue in *Duquesne*, which the Commission rejected as part of a PJM exit fee, the Commission found that MISO's Tariff language is different than PJM's. The Commission stated that Section III.A.2.j of Attachment FF of MISO's Tariff explicitly obligates transmission owners withdrawing from MISO to pay costs incurred under Attachment FF, including MVP costs, whereas, in *Duquesne*, the Commission found that Schedule 12 of the PJM tariff lacked any language to obligate transmission owners that withdraw from PJM to continue to pay for transmission facility additions rated 500 kV and above. Because Attachment FF specified that transmission owners withdrawing from MISO are obligated to honor financial obligations associated with transmission facility additions incurred

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[114] *FirstEnergy Serv. Co. v. Midwest Indep. Transmission Sys. Operator, Inc.*, 138 FERC ¶ 61,140, at P 65 (2012), *order on initial decision & reh'g*, 153 FERC ¶ 61,101 (2015).

[115] *FirstEnergy*, 138 FERC ¶ 61,140 at P 65.

> under Attachment FF prior to withdrawal, the Commission found that the *Duquesne* precedent was distinguishable.[116]

While PJM's revised Tariff provision recognizes that a more legally durable solution follows Commission precedent in *Duquesne*, PJM nevertheless proposes that its Tariff expressly reserves the right of an LSE to seek redress from other entities whose decision to withdraw from PJM results in the withdrawal of the LSE.

In recognition of the fact that, depending on the specific circumstances of the withdrawal, LSEs may argue that costs typically borne by LSEs should become the responsibility of the entity that initiated the physical withdrawal from the PJM Region, PJM is proposing revised Tariff language that expressly contemplates that LSEs may seek redress from the other such entity whose physical withdrawal from the PJM Region caused the LSEs'withdrawal from PJM. While the provision is drafted broadly, PJM contemplates that the forms of redress that an LSE may seek may include recouperation of costs resulting directly from a Transmission Owner's business decision to exit PJM.

III. PROPOSED ADDITIONAL UPDATES TO THE ACCEPTED RBP RULES

Beyond the proposed updates discussed above, PJM proposes additional limited amendments to the Tariff that serves to further refine, clarify, and/or update the set of RBP rules as detailed below.

A. PJM Proposes to Amend the Opt-Out for LSEs that Are Not Regulated by States.

In the July 31 Filing, PJM proposed a limited RBP opt-out applicable to certain Electric Distributors whose zone/area rates are not subject to state regulation. The purpose of that provision was to address a narrow regulatory circumstance facing certain

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[116] *FirstEnergy*, 153 FERC ¶ 61,101 at P 142.

cooperative and municipal utility systems whose rates are not regulated by a state authority. However, in the September 29 Order, the Commission found that the proposed opt-out for qualifying cooperatives and municipal utilities may be unjust, unreasonable, and unduly discriminatory because those entities may serve Large Loads that are similarly situated to Large Loads served by other LSEs that would remain responsible for RBP Charges.[117]

To address this concern, PJM proposes to revise Tariff, Attachment DD, section 18.1(d) to eliminate the provision that permits an Electric Distributor that is not regulated by a RERRA to specify a quantity of load that will be opted out of the Initial RBP Target. As revised, the RBP framework will no longer provide an opt-out based on the regulatory status of an Electric Distributor's zone/area.

This revision ensures that responsibility for RBP Charges is applied on a comparable basis across all LSEs that serve Large Loads. Accordingly, LSEs serving Large Loads will remain responsible for RBP Charges regardless of whether the relevant Electric Distributor's zone/area is regulated by a state. By removing the previously proposed opt-out, the potential for disparate treatment among similarly situated Large Loads is eliminated and directly addresses the concern identified by the Commission in the September 29 Order.

B. PJM Proposes Updates to Modify the Opt-Out for a Peak Shaving Adjustment Program to Align with the RBP Offset.

While PJM is maintaining the remaining opt-out for Electric Distributors that address resource adequacy needs through Peak Shaving Adjustment programs established pursuant to state law, PJM proposes a targeted modification to better align that opt-out with

[117] September 29 Order, 196 FERC ¶ 61,245 at P 152.

the requirements applicable to Qualifying RBP Offset UCAP MW. Specifically, PJM proposes to require that any MW quantity used to reduce the Initial RBP Target through the Peak Shaving Adjustment opt-out be committed to participate in the applicable Peak Shaving Adjustment program for a minimum term of five years.[118] This requirement is consistent with the existing requirement that Qualifying RBP Offset UCAP MW be supported by a signed bilateral contract with a minimum term of five years in order to offset the Initial RBP Target.[119]

This proposed revision recognizes that Peak Shaving Adjustment MW and Qualifying RBP Offset UCAP MW serve a similar function within the RBP framework. In each case, the MW quantity is used to reduce the Initial RBP Target and, therefore, reduce the quantity of Capacity Resources that otherwise would be procured through the RBP construct. Although Peak Shaving Adjustment MW reflects a demand-side reduction rather than the addition of a supply-side resource with an accredited UCAP value, both mechanisms reduce the amount of incremental capacity procurement that would otherwise be necessary to address Large Load growth.

Because both mechanisms produce a comparable effect on the Initial RBP Target, they should be subject to comparable durability requirements. The proposed five-year minimum participation requirement helps ensure that Peak Shaving Adjustment MW used to reduce the Initial RBP Target represents a meaningful and sustained contribution to resource adequacy rather than a temporary or transitory reduction in load. Absent such a requirement, load could reduce the Initial RBP Target based on short-term participation in

[118] *See* proposed Tariff, Attachment DD, section 18.1(d).

[119] *See* Tariff, Attachment DD, section 18.2(c)(i).

a Peak Shaving Adjustment program without providing a commensurate long-term contribution to meeting the resource adequacy needs that gave rise to the RBP procurement.

Accordingly, the proposed five-year minimum term promotes consistency across the RBP framework by treating demand-side and supply-side offset mechanisms in a comparable manner. At the same time, the requirement remains sufficiently flexible to accommodate commercially reasonable arrangements while ensuring that any MW used to reduce the Initial RBP Target reflects a sustained commitment that supports resource adequacy objectives.

C. PJM Proposes to Update the Rules Related to the Cure Period for Any Identified Deficiencies Associated with an RBP Sell Offer.

Under the RBP rules accepted by the Commission in the September 29 Order, each RBP Sell Offer must include the information and evidence necessary to demonstrate that the proposed project qualifies as an RBP Resource. Specifically, an RBP Sell Offer must be accompanied by the applicable documentation and support required for the relevant resource type under Tariff, Attachment DD, section 18.5(f)(i). Upon receipt of an RBP Sell Offer, PJM reviews the submission on a pass/fail basis to determine whether the offer includes the required information and supporting evidence. If PJM identifies missing documentation or other deficiencies, PJM will notify the RBP Seller and provide an opportunity to cure the identified deficiencies before the offer is rejected.[120] In the event PJM identifies missing documentation or other evidence in an RBP Sell Offer, an RBP

[120] Tariff, Attachment DD, section 18.5(f)(i).

Seller has five calendar days, or until the close of the RBP offer submission window, whichever occurs first, to cure any deficiencies identified by PJM.[121]

Upon further review, PJM has determined that this provision may not provide all RBP Sellers a meaningful and consistent opportunity to cure deficiencies. In particular, should a significant number of RBP Sell Offers be submitted towards the end of the RBP offer submission window, PJM may not be able to complete its review of every offer and issue any necessary deficiency notices prior to the expiration of the submission window. As a result, the amount of time available to cure a deficiency could vary based solely on the timing of PJM's review rather than the nature of the deficiency or the merits of the underlying project.

To address this concern, PJM proposes a narrow modification to the cure process. Under the proposed revision, an RBP Seller will have five calendar days from receipt of a deficiency notice to cure any deficiencies identified by PJM, even if the cure period extends beyond the close of the RBP offer submission window. This change does not alter the substantive requirements applicable to RBP Sell Offers, nor does it modify PJM's evaluation criteria. Rather, it allows all RBP Sellers to receive the same cure opportunity once PJM has identified a deficiency. In addition, this revision enhances the fairness and administrability of the RBP qualification process by ensuring that an RBP Seller is not denied a cure opportunity solely because PJM's review occurs near the end of the submission window. The proposed revision also improves the likelihood that potentially

[121] Tariff, Attachment DD, section 18.5(f)(i).

qualifying RBP Resources will be evaluated on their merits rather than excluded due to timing constraints associated with the review process.

Importantly, PJM does not expect this change to encourage late submissions. RBP Sell Offers will continue to be reviewed on a rolling basis throughout the submission window, and PJM anticipates that sellers submitting offers earlier in the process may have greater opportunities to respond to informal requests for clarification or supplemental information before PJM issues a formal deficiency notice. By contrast, sellers submitting offers closer to the close of the submission window may have fewer opportunities for informal engagement prior to the commencement of the formal cure process. Accordingly, RBP Sellers will continue to have a strong incentive to submit complete RBP Sell Offers as early as practicable during the submission window.

To effectuate this update, PJM proposes to modify Tariff, Attachment DD, section 18.5(f)(i), as shown in blackline below:

> RBP Sell Offers that do not include the following information shall not proceed to selection assessment, provided, however, that the Office of the Interconnection shall provide the RBP Seller the opportunity to cure any identified deficiencies within five (5) calendar days of being notified by PJM. ~~Notwithstanding, such opportunity to cure shall not extend past the close of the bid submission window of the Reliability Backstop Procurement.~~

D. PJM Proposes Clarifications Related to Qualifying RBP Offset UCAP MW.

In the July 31 Filing, PJM explained that it is just and reasonable to reduce the Initial RBP Target to reflect qualifying new capacity procured outside of the RBP construct ("Qualifying RBP Offset UCAP MW"). Qualifying RBP Offset UCAP MW recognizes bilateral arrangements that help address the resource adequacy need associated with Large Load growth while furthering PJM's preference for encouraging voluntary procurement of

new capacity through bilateral contracting rather than through mandatory RBP procurement. As the Commission previously accepted, the universe of resources eligible to qualify as Qualifying RBP Offset UCAP MW includes new generation, Energy Storage Resources, Planned Demand Resources, and Planned DER Capacity Aggregation Resources.[122]

It remains just and reasonable to permit Electric Distributors to report Qualifying RBP Offset UCAP MW for purposes of decrementing the Initial RBP Target. Through this filing, PJM clarifies that any such resource must be physically located within the PJM Region.[123] Additionally, given that the RBP is now anticipated to commence on March 1, 2027, PJM is clarifying that capacity that may be committed in the Third Incremental Auction associated with the 2027/2028 Delivery Year will remain eligible as Qualifying RBP Offset UCAP MW (as well as to maintain eligibility as an RBP Resource).[124] This is appropriate given that the deadline to submit the binding notice of intent to offer into the Third Incremental Auction associated with the 2027/2028 Delivery Year will be before an order on this filing is expected.[125] This will avoid a scenario where a Planned Generation Capacity Resource may not be offered into the 2027/2028 Third Incremental Auction to preserve eligibility to be either offered as an RBP Resource or used as a Qualifying RBP Offset UCAP MW.

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[122] Tariff, Attachment DD, section 18.2(b).

[123] Proposed Tariff, Attachment DD, section 18.2(a).

[124] Proposed Tariff, Attachment DD, section 18.2(a); proposed Tariff, Attachment DD, section 18.5(a)(ii); proposed Tariff, Part 1, Definitions – O-P-Q, Qualifying RBP Offset UCAP MW.

[125] Specifically, the current deadline for the notice of intent to offer into the Third Incremental Auction for the 20287/2028 Delivery Year is November 26, 2026.

In addition, PJM is updating the language in Tariff, Attachment DD, section 18.2(e) to conform with the revised approach of requiring Electric Distributors to report the MW quantity of Large Load. Specifically, PJM proposes to amend this section to state that the total quantity of Qualifying RBP Offset UCAP MW that can be used to decrement the Initial RBP Target "will be capped by the aggregate MW quantity of Large Load reported by each Electric Distributor, as reported in accordance with Tariff, Attachment DD, section 18.3(a)(2), and the total MW quantity that is subject to the RBP opt-out, as requested in accordance with Tariff, Attachment DD, section 18.1(d), for the relevant zone/area."[126] Consistent with this clarification, PJM is also specifying that the Qualifying RBP Offset UCAP MW must be the subject of a bilateral agreement with a Large Load and up to the capacity obligation of such Large Load.[127] This way, the Qualifying RBP Offset UCAP MW will not be higher than the quantity of Large Load that the RBP is designed to procure for the 2028/2029 Delivery Year.

Further, PJM is clarifying through this filing that Planned Demand Resource or Planned DER Capacity Aggregation Resource used as Qualifying RBP Offset UCAP MW must satisfy certain eligibility requirements that also apply to those resource types when qualifying as RBP Resources. Specifically, such resources must "[n]ot be reliant on or composed of registered location(s) that previously supported a Demand Resource that provided capacity in the 2026/2027 Delivery Year unless such location represents an incremental increase in capacity resulting from an investment in new generation or new

[126] Proposed Tariff, Attachment DD, section 18.2(e).

[127] Proposed Tariff, Attachment DD, section 18.2(c).

storage resources at that location."[128] In addition, such resources must be supported by a signed commitment between the Curtailment Service Provider or DER Aggregator identifying the end-use customers that will support such commitment in an amount equal to the MW quantity relied upon as the offset.[129]

These requirements provide reasonable assurances that Planned Demand Resources and Planned DER Capacity Aggregation Resources used to reduce the Initial RBP Target represent genuinely incremental capacity additions rather than the repackaging of existing demand-side capability that has already contributed to PJM's resource adequacy requirements. Because the purpose of the Qualifying RBP Offset UCAP MW mechanism is to recognize new capacity that mitigates the reliability needs otherwise addressed through the RBP construct, it is appropriate to require evidence demonstrating that the specific end-use customer locations represent new capability and is directly associated with the new loads responsible for the incremental resource adequacy need. At the same time, these requirements do not need to be so restrictive that any previously registered end-use location prior to the 2026/2027 Delivery Year would be foreclosed from being eligible to be registered in support of a Demand Resource that is either offered as an RBP Resource or reported as Qualifying RBP Offset UCAP MW. Such locations are not currently supporting Capacity Resources, and therefore any capacity capability they can provide should be deemed new capacity on the system.

PJM also proposes to clarify that Planned Demand Resources and Planned DER Capacity Aggregation Resources used as Qualifying RBP Offset UCAP MW must identify

[128] *See* proposed Tariff, Attachment DD, section 18.5(c)(i).

[129] Tariff, Attachment DD, section 18.2(c)(iii).

the specific locations that will support the offset. This requirement is necessary to verify that the claimed MW quantity is associated with identifiable new load and represents incremental capacity that did not previously contribute to PJM's resource adequacy needs. The Commission expressly recognized concerns that Demand Resources and DER Aggregation Resources may face challenges in identifying customer locations sufficiently far in advance in the context of qualifying as an RBP Resource, but nonetheless found it reasonable to require identification of the specific locations supporting such resources.[130] Requiring location-specific information in the offset context is likewise appropriate and is consistent with the comparable identification requirements applicable to generation resources proposed as Qualifying RBP Offset UCAP MW.[131]

At the same time, while Planned Demand Resources and Planned DER Capacity Aggregation Resources used as Qualifying RBP Offset UCAP MW must satisfy the eligibility requirements necessary to demonstrate that the resources are new, incremental, and directly tied to the underlying Large Load, PJM does not require those resources to provide all of the documentation necessary to qualify as an RBP Resource. Specifically, the submission of the specific end-use customer contracts that would otherwise be required for participation as an RBP Resource would not be required. This tailored approach appropriately balances the need to ensure that offset MW represent genuine new capacity against the recognition that Qualifying RBP Offset UCAP MW are not themselves seeking RBP commitments or compensation. As a result, the proposal provides sufficient

[130] September 29 Order, 196 FERC ¶ 61,245 at P 50.

[131] Tariff, Attachment DD, section 18.2(c).

assurance that any MW used to reduce the Final RBP Target reflects real and incremental capacity additions while avoiding unnecessarily burdensome qualification requirements.

Finally, PJM is proposing to correct a typographical error in proposed Tariff, Attachment DD, section 18.5(d). Specifically, the Tariff provision states:

> To qualify as a DER Capacity Aggregation Resource that supplies RBP UCAP MW eligible to be offered into the Reliability Backstop Procurement, a Planned DER Capacity Aggregation Resource must meet the requirements of Tariff, Attachment DD, sections 18.5(b) . . . .[132]

Section 18.5(b) establishes the requirements applicable to "Generation or Energy Storage Resources as an RBP Resources" and was not intended to apply to DER Capacity Aggregation Resources. Rather, PJM intended to reference section 18.5(a), which sets forth the general eligibility requirements applicable to all resources supporting RBP UCAP MW and is titled "RBP Seller Eligibility to Participate and General Requirements for Resources Supporting RBP UCAP MW." Accordingly, this filing corrects Tariff, Attachment DD, section 18.5(d) by replacing the reference to "section 18.5(b)" with "section 18.5(a)."[133]

E. PJM Proposes to Update Site Control Requirements.

In the July 31 Filing, PJM proposed an RBP gating criteria designed to limit participation to resources with a high likelihood of achieving commercial operation to deter speculative offers. As relevant here, generation and storage resources seeking to participate in the RBP must demonstrate, among other things, evidence of 100% Site Control "for a term of at least three years from the date of submission of the

[132] Tariff, Attachment DD, section 18.5(d).

[133] Proposed Tariff, Attachment DD, section 18.5(d).

Application."[134] In Docket No. ER26-3380-000, PJM responded to comments submitted by CPV Power Holdings, LP ("CPV") and acknowledged certain concerns regarding the proposed Site Control requirements.[135] In the September 29 Order, the Commission recognized "PJM's openness to adopt CPV's suggested redlines to proposed Tariff, Attachment DD, section 18.5(f)(i)(2)" and stated that PJM could incorporate revisions to that provision through this filing.[136]

In particular, PJM recognizes that the reference to "Application" in Tariff, Attachment DD, section 18.5(f)(i)(2) may create ambiguity in the context of the RBP. That is, the term "Application" is generally associated with the submission of a project into PJM's interconnection queue and does not clearly identify the relevant point in time for purposes of the RBP Site Control requirement. Accordingly, PJM proposes to clarify that the three-year Site Control requirement is measured from the date of submission of the RBP Sell Offer.

PJM also proposes to revise the Site Control requirement to avoid imposing duplicative obligations on projects that are already being studied, or have already completed the relevant studies, as part of PJM's interconnection process. Such projects are already required to satisfy the applicable Site Control requirements as a condition of progressing through the interconnection queue. Requiring those projects to separately demonstrate an additional three-year minimum term of Site Control for RBP participation

[134] Tariff, Attachment DD, section 18.5(f)(i)(2).

[135] *See* PJM RBP Answer at 10, 44-46; *PJM Interconnection, L.L.C.*, Motion to Intervene and Comments of CPV Power Holdings, LP, Docket No. ER26-3380-000, at 4-5 (Aug. 21, 2026).

[136] September 29 Order, 196 FERC ¶ 61,245 at P 78.

could unnecessarily exclude otherwise viable resources that have a high likelihood of reaching commercial operation.

Therefore, PJM proposes to revise Tariff, Attachment DD, section 18.5(f)(i)(2) so that only projects that are not currently undergoing, and have not previously completed, an interconnection study in PJM's interconnection process must provide evidence of 100% Site Control, consistent with the requirements set forth in Tariff, Part VIII, Subpart A, section 402, for a term of at least three years from the submission of the RBP Sell Offer. For the same reason, only those projects would be required to provide an officer certification demonstrating compliance with the applicable Site Control requirements. Based on the foregoing, PJM proposes to amend Tariff, Attachment DD, section 18.5(f)(i)(2), as shown in blackline below:

> (2) For projects that are not the subject of a completed interconnection study or are not currently under study as part of an active New Service Request by the Office of the Interconnection, ~~E~~evidence of 100% Site Control consistent with Tariff, Part VIII, Subpart A, section 402 for each of the Generating Facility (including the location of the main step-up transformer), the Interconnection Facilities, and the Interconnection Switchyard (as defined in the PJM Manuals) for a term of at least three years from the date of submission of the ~~Application~~RBP Sell Offer.
>
> ~~In addition,~~Such projects must also be accompanied by a certification, executed by an officer or authorized representative of the Generation Project Developer, verifying that the Site Control requirements have been met. Further, at Transmission Provider's request, Generation Project Developer shall provide copies of landowner attestations or county recordings. The Site Control requirements include an acreage requirement for the Project, as set forth in the PJM Manuals.
>
> ~~Evidence of site control shall be consistent with Tariff, Part VIII, Subpart A, section 402;~~

F. PJM Proposes to Utilize the Most Updated Resource Forecast and Resource Mix.

Given that the September 29 Order suspended the RBP rules for five months to become effective February 28, 2027, PJM now anticipates commencing the RBP on March 1, 2027. As part of the September 29 Order, the Commission indicated that "PJM should employ the most up-to-date load and resource forecasts to inform the Initial RBP Target" when PJM conducts the RBP.[137]

Consistent with the Commission's guidance, PJM proposes to update the Initial RBP Target using the most current data available at the time of the RBP. As initially proposed, the Initial RBP Target will continue to be determined as the difference between the PJM Region Reliability Requirement for the 2028/2029 Delivery Year and the total quantity of Capacity Resources that cleared the 2028/2029 Base Residual Auction. However, rather than relying on the forecasts and accreditation values available at the time of the July 31 Filing, PJM will utilize the most recent load forecast and capacity accreditation information available immediately prior to the commencement of the RBP.

Specifically, PJM will use the latest PJM Region Reliability Requirement for the 2028/2029 Delivery Year, which will reflect the latest load forecast for the 2028/2029 Delivery Year that is scheduled to be finalized and published on or before February 1, 2027.[138] Likewise, PJM will also recalculate the UCAP equivalent of the ICAP quantity of Capacity Resources that cleared in the 2028/2029 Base Residual Auction using the

[137] September 29 Order, 196 FERC ¶ 61,245 at P 159.

[138] *See* Tariff, Attachment DD, section 5.10(d).

capacity accreditation factors for the 2028/2029 Delivery Year that are scheduled to be finalized in February 2027.

These updates will produce an Initial RBP Target that reflects the most current load and resource assumptions available when the RBP is conducted and, therefore, more accurately measures the UCAP MW capacity shortfall for the 2028/2029 Delivery Year that the RBP is intended to address.

Further, as a preventative measure so that a zone/area is not allocated costs beyond its respective Large Load demand, PJM is proposing to update the Initial RBP Target to equal the lesser of the calculated value of the 2028/2029 Delivery Year shortage and the region-wide total of Large Load MW reported to PJM by Electric Distributors. This approach prevents zone/areas from being assessed a greater share of the capacity shortfall than its expected Large Load growth. As PJM's senior manager of market design, Ms. Croop explains, this approach "provides an important safeguard by accounting for the possibility that previously reported Large Load agreements may be canceled between the collection of data for the 2027 Load Forecast and the establishment of the RBP."[139] In other words, capping the Initial RBP Target at the Large Load MW quantity that is reported by Electric Distributors will ensure that RBP costs do not exceed the Large Load growth reported for the applicable zone/area to align with the principles of cost causation and beneficiary pays.[140]

[139] Croop Aff. ¶ 6.

[140] *Id*.

To effectuate this update, PJM proposes discrete updates to Tariff, Attachment DD, section 18.1(a), as shown below:

> The Initial RBP Target shall be a region-wide value equal to the lesser of the (1) most up to date UCAP MW quantity that PJM cleared short of the PJM Region Reliability Requirement for the 2028/2029 Delivery Year Base Residual Auction or (2) the UCAP equivalent of the aggregate region-wide Large Load MW quantity reported by the Electric Distributor in accordance with Tariff, Attachment DD, section 18.3A. Specifically, the Initial RBP Target shall equal the lesser of ([the latest estimate of the PJM Region Reliability Requirement for the 2028/2029 Delivery Year, calculated as the RTO Region Peak Load Forecast for the 2028/2029 Delivery Year from the 2027 Load Forecast times the 2028/2029 Forecast Pool Requirement from the updated planning parameters available at the commencement of the RBP, less the sum of all updated Unforced Capacity Obligations of FRR Entities in the PJM Region] minus [the UCAP-equivalent of the ICAP quantity of Capacity Resources that cleared in the 2028/2029 Base Residual Auction using the latest capacity accreditation factors for the 2028/2029 Delivery Year available at the commencement of the RBP], the aggregate region-wide Large Load MW reported by the Electric Distributor in accordance with Tariff, Attachment DD, section 18.3A times the most recent 2028/2029 Forecast Pool Requirement).

Although PJM considered using the 2029/2030 Delivery Year to establish the Initial RBP Target, PJM determined that doing so could drive additional market uncertainty. Utilizing the shortfall from the 2028/2029 Base Residual Auction is consistent with the underlying intent of the RBP to address the nearer-term reliability need while allowing market fundamentals to address the longer-term resource adequacy.[141] Indeed, PJM has already initiated its Powering Reliability Through Market Design initiative with stakeholders to pursue longer-term market design reforms aimed at improving investment and retention signals to support resource adequacy.

[141] Croop Aff. ¶ 7.

More fundamentally, the RBP was developed to address the capacity shortfall identified for the 2028/2029 Delivery Year. The RBP's procurement target, eligibility requirements, timelines, and other design elements were all established with that shortfall in mind. If PJM were to instead base the Initial RBP Target on the results of the 2029/2030 Base Residual Auction, PJM would need to reevaluate and potentially modify numerous aspects of the RBP construct to align with a different procurement need many of which market participants have already prepared for or made decisions around. Moreover, maintaining the existing design promotes certainty, preserves stakeholder expectations, and avoids unnecessary disruption to the market.[142] Accordingly, PJM proposes to retain the 2028/2029 Delivery Year as the basis for the Initial RBP Target while updating the underlying load and resource inputs to reflect the most current information available when the RBP is conducted.

G. PJM Proposes to Update Must-Offer and Binding Notice of Intent Rules for Committed RBP Resources.

As PJM originally proposed, and the Commission accepted, a committed RBP Resource must offer its available capacity, up to the total quantity of committed RBP UCAP MW, into the RPM Auctions as a price taker, i.e., $0/MW-day UCAP, beginning with the first RPM Auction following the RBP commitment, for the applicable offered Delivery Year in which the term of the committed RBP UCAP MW begins and continuing each subsequent Delivery Year through the end of the fixed, 15-year term.[143] PJM is not proposing any changes to the overall framework of this requirement in this filing.

[142] Croop Aff. ¶ 8.

[143] Tariff, Attachment DD, section 18.6(a).

However, given that the RBP is now anticipated to commence on March 1, 2027, with final commitments awarded in early May 2027, PJM is updating rules pertaining to when a RBP Resource must first be offered into the RPM Auctions and the associated rules pertaining to the binding notice of intent. Specifically, PJM is making clear that any committed RBP Resource will be required to be offered into the RPM Auction associated with the first Delivery Year that such resource has an RBP commitment and is expected to be in service.[144] That must offer obligation, regardless of resource type, will continue through the end of the term of the RBP commitment.

The only exception to this general rule is that if an RBP Resource has a commitment beginning with the 2030/2031 Delivery Year and is *not* the subject of a notice of intent to be offered into the Base Residual Auction for the 2030/2031 Delivery Year, such committed RBP Resource would be required to be offered into the next RPM Auction to the extent such resource has an RBP commitment and is expected to be in service for the relevant Delivery Year.[145] This limited exception is necessary because a Planned Generation Capacity Resource that is not the subject of a notice of intent to offer would not have been included in the planning parameters for the 2030/2031 Base Residual Auction. For future auctions, committed RBP Resources would not be required to submit binding notices of intent to offer because PJM will know which resources have an RBP

[144] Proposed Tariff, Attachment DD, section 18.6(a); proposed Tariff, Attachment DD, section 6.6(j); Tariff, Attachment DD, section 6.6A(e).

[145] Proposed Tariff, Attachment DD, section 18.6(a); proposed Tariff, Attachment DD, section 6.6(j); proposed Tariff, Attachment DD, section 6.6A(e); Tariff, Attachment DD, section 5.5(b).

commitment and automatically include those resources in the planning models for the relevant Delivery Years.[146]

IV. REQUEST FOR WAIVER OF TARIFF, ATTACHMENT DD, SECTIONS 16.2 AND 16.3

Under the Tariff provisions approved in the September 29 Order, a Reliability Backstop Auction is triggered if, for three consecutive Delivery Years, the Base Residual Auction "equates to an installed reserve margin that is more than one percentage point lower than the approved PJM Region Installed Reserve Margin."[147] The Base Residual Auctions for the 2027/2028 and 2028/2029 Delivery Years resulted in an installed reserve margin that was more than one percentage point lower than the approved PJM Region Installed Reserve Margin.[148] The Base Residual Auction associated with the 2029/2030 Delivery Year could potentially clear short as well. Should that occur, the current Tariff would require PJM to "declare a capacity shortage and make a filing with FERC for approval to conduct a Reliability Backstop Auction."[149] Additionally, the Tariff also calls

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[146] *See* proposed Tariff, Attachment DD, section 5.5(b)

[147] Tariff, Attachment DD, section 16.2.

[148] *See 2027/2028 Base Residual Auction Reserve Target Shortfall Report*, PJM Interconnection, L.L.C., 1 (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 [https://perma.cc/TA3Y-95AX] ("2027/2028 BRA Report") ("PJM Interconnection cleared the 2027/2028 Base Residual Auction with a reserve margin that is more than one percentage point below the Installed Reserve Margin target, and with total Unforced Capacity of all Base Load Generation Resources less than the forecasted minimum hourly load. This confirmed shortfall constitutes a triggering event as defined in the PJM Tariff, mandating an investigation to determine the root causes of the region's failure to secure sufficient resource adequacy."); *2028/2029 Base Residual Auction Reserve Target Shortfall Report*, PJM Interconnection, L.L.C., 3 (July 14, 2026), https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2028-2029/2028-2029-reliability-backstop-baseload-generation-check.pdf ("2028/2029 BRA Report").

[149] Tariff, Attachment DD, sections 16.3(a)(i)-(ii).

for PJM to "investigate the cause for clearing short of the reliability requirement and to recommend corrective action."[150]

Because the RBP effectively fulfills the same purpose as the Reliability Backstop Auction called for in Tariff, Attachment DD, section 16, in the July 31 Filing, PJM proposed to reset the timeframe for triggering a Reliability Backstop Auction and the investigation into the triggering shortfalls to the restart "with the 2032/2033 Delivery Year and thereafter."[151] The September 29 Order accepted and suspended this change effective February 28, 2027.[152]

Given that these accepted revisions do not become effective until February 28, 2027, to the extent the 2029/2030 Base Residual Auction, held in December 2026, clears short of the reliability requirement, the currently effective Tariff would require PJM to "investigate the cause for the shortage, and recommend corrective action,"[153] but such investigation would then cease once the accepted tariff records become effective. Because the RBP is designed to address the shortfall and to avoid an unnecessary expense of resources, PJM requests waiver of the obligation in Tariff, Attachment DD, section 16.2 to perform such investigation.

The Commission will grant waiver of tariff provisions where: (1) the applicant acted in good faith; (2) the waiver is of limited scope; (3) the waiver addresses a concrete problem; and (4) the waiver does not have undesirable consequences, such as harm to third

[150] Tariff, Attachment DD, section 16.2.

[151] July 31 Filing, Attachment B at proposed Tariff, Attachment DD, sections 16.2, 16.3(a)(i)-(ii).

[152] *See* September 29 Order, 196 FERC ¶ 61,245 at P 1 n.3 & Appendix A; ordering para. (A).

[153] Tariff, Attachment DD, section 16.2.

parties.[154] This one-time prospective waiver satisfies all four of the Commission's waiver criteria.

First, the waiver request is being submitted in good faith. As noted above, such investigation is unnecessary and would needlessly expend scarce resources. PJM has already issued two reports detailing the causes of the shortfall from the 2027/2028 and 2028/2029 Base Residual Auctions.[155] Given that many of the same supply constraints and load growth remains for the 2029/2030 Delivery Year, it is unlikely that further investigation will discover different reasons for the current resource adequacy position. Additionally, this FPA section 205 filing proposes to commence the RBP on March 1, 2027, which is designed as a stop-gap measure to address the expected resource adequacy shortfall that would be duplicative of a Reliability Backstop Auction. Moreover, PJM is already actively engaged with stakeholders through its "Powering Reliability Through Markets" discussions designed to formulate updated market rules that will more efficiently and effectively provide resource adequacy for the PJM Region.[156]

Second, the waiver request is of limited scope. PJM seeks a one-time waiver of Tariff, Attachment DD, sections 16.2 and 16.3 upon completion of the 2029/2030 Base Residual Auction in the event such auction clears short. Third, the waiver request addresses a concrete problem—the obligation to conduct an investigation into the cause of

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[154] *PJM Interconnection, L.L.C.*, 191 FERC ¶ 61,202, at P 14 (2025) (citing waiver standards and allowing tariff waiver to implement equitable relief in light of certain tariff provisions); *see Midcontinent Indep. Sys. Operator, Inc.*, 154 FERC ¶ 61,059, at P 13 (2016) (same).

[155] *See* 2027/2028 BRA Report; 2028/2029 BRA Report.

[156] *Powering Reliability Through Market Design Workshops*, PJM Interconnection, L.L.C., https://www.pjm.com/committees-and-groups/workshops/prtmdw [https://perma.cc/6K9W-YRL8] (last visited Oct. 28, 2026).

the shortage and recommend corrective actions. As noted, this is appropriate given that PJM will already be conducting the RBP on March 1, 2027, and conducting a Reliability Backstop Auction right after the RBP is not necessary. Further, another investigation will likely yield the same conclusions as the two recent reports. Fourth, granting the waiver request will not have undesirable consequences, such as harm to third parties. There is no need to conduct such investigation or to recommend corrective measures. PJM is already going to hold the RBP to procure new capacity.

In short, the waiver request satisfies all four elements for waiver of the Tariff, and PJM asks that the Commission grant the waiver request.

V. STAKEHOLDER CONSULTATION

As required by Tariff, section 9.2(b), PJM consulted the Members Committee and the Transmission Owners on October 22, 2026, seven days prior to submitting this filing.[157] In addition, PJM also consulted with the Transmission Owners on October 22, 2026, in accordance with the Consolidated Transmission Owners Agreement, section 7.5.1(ii).[158] This filing includes feedback and suggestions from stakeholders during that consultation that PJM found meritorious.

VI. PROPOSED EFFECTIVE DATES AND UPDATED RBP TIMING

As noted above, PJM now anticipates commencing the RBP on March 1, 2027, provided the Commission accepts the Tariff revisions proposed herein. This

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157 Special Members Committee, *Agenda*, PJM Interconnection, L.L.C. (Oct. 22, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/committees/mc/2026/20261022-special/agenda.pdf [https://perma.cc/4F23-H5QB].

158 Transmission Owners Agreement-Administrative Committee, *PJM TOA-AC Open-Session, Special Session Agenda*, PJM Interconnection, L.L.C. (Oct. 22, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/committees/toa-ac/2026/20261022/20261022-agenda.pdf [https://perma.cc/XEK9-UE59].

commencement date aligns with the Commission's determination to suspend the RBP rules until February 28, 2027, as March 1, 2027, is the first business day on which those rules, as revised in this filing, would be effective. PJM considered whether the RBP could commence earlier than March 1, 2027. However, an earlier commencement would not provide sufficient time to incorporate the most current load forecast and capacity accreditation factors, each of which is expected to become available in or around February 2027 and is necessary to calculate an updated Initial RBP Target. Commencing the RBP on March 1, 2027, therefore provides PJM with the opportunity to employ the most current data available while remaining consistent with the Commission's established effective date for the RBP framework.

In addition, PJM is proposing to extend the RBP Sell Offer window by one week so that it will be open for a total of four weeks.[159] One additional week of the offer window will allow PJM to commence the RBP on March 1, 2027, while providing developers of projects in PJM's cycle 01 interconnection the opportunity to view the study results from phase 1 of the interconnection cycle study, which is currently scheduled to be posted by March 26, 2027.[160] Relatedly, PJM is specifying that if the most current PJM study is available, such study may be used in lieu of an independent consultant report that details the study information and project timeline to support the expected commercial operation date of an RBP Resource.[161]

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[159] Proposed Tariff, Attachment DD, section 18.4.

[160] *See Cycle Timeline*, PJM Interconnection, L.L.C., https://www.pjm.com/planning [https://perma.cc/AL65-9ALQ] (last visited Oct. 28, 2026).

[161] Proposed Tariff, Attachment DD, section 18.5(f).

Further, given that, as discussed in Part II.A, PJM is proposing a new Tariff, Attachment DD, section 18.3A to require for Electric Distributors to report Large Load MW quantities to PJM no later than seven days prior to the commencement of the RBP. An effective date earlier than February 28, 2027, is necessary to afford Electric Distributors time to review the Commission's order, understand the requirement, gather the requisite information, and report it to PJM. Accordingly, PJM is proposing a January 29, 2027 effective date for proposed Tariff, Attachment DD, section 18.3A. However, the Commission should not feel constrained to wait until January 29, 2027, to issue an order on the proposed RBP rules, but should feel free to issue an order whenever it feels appropriate before January 29, 2027.

Finally, PJM respectfully requests that the Commission issue an order on all aspects of this filing no later than January 29, 2027. A Commission order by that date would provide PJM and market participants with sufficient certainty regarding the applicable RBP rules and facilitate orderly administration of the RBP beginning on March 1, 2027. Accordingly, while PJM requests an effective date of February 28, 2027, for most of the substantive Tariff revisions proposed herein, PJM further requests that the Commission act on this filing no later than January 29, 2027, to provide the advance notice necessary for efficient administration of the RBP.

VII. DESCRIPTION OF SUBMITTAL

This filing consists of the following:

1. This transmittal letter;

2. Attachment A – Revisions to the Tariff, in redline format;

3. Attachment B – Revisions to the Tariff, in clean format;

4. Attachment C – Affidavit of Gwen Kelly; and

5. Attachment D – Affidavit of Danielle Croop.

VIII. 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
Vice President – Federal Government Policy
PJM Interconnection, L.L.C.
1200 G Street, N.W., Suite 600
Washington, DC 20005
(202) 423-4743
craig.glazer@pjm.com

Chenchao Lu
Associate General Counsel
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403
(610) 666-2255
chenchao.lu@pjm.com

Ryan J. Collins
Vivian W. Chum
Wright & Talisman, P.C.
1200 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 393-1200 (phone)
collins@wrightlaw.com
chum@wrightlaw.com

IX. SERVICE

PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In

accordance with the Commission's regulations,[162] PJM will post a copy of this filing to the Commission filings section of its internet site, located at the following link: https://www.pjm.com/library/filing-order with a specific link to the newly filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region[163] alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the Commission's eLibrary website located at the following link: http://www.ferc.gov/docsfiling/elibrary.asp in accordance with the Commission's regulations and Order No. 714.[164]

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

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

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

X. CONCLUSION

Based on the foregoing, PJM respectfully requests that the Commission accept the proposed Tariff revisions as discussed herein and effective as proposed.

Respectfully submitted,

/s/ Chenchao Lu

Craig Glazer
Vice President – Federal Government Policy
PJM Interconnection, L.L.C.
1200 G Street, N.W., Suite 600
Washington, DC 20005
(202) 423-4743
craig.glazer@pjm.com

Chenchao Lu
Associate General Counsel
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403
(610) 666-2255
chenchao.lu@pjm.com

Ryan J. Collins
Vivian W. Chum
Wright & Talisman, P.C.
1200 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 393-1200 (phone)
collins@wrightlaw.com
chum@wrightlaw.com

On behalf of
PJM Interconnection, L.L.C.

Attachment A

Revisions to the Tariff
(in redline format)

Definitions – O – P - Q

Obligation:

"Obligation" shall mean all amounts owed to PJMSettlement for purchases from the PJM Markets, Transmission Service, (under both Tariff, Part II and Tariff, Part III), and other services or obligations pursuant to the Agreements. In addition, aggregate amounts that will be owed to PJMSettlement in the future for capacity purchases within the PJM capacity markets will be added to this figure. Should other markets be formed such that Participants may incur future Obligations in those markets, then the aggregate amount of those Obligations will also be added to the Net Obligation.

Offer Data:

"Offer Data" shall mean the scheduling, operations planning, dispatch, new resource, and other data and information necessary to schedule and dispatch generation resources and Demand Resource(s) for the provision of energy and other services and the maintenance of the reliability and security of the Transmission System in the PJM Region, and specified for submission to the PJM Interchange Energy Market for such purposes by the Office of the Interconnection.

Office of the Interconnection:

"Office of the Interconnection" shall mean the employees and agents of PJM Interconnection, L.L.C. subject to the supervision and oversight of the PJM Board, acting pursuant to the Operating Agreement.

Office of the Interconnection Control Center:

"Office of the Interconnection Control Center" shall mean the equipment, facilities and personnel used by the Office of the Interconnection to coordinate and direct the operation of the PJM Region and to administer the PJM Interchange Energy Market, including facilities and equipment used to communicate and coordinate with the Market Participants in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

On-Site Generators:

"On-Site Generators" shall mean generation facilities or portions of a generation facility (including Behind The Meter Generation) that (i) are not Generation Capacity Resources, (ii) are not injecting into the grid for the portion of a generation facility that participates as a Demand Resource or as an Economic Load Response Participant unless permitted as an Economic Load Response Regulation Only Participant, (iii) are either synchronized or non-synchronized to the Transmission System, and (iv) can be used to reduce demand for the purpose of participating in the PJM Interchange Energy Market.

Open Access Same-Time Information System (OASIS) or PJM Open Access Same-Time Information System:

"Open Access Same-Time Information System," "PJM Open Access Same-Time Information System" or "OASIS" shall mean the electronic communication and information system and standards of conduct contained in Part 37 and Part 38 of the Commission's regulations and all additional requirements implemented by subsequent Commission orders dealing with OASIS for the collection and dissemination of information about transmission services in the PJM Region, established and operated by the Office of the Interconnection in accordance with FERC standards and requirements.

Open-Loop Hybrid Resource:

"Open-Loop Hybrid Resource" shall mean a Hybrid Resource with a storage component that operates by charging its storage component from the grid.

Operating Agreement of the PJM Interconnection, L.L.C., Operating Agreement or PJM Operating Agreement:

"Operating Agreement of the PJM Interconnection, L.L.C.," "Operating Agreement" or "PJM Operating Agreement" shall mean the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. dated as of April 1, 1997 and as amended and restated as of June 2, 1997, including all Schedules, Exhibits, Appendices, addenda or supplements hereto, as amended from time to time thereafter, among the Members of the PJM Interconnection, L.L.C., on file with the Commission.

Operating Day:

"Operating Day" shall mean the daily 24 hour period beginning at midnight for which transactions on the PJM Interchange Energy Market are scheduled.

Operating Margin:

"Operating Margin" shall mean the incremental adjustments, measured in megawatts, required in PJM Region operations in order to accommodate, on a first contingency basis, an operating contingency in the PJM Region resulting from operations in an interconnected Control Area. Such adjustments may result in constraints causing Transmission Congestion Charges, or may result in Ancillary Services charges pursuant to the PJM Tariff.

Operating Margin Customer:

"Operating Margin Customer" shall mean a Control Area purchasing Operating Margin pursuant to an agreement between such other Control Area and the LLC.

Operating Reserve Demand Curve:

"Operating Reserve Demand Curve" shall mean a curve with prices on the y-axis and megawatts on the x-axis, which defines the relationship between each incremental megawatt of reserves that

can be used to meet a given reserve requirement.

Operationally Deliverable:

"Operationally Deliverable" shall mean, as determined by the Office of the Interconnection, that there are no operational conditions, arrangements or limitations experienced or required that threaten, impair or degrade effectuation or maintenance of deliverability of capacity or energy from the external Generation Capacity Resource to loads in the PJM Region in a manner comparable to the deliverability of capacity or energy to such loads from Generation Capacity Resources located inside the metered boundaries of the PJM Region, including, without limitation, an identified need by an external Balancing Authority Area for a remedial action scheme or manual generation trip protocol, transmission facility switching arrangements that would have the effect of radializing load, or excessive or unacceptable frequency of regional reliability limit violations or (outside an interregional agreed congestion management process) of local reliability dispatch instructions and commitments.

Opportunity Cost:

"Opportunity Cost" shall mean a component of the Market Seller Offer Cap calculated in accordance with Tariff, Attachment DD, section 6.

OPSI Advisory Committee:

"OPSI Advisory Committee" shall mean the committee established under Tariff, Attachment M, section III.G.

Option to Build:

"Option to Build" shall mean the option of the New Service Customer to build certain Customer-Funded Upgrades, as set forth in, and subject to the terms of, the Construction Service Agreement.

Optional Interconnection Study:

"Optional Interconnection Study" shall mean a sensitivity analysis of an Interconnection Request based on assumptions specified by the Interconnection Customer in the Optional Interconnection Study Agreement.

Optional Interconnection Study Agreement:

"Optional Interconnection Study Agreement" shall mean the form of agreement for preparation of an Optional Interconnection Study, as set forth in Tariff, Attachment N-3.

Part I:

"Part I" shall mean the Tariff Definitions and Common Service Provisions contained in Tariff, Part I, sections 1 through 12A.

Part II:

"Part II" shall mean Tariff, Part II, sections 13 through 27A pertaining to Point-To-Point Transmission Service in conjunction with the applicable Common Service Provisions of Tariff, Part I and appropriate Schedules and Attachments.

Part III:

"Part III" shall mean Tariff, Part III, sections 28 through 35 pertaining to Network Integration Transmission Service in conjunction with the applicable Common Service Provisions of Tariff, Part I and appropriate Schedules and Attachments.

Part IV:

"Part IV" shall mean Tariff, Part IV, sections 36 through 112C pertaining to generation or merchant transmission interconnection to the Transmission System in conjunction with the applicable Common Service Provisions of Tariff, Part I and appropriate Schedules and Attachments.

Part V:

"Part V" shall mean Tariff, Part V, sections 113 through 122 pertaining to the deactivation of generating units in conjunction with the applicable Common Service Provisions of Tariff, Part I and appropriate Schedules and Attachments.

Part VI:

"Part VI" shall mean Tariff, Part VI, sections 200 through 237 pertaining to the queuing, study, and agreements relating to New Service Requests, and the rights associated with Customer-Funded Upgrades in conjunction with the applicable Common Service Provisions of Tariff, Part I and appropriate Schedules and Attachments.

Participant:

"Participant" shall mean a Market Participant and/or Transmission Customer and/or Applicant requesting to be an active Market Participant and/or Transmission Customer**.**

Parties:

"Parties" shall mean the Transmission Provider, as administrator of the Tariff, and the Transmission Customer receiving service under the Tariff. PJMSettlement shall be the Counterparty to Transmission Customers.

Peak-Hour Dispatch:

"Peak-Hour Dispatch" shall mean, for purposes of calculating the Energy and Ancillary Services Revenue Offset under Tariff, Attachment DD, section 5, an assumption, as more fully set forth in the PJM Manuals, that the Reference Resource is committed in the Day-ahead Energy Market in four distinct blocks of four hours of continuous output for each block from the peak-hour period beginning with the hour ending 0800 EPT through to the hour ending 2300 EPT for any day when the average day-ahead LMP for the area for which the Net Cost of New Entry is being determined is greater than, or equal to, the cost to generate (including the cost for a complete start and shutdown cycle), plus 10% of such costs only for the 2022/2023 Delivery Year, for at least two hours during each four-hour block, where such blocks shall be assumed to be committed independently; provided that, if there are not at least two economic hours in any given four-hour block, then the Reference Resource shall be assumed not to be committed for such block; and to the extent not committed in any such block in the Day-ahead Energy Market under the above conditions based on Day-Ahead LMPs, is dispatched in the Real-time Energy Market for such block if the Real-Time LMP is greater than or equal to the cost to generate, plus 10% of such costs only for the 2022/2023 Delivery Year, under the same conditions as described above for the Day-ahead Energy Market.

Peak Market Activity:

"Peak Market Activity" shall mean a measure of exposure for which credit is required, calculated in accordance with Tariff, Attachment Q, section VII.A.

Peak Market Activity Shortfall:

"Peak Market Activity Shortfall" shall mean, for any given week, the amount by which a Participant's current Peak Market Activity exceeds such Participant's Peak Market Activity credit requirement from the prior week.

Peak Market Activity Surplus:

"Peak Market Activity Surplus" shall mean, for any given week, the amount by which a Participant's Peak Market Activity credit requirement from the prior week exceeds such Participant's current Peak Market Activity.

Peak Season:

"Peak Season" shall mean the weeks containing the 24th through 36th Wednesdays of the calendar year. Each such week shall begin on a Monday and end on the following Sunday, except for the week containing the 36th Wednesday, which shall end on the following Friday.

Percentage Internal Resources Required:

"Percentage Internal Resources Required" shall have the meaning specified in the Reliability Assurance Agreement.

Performance Assessment Interval:

"Performance Assessment Interval" shall mean each Real-time Settlement Interval for which an Emergency Action has been declared by the Office of the Interconnection, provided, however, that Performance Assessment Intervals for a Base Capacity Resource shall not include any intervals outside the calendar months of June through September.

Permissible Technological Advancement:

"Permissible Technological Advancement" shall mean a proposed technological change such as an advancement to turbines, inverters, plant supervisory controls or other similar advancements to the technology proposed in the Interconnection Request that is submitted to the Transmission Provider no later than the return of an executed Facilities Study Agreement (or, if a Facilities Study is not required, prior to the return of an executed Interconnection Service Agreement). Provided such change may not: (i) increase the capability of the Generating Facility as specified in the original Interconnection Request; (ii) represent a different fuel type from the original Interconnection Request; or (iii) cause any material adverse impact(s) on the Transmission System with regard to short circuit capability limits, steady-state thermal and voltage limits, or dynamic system stability and response. If the proposed technological advancement is a Permissible Technological Advancement, no additional study will be necessary and the proposed technological advancement will not be considered a Material Modification.

PJM:

"PJM" shall mean PJM Interconnection, L.L.C., including the Office of the Interconnection as referenced in the PJM Operating Agreement. When such term is being used in the RAA it shall also include the PJM Board.

PJM Administrative Service:

"PJM Administrative Service" shall mean the services provided by PJM pursuant to Tariff, Schedule 9.

PJM Board:

"PJM Board" shall mean the Board of Managers of the LLC, acting pursuant to the Operating Agreement except when such term is being used in Tariff, Attachment M, in which case PJM Board shall mean the Board of Managers of PJM or its designated representative, exclusive of any members of PJM Management.

PJM Control Area:

"PJM Control Area" shall mean the Control Area recognized by NERC as the PJM Control Area.

PJM Entities:

"PJM Entities" shall mean PJM, including the Market Monitoring Unit, the PJM Board, and PJM's officers, employees, representatives, advisors, contractors, and consultants.

PJM Interchange:

"PJM Interchange" shall mean the following, as determined in accordance with the Operating Agreement and Tariff: (a) for a Market Participant that is a Network Service User, the amount by which its interval Equivalent Load exceeds, or is exceeded by, the sum of the interval outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup; or (c) the interval scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the interval net metered output of any other Market Seller; or (e) the interval scheduled deliveries of Spot Market Energy to an External Market Buyer; or (f) the inteval scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

PJM Interchange Energy Market:

"PJM Interchange Energy Market" shall mean the regional competitive market administered by the Office of the Interconnection for the purchase and sale of spot electric energy at wholesale in interstate commerce and related services established pursuant to Operating Agreement, Schedule 1, and the parallel provisions of Tariff, Attachment K – Appendix.

PJM Interchange Export:

"PJM Interchange Export" shall mean the following, as determined in accordance with the Operating Agreement and Tariff: (a) for a Market Participant that is a Network Service User, the amount by which its interval Equivalent Load is exceeded by the sum of the inteval outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup sales; or (c) the interval scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the interval net metered output of any other Market Seller.

PJM Interchange Import:

"PJM Interchange Import" shall mean the following, as determined in accordance with the Operating Agreement and Tariff: (a) for a Market Participant that is a Network Service User, the amount by which its interval Equivalent Load exceeds the sum of the interval outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup purchases; or (c) the interval scheduled deliveries of Spot Market Energy to an External Market Buyer; or (d) the interval scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

PJM Liaison:

"PJM Liaison" shall mean the liaison established under Tariff, Attachment M, section III.I.

PJM Management:

"PJM Management" shall mean the officers, executives, supervisors and employee managers of PJM.

PJM Manuals:

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

PJM Markets:

"PJM Markets" shall mean the PJM Interchange Energy Market, capacity markets, including the RPM auctions, and any other market operated by PJM, together with all bilateral or other wholesale electric power and energy transactions, capacity transactions, ancillary services transactions (including black start service), transmission transactions, Financial Transmission Rights transactions, or transactions in any other market operated under the Agreements within the PJM Region, wherein Market Participants may incur Obligations to PJM and/or PJMSettlement.

PJM Market Rules:

"PJM Market Rules" shall mean the rules, standards, procedures, and practices of the PJM Markets set forth in the PJM Tariff, the PJM Operating Agreement, the PJM Reliability Assurance Agreement, the PJM Consolidated Transmission Owners Agreement, the PJM Manuals, the PJM Regional Practices Document, the PJM-Midwest Independent Transmission System Operator Joint Operating Agreement or any other document setting forth market rules.

PJM Net Assets:

"PJM Net Assets**"** shall mean the total assets per PJM's consolidated quarterly or year-end financial statements most recently issued as of the date of the receipt of written notice of a claim less amounts for which PJM is acting as a temporary custodian on behalf of its Members, transmission developers/Designated Entities, and generation developers, including, but not limited to, cash deposits related to credit requirement compliance, study and/or interconnection receivables, member prepayments, invoiced amounts collected from Net Buyers but have not yet been paid to Net Sellers, and excess congestion (as described in Operating Agreement, Schedule 1, section 5.2.6, and the parallel provisions of Tariff, Attachment K-Appendix, section 5.2.6).

PJM Region:

"PJM Region" shall have the meaning specified in the Operating Agreement.

PJM Regional Practices Document:

"PJM Regional Practices Document" shall mean the document of that title that compiles and describes the practices in the PJM Markets and that is made available in hard copy and on the Internet.

PJM Region Installed Reserve Margin:

"PJM Region Installed Reserve Margin" shall mean the percent installed reserve margin for the PJM Region required pursuant to RAA, Schedule 4.1, as approved by the PJM Board.

PJM Region Peak Load Forecast:

"PJM Region Peak Load Forecast" shall mean the peak load forecast used by the Office of the Interconnection in determining the PJM Region Reliability Requirement, and shall be determined on both a preliminary and final basis as set forth in Tariff, Attachment DD, section 5.

PJM Region Reliability Requirement:

"PJM Region Reliability Requirement" shall mean, for purposes of the Base Residual Auction, the Forecast Pool Requirement multiplied by the Preliminary PJM Region Peak Load Forecast, less the sum of all Preliminary Unforced Capacity Obligations of FRR Entities in the PJM Region; and, for purposes of the Incremental Auctions, the Forecast Pool Requirement multiplied by the updated PJM Region Peak Load Forecast, less the sum of all updated Unforced Capacity Obligations of FRR Entities in the PJM Region.

PJMSettlement:

"PJM Settlement" or "PJM Settlement, Inc." shall mean PJM Settlement, Inc. (or its successor), established by PJM as set forth in Operaitng Agreement, section 3.3.

PJM Tariff, Tariff, O.A.T.T., OATT or PJM Open Access Transmission Tariff:

"PJM Tariff," "Tariff," "O.A.T.T.," "OATT," or "PJM Open Access Transmission Tariff" shall mean that certain PJM Open Access Transmission Tariff, including any schedules, appendices or exhibits attached thereto, on file with FERC and as amended from time to time thereafter.

Plan:

"Plan" shall mean the PJM market monitoring plan set forth in Tariff, Attachment M.

Planned Demand Resource:

"Planned Demand Resource" shall have the meaning specified in the Reliability Assurance Agreement.

Planned External Generation Capacity Resource:

"Planned External Generation Capacity Resource" shall have the meaning specified in the Reliability Assurance Agreement.

Planned Generation Capacity Resource:

"Planned Generation Capacity Resource" shall have the meaning specified in the Reliability Assurance Agreement.

Planning Period:

"Planning Period" shall mean the 12 moths beginning June 1 and extending through May 31 of the following year, or such other period approved by the Members Committee.

Planning Period Balance:

"Planning Period Balance" shall mean the entire period of time remaining in the Planning Period following the month that a monthly auction is conducted.

Planning Period Quarter:

"Planning Period Quarter" shall mean any of the following three month periods in the Planning Period: June, July and August; September, October and November; December, January and February; or March, April and May.

Point(s) of Delivery:

"Point(s) of Delivery" shall mean the point(s) on the Transmission Provider's Transmission System where capacity and energy transmitted by the Transmission Provider will be made available to the Receiving Party under Tariff, Part II. The Point(s) of Delivery shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

Point of Interconnection:

"Point of Interconnection" shall mean the point or points where the Customer Interconnection Facilities interconnect with the Transmission Owner Interconnection Facilities or the Transmission System.

Point(s) of Receipt:

"Point(s) of Receipt" shall mean point(s) of interconnection on the Transmission Provider's Transmission System where capacity and energy will be made available to the Transmission Provider by the Delivering Party under Tariff, Part II. The Point(s) of Receipt shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

Point-To-Point Transmission Service:

"Point-To-Point Transmission Service shall mean the reservation and transmission of capacity and energy on either a firm or non-firm basis from the Point(s) of Receipt to the Point(s) of Delivery under Tariff, Part II.

Power Purchaser:

"Power Purchaser" shall mean the entity that is purchasing the capacity and energy to be transmitted under the Tariff.

PRD Curve:

"PRD Curve" shall have the meaning provided in the Reliability Assurance Agreement.

PRD Provider:

"PRD Provider" shall have the meaning provided in the Reliability Assurance Agreement.

PRD Reservation Price:

"PRD Reservation" Price shall have the meaning provided in the Reliability Assurance Agreement.

PRD Substation:

"PRD Substation" shall have the meaning provided in the Reliability Assurance Agreement.

Pre-Confirmed Application:

"Pre-Confirmed Application" shall be an Application that commits the Eligible Customer to execute a Service Agreement upon receipt of notification that the Transmission Provider can provide the requested Transmission Service.

Pre-Emergency Load Response Program:

"Pre-Emergency Load Response Program" shall be the program by which Curtailment Service Providers may be compensated by PJM for Demand Resources that will reduce load when dispatched by PJM during pre-emergency conditions, and is described in Operating Agreement, Schedule 1, section 8 and the parallel provisions of Tariff, Attachment K-Appendix, section 8.

Pre-Expansion PJM Zones:

"Pre-Expansion PJM Zones" shall be zones included in the Tariff, along with applicable Schedules and Attachments, for certain Transmission Owners – Atlantic City Electric Company, Baltimore Gas and Electric Company, Delmarva Power and Light Company, Jersey Central Power and Light Company, Mid-Atlantic Interstate Transmission, LLC ("MAIT") (MAIT owns and operates the transmission facilities in the Metropolitan Edison Company Zone and the

Pennsylvania Electric Company Zone), PECO Energy Company, Pennsylvania Power & Light Group, Potomac Electric Power Company, Public Service Electric and Gas Company, Allegheny Power, and Rockland Electric Company.

Price Responsive Demand:

"Price Responsive Demand" shall have the meaning provided in the Reliability Assurance Agreement.

Primary Reserve:

"Primary Reserve" shall mean the total reserve capability of generation resources that can be converted fully into energy or Economic Load Response Participant resources whose demand can be reduced within ten minutes of a request from the Office of the Interconnection dispatcher, and is comprised of both Synchronized Reserve and Non-Synchronized Reserve.

Primary Reserve Alert

"Primary Reserve Alert" shall mean a notification from PJM to alert Members of an anticipated shortage of Operating Reserve capacity for a future critical period.

Primary Reserve Requirement:

"Primary Reserve Requirement" shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Primary Reserve absent any increase to account for additional reserves scheduled to address operational uncertainty. The Primary Reserve Requirement is calculated in accordance with the PJM Manuals. The requirement can be satisfied by any combination of Synchronized Reserve or Non-Synchronized Reserve resources.

Principal:

"Principal" shall mean (i) all natural persons who Control Corporate Level Strategy for the Participant, which shall include a chief executive officer, managing member (or equivalent positions regardless of title) and members of a board of directors or board of managers; (ii) the chief legal officer or general counsel (or equivalent position regardless of title); (iii) the natural person who Controls the financial affairs and investments of the Participant, which shall include a chief financial officer (or equivalent position regardless of title); (iv) the natural person who Controls the Participant's management of commodity and derivatives market risks, which shall include a chief risk officer (or equivalent position regardless of title); (v) the natural person who Controls the Participant's transactions in the applicable PJM Markets (regardless of title); and (vi) all Beneficial Owners.

"Control," as that term is used in this definition, refers to possession of the power to direct the management or policies of an entity.

"Corporate Level Strategy," as that term is used in this definition, refers to the highest-level strategy of an entity, focused on the entity's overall direction rather than the day-to-day operations of the entity.

"Beneficial Owner," as that term is used in this definition, means a natural person who, directly or indirectly, alone or together with such person's Family Members, owns, controls, or holds with power to vote 10 percent or more of the outstanding securities of the Participant.

"Family Member," as that term is used in this definition of "Beneficial Owner," means a spouse, domestic partner, parent, child, or sibling.

For purposes of trusts with, directly or indirectly, 10 percent or more of the outstanding securities of the Participant as described above, the following are Beneficial Owners: (a) a natural person trustee; (b) a natural person with the authority to dispose of the trust assets; (c) a natural person grantor or settlor who has the right to revoke the trust or otherwise withdraw the assets of the trust; and (d) a natural person beneficiary who is the sole permissible recipient of income and principal from the trust or has the right to demand a distribution of or withdraw substantially all of the assets from the trust.

If, due to the Participant's business enterprise, structure or otherwise, a function described in clauses (i) through (v) above is performed by a natural person or entity separate from the Participant (such as a risk management department in an affiliate, or a director or manager at an entity that controls or invests in the Participant), then for that Participant the term Principal shall mean that natural person, or the senior officer or manager of that entity, that performs such function.

Prior CIL Exception External Resource:

"Prior CIL Exception External Resource" shall mean an external Generation Capacity Resource for which (1) a Capacity Market Seller had, prior to May 9, 2017, cleared a Sell Offer in an RPM Auction under the exception provided to the definition of Capacity Import Limit as set forth in RAA, Article I or (2) an FRR Entity committed, prior to May 9, 2017, in an FRR Capacity Plan under the exception provided in the definition of Capacity Import Limit. In the event only a portion (in MW) of an external Generation Capacity Resource has a Pseudo-Tie into the PJM Region, that portion of the external Generation Capacity Resource, which can include up to the maximum megawatt amount cleared in any prior RPM auction or committed in an FRR Capacity Plan (and no other portion thereof) is eligible for treatment as a Prior CIL Exception External Resource if such portion satisfies the requirements of the first sentence of this definition.

Project Financing:

"Project Financing" shall mean: (a) one or more loans, leases, equity and/or debt financings, together with all modifications, renewals, supplements, substitutions and replacements thereof, the proceeds of which are used to finance or refinance the costs of the Customer Facility, any alteration, expansion or improvement to the Customer Facility, the purchase and sale of the Customer Facility or the operation of the Customer Facility; (b) a power purchase agreement

pursuant to which Interconnection Customer's obligations are secured by a mortgage or other lien on the Customer Facility; or (c) loans and/or debt issues secured by the Customer Facility.

Project Finance Entity:

"Project Finance Entity" shall mean: (a) a holder, trustee or agent for holders, of any component of Project Financing; or (b) any purchaser of capacity and/or energy produced by the Customer Facility to which Interconnection Customer has granted a mortgage or other lien as security for some or all of Interconnection Customer's obligations under the corresponding power purchase agreement.

Projected EAS Dispatch:

"Projected EAS Dispatch" shall mean, for purposes of calculating the Net Energy and Ancillary Services Revenue Offset, a simulated dispatch with the objective of committing and dispatching a resource for the purpose of maximizing its net revenues. The calculation shall take inputs including Forward Hourly LMPs, Forward Hourly Ancillary Service Prices, and Forward Daily Natural Gas Prices or forecasted fuel prices, as applicable, in addition to the operating parameters and costs of the specific resource, including the cost emission allowances. Using operating parameters, forward or forecasted fuel prices, as applicable and other cost pricing inputs, a composite, cost-based energy offer is created for the resource such that its commitment and dispatch is co-optimized between energy and ancillary services in the Day-Ahead Energy Market and then the Real-Time Energy Market considering the electricity and ancillary service price inputs. In the Real-Time Energy Market co-optimization, the resource is assumed to be operating in the hours it was scheduled in the Day-Ahead Energy Market but is dispatched according to the real-time price inputs. In the hours where the resource was not committed in the Day-Ahead Market, the resource may be committed and dispatched in real-time only subject to the real-time electricity and ancillary service price inputs and the resource's offer and operating parameters. For combustion turbine units only, the cost-based energy offer will include a 10 percent adder only for the 2022/2023 Delivery Year.

Projected PJM Market Revenues:

"Projected PJM Market Revenues" shall mean a component of the Market Seller Offer Cap calculated in accordance with Tariff, Attachment DD, section 6.

Proportional Multi-Driver Project:

"Proportional Multi-Driver Project" shall have the same meaning provided in the Operating Agreement.

Provisional Interconnection Service:

"Provisional Interconnection Service" shall mean interconnection service provided by Transmission Provider associated with interconnecting the Interconnection Customer's Generating Facility to Transmission Provider's Transmission System and enabling that Transmission System

to receive electric energy and capacity from the Generating Facility at the Point of Interconnection, pursuant to the terms of the Interconnection Service Agreement and, if applicable, the Tariff.

Pseudo-Tie:

"Pseudo-Tie" shall have the same meaning provided in the Operating Agreement.

Public Policy Objectives:

"Public Policy Objectives" shall have the same meaning provided in the Operating Agreement.

Public Policy Requirements:

"Public Policy Requirements" shall have the same meaning provided in the Operating Agreement.

Qualifying RBP Offset UCAP MW:

"Qualifying RBP Offset UCAP MW" shall mean unforced capacity that: (i) pursuant to Tariff, Attachment DD, section 18.2, has not received an RPM commitment or been committed in an FRR Plan for the 2028/2029 or earlier Delivery Year as of the commencement of the Reliability Backstop Procurement (except for capacity that is first committed in the Third Incremental Auction associated with the 2027/2028 Delivery Year), (ii) is supplied by eligible Capacity Resources in accordance with Tariff, Attachment DD, section 18.2(b), and (iii) is supported by evidence, in accordance with Tariff, Attachment DD, section 18.2(c).

Qualifying Transmission Upgrade:

"Qualifying Transmission Upgrade" shall mean a proposed enhancement or addition to the Transmission System that: (a) will increase the Capacity Emergency Transfer Limit into an LDA by a megawatt quantity certified by the Office of the Interconnection; (b) the Office of the Interconnection has determined will be in service on or before the commencement of the first Delivery Year for which such upgrade is the subject of a Sell Offer in the Base Residual Auction; (c) is the subject of a Facilities Study Agreement executed before the conduct of the Base Residual Auction for such Delivery Year and (d) a New Service Customer is obligated to fund through a rate or charge specific to such facility or upgrade.

Queue Position:

"Queue Position" shall mean the priority assigned to an Interconnection Request, a Completed Application, or an Upgrade Request pursuant to applicable provisions of Tariff, Part VI.

Definitions – R - S

Ramping Capability:

"Ramping Capability" shall mean the sustained rate of change of generator output, in megawatts per minute.

Rating Agency:

"Rating Agency" shall mean a Nationally Recognized Statistical Rating Organization that assesses the financial condition, strength and stability of companies and governmental entities and their ability to timely make principal and interest payments on their debts and the likelihood of default, and assigns a rating that reflects its assessment of the ability of the company or governmental entity to make the debt payments.

RBP Charges:

"RBP Charges" shall mean the $/day value of the total RBP Settlement Credits, positive or negative, of all committed RBP Resources across the PJM Region.

RBP Collateral:

"RBP Collateral" shall mean~~: either~~ any one of: (1) a cash deposit, including any interest thereon, (2) a surety bond ~~in an amount and~~with a provider, amount and form determined by and acceptable to PJM or PJMSettlement, or (~~2~~3) a letter of credit issued for the benefit of PJM or PJMSettlement, ~~in an~~with a provider, amount and form determined by and acceptable to PJM or PJMSettlement.

RBP Obligation:

"RBP Obligation" or "RBO" shall mean the state and/or RERRA-determined allocation of RBP UCAP MW to Load Serving Entities within each Electric Distributor's zone/area.

RBP Resources:

"RBP Resources" shall mean generation resources, Energy Storage Resources, Demand Resources, or DER Aggregation Resources, as set forth in Tariff, Attachment DD, section 18.5, offered to provide RBP UCAP MW from the Reliability Backstop Procurement, in accordance with Tariff, Attachment DD, section 18.

RBP Seller:

"RBP Seller" shall mean an entity that owns or controls an RBP Resource that is offered into the Reliability Backstop Procurement.

RBP Sell Offer:

"RBP Sell Offer" shall mean an offer to sell RBP Resources in the Reliability Backstop Procurement.

RBP Settlement Credits:

"RBP Settlement Credits" shall mean, for each day in the Delivery Year in the term of the Reliability Backstop Procurement commitment period, the $/day value that a resource committed in the Reliability Backstop Procurement receives as a contract for differences settlement in accordance with Tariff, Attachment DD, section 18.5(g).

RBP UCAP MW:

"RBP UCAP MW" shall mean unforced capacity that is eligible to be offered in the Reliability Backstop Procurement, in accordance with Tariff, Attachment DD, section 18.

Real-time Congestion Price:

"Real-time Congestion Price" shall mean the Congestion Price resulting from the Office of the Interconnection's dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Loss Price:

"Real-time Loss Price" shall mean the Loss Price resulting from the Office of the Interconnection's dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Energy Market:

"Real-time Energy Market" shall mean the purchase or sale of energy and payment of Transmission Congestion Charges for quantity deviations from the Day-ahead Energy Market in the Operating Day.

Real-time Offer:

"Real-time Offer" shall mean a new offer or an update to a Market Seller's existing cost-based or market-based offer for a clock hour, submitted for use after the close of the Day-ahead Energy Market.

Real-time Prices:

"Real-time Prices" shall mean the Locational Marginal Prices resulting from the Office of the Interconnection's dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Settlement Interval:

"Real-time Settlement Interval" shall mean the interval used by settlements, which shall be every five minutes.

Real-time State of Charge:

"Real-time State of Charge" shall mean the current State of Charge of an Energy Storage Resource Model Participant, measured in units of megawatt-hours.

Real-time System Energy Price:

"Real-time System Energy Price" shall mean the System Energy Price resulting from the Office of the Interconnection's dispatch of the PJM Interchange Energy Market in the Operating Day.

Reasonable Efforts:

"Reasonable Efforts" shall mean, with respect to any action required to be made, attempted, or taken by an Interconnection Party or by a Construction Party under Tariff, Part IV or Tariff, Part VI, an Interconnection Service Agreement, or a Construction Service Agreement, such efforts as are timely and consistent with Good Utility Practice and with efforts that such party would undertake for the protection of its own interests.

Receiving Party:

"Receiving Party" shall mean the entity receiving the capacity and energy transmitted by the Transmission Provider to Point(s) of Delivery.

Referral:

"Referral" shall mean a formal report of the Market Monitoring Unit to the Commission for investigation of behavior of a Market Participant, of behavior of PJM, or of a market design flaw, pursuant to Tariff, Attachment M, section IV.I.

Reference Resource:

For Delivery Years up to and including the 2025/2026 Delivery Year, "Reference Resource" shall mean a combustion turbine generating station, configured with a single General Electric Frame 7HA turbine with evaporative cooling, Selective Catalytic Reduction technology, dual fuel capability, and a heat rate of 9.134 Mmbtu/ MWh. For the 2026/2027 through and including the 2027/2028 Delivery Years, "Reference Resource" shall mean, for all CONE Areas, a combustion turbine generating station, configured with a single General Electric Frame 7HA turbine with evaporative cooling, Selective Catalytic Reduction technology, dual fuel capability, and a heat rate of 9.189 Mmbtu/MWh. For the 2028/2029 Delivery Year and subsequent Delivery Years, "Reference Resource" shall mean a combustion turbine generation station, configured with a single 1x0 GE Frame 7HA.03 turbine with evaporative cooling, no inlet chillers, wet compression, Selective Catalytic Reduction technology, dual fuel capability, and a heat rate of 9.199 MMBtu/MWh.

Regional Entity:

"Regional Entity" shall have the same meaning specified in the Operating Agreement.

Regional Network Integration Transmission Service:

"Regional Network Integration Transmission Service" shall mean firm transmission service taken by Network Customers that involves the delivery of energy and/or capacity from Network Resources physically interconnected to the Transmission Provider's transmission system to Network Load physically interconnected to the Transmission Provider's transmission system.

Regional Transmission Expansion Plan:

"Regional Transmission Expansion Plan" shall mean the plan prepared by the Office of the Interconnection pursuant to Operating Agreement, Schedule 6 for the enhancement and expansion of the Transmission System in order to meet the demands for firm transmission service in the PJM Region.

Regional Transmission Group (RTG):

"Regional Transmission Group" or "RTG" shall mean a voluntary organization of transmission owners, transmission users and other entities approved by the Commission to efficiently coordinate transmission planning (and expansion), operation and use on a regional (and interregional) basis.

Regulation:

"Regulation" shall mean the capability of a specific generation resource or Demand Resource with appropriate telecommunications, control and response capability to separately increase and decrease its output or adjust load in response to a regulating control signal, in accordance with the specifications in the PJM Manuals.

Regulation Requirement:

"Regulation Requirement" shall mean the required megawatts of performance-adjusted Regulation capability to be maintained in a Regulation Zone. The Regulation Requirement is defined as a set megawatt value by commitment interval and can increase to account for additional operational uncertainty, in accordance with the PJM Manuals.

Regulation Zone:

"Regulation Zone" shall mean any of those one or more geographic areas, each consisting of a combination of one or more Control Zone(s) as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, regulation service.

Relevant Electric Retail Regulatory Authority:

"Relevant Electric Retail Regulatory Authority" shall mean an entity that has jurisdiction over and establishes prices and policies for competition for providers of retail electric service to end-customers, such as the city council for a municipal utility, the governing board of a cooperative utility, the state public utility commission or any other such entity.

Reliability Assurance Agreement or PJM Reliability Assurance Agreement:

"Reliability Assurance Agreement" or "PJM Reliability Assurance Agreement" shall mean that certain Reliability Assurance Agreement Among Load Serving Entities in the PJM Region, on file with FERC as PJM Interconnection L.L.C. Rate Schedule FERC No. 44, and as amended from time to time thereafter.

Reliability Pricing Model Auction:

"Reliability Pricing Model Auction" or "RPM Auction" shall mean the Base Residual Auction or any Incremental Auction.

Required Transmission Enhancements:

"Regional Transmission Enhancements" shall mean enhancements and expansions of the Transmission System that (1) a Regional Transmission Expansion Plan developed pursuant to Operating Agreement, Schedule 6 or (2) any joint planning or coordination agreement between PJM and another region or transmission planning authority set forth in Tariff, Schedule 12-Appendix B ("Appendix B Agreement") designates one or more of the Transmission Owner(s) to construct and own or finance. Required Transmission Enhancements shall also include enhancements and expansions of facilities in another region or planning authority that meet the definition of transmission facilities pursuant to FERC's Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities constructed pursuant to an Appendix B Agreement cost responsibility for which has been assigned at least in part to PJM pursuant to such Appendix B Agreement.

Reserved Capacity:

"Reserved Capacity" shall mean the maximum amount of capacity and energy that the Transmission Provider agrees to transmit for the Transmission Customer over the Transmission Provider's Transmission System between the Point(s) of Receipt and the Point(s) of Delivery under Tariff, Part II. Reserved Capacity shall be expressed in terms of whole megawatts on a sixty (60) minute interval (commencing on the clock hour) basis.

Reserve Penalty Factor:

"Reserve Penalty Factor" shall mean the cost, in $/MWh, associated with being unable to meet a specific reserve requirement in a Reserve Zone or Reserve Sub-zone. A Reserve Penalty Factor will be defined for each reserve requirement in a Reserve Zone or Reserve Sub-zone.

Reserve Sub-zone:

"Reserve Sub-zone" shall mean any of those geographic areas wholly contained within a Reserve Zone, consisting of a combination of a portion of one or more Control Zone(s) as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, reserve service.

Reserve Zone:

"Reserve Zone" shall mean any of those geographic areas consisting of a combination of one or more Control Zone(s), as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, reserve service.

Residual Auction Revenue Rights:

"Residual Auction Revenue Rights" shall mean incremental stage 1 Auction Revenue Rights created within a Planning Period by an increase in transmission system capability, including the return to service of existing transmission capability, that was not modeled pursuant to Operating Agreement, Schedule 1, section 7.5 and the parallel provisions of Tariff, Attachment K-Appendix, section 7.5 in compliance with Operating Agreement, Schedule 1, section 7.4.2 (h) and the parallel provisions of Tariff, Attachment K-Appendix, section 7.4.2(h), and, if modeled, would have increased the amount of stage 1 Auction Revenue Rights allocated pursuant to Operating Agreement, Schedule 1, section 7.4.2 and the parallel provisions of Tariff, Attachment K-Appendix, section 7.4.2; provided that, the foregoing notwithstanding, Residual Auction Revenue Rights shall exclude: 1) Incremental Auction Revenue Rights allocated pursuant to Tariff, Part VI; and 2) Auction Revenue Rights allocated to entities that are assigned cost responsibility pursuant to Operating Agreement, Schedule 6 for transmission upgrades that create such rights.

Residual Metered Load:

"Residual Metered Load" shall mean all load remaining in an electric distribution company's fully metered franchise area(s) or service territory(ies) after all nodally priced load of entities serving load in such area(s) or territory(ies) has been carved out.

Resource Substitution Charge:

"Resource Substitution Charge" shall mean a charge assessed on Capacity Market Buyers in an Incremental Auction to recover the cost of replacement Capacity Resources.

Restricted Collateral:

"Restricted Collateral" shall mean Collateral, held by PJM or PJMSettlement, which cannot be used, netted, credited or spent by the Participant to satisfy any other obligations.

Revenue Data for Settlements:

"Revenue Data for Settlements" shall mean energy quantities used in accounting and billing as determined pursuant to Tariff, Attachment K-Appendix and the corresponding provisions of Operating Agreement, Schedule 1.

RPM Seller Credit:

"RPM Seller Credit" shall mean an additional form of Unsecured Credit defined in Tariff, Attachment Q, section VI.

Scheduled Incremental Auctions:

"Scheduled Incremental Auctions" shall refer to the First, Second, or Third Incremental Auction.

Schedule of Work:

"Schedule of Work" shall mean that schedule attached to the Interconnection Construction Service Agreement setting forth the timing of work to be performed by the Constructing Entity pursuant to the Interconnection Construction Service Agreement, based upon the Facilities Study and subject to modification, as required, in accordance with Transmission Provider's scope change process for interconnection projects set forth in the PJM Manuals.

Scope of Work:

"Scope of Work" shall mean that scope of the work attached as a schedule to the Interconnection Construction Service Agreement and to be performed by the Constructing Entity(ies) pursuant to the Interconnection Construction Service Agreement, provided that such Scope of Work may be modified, as required, in accordance with Transmission Provider's scope change process for interconnection projects set forth in the PJM Manuals.

Seasonal Capacity Performance Resource:

"Seasonal Capacity Performance Resource" shall have the same meaning specified in Tariff, Attachment DD, section 5.5A.

Secondary Reserve:

"Secondary Reserve" shall mean the reserve capability of generation resources that can be converted fully into energy or Economic Load Response Participant resources whose demand can be reduced within 30 minutes (less the capability of such resources to provide Primary Reserve), from the request of the Office of the Interconnection, regardless of whether the equipment providing the reserve is electrically synchronized to the Transmission System or not.

Secondary Systems:

"Secondary Systems" shall mean control or power circuits that operate below 600 volts, AC or DC, including, but not limited to, any hardware, control or protective devices, cables, conductors, electric raceways, secondary equipment panels, transducers, batteries, chargers, and voltage and current transformers.

Second Incremental Auction:

"Second Incremental Auction" shall mean an Incremental Auction conducted ten months before the Delivery Year to which it relates**.**

Security:

"Security" shall mean the security provided by the New Service Customer pursuant to Tariff, section 212.4 or Tariff, Part VI, section 213.4 to secure the New Service Customer's responsibility for Costs under the Interconnection Service Agreement or Upgrade Construction Service Agreement and Tariff, Part VI, section 217.

Segment:
"Segment" shall have the same meaning as described in Operating Agreement, Schedule 1, section 3.2.3(e), and the parallel provisions of Tariff, Attachment K-Appendix, section 3.2.3(e).

Self-Supply:

"Self-Supply" shall mean Capacity Resources secured by a Load-Serving Entity, by ownership or contract, outside a Reliability Pricing Model Auction, and used to meet obligations under this Attachment or the Reliability Assurance Agreement through submission in a Base Residual Auction or an Incremental Auction of a Sell Offer indicating such Market Seller's intent that such Capacity Resource be Self-Supply. Self-Supply may be either committed regardless of clearing price or submitted as a Sell Offer with a price bid. A Load Serving Entity's Sell Offer with a price bid for an owned or contracted Capacity Resource shall not be deemed "Self-Supply," unless it is designated as Self-Supply and used by the LSE to meet obligations under this Attachment or the Reliability Assurance Agreement.

Self-Supply Entity:

"Self-Supply Entity" shall mean the following types of Load Serving Entity that operate under long-standing business models: single customer entity, public power entity, or vertically integrated utility, where "vertically integrated utility" means a utility that owns generation, includes such generation in its regulated rates, and earns a regulated return on its investment in such generation or receives any cost recovery for such generation through bilateral contracts; "single customer entity" means a Load Serving Entity that serves at retail only customers that are under common control with such Load Serving Entity, where such control means holding 51% or more of the voting securities or voting interests of the Load Serving Entity and all its retail customers; and "public power entity" means cooperative and municipal utilities, including public power supply entities comprised of either or both of the same and rural electric cooperatives, and joint action agencies.

Self-Supply Seller:

"Self-Supply Seller" shall mean, for purposes of evaluating Buyer-Side Market Power, the following types of Load Serving Entities that operate under long-standing business models: vertically integrated utility or public power entity, where "vertically integrated utility" means a utility that owns generation, includes such generation in its state-regulated rates, and earns a state-regulated return on its investment in such generation; and "public power entity" means electric cooperatives that are either rate regulated by the state or have their long-term resource plan approved or otherwise reviewed and accepted by a Relevant Electric Retail Regulatory Authority and municipal utilities or joint action agencies that are subject to direct regulation by a Relevant Electric Retail Regulatory Authority.

Sell Offer:

"Sell Offer" shall mean an offer to sell Capacity Resources in a Base Residual Auction, Incremental Auction, or Reliability Backstop Auction.

Service Agreement:

"Service Agreement" shall mean the initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and the Transmission Provider for service under the Tariff.

Service Commencement Date:

"Service Commencement Date" shall mean the date the Transmission Provider begins to provide service pursuant to the terms of an executed Service Agreement, or the date the Transmission Provider begins to provide service in accordance with Tariff, Part II, section 15.3 or Tariff, Part III, section 29.1.

Short-Term Firm Point-To-Point Transmission Service:

"Short-Term Firm Point-To-Point Transmission Service" shall mean Firm Point-To-Point Transmission Service under Tariff, Part II with a term of less than one year.

Short-term Project:

"Short-term Project" shall have the same meaning provided in the Operating Agreement.

Site:

"Site" shall mean all of the real property, including but not limited to any leased real property and easements, on which the Customer Facility is situated and/or on which the Customer Interconnection Facilities are to be located.

Small Commercial Customer:

"Small Commercial Customer," as used in RAA, Schedule 6 and Tariff, Attachment DD-1, shall mean a commercial retail electric end-use customer of an electric distribution company that participates in a mass market demand response program under the jurisdiction of a RERRA and satisfies the definition of a "small commercial customer" under the terms of the applicable RERRA's program, provided that the customer has an annual peak demand no greater than 100kW.

Small Generation Resource:

"Small Generation Resource" shall mean an Interconnection Customer's device of 20 MW or less for the production and/or storage for later injection of electricity identified in an Interconnection Request, but shall not include the Interconnection Customer's Interconnection Facilities. This term shall include Energy Storage Resources and/or other devices for storage for later injection of energy.

Small Inverter Facility:

"Small Inverter Facility" shall mean an Energy Resource that is a certified small inverter-based facility no larger than 10 kW.

Small Inverter ISA:

"Small Inverter ISA" shall mean an agreement among Transmission Provider, Interconnection Customer, and Interconnected Transmission Owner regarding interconnection of a Small Inverter Facility under Tariff, Part IV, section 112B.

Special Member:

"Special Member" shall mean an entity that satisfies the requirements of Operating Agreement, Schedule 1, section 1.5A.02, and the parallel provisions of Tariff, Attachment K-Appendix, section 1.5A.02, or the special membership provisions established under the Emergency Load Response and Pre-Emergency Load Response Programs.

Spot Market Backup:

"Spot Market Backup" shall mean the purchase of energy from, or the delivery of energy to, the PJM Interchange Energy Market in quantities sufficient to complete the delivery or receipt obligations of a bilateral contract that has been curtailed or interrupted for any reason.

Spot Market Energy:

"Spot Market Energy" shall mean energy bought or sold by Market Participants through the PJM Interchange Energy Market at System Energy Prices determined as specified in Operating

Agreement, Schedule 1, section 2, and the parallel provisions of Tariff, Attachment K-Appendix, section 2.

Start Additional Labor Costs:

"Start Additional Labor Costs" shall mean additional labor costs for startup required above normal station manning levels.

Start Fuel:

For units without a soak process, "Start Fuel" shall consist of fuel consumed from first fire of the start process to first breaker closing, plus any fuel expended from last breaker opening to shutdown.

For units with a soak process, "Start Fuel" is fuel consumed from first fire of the start process (initial reactor criticality for nuclear units) to dispatchable output (including auxiliary boiler fuel), plus any fuel expended from last breaker opening to shutdown, excluding normal plant heating/auxiliary equipment fuel requirements. Start Fuel included for each temperature state from breaker closure to dispatchable output shall not exceed the unit specific soak time period reviewed and approved as part of the unit-specific parameter process detailed in Tariff, Attachment K-Appendix, section 6.6(c) or the defaults below:

- Cold Soak Time = 0.73 * unit specific Minimum Run Time (in hours)
- Intermediate Soak Time = 0.61 * unit specific Minimum Run Time (in hours)
- Hot Soak Time = 0.43 * unit specific Minimum Run Time (in hours)

Start-Up Costs:

"Start-Up Costs" shall consist primarily of the cost of fuel, as determined by the unit's start heat input (adjusted by the performance factor) times the fuel cost. It also includes operating costs, Maintenance Adders, emissions allowances/adders, and station service cost. Start-Up Costs can vary with the unit offline time being categorized in three unit temperature conditions: hot, intermediate and cold.

For units with a steam turbine and a soak process (nuclear, steam, and combined cycle), "Start Fuel" is fuel consumed from first fire of start process (initial reactor criticality for nuclear units): Start-Up Costs shall mean the net unit costs from PJM's notification to the level at which the unit can follow PJM's dispatch, and from last breaker open to shutdown.

For units without a steam turbine and no soak process (engines, combustion turbines, Intermittent Resources, and Energy Storage Resources): Start-Up Costs shall mean the unit costs from PJM's notification to first breaker close and from last breaker open to shutdown.

State:

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

State Commission:

"State Commission**"** shall mean any state regulatory agency having jurisdiction over retail electricity sales in any State in the PJM Region.

State Estimator:

"State Estimator" shall mean the computer model of power flows specified in Operating Agreement, Schedule 1, section 1.11A and the parallel provisions of Tariff, Attachment K-Appendix, section 1.11A.

State of Charge:

"State of Charge" shall mean the operating parameter that represents the quantity of physical energy stored (measured in units of megawatt-hours) in an Energy Storage Resource Model Participant or in a storage component of a Hybrid Resource in proportion to its maximum State of Charge capability. State of Charge is quantified as defined in the PJM Manuals.

State of Charge Management:

"State of Charge Management" shall mean the control of State of Charge of an Energy Storage Resource Market Participant or a storage component of a Hybrid Resource using Charge and Discharge Economic Minimum and Maximum Megawatts (and, as applicable, charge) limits, changes in operating mode (as applicable), discharging (and, as applicable, charging) offer curves, and self-scheduling of non-dispatchable sales (and, as applicable, purchases) of energy in the PJM markets. State of Charge Management shall not interfere with the obligation of a Market Seller of an Energy Storage Resource Model Participant or of a Hybrid Resource to follow PJM dispatch, consistent with all other resources.

State Subsidy:

"State Subsidy" shall mean a direct or indirect payment, concession, rebate, subsidy, non-bypassable consumer charge, or other financial benefit that is as a result of any action, mandated process, or sponsored process of a state government, a political subdivision or agency of a state, or an electric cooperative formed pursuant to state law, and that

(1) is derived from or connected to the procurement of (a) electricity or electric generation capacity sold at wholesale in interstate commerce, or (b) an attribute of the generation process for electricity or electric generation capacity sold at wholesale in interstate commerce; or

(2) will support the construction, development, or operation of a new or existing Capacity Resource; or

(3) could have the effect of allowing the unit to clear in any PJM capacity auction.

Notwithstanding the foregoing, State Subsidy shall not include (a) payments, concessions, rebates, subsidies, or incentives designed to incent, or participation in a program, contract or other arrangement that utilizes criteria designed to incent or promote, general industrial development in an area or designed to incent siting facilities in that county or locality rather than

another county or locality; (b) state action that imposes a tax or assesses a charge utilizing the parameters of a regional program on a given set of resources notwithstanding the tax or cost having indirect benefits on resources not subject to the tax or cost (e.g., Regional Greenhouse Gas Initiative); (c) any indirect benefits to a Capacity Resource as a result of any transmission project approved as part of the Regional Transmission Expansion Plan; (d) any contract, legally enforceable obligation, or rate pursuant to the Public Utility Regulatory Policies Act or any other state-administered federal regulatory program (e.g., the Cross-State Air Pollution Rule); (e) any revenues from the sale or allocation, either direct or indirect, to an Entity Providing Supply Services to Default Retail Service Provider where such entity's obligations was awarded through a state default procurement auction that was subject to independent oversight by a consultant or manager who certifies that the auction was conducted through a non-discriminatory and competitive bidding process, subject to the below condition, and provided further that nothing herein would exempt a Capacity Resource that would otherwise be subject to the minimum offer price rule pursuant to this Tariff; (f) any revenues for providing capacity as part of an FRR Capacity Plan or through bilateral transactions with FRR Entities; or (g) any voluntary and arm's length bilateral transaction (including but not limited to those reported pursuant to Tariff, Attachment DD, section 4.6), such as a power purchase agreement or other similar contract where the buyer is a Self-Supply Entity and the transaction is (1) a short term transaction (one-year or less) or (2) a long-term transaction that is the result of a competitive process that was not fuel-specific and is not used for the purpose of supporting uneconomic construction, development, or operation of the subject Capacity Resource, provided however that if the Self-Supply Entity is responsible for offering the Capacity Resource into an RPM Auction, the specified amount of installed capacity purchased by such Self-Supply Entity shall be considered to receive a State Subsidy in the same manner, under the same conditions, and to the same extent as any other Capacity Resource of a Self-Supply Entity. For purposes of subsection (e) of this definition, a state default procurement auction that has been certified to be a result of a non-discriminatory and competitive bidding process shall:

(i) have no conditions based on the ownership (except supplier diversity requirements or limits), location (except to meet PJM deliverability requirements), affiliation, fuel type, technology, or emissions of any resources or supply (except state-mandated renewable portfolio standards for which Capacity Resources are separately subject to the minimum offer price rule or eligible for an exemption);

(ii) result in contracts between an Entity Providing Supply Services to Default Retail Service Provider and the electric distribution company for a retail default generation supply product and none of those contracts require that the retail obligation be sourced from any specific Capacity Resource or resource type as set forth in subsection (i) above; and

(iii) establish market-based compensation for a retail default generation supply product that retail customers can avoid paying for by obtaining supply from a competitive retail supplier of their choice.

Station Power:

"Station Power" shall mean energy used for operating the electric equipment on the site of a generation facility located in the PJM Region or for the heating, lighting, air-conditioning and office equipment needs of buildings on the site of such a generation facility that are used in the operation, maintenance, or repair of the facility. Station Power does not include any energy (i) used to power synchronous condensers; (ii) used for pumping at a pumped storage facility; (iii) used in association with restoration or black start service; or (iv) that is Direct Charging Energy.

Sub-meter:

"Sub-meter" shall mean a metering point for electricity consumption that does not include all electricity consumption for the end-use customer as defined by the electric distribution company account number. PJM shall only accept sub-meter load data from end-use customers for measurement and verification of Regulation service as set forth in the Economic Load Response rules and PJM Manuals.

Summer-Period Capacity Performance Resource:

"Summer-Period Capacity Performance Resource" shall have the same meaning specified in Tariff, Attachment DD, section 5.5A.

Surplus Interconnection Customer:

"Surplus Interconnection Customer" shall mean either an Interconnection Customer whose Generating Facility is already interconnected to the PJM Transmission System or one of its affiliates, or an unaffiliated entity that submits a Surplus Interconnection Request to utilize Surplus Interconnection Service within the Transmission System in the PJM Region. A Surplus Interconnection Customer is not a New Service Customer.

Surplus Interconnection Request:

"Surplus Interconnection Request" shall mean a request submitted by a Surplus Interconnection Customer, pursuant to Tariff, Attachment RR, to utilize Surplus Interconnection Service within the Transmission System in the PJM Region. A Surplus Interconnection Request is not a New Service Request.

Surplus Interconnection Service:

"Surplus Interconnection Service" shall mean any unneeded portion of Interconnection Service established in an Interconnection Service Agreement, such that if Surplus Interconnection Service is utilized, the total amount of Interconnection Service at the Point of Interconnection would remain the same.

Switching and Tagging Rules:

"Switching and Tagging Rules" shall mean the switching and tagging procedures of Interconnected Transmission Owners and Interconnection Customer as they may be amended from time to time.

Synchronized Reserve:

"Synchronized Reserve" shall mean the reserve capability of generation resources that can be converted fully into energy or Economic Load Response Participant resources whose demand can be reduced within ten minutes from the request of the Office of the Interconnection dispatcher, and is provided by equipment that is electrically synchronized to the Transmission System.

Synchronized Reserve Event:

"Synchronized Reserve Event" shall mean a request from the Office of the Interconnection to generation resources and/or Economic Load Response Participant resources able, assigned or self-scheduled to provide Synchronized Reserve in one or more specified Reserve Zones or Reserve Sub-zones, within ten minutes, to increase the energy output or reduce load by a directed amount of the assigned or self-scheduled Synchronized Reserve.

Synchronized Reserve Requirement:

"Synchronized Reserve Requirement" shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Synchronized Reserve, absent any increase to account for additional reserves scheduled to address operational uncertainty. The Synchronized Reserve Requirement is calculated in accordance with the PJM Manuals. This requirement can only be satisfied by Synchronized Reserve resources.

System Condition:

"System Condition" shall mean a specified condition on the Transmission Provider's system or on a neighboring system, such as a constrained transmission element or flowgate, that may trigger Curtailment of Long-Term Firm Point-to-Point Transmission Service using the curtailment priority pursuant to Tariff, Part II, section 13.6. Such conditions must be identified in the Transmission Customer's Service Agreement.

System Energy Price:

"System Energy Price" shall mean the energy component of the Locational Marginal Price, which is the price at which the Market Seller has offered to supply an additional increment of energy from a resource, calculated as specified in Operating Agreement, Schedule 1, section 2 and the parallel provisions of Tariff, Attachment K-Appendix, section 2.

System Impact Study:

"System Impact Study" shall mean an assessment by the Transmission Provider of (i) the adequacy of the Transmission System to accommodate a Completed Application, an Interconnection Request or an Upgrade Request, (ii) whether any additional costs may be incurred in order to provide such transmission service or to accommodate an Interconnection Request, and (iii) with respect to an Interconnection Request, an estimated date that an Interconnection Customer's Customer Facility can be interconnected with the Transmission System and an estimate of the Interconnection Customer's cost responsibility for the interconnection; and (iv) with respect to an Upgrade Request, the estimated cost of the requested system upgrades or expansion, or of the cost of the system upgrades or expansion, necessary to provide the requested incremental rights.

System Protection Facilities:

"System Protection Facilities" shall refer to the equipment required to protect (i) the Transmission System, other delivery systems and/or other generating systems connected to the Transmission System from faults or other electrical disturbance occurring at or on the Customer Facility, and (ii) the Customer Facility from faults or other electrical system disturbance occurring on the Transmission System or on other delivery systems and/or other generating systems to which the Transmission System is directly or indirectly connected. System Protection Facilities shall include such protective and regulating devices as are identified in the Applicable Technical Requirements and Standards or that are required by Applicable Laws and Regulations or other Applicable Standards, or as are otherwise necessary to protect personnel and equipment and to minimize deleterious effects to the Transmission System arising from the Customer Facility.

5.5 Eligibility for Participation in RPM Auctions

(a) A Capacity Market Seller may submit a Sell Offer for a Capacity Resource in a Base Residual Auction or Incremental Auction only if such seller owns or has the contractual authority to control the output or load reduction capability of such resource and has not transferred such authority to another entity prior to submitting such Sell Offer. Capacity Resources must satisfy the capability and deliverability requirements of RAA, Schedule 9 and RAA, Schedule 10, the requirements for Demand Resources or Energy Efficiency Resources in Tariff, Attachment DD-1 and RAA, Schedule 6, as applicable, and, the criteria in Tariff, Attachment DD, section 5.5A. A Planned Generation Capacity Resource may be included in a Sell Offer for an RPM Auction only if the Capacity Market Seller of such resource provides a binding notice of intent, as further detailed in the PJM Manuals, to submit a Sell Offer in such auction to the Office of the Interconnection no later than (a) the immediately preceding December 1 for a Base Residual Auction, or (b) ninety (90) days prior to the commencement of the offer period for an Incremental Auction.

(b) Notwithstanding the foregoing, a committed RBP Resource shall be required to be offered into the relevant Reliability Pricing Model~~Base Residual~~ Auction and is not required to submit a binding notice of intent to offer into such auction. However, a Planned Generation Capacity~~committed RBP~~ Resource that is committed in the RBP for the 2030/2031 Delivery Year must still be~~not~~ the subject of a notice of intent to be offered into the Base Residual Auction associated with the ~~2029~~2030/~~2030~~ 2031 Delivery Year ~~shall be offered into the Second Incremental Auction for the 2029/2030 Delivery Year~~. In the event a committed RBP Resource is not expected to be in-service or deliverable by the relevant Delivery Year, the Capacity Market Seller of such committed RBP Resource may notify the Office of the Interconnection, with supporting documentation, that the resource is not expected to be in-service or deliverable by the relevant Delivery Year. Such notice for a committed RBP Resource shall be submitted no later than (i) the immediately preceding December 1 for a Base Residual Auction or (ii) ninety (90) days prior to the commencement of the offer period for an Incremental Auction. A committed RBP Resource that provides such notice will be assessed any applicable RBP shortfall charge and not be allowed to be offered into the applicable RPM Auction.

6.6 Offer Requirement for Capacity Resources

(a) To avoid application of subsection (h) below, (1) all of the installed capacity of all Existing Generation Capacity Resources located in the PJM Region, and (2) all of the RBP UCAP MW that is committed in the Reliability Backstop Procurement through the term of the commitment, shall be offered by the Capacity Market Seller that owns or controls all or part of such resource (which may include submission as Self-Supply) in all RPM Auctions for each Delivery Year, less any amount determined by the Office of the Interconnection to be eligible for an exception to this RPM must-offer requirement, where installed capacity is determined as of the date on which bidding commences for each RPM Auction pursuant to Tariff, Attachment DD, section 5.6.6. Beginning with the 2025/2026 Delivery Year and subsequent Delivery Years, a Planned Generation Capacity Resource associated with a notice of intent to offer submitted pursuant to Tariff, Attachment DD, section 5.5 shall be required to be offered by the Capacity Market Seller of such resource in the relevant RPM Auction. Through the 2024/2025 Delivery Year, the Unforced Capacity of such resources is determined using the EFORd value that is submitted by the Capacity Market Seller in its Sell Offer, which shall not exceed the maximum EFORd for that resource as defined in section 6.6(b). Starting with the 2025/2026 Delivery Year, the Unforced Capacity of such resource is determined using the effective Accredited UCAP Factor for that resource. If a resource should be included on the list of Existing Generation Capacity Resources subject to the RPM must-offer requirement that is maintained by the Market Monitoring Unit pursuant to Tariff, Attachment M-Appendix, section II.C.1, but is omitted therefrom whether by mistake of the Market Monitoring Unit or failure of the Capacity Market Seller that owns or controls all or part of such resource to provide information about the resource to the Market Monitoring Unit, this shall not excuse such resource from the RPM must-offer requirement.

(b) Through the 2024/2025 Delivery Year, for each Existing Generation Capacity Resource, a potential Capacity Market Seller must timely provide to the Market Monitoring Unit and the Office of the Interconnection all data and documentation required under this section 6.6 to establish the maximum EFORd applicable to each resource in accordance with standards and procedures specified in the PJM Manuals. The maximum EFORd that may be used in a Sell Offer for RPM Auctions held prior to the date on which the final EFORds used for a Delivery Year are posted, is the greater of (i) the average EFORd for the five consecutive years ending on the September 30 that last precedes the Base Residual Auction, or (ii) the EFORd for the 12 months ending on the September 30 that last precedes the Base Residual Auction.

Notwithstanding the foregoing, a Capacity Market Seller may request an alternate maximum EFORd for Sell Offers submitted in such auctions if it has a documented, known reason that would result in an increase in its EFORd, by submitting a written request to the Market Monitoring Unit and Office of the Interconnection, along with data and documentation required to support the request for an alternate maximum EFORd, by no later one hundred twenty (120) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year. The Capacity Market Seller must address any concerns identified by the Market Monitoring Unit and/or the Office of the Interconnection regarding the data and documentation provided and attempt to reach agreement with the Market Monitoring Unit on the level of the alternate maximum EFORd by no later than ninety (90) days prior to the

commencement of the offer period for the Base Residual Auction for the applicable Delivery Year. As further described in Tariff, Attachment M-Appendix, section II.C, the Market Monitoring Unit shall notify the Capacity Market Seller and the Office of the Interconnection in writing of its determination of the requested alternate maximum EFORd by no later than ninety (90) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year. By no later than eighty (80) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year, the Capacity Market Seller shall notify the Office of the Interconnection and the Market Monitoring Unit in writing whether it agrees with the Market Monitoring Unit on the alternate maximum EFORd or, if no agreement has been reached, specifying the level of alternate maximum EFORd to which it commits. If a Capacity Market Seller fails to request an alternate maximum EFORd prior to the specified deadlines, the maximum EFORd for the applicable RPM Auction shall be deemed to be the default EFORd calculated pursuant to this section.

The maximum EFORd that may be used in a Sell Offer for Third Incremental Auction, and for Conditional Incremental Auctions held after the date on which the final EFORd used for a Delivery Year is posted, is the EFORd for the 12 months ending on the September 30 that last precedes the submission of such offers.

(c) [Reserved for Future Use]

(d) Through the 2024/2025 Delivery Year, in the event that a Capacity Market Seller and the Market Monitoring Unit cannot agree on the maximum level of the alternate EFORd that may be used in a Sell Offer for RPM Auctions held prior to the date on which the final EFORds used for a Delivery Year are posted, the Office of the Interconnection shall make its own determination of the maximum level of the alternate EFORd based on the requirements of the Tariff and the PJM Manuals, per Tariff, Attachment DD, section 5.8, by no later than sixty-five (65) days prior to the commencement of the offer period for the Base Residual for the applicable Delivery Year, and shall notify the Capacity Market Seller and the Market Monitoring Unit in writing of such determination.

(e) Through the 2024/2025 Delivery Year, nothing in this section precludes the Capacity Market Seller from filing a petition with FERC seeking a determination of whether the EFORd complies with the requirements of the Tariff.

(f) Through the 2024/2025 Delivery Year, notwithstanding the foregoing, a Capacity Market Seller may submit an EFORd that it chooses for an RPM Auction held prior to the date on which the final EFORd used for a Delivery Year is posted, provided that (i) it has participated in good faith with the process described in this section 6.6 and in Tariff, Attachment M-Appendix, section II.C, (ii) the offer is no higher than the level defined in any agreement reached by the Capacity Market Seller and the Market Monitoring Unit that resulted from the foregoing process, and (iii) the offer is accepted by the Office of the Interconnection subject to the criteria set forth in the Tariff and the PJM Manuals.

(g) A Capacity Market Seller that owns or controls an existing generation resource in the PJM Region that is capable of qualifying as an Existing Generation Capacity Resource as of

the date on which bidding commences for an RPM Auction may not avoid the rule in subsection (a) or be removed from Capacity Resource status by failing to qualify as a Generation Capacity Resource, or by attempting to remove a unit previously qualified as a Generation Capacity Resource from classification as a Capacity Resource for that RPM Auction. However, generation resource may qualify for an exception to the RPM must-offer requirement, as shown by appropriate documentation, if the Capacity Market Seller that owns or controls such resource demonstrates that it: (i) is reasonably expected to be physically unable to participate in the relevant Delivery Year; (ii) has a financially and physically firm commitment to an external sale of its capacity, or (iii) was interconnected to the Transmission System as an Energy Resource and not subsequently converted to a Capacity Resource.

However, in any Delivery Year in which a Capacity Resource has committed RBP UCAP MW, through the Reliability Backstop Procurement such Capacity Resource shall not be eligible for an exception to the RPM must-offer requirement, under Tariff, Attachment DD, section 6.6A, based on having a financially and physically firm commitment to an external sale of its capacity.

Notwithstanding the foregoing, nothing herein provides a defense to a claim of withholding, market manipulation, or the exercise of market power by any entity who is affiliated with or are under common ownership or control of a Capacity Market Seller that does not submit an offer for a Generation Capacity Resource that obtains an exception to the capacity must-offer requirement.

In order to establish that a resource is reasonably expected to be physically unable to participate in the relevant auction as set forth in (i) above, the Capacity Market Seller must demonstrate that:

A. It has a documented plan in place to retire the resource prior to or during the Delivery Year, and has submitted a notice of Deactivation to the Office of the Interconnection consistent with Tariff, Part V, section 113.1, without regard to whether the Office of the Interconnection has requested the Capacity Market Seller to continue to operate the resource beyond its desired deactivation date in accordance with Tariff, Part V, section 113.2 for the purpose of maintaining the reliability of the PJM Transmission System and the Capacity Market Seller has agreed to do so;

B. Significant physical operational restrictions cause long term or permanent changes to the installed capacity value of the resource, or the resource is under major repair that will extend into the applicable Delivery Year, that will result in the imposition of RPM performance penalties pursuant to Tariff, Attachment DD;

C. The Capacity Market Seller is involved in an ongoing regulatory proceeding (e.g. – regarding potential environmental restrictions) specific to the resource and has received an order, decision, final rule, opinion or other final directive from the regulatory authority that will result in the retirement of the resource; or

D. A resource considered an Existing Generating Capacity Resource because it cleared an RPM Auction for a Delivery Year prior to the Delivery Year of the relevant auction, but

which is not yet in service, is unable to achieve full commercial operation prior to the Delivery Year of the relevant auction. The Capacity Market Seller must submit to the Office of the Interconnection and the Market Monitoring Unit a written sworn, notarized statement of a corporate officer certifying that the resource will not be in full commercial operation prior to the referenced Delivery Year.

In order to establish that a resource has a financially and physically firm commitment to an external sale of its capacity as set forth in (ii) above, the Capacity Market Seller must demonstrate that it has entered into a unit-specific bilateral transaction for service to load located outside the PJM Region, by a demonstration that such resource is identified on a unit-specific basis as a network resource under the transmission tariff for the control area applicable to such external load, or by an equivalent demonstration of a financially and physically firm commitment to an external sale. The Capacity Market Seller additionally shall identify the megawatt amount, export zone, and time period (in days) of the export.

A Capacity Market Seller that seeks approval for an exception to the RPM must-offer requirement, for any reason other than the reason specified in Paragraph A above, shall first submit such request in writing, along with all supporting data and documentation, to the Market Monitoring Unit for evaluation, notifying the Office of the Interconnection by copy of the same, by no later than one hundred twenty (120) days prior to the commencement of the offer period for the applicable RPM Auction.

In order to obtain an exception to the RPM must-offer requirement for the reason specified in Paragraph A above, a Capacity Market Seller shall first submit a preliminary exception request in writing, along with supporting data and documentation indicating the reasons and conditions upon which the Capacity Market Seller is relying in its analysis of whether to retire such resource, to the Market Monitoring Unit for evaluation, notifying the Office of the Interconnection by copy of the same, by no later than (a) the September 1 that last precedes the Base Residual Auction and (b) two hundred forty (240) days prior to the commencement of the offer period for the applicable Incremental Auction. By no later than five (5) Business Days after *the notification deadline for* any such preliminary exception requests, the Office of the Interconnection will post on its website a summary of the number of megawatts of Generation Capacity Resources for which it has received notification of preliminary exception requests, on an aggregate basis by Zone and Locational Deliverability Area that comprises a subset of a Zone, as specified in the PJM Manuals.

Thereafter, as applicable, such Capacity Market Seller shall by no later than (a) the December 1 that last precedes the Base Residual Auction for the applicable Delivery Year, or (b) one hundred twenty (120) days prior to the commencement of the offer period for the applicable Incremental Auction, either (a) notify the Office of the Interconnection and the Market Monitoring Unit in writing that it is withdrawing its preliminary exception request and explaining the changes to its analysis of whether to retire such resource that support its decision to withdraw, or (b) demonstrate that it has met the requirements specified under Paragraph A above. By no later than five (5) Business Days after *the notification deadline for* such notification, the Office of the Interconnection will post on its website a revised summary of the number of megawatts of Generation Capacity Resources for which it has received requests for exceptions to the RPM must-offer requirement for the reason specified in Paragraph A above, on

an aggregate basis by Zone and Locational Deliverability Area that comprises a subset of a Zone, as specified in the PJM Manuals.

A Capacity Market Seller that seeks to remove a Generation Capacity Resource from Capacity Resource status shall first submit a preliminary request in writing, along with supporting data and documentation indicating the reasons and conditions upon which the Capacity Market Seller is relying in its analysis of whether to remove the Capacity Resource status of such resource to the Market Monitoring Unit for evaluation, notifying the Office of the Interconnection by copy of the same, by no later than (a) the September 1 that last precedes the Base Residual Auction, and (b) two hundred forty (240) days prior to the commencement of the offer period for the applicable Incremental Auction. By no later than five (5) Business Days after *the notification deadline for* any such preliminary requests, the Office of the Interconnection will post on its website a summary of the number of megawatts of Generation Capacity Resources for which it has received notification of preliminary requests, on an aggregate basis by Zone and Locational Deliverability Area that comprises a subset of a Zone, as specified in the PJM Manuals.

Thereafter, as applicable, such Capacity Market Seller shall, by no later than (a) the December 1 that last precedes the Base Residual Auction for the applicable Delivery Year, or (b) one hundred twenty (120) days prior to the commencement of the offer period for the applicable Incremental Auction, notify the Office of the Interconnection and the Market Monitoring Unit in writing that it is either (a) withdrawing its preliminary request and explaining the changes to its analysis that support its decision to withdraw, or (b) confirming its preliminary decision to remove the Generation Capacity Resource from Capacity Resource status. By no later than five (5) Business Days after *the notification deadline for* such notification, the Office of the Interconnection will post on its website a revised summary of the number of megawatts of Generation Capacity Resources for which it has received requests to remove its Capacity Resource status, on an aggregate basis by Zone and Locational Deliverability Area that comprises a subset of a Zone, as specified in the PJM Manuals.

The Market Monitoring Unit shall analyze the effects of the proposed removal of a Generation Capacity Resource from Capacity Resource status with regard to potential market power issues and shall notify the Capacity Market Seller and the Office of the Interconnection in writing of its determination of the request to remove the Generation Capacity Resource from Capacity Resource status, and whether a market power issue has been identified, by no later than ninety (90) days prior to the commencement of the offer period for the applicable RPM Auction. Such notice shall include the specific market power impact resulting from the proposed removal of the Generation Capacity Resource from Capacity Resource status, as well as an initial assessment of any steps that could be taken to mitigate the market power impact.

A Capacity Market Seller may only remove the Generation Capacity Resource from Capacity Resource status if (i) the Market Monitoring Unit has determined that the Generation Capacity Resource meets the applicable criteria set forth in Tariff, Attachment DD, sections 5.6.6 and this section 6.6 and the Office of the Interconnection agrees with this determination, or (ii) the Commission has issued an order terminating the Capacity Resource status of the resource, or (iii) it is required as set forth in Tariff, Attachment DD, section 6.6A(c). Any RBP Resource committed through the Reliability Backstop Procurement shall not be allowed to remove

Capacity Resource status for the portion of the resource with committed RBP UCAP MW through the term of such commitment. Nothing herein shall require a Market Seller to offer its resource into an RPM Auction prior to seeking to remove a resource from Capacity Resource status, subject to satisfaction of this section 6.6. A Generation Capacity Resource that is removed from Capacity Resource status shall no longer qualify as an Existing Generation Capacity Resource, and the Capacity Interconnection Rights associated with such facility shall be subject to termination in accordance with the rules described in Tariff, Part VI, section 230.3.3. The Office of the Interconnection shall amend the applicable Interconnection Service Agreement or wholesale market participation agreement to reflect any such removal of the Capacity Interconnection Rights, and shall report the amended agreement to the Commission in the same manner as the original (e.g., FERC filing or Electronic Quarterly Reports). The Office of the Interconnection shall file the amended agreement unexecuted if the Interconnection Customer or wholesale market participant does not sign the amended Interconnection Service Agreement or wholesale market participation agreement.

If the Capacity Market Seller disagrees with the Market Monitoring Unit's determination of its request to remove a resource from Capacity Resource status or its request for an exception to the RPM must-offer requirement, it must notify the Market Monitoring Unit in writing, with a copy to the Office of the Interconnection, of the same by no later than eighty (80) days prior to the commencement of the offer period for the applicable RPM Auction. After the Market Monitoring Unit has made its determination of whether a resource may be removed from Capacity Resource status, or whether the resource meets one of the exceptions thereto, and has notified the Capacity Market Seller and the Office of the Interconnection of the same pursuant to Tariff, Attachment M-Appendix, section II.C.4, the Office of the Interconnection shall approve or deny the request. The request shall be deemed to be approved by the Office of the Interconnection, consistent with the determination of the Market Monitoring Unit, unless the Office of the Interconnection notifies the Capacity Market Seller and Market Monitoring Unit, by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences, that the request is denied.

If the Market Monitoring Unit does not timely notify the Capacity Market Seller and the Office of the Interconnection of its determination of the request to remove a Generation Capacity Resource from Capacity Resource status or for an exception to the RPM must-offer requirement, the Office of the Interconnection shall make the determination whether the request shall be approved or denied, and will notify the Capacity Market Seller of its determination in writing, with a copy to the Market Monitoring Unit, by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences.

After the Market Monitoring Unit and the Office of the Interconnection have made their determinations of whether a resource meets the criteria to qualify for an exception to the RPM must-offer requirement, the Capacity Market Seller must notify the Market Monitoring Unit and the Office of the Interconnection whether it intends to exclude from its Sell Offer some or all of the subject capacity on the basis of an identified exception by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences. PJM does not make determinations of whether withholding of capacity constitutes market power. A Generation Capacity Resource that does not qualify for submission into an RPM Auction because it is not owned or controlled by the Capacity Market Seller for a full Delivery Year is

not subject to the offer requirement hereunder; provided, however, that a Capacity Market Seller planning to transfer ownership or control of a Generation Capacity Resource during a Delivery Year pursuant to a sale or transfer agreement entered into after March 26, 2009 shall be required to satisfy the offer requirement hereunder for the entirety of such Delivery Year and may satisfy such requirement by providing for the assumption of this requirement by the transferee of ownership or control under such agreement.

If a Capacity Market Seller doesn't timely seek to remove a Generation Capacity Resource from Capacity Resource status or timely submit a request for an exception to the RPM must-offer requirement, the Generation Capacity Resource shall only be removed from Capacity Resource status, and may only be approved for an exception to the RPM must-offer requirement, upon the Capacity Market Seller requesting and receiving an order from FERC, prior to the close of the offer period for the applicable RPM Auction, directing the Office of the Interconnection to remove the resource from Capacity Resource status and/or granting an exception to the RPM must-offer requirement or a waiver of the RPM must-offer requirement as to such resource.

(h) Any existing generation resource located in the PJM Region that satisfies the criteria in the definition of Existing Generation Capacity Resource as of the date on which bidding commences for the Base Residual Auction for a Delivery Year, that is not offered into such Base Residual Auction, and that does not meet any of the exceptions stated in the prior subsection (g): (i) may not participate in any subsequent Incremental Auctions conducted for such Delivery Year; (ii) shall not receive any payments under Tariff, Attachment DD, section 5.14 for such Delivery Year for the capacity of such Generation Capacity Resources; and (iii) shall not be permitted to satisfy any LSE's Unforced Capacity Obligation, or any entity's obligation to obtain the commitment of Capacity Resources, for such Delivery Year.

All generation resources located in the PJM Region that satisfy the criteria in the definition of Existing Generation Capacity Resource as of the date on which bidding commences for an Incremental Auction for a particular Delivery Year, but that did not satisfy such criteria as of the date that on which bidding commenced in the Base Residual Auction for that Delivery Year, that is not offered into that Incremental Auction, and that does not meet any of the exceptions stated in the prior subsection (g): (i) may not participate in any subsequent Incremental Auctions conducted for such Delivery Year; (ii) shall not receive any payments under Tariff, Attachment DD, section 5.14 for such Delivery Year for the capacity of such Generation Capacity Resources; and (iii) shall not be permitted to satisfy any LSE's Unforced Capacity Obligation, or any entity's obligation to obtain the commitment of Capacity Resources, for such Delivery Year.

Any Planned Generation Capacity Resource associated with a notice of intent to offer into a particular RPM Auction that is not offered into the associated RPM Auction and all Existing Generation Capacity Resources that are offered into a Base Residual Auction or Incremental Auction for a particular Delivery Year but do not clear in such auction, that are not offered into each subsequent Incremental Auction, and that do not meet any of the exceptions stated in the prior subsection (g): (i) may not participate in any Incremental Auctions conducted for such Delivery Year subsequent to such failure to offer; (ii) shall not receive any payments under Tariff, Attachment DD, section 5.14 for such Delivery Year for the capacity of such

Generation Capacity Resources; and (iii) shall not be permitted to satisfy any LSE's Unforced Capacity Obligation, or any entity's obligation to obtain the commitment of Capacity Resources, for such Delivery Year.

Any such Existing Generation Capacity Resources may also be subject to further action by the Market Monitoring Unit under the terms of Tariff, Attachment M and Tariff, Attachment M – Appendix.

(i) In addition to the remedies set forth in subsections (g) and (h) above, if the Market Monitoring Unit determines that one or more Capacity Market Sellers' failure to offer part or all of one or more existing generation resources, for which the Office of the Interconnection has not approved an exception to the RPM must-offer requirement, into an RPM Auction as required by this Section 6.6 would result in an increase of greater than five percent in any Zonal Capacity Price determined through such auction, and the Office of the Interconnection agrees with that determination, the Office of the Interconnection shall apply to FERC for an order, on an expedited basis, directing such Capacity Market Seller to participate in the relevant RPM Auction, or for other appropriate relief, and PJM will postpone clearing the auction pending FERC's decision on the matter. If the Office of the Interconnection disagrees with the Market Monitoring Unit's determination and does not apply to FERC for an order directing the Capacity Market Seller to participate in the auction or for other appropriate relief, the Market Monitoring Unit may exercise its powers to inform Commission staff of its concerns and to seek appropriate relief.

(j) An RBP Resource committed through the Reliability Backstop Procurement must offer all available committed RBP UCAP MW as a price-taker (i.e., $0/MW-day) into the applicable RPM Auctions pursuant to the capacity must offer requirements and exceptions set forth in Tariff, Attachment DD, sections 6.6 and 6.6A. The applicable RPM Auctions shall be the Reliability Pricing Model Auctions beginning with the first Delivery Year in which an RBP Resource has been committed through the Reliability Backstop Procurement and is expected to be in-service. Such offer requirement shall continue for each subsequent Delivery Year through the end of the fixed 15-year term, except RBP UCAP MW for RBP Resources without a notice of intent to offer submitted pursuant to Tariff, Attachment DD, section 5.5 for the 2030/2031 Base Residual Auction, which shall have a must offer requirement beginning in the next applicable RPM Auction, including but not limited to the 2031/2032 Base Residual Auction and the 2029/2030 Second Incremental Auction to the extent such resource has RBP UCAP MW committed and is expected to be in-service for those Delivery Years.

6.6A Offer Requirement for Capacity Performance Resources

(a) The installed capacity of every Existing Generation Capacity Resource located in the PJM Region that is capable (or that reasonably can become capable) of qualifying as a Capacity Performance Resource shall be offered as a Capacity Performance Resource by the Capacity Market Seller that owns or controls all or part of such resource (which may include submission as Self-Supply) in all RPM Auctions for each such Delivery Year, less any amount determined by the Office of the Interconnection to be eligible for an exception to the Capacity Performance Resource must-offer requirement, where installed capacity is determined as of the date on which bidding commences for each RPM Auction pursuant to Tariff, Attachment DD, section 5.6.6. A Planned Generation Capacity Resource associated with a notice of intent to offer submitted pursuant to Tariff, Attachment DD, section 5.5 shall be required to be offered by the Capacity Market Seller of such resource in the relevant RPM Auction.

(b) Determinations of EFORd, Accredited UCAP, and Unforced Capacity made under this Tariff, Attachment DD, section 6.6 as to a Generation Capacity Resource shall govern the offers required under this section as to the same Generation Capacity Resource.

(c) Exceptions to the requirement in subsection (a) shall be permitted only for a resource which the Capacity Market Seller demonstrates is reasonably expected to be physically incapable of satisfying the requirements of a Capacity Performance Resource. Through the 2025/2026 Delivery Year, Intermittent Resources, Capacity Storage Resources, Hybrid Resources consisting exclusively of components that in isolation would be Intermittent Resources or Capacity Storage Resources, Demand Resources, and Energy Efficiency Resources shall not be required to offer as a Capacity Performance Resource, but shall not be precluded from being offered as a Capacity Performance Resource at a level that demonstrably satisfies such requirements. Beginning with the 2026/2027 Delivery Year, Demand Resources shall not be required to offer as a Capacity Performance Resource, but shall not be precluded from being offered as a Capacity Performance Resource at a level that demonstrably satisfies such requirements. Notwithstanding the foregoing, nothing herein provides a defense to a claim of withholding, market manipulation, or the exercise of market power by any entity who is affiliated with or are under common ownership or control of a Capacity Market Seller that does not offer Demand Resources into a Reliability Pricing Model Auction. Exceptions shall be determined using the same timeline and procedures as specified in section 6.6.

Effective with the 2023/2024 Delivery Year, Capacity Market Sellers seeking an exception for a Base Residual Auction on the basis that a resource is incapable of meeting the Capacity Performance Resource requirement shall include a documented plan with the submission of their request showing the steps the Capacity Market Seller intends to pursue for the resource to become physically capable of satisfying the requirements of a Capacity Performance Resource. Such plan shall include (i) a timeline for design, permitting, procurement, and construction milestones, as applicable, where such timeline shall not exceed one Base Residual Auction exception, and (ii) evidence of corporate commitment (e.g., an SEC filing, a press release, or a letter from a duly authorized corporate officer indicating intent to make such investment). Periodic updates on the progress, shall be provided by the Capacity Market Seller to the Office of the Interconnection and the Market Monitoring Unit for their

review by no later than (i) one hundred twenty (120) days prior to the commencement of the offer period for subsequent Incremental Auctions for the applicable Delivery Years, and (ii) the December 1 that last precedes subsequent Base Residual Auctions. The Capacity Market Seller shall also immediately notify the Office of the Interconnection and the Market Monitoring Unit of any material changes to the plan that may occur. Upon request by a Capacity Market Seller, a one year extension to the plan timeline shall be permissible only for delays not caused by the Capacity Market Seller, and that could not have been remedied through the exercise of due diligence by the Capacity Market Seller. In no event may an exception be requested by the Capacity Market Seller for more than two Base Residual Auctions.

Failure to submit a documented plan, or lack of good faith effort by a Capacity Market Seller to make an Existing Generation Capacity Resource physically capable of meeting the requirements of a Capacity Performance Resource in accordance with a documented plan, shall result in the removal of the resource's Capacity Resource status effective with the first future Delivery Year for which the resource was granted an exception, no earlier than the 2023/2024 Delivery Year. The Office of the Interconnection shall amend the applicable Interconnection Service Agreement or wholesale market participation agreement to reflect any such removal of the Capacity Interconnection Rights, and shall report the amended agreement to the Commission in the same manner as the original (e.g. FERC Filing or Electronic Quarterly Reports). The Office of the Interconnection shall file the amended agreement unexecuted if the Interconnection Customer or wholesale market participant does not sign the amended Interconnection Service Agreement or wholesale market participation agreement. The required change in Capacity Resource status shall only apply to those Generation Capacity Resources that are shown to be physically incapable of satisfying the requirements of a Capacity Performance Resource.

(d) A resource not exempted or excepted under subsection (c) hereof that is capable of qualifying as a Capacity Performance Resource and does not offer into an RPM Auction as a Capacity Performance Resource shall be subject to the same restrictions on subsequent offers, and other possible remedies, as specified in section 6.6.

(e) An RBP Resource committed through the Reliability Backstop Procurement must offer all committed RBP UCAP MW as price-takers (i.e., $0/MW-day) into the applicable RPM Auctions pursuant to the capacity must offer requirements and exceptions set forth in Tariff, Attachment DD, sections 6.6 and 6.6A. The applicable RPM Auctions shall be the ~~Base Residual~~Reliability Pricing Model Auctions beginning with the first Delivery Year in which ~~conducted after~~ an RBP Resource~~'s RBP UCAP MW~~ ~~ha~~vse been committed through the Reliability Backstop Procurement and is expected to be in-service. Such offer requirement shall~~and~~ continu~~inge~~ for each subsequent Delivery Year through the end of the fixed 15-year term, except RBP UCAP MW for Capacity Performance Resources without a notice of intent to offer submitted pursuant to Tariff, Attachment DD, section 5.5 for the 20~~29~~30/203~~0~~1 Base Residual Auction, which shall have a must offer requirement beginning in the next applicable RPM Auction, including but not limited to the 203~~0~~1/203~~1~~2 Base Residual Auction and the 2029/2030 Second Incremental Auction to the extent such resource has an RBP UCAP MW commitment and is expected to be in-service for those Delivery Years.

18. RELIABILITY BACKSTOP PROCUREMENT

The Reliability Backstop Procurement or "RBP" is a one-time procurement, starting in 2027~~6~~, to address resource adequacy challenges in the PJM Region arising from insufficient capacity committed through Reliability Pricing Model Auctions starting in the 2027/2028 Delivery Year.

18.1 Determination of Final RBP Target

The Reliability Backstop Procurement is designed to procure sufficient RBP UCAP MW to meet the Final RBP Target.

(a) Initial RBP Target

The Initial RBP Target shall be a region-wide value equal to the lesser of the (1) most up to date UCAP MW quantity that PJM ~~clears~~ cleared short of the PJM Region Reliability Requirement for the 2028/2029 Delivery Year Base Residual Auction or (2) the UCAP equivalent of the aggregate region-wide Large Load MW quantity reported by the Electric Distributor in accordance with Tariff, Attachment DD, section 18.3A. Specifically, the Initial RBP Target shall equal the lesser of ([the latest estimate of the PJM Region Reliability Requirement for the 2028/2029 Delivery Year, calculated as the RTO Region Peak Load Forecast for the 2028/2029 Delivery Year from the 2027 Load Forecast times the 2028/2029 Forecast Pool Requirement from the updated planning parameters available at the commencement of the RBP, less the sum of all updated Unforced Capacity Obligations of FRR Entities in the PJM Region~~based on the latest load forecast for the 2028/2029 Delivery Year available at the commencement of the RBP and the most recent 2028/2029 Forecast Pool Requirement~~] minus [the UCAP-equivalent of the ICAP quantity of Capacity Resources that cleared in the 2028/2029 Base Residual Auction using the latest capacity accreditation factors for the 2028/2029 Delivery Year available at the commencement of the RBP], the aggregate region-wide Large Load MW reported by the Electric Distributor in accordance with Tariff, Attachment DD, section 18.3A times the most recent 2028/2029 Forecast Pool Requirement).

(b) Final RBP Target

The Final RBP Target shall be a PJM region-wide value equal to the Initial RBP Target minus the total PJM region-wide Qualifying RBP Offset UCAP MW and the unforced capacity obligation value of load that have successfully requested and obtained an opt-out pursuant to Tariff, Attachment DD, section 18.1(d).

(c) Fixed Resource Requirement Entities

Fixed Resource Requirement ("FRR") Entities as of the 2028/2029 Delivery Year shall be excluded from the Reliability Backstop Procurement, including Initial and Final RBP Targets.
To the extent an Electric Distributor zone/area that has RBP UCAP MW committed through the Reliability Backstop Procurement later becomes an FRR Service Area pursuant to RAA, Schedule 8.1.D, the Electric Distributor zone/area shall continue to be accountable for the RBP UCAP MW quantity committed through the Reliability Backstop Procurement.

(d) Opt-Out

When calculating the Final RBP Target, the Initial RBP Target shall also be decremented ~~where the Electric Distributor's zone/area has rates that are not regulated by the states and is unable to address cost allocation associated with capacity procured in the backstop. Such request by the Electric Distributor shall specify the associated MW quantity of load in the zone/area that will be opted-out of the Initial RBP Target and be accompanied by supporting documentation demonstrating an inability to address cost allocation associated with capacity procured in the backstop, along with written support for such opt-out from the relevant state governor, RERRA,~~

~~and interconnection customer(s). The Initial RBP Target shall be further decremented~~, if requested by an Electric Distributor, and accompanied by an officer attestation in accordance with the PJM Manuals, by up to the associated MW quantity of load that participates in a peak shaving adjustment program for a minimum period of five years where such Electric Distributor's zone/area addresses their capacity needs through peak shaving adjustment programs that are codified in state law and that also meet the requirements of Tariff, Attachment DD-2.

18.2 Qualifying RBP Offset UCAP MW

(a) Qualifying RBP Offset UCAP MW is capacity that will be located within the PJM Region (i) has not previously supported a capacity commitment or been committed in an FRR Plan for the 2028/2029 or earlier Delivery Year as of the commencement of the Reliability Backstop Procurement (except for capacity that is first committed in the Third Incremental Auction associated with the 2027/2028 Delivery Year); and (ii) is supplied by a resource that satisfies each of the criteria set forth in Tariff, Attachment DD, section 18.2(b).

(b) Resources Eligible to Supply Qualifying RBP Offset UCAP MW

A resource eligible to supply Qualifying RBP Offset UCAP MW must have an expected commercial operation date, or is reasonably expected to be an Annual Demand Resource or DER Capacity Aggregation Resource that will be registered with the Office of the Interconnection and under a contract to perform based on PJM dispatch instructions, by no later than June 1, 2032 and be: (i) a new build generation resource including new resources that obtain Capacity Interconnection Rights transferred from deactivated resources or resources that have announced deactivation as of April 10, 2026; (ii) the incremental capacity created by an uprate of existing Generation Capacity Resources, but only to the extent such incremental capacity is created through an increase in such Generation Capacity Resource's installed capacity and increase in Capacity Interconnection Rights associated with that Generation Capacity Resource; (iii) the incremental capacity created by the utilization of Surplus Interconnection Service; (iv) repowering of a deactivated generation resource that deactivated prior to April 10, 2026; (v) incremental capacity, whether due to greater Unforced Capacity or a higher level of Capacity Interconnection Rights, created by an existing Generation Capacity Resource's changing fuel type to a more efficient fuel type; or (vi) Planned Demand Resource or Planned DER Capacity Aggregation Resources, as described in the RAA, Schedule 6 and Schedule 6.2 , and must meet the requirements of being eligible to be an RBP Resource as set forth in Tariff, Attachment DD, section 18.5(c) and 18.5(d), except that the associated participation contract(s) are not required to be eligible for the offset.
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(c) Evidence of Qualifying RBP Offset UCAP MW

During the RBP bid submission window defined in Tariff, Attachment DD, section 18.4, Electric Distributors shall report the Qualifying RBP Offset UCAP MW that is the subject of a bilateral agreement with a Large Load, up to the capacity obligation of the Large Load, reported to the Office of the Interconnection in accordance with Tariff, Attachment DD, section 18.3(a)(2) in their respective zones/areas. ~~to the Office of the Interconnection in accordance with their requirements set forth in the Operating Agreement, section 11.3, and s~~Such report shall be accompanied by evidence of at least one of the following supporting materials. Likewise, to the extent LSEs, interconnecting customers, large loads, Transmission Owners, or other entities report Qualifying RBP Offset UCAP MW to the Office of the Interconnection during such RBP bid submission window, the reported Qualifying RBP Offset UCAP MW must be accompanied with evidence of at least one of the following supporting materials:

(i) Signed bilateral contracts for Qualifying RBP Offset UCAP MW for at least five Delivery Years with a commercial operation date prior to the start of the 2032/2033 Delivery Year, and matched with Large L~~l~~oad that has an executed electric service agreement or transmission service agreement, indicating that the load will be coming online in the 2027/2028 or 2028/2029 Delivery Year;

(ii) Self-Supply generation that is in a Relevant Electric Retail Regulatory Authority ("RERRA")-approved or accepted integrated resource plan with either associated generation in the PJM interconnection queue or signed bilateral contracts for Qualifying RBP Offset UCAP MW for at least five Delivery Years with a commercial operation date prior to the start of the 2032/2033 Delivery Year, and matched with load that has an executed electric service agreement or transmission service agreement, indicating that the Large ~~load~~ Load will be coming online in the 2027/2028 or 2028/2029 Delivery Year; or

(iii) Signed commitment between a Curtailment Service Provider or DER Aggregator and new load(s) that has an executed electric service agreement or transmission service agreement, indicating that the new Large L~~l~~oad(s) will, in a MW quantity equal to MW quantity of the new load(s), either (a) participate as Annual Demand Resources or DER Capacity Aggregation Resources starting in the 2028/2029 Delivery Year Second Incremental Auction and continuing through the 2032/2033 Delivery Year, or (b) purchase replacement Qualifying RBP Offset UCAP MW that are eligible generation or storage resources.

(d) To determine the quantity of any Qualifying RBP Offset UCAP MW that are verified by the Office of the Interconnection and used to decrement the Initial RBP Target, the Office of the Interconnection shall use the ~~applicable~~ most up-to-date ELCC Class Ratings ~~from the Base Residual Auction~~ associated with the 2028/2029 Delivery Year, or the estimated unit-specific UCAP value for resources with no ELCC Class Rating available at the commencement of the RBP.

(e) The total quantity of Qualifying RBP Offset UCAP MW verified by the Office of the Interconnection and used to decrement the Initial RBP Target total amount allowed for each zone/area will be capped by the aggregate MW quantity of Large Load reported by ~~at the Load Adjustment for~~ each Electric Distributor, as reported in accordance with Tariff, Attachment DD, section 18.3(a)(2), and the total MW quantity that is subject to the RBP opt-out, as requested in accordance with Tariff, Attachment DD, section 18.1(d), for the relevant zone/area ~~amount of summer 2028 demand as set forth in the load forecast~~.

18.3 ~~Cost~~ Allocation of RBP Charges, Credits, and Shortfall Charges

(a) ~~Cost~~ Allocation of RBP Charges to Electric Distributor zone/area

(i) The Office of the Interconnection shall allocate the Initial RBP Target MW to each Electric Distributor's zone/area using that zone/area's pro-rata share of the total incremental Large Load reported to the Office of the Interconnection in accordance with Tariff, Attachment DD, section 18.3A. Such allocation shall be only to Electric Distributors' zone/area not located in an FRR Service Area and based on information provided by each such Electric Distributor~~difference between the forecasted Load Adjustments for the 2026/2027 Delivery Yearand the 2028/2029 Delivery Year~~.

(ii) The allocation based on the zone/area's MW share of the total incremental Large Load MW~~difference between the forecasted Load Adjustments for the 2026/2027 and the 2028/2029 Delivery Years~~ shall be reduced for the purpose of this calculation to the extent:

(~~i~~1) an Electric Distributor, LSE, Transmission Owner, or other entity provides the Office of Interconnection with evidence of Qualifying RBP Offset UCAP MW, in accordance with Tariff, Attachment DD, section 18.2 and as may be further set forth in the PJM Manuals; or

(~~ii~~2) an Electric Distributor zone~~e~~/area meets ~~one of~~ the opt-out provisions set forth in accordance with Tariff, Attachment DD, section 18.1(d).

The resulting reduced MW, floored at zero, ~~is~~ shall be used to calculate the zone/area's assigned pro-rata share of the Final RBP Target MW. The zone/area's assigned share of the Final RBP Target MW shall remain constant throughout the fixed, 15-year term.

(iii) The Office of the Interconnection shall allocate the total RBP Charges, assessed daily, to an Electric Distributor's zone/area on a pro-rata basis using the zone/area's assigned share of the total Final RBP Target MW across all zone/areas.

(b) ~~Cost~~ Allocation of RBP Charges to Load Serving Entities

LSEs located in an Electric Distributor zone/area with a positive, non-zero allocation of RBP Charges pursuant to Tariff, Attachment DD, section 18.3(a)(iii) shall be eligible to be allocated responsibility for RBP Charges as follows:

(i) The daily assessed RBP Charges allocated to each Electric Distributor zone/area shall be further allocated to each applicable LSE within that zone/area with an RBP Obligation ("RBO") based on the LSE's pro-rata share of the total RBP Obligation MW for the zone/area.

(ii) The RBP Charge assessed daily to an LSE in a zone/area shall be the LSE's daily reported RBO MW in the zone/area divided by the total RBO MW in the zone/area multiplied by total, daily RBP Charges allocated to the zone/area.

(iii) The RBO MW shall be, where available, the state and/or RERRA-determined allocation of cleared RBP UCAP MW to LSEs within each Electric Distributor's zone/area, as reported by each Electric Distributor to the Office of the Interconnection, with the initial allocation reported no later than one hundred and twenty ~~sixty~~ (~~60~~120) days prior to the 2028/2029 Delivery Year. Electric Distributors may report updated RBO MW to the Office of the Interconnection after the initial allocation is reported to reflect any changes in Load Serving Entities that should be assigned RBP Charges. If no RBO MW are reported to the Office of the Interconnection ~~in~~ for an Electric Distributor zone/area, PJM will allocate the RBP Charges for that zone/area to all load in the zone/area using each LSE's ratio share of the Daily Unforced Capacity Obligation for the zone/area as determined in RAA, Schedule 8. PJMSettlement shall be the Counterparty to each LSE's obligation to pay, and payments of, RBP Charges.

(iv) RBP Shortfall Charges will be allocated to LSEs as credits based on using the same pro-rata share of the RBP Charges, pursuant to RAA, Article 7, ~~S~~section 7.2B.

18.3A Electric Distributor Reporting Requirement for Reliability Backstop Procurement

No later than seven days prior to the commencement of the Reliability Backstop Procurement, each Electric Distributor outside of an FRR Service Area shall report to the Office of the Interconnection the quantity and identity of incremental Large Load that is supported by an electric service obligation, construction commitment, or similar agreement. Such Electric Distributor shall also report the amount (in MW) that represents the difference between the aggregate quantity of Large Load based on the 2026 actual summer peak and the expected summer peak of Large Load for the 2028/2029 Delivery Year. An Electric Distributor shall provide an explanation for any deviation between the expected quantity of Large Loads for the 2028/2029 Delivery Year and the values provided by the Electric Distributor to the Office of the Interconnection as part of the development for the load forecast.

18.4 Scope of the Reliability Backstop Procurement

The Office of the Interconnection shall conduct an RBP to commit RBP Resources up to the UCAP MW value to meet the Final RBP Target. The Reliability Backstop Procurement offer submission window for RBP Sell Offers shall open for ~~three~~ four weeks ~~in 2026~~. The clearing and selection process will take place thereafter and concluding six weeks following the close of the offer submission window. The Office of the Interconnection shall notify RBP Sellers that receive a commitment as an RBP Resource as soon as practicable upon the conclusion of the RBP. The Office of the Interconnection shall post specific dates on the PJM website prior to the commencement of the Reliability Backstop Procurement.

RBP Sellers may submit RBP Sell Offers of RBP Resources supporting RBP UCAP MW into the Reliability Backstop Procurement. PJMSettlement shall be the Counterparty to the transactions arising from the RBP.

An RBP Sell Offer will be considered binding once any PJM-identified deficiencies are cured and until the conclusion of the Reliability Backstop Procurement and the underlying resource does not receive a commitment in the Reliability Backstop Procurement.

The Reliability Backstop Procurement shall offer commitments for RBP UCAP MW for a fixed period of fifteen (15) Delivery Years, starting with the 2028/2029 Delivery Year. Resources with a commercial operation date later than the 2028/2029 Delivery Year shall be committed for the remainder of the fifteen-year term of the Reliability Backstop Procurement commitment period, i.e. through the end of the 2042/2043 Delivery Year.

18.5 The Reliability Backstop Procurement Process

(a) RBP Seller Eligibility to Participate and General Requirements for Resources Supporting RBP UCAP MW

To be eligible to participate in the Reliability Backstop Procurement, an RBP Seller must meet the RBP credit requirements, set forth in Tariff, Attachment DD, section 18.8, with RBP Sell Offer(s) for RBP UCAP MW based on a resource that:

(i) Has a commercial operation date, or is reasonably expected to be an Annual Demand Resource or DER Capacity Aggregation Resource that will be registered with the Office of the Interconnection and under a contract to perform based on PJM dispatch instructions, by no later than June 1, 2032, inclusive of any required Network Upgrades;

(ii) Has not received a capacity commitment or been committed in an FRR Plan for the 2028/2029 or earlier Delivery Year as of the commencement of the Reliability Backstop Procurement (except for capacity that is first committed in the Third Incremental Auction associated with the 2027/2028 Delivery Year);

(iii) Is not supplying Qualifying RBP Offset UCAP MW;

(iv) To the extent the subject of a notice of intent for the 2028/2029 Base Residual Auction, must have offered and not cleared in the 2028/2029 Base Residual Auction;

~~(v) To the extent the subject of a notice of intent for the 2029/2030 Base Residual Auction, must be offered into the 2029/2030 Base Residual Auction;~~ and

(v~~i~~) Meets the requirements in Tariff, Attachment DD, sections 18.5(b), 18.5(c), or 18.5(d).

(b) Generation or Energy Storage Resources as an RBP Resource

To qualify as an RBP Resource, a generation or Energy Storage Resource that supplies RBP UCAP MW eligible to be offered into the Reliability Backstop Procurement shall be in the PJM Region or meet the requirements to pseudo-tie into the PJM Region in Tariff, Attachment DD, section 5.5A(b), must meet the requirements of Tariff, Attachment DD, section 18.5(a) and must be:

(i) Composed of new Installed Capacity and new Maximum Facility Output;

(ii) Supported by new Capacity Interconnection Rights (if located in the PJM Region) or Capacity Interconnection Rights transferred from a deactivated resource or a resource that announced deactivation as of April 10, 2026; and

(iii) Consist of (1) new build; (2) incremental capacity created by an uprate of an existing Generation Capacity Resource's or Energy Storage Resource's installed

capacity and associated level of Capacity Interconnection Rights; or (3) repowering of a generation resource that had deactivated, or announced deactivation, on or before April 10, 2026.

(c) RBP Demand Resources

To qualify as a Demand Resource that supplies RBP UCAP MW eligible to be offered into the Reliability Backstop Procurement, a Demand Resource must meet the requirements of Tariff, Attachment DD, sections 18.5(a), and:

(i) Not be reliant on or composed of registered location(s) that previously supported a Demand Resource that provided capacity in ~~a prior~~the 2026/2027 Delivery Year unless such location represents an incremental increase in capacity resulting from an investment in new generation or new storage resources at that location; and

(ii) Identify, as part of its RBP Sell Offer, for the full length of the fixed term, the location(s) and associated participation contract(s).

(d) RBP DER Aggregation Resources

To qualify as a DER Capacity Aggregation Resource that supplies RBP UCAP MW eligible to be offered into the Reliability Backstop Procurement, a Planned DER Capacity Aggregation Resource must meet the requirements of Tariff, Attachment DD, sections 18.5(~~b~~a) and:

(i) Identify, as part of its RBP Sell Offer, for the length of the fixed term, the location(s) and associated participation contract(s).

(e) RBP Sell Offers

RBP Sell Offers for RBP UCAP MW shall specify an offer quantity in UCAP MW and an offer price in $/MW-day UCAP for each Delivery Year beginning with the first full Delivery Year in which the RBP UCAP MW is expected to provide capacity through the end of the fixed 15-year term.

RBP Sellers will be responsible for all actual Network Upgrade costs as determined through the interconnection process, without subsequent adjustments to RBP Sell Offers.

Each RBP Sell Offer shall include the following information for the RBP UCAP MW offered:

(i) the MW of UCAP to be provided by such resource for each Delivery Year, where the maximum UCAP included in an RBP Sell Offer shall be limited to no greater than 120% of the resource type's most recent maximum Preliminary ELCC Class Ratings for 2028/2029 through the last posted Delivery Year or based on the resource's maximum estimated unit-specific ELCC ratings across such period for resources with no ELCC Class Rating, multiplied by the resource's ICAP;

(ii) the price in $/MW-day UCAP for each Delivery Year beginning with the first full Delivery Year in which the RBP UCAP MW is expected to provide capacity through the end of the fixed 15-year term;

(iii) the first full Delivery Year for which such resource shall be available and offering to provide capacity;

(iv) all relevant documentation necessary for the Office of the Interconnection to evaluate whether the project satisfies the gating criteria, as set forth in Tariff, Attachment DD, section 18.5(f)(i).

(f) Clearing Structure

Following the closing date of bid solicitation for the Reliability Backstop Procurement ~~in October 2026~~, the Office of the Interconnection shall complete the Reliability Backstop Procurement in two stages: (1) gating criteria evaluation and (2) selection assessment, with notification of finalized commitments posted prior to the Base Residual Auction for the ~~2029~~2030/~~2030~~ 2031 Delivery Year. The Reliability Backstop Procurement shall be pay-as-bid.

(i) Stage 1: Gating Criteria Evaluation

A valid RBP Sell Offer shall include the information and evidence required by this section. The Office of the Interconnection shall evaluate all RBP Sell Offers for compliance with this requirement. Such evaluation shall be conducted by the Office of the Interconnection on a pass/fail basis.

RBP Sell Offers that do not include the following information shall not proceed to selection assessment, provided, however, that the Office of the Interconnection shall provide the RBP Seller the opportunity to cure any identified deficiencies within five (5) calendar days of being notified by PJM. ~~Notwithstanding, such opportunity to cure shall not extend past the close of the bid submission window of the Reliability Backstop Procurement.~~

RBP Sell Offers for RBP Generation and/or Storage Capacity Resources must be accompanied by:

(1) A critical path construction schedule and expected commercial operation date, with attestation, for the Office of the Interconnection to validate that RBP Sell Offers are for RBP UCAP MW with a feasible commercial operation date of June 1, 2032 or earlier;

(A) With respect to a project in Transition Cycle #2 under Tariff, Part VII and earlier, such project must provide study information and timeline from its most current PJM study;

(B) With respect to a project in Cycle 1 under Tariff Part VIII, the Expedited Interconnection Track under Tariff, Part X, or not under study,

the project must provide study information and timeline from (1) an independent consultant report or (2) the most current PJM study;

(2) For projects that are not the subject of a completed interconnection study or are not currently under study as part of an active New Service Request by the Office of the Interconnection, eEvidence of 100% Site Control consistent with Tariff, Part VIII, Subpart A, section 402 for each of the Generating Facility (including the location of the main step-up transformer), the Interconnection Facilities, and the Interconnection Switchyard (as defined in the PJM Manuals) for a term of at least three years from the date of submission of the RBP Sell OfferApplication.

Such projects must also be accompanied byIn addition, a certification, executed by an officer or authorized representative of the Generation Project Developer, verifying that the Site Control requirements have been met. Further, at Transmission Provider's request, Generation Project Developer shall provide copies of landowner attestations or county recordings. The Site Control requirements include an acreage requirement for the Project, as set forth in the PJM Manuals.

Evidence of site control shall be consistent with Tariff, Part VIII, Subpart A, section 402;

(3) Financing plan, i.e., identified financing sources and details (e.g., project financing, balance sheets, tax equity, sponsor equity), current status of any financing commitments or term sheets, and a general description of the capital structure and expected timeline to financial close;

(4) Permitting plan, e.g., a list of all applicable permits, current status, and timeline to obtain each;

(5) Signed memorandum for the acquisition of major equipment, invoices or agreements to acquire major equipment, or other documentary evidence that major equipment has been procured;

(6) Evidence of experience having constructed a previous project of similar size and technology or have contracted with an engineering, procurement, and construction partner with such experience, or contract with an engineering, procurement, and construction partner with such experience;

(7) For natural gas-fueled generation resources, evidence of delivery infrastructure arrangements in the form of a notice of intent or attestation of pipeline capacity expansion to support the new project; and

(8) For generation and/or energy storage resources located outside of the PJM Region, evidence of (a) a completed facilities study or equivalent under

the host Regional Transmission Organization/Independent System Operator's or utility's interconnection process and (b) long-term firm point-to-point transmission service, or a confirmed transmission service request with a completed system impact study, sufficient to deliver capacity to the border of the PJM Region consistent with the requirements of Tariff, Attachment DD, section 5.5A(b).

RBP Sell Offers for Demand Resources or DER Capacity Aggregation Resources must be accompanied by:

(9) Locations within the PJM Region by Zone/Sub-zonal LDA and aggregate capacity for RBP Sell Offers;

(10) Executed customer agreements or binding commitments covering the proposed RBP UCAP MW commitment, with identified locations, customer names, and expected curtailment/injection capability per site; and

(11) Equipment procurement plan or evidence of deployed enabling infrastructure such as metering, telemetry, load control, SCADA/dispatch systems, or DER major equipment as applicable.

RBP Sell Offers for DER Capacity Aggregation Resources must also be accompanied by:

(12) Applicable Electric Distributor interconnection/distribution impact study requirements and a plan to initiate on a timeline consistent with the proposed delivery date.

RBP Sell Offers for Demand Resources must also be accompanied by:

(13) Electric Distributor coordination requirements for metering, telemetry, and baseline measurement infrastructure.

(ii) Stage 2: Selection Assessment

All RBP Sell Offers that pass the gating criteria evaluation shall be evaluated based on the first Delivery Year offered in the RBP Sell Offer, levelized cost, and RBP UCAP MW quantity.

RBP Sell Offers shall be selected in rank order from earliest to latest offered Delivery Year, and then in least-cost order based on the levelized cost ($/MW-day) of UCAP MW over the fixed 15-year term, until the Final RBP Target is satisfied for any Delivery Year up through the 2032/2033 Delivery Year. RBP Resources shall not be partially cleared. In selecting the least-cost solution that satisfies the Final RBP Target and the cost of procurement constraint, the Office of the Interconnection may commit an RBP Sell Offer with an offered quantity that exceeds the remaining Final RBP Target to the extent such solution provides greater economic efficiency than an alternative solution that satisfies the requirements and constraints.

The levelized cost of each RBP Sell Offer shall be calculated as:

Levelized Cost ($/MW-day) = Net Present Value (RBP Sell Offer price x UCAP offered)/Net Present Value (UCAP offered)

with a discount rate equal to 9.5% after-tax average weighted average cost of capital (ATWACC).

The MW-weighted average of the levelized procurement cost of all selected RBP Sell Offers shall not exceed $555/MW-day UCAP.

In the event that two or more RBP Sell Offers with the same initial offered Delivery Year and levelized cost, and fewer than all of such offers are needed to satisfy the Final RBP Target, the Office of the Interconnection shall select the RBP Sell Offer(s) proposing resources based on the earliest timestamp of such RBP Sell Offer(s).

In the event that the Reliability Backstop Procurement cannot meet the Final RBP Target, the Reliability Backstop Procurement shall clear short of the Final RBP Target.

(g) Settlement Structure

(i) UCAP MW Eligible to Be Settled as Contract for Difference

Each RBP Resource that has been committed in the Reliability Backstop Procurement shall be individually settled as a contract for difference ("CfD").

An RBP Resource's total daily MW eligible to be settled as a CfD shall be the lesser of the RBP Resource's daily committed RBP UCAP MW, daily owned UCAP MW, and daily cleared RPM UCAP MW.

All UCAP MW of an RBP Resource above the committed RBP UCAP MW shall be eligible to participate in RPM Auctions, subject to existing RPM rules, without being subject to RBP obligations or settlement.

(ii) RBP Settlement Credits Based on Contract for Difference

An RBP Resource's contract for difference ("CfD"), represented as positive or negative RBP Settlement Credits, shall be settled daily as the product of the total daily UCAP MW eligible to settle as CfD and the difference between the price at which the RBP Resource was committed in the Reliability Backstop Procurement for a Delivery Year and the RBP Resource's unit-specific weighted average resource clearing price of all applicable RPM Auctions from the associated Delivery Year. Applicable RPM Auctions include all RPM Auctions for the associated Delivery Year that are conducted after the Reliability Backstop Procurement. If the RBP Resource is committed through the RBP for a Delivery Year in which PJM has already conducted the Base Residual Auction, the CfD will be settled using

the difference between the price at which the RBP Resource was committed in the Reliability Backstop Procurement for such Delivery Year and the weighted average resource clearing price in the applicable Incremental Auction(s) for such Delivery Year.

(iii) RBP Charges

RBP Charges shall be based on the total RBP Settlement Credits, positive and negative, of all RBP Resources across the PJM Region.

RBP Charges shall be calculated daily and allocated to Load Serving Entities by the relevant Electric Distributor(s) in accordance with Tariff, Attachment DD, section 18.3(b) and the RAA, Article 7, section 2B.

18.6 RBP Resource Obligations

(a) Capacity Must Offer Obligation

An RBP Resource committed through the Reliability Backstop Procurement must offer all committed RBP UCAP MW into the RPM Auctions as Capacity Resources pursuant to the capacity must offer requirements and exceptions set forth in Tariff, Attachment DD, sections 6.6 and 6.6A. The applicable RPM Aauctions shall be the Base Residual Auctions and Incremental Auctions conducted after an RBP Resource's RBP UCAP MW have been committed through the Reliability Backstop Procurement beginning with the first Delivery Year in which such resource is ~~expected to be in service~~has an RBP commitment and is expected to be in service. and ~~Such~~ offer requirement shall continu~~inge~~ for each subsequent Delivery Year through the end of the ~~fixed 15-year~~RBP term, except RBP UCAP MW for RBP Resources that is expected to be in service for the 2030/2031 Delivery Year without a notice of intent to offer submitted pursuant to Tariff, Attachment DD, section 5.5 for the 203~~029~~/2031~~0~~ Base Residual Auction shall have a must offer requirement in the next RPM Auction, including but not limited to the 2031~~0~~/2032~~1~~ Base Residual Auction and the 203~~029~~/2031~~0~~ ~~Second~~ First Incremental Auction. The RBP Resource's capacity must offer obligation into RPM Auctions for a Delivery Year is satisfied once the entirety of the committed RBP UCAP MW have cleared in RPM Auction(s) for such Delivery Year.

RBP Resources with RBP UCAP MW committed through RPM Auctions will be subject to all RPM capacity market rules, as set forth in Tariff, Attachments DD and DD-1.

(i) Price

RBP UCAP MW committed through the Reliability Backstop Procurement, and not qualifying for an exception pursuant to Tariff, Attachment DD, section 6.6(g), must be offered into the applicable RPM Auctions as price takers, i.e., $0/MW-day UCAP.

(ii) Quantity

RBP Resources committed through the Reliability Backstop Procurement must be offered into the applicable RPM Auctions. The UCAP MW quantity offered in an applicable RPM Auction for the Delivery Year must be a quantity equal to the lesser of committed RBP UCAP MW minus total RPM committed MW through RPM Auctions for the Delivery Year and the available UCAP MW at the time of the RPM Auction.

(b) Exceptions to the Must Offer Obligation

An RBP Resource that is granted an exception to the RPM must-offer obligation, as set forth in Tariff, Attachment DD, section 6.6(g) or 6.6A(c), shall nevertheless be subject to the RBP shortfall charge.

(c) RBP Shortfall UCAP MW

RBP UCAP MW committed through the Reliability Backstop Procurement that is unable to be delivered in a Delivery Year within the fixed, 15-year period will not be compensated for the undelivered megawatts via RBP Settlement Credits for each day the daily unforced capacity value of the RBP Resource is below the daily committed RBP UCAP MW and will be subject to any applicable RBP shortfall charges.

(d) RBP Shortfall Charges

RBP Resources with RBP UCAP MW committed through the Reliability Backstop Procurement that are unable to meet its full RBP UCAP MW commitment due to not achieving commercial operation by the first Delivery Year of the RBP commitment shall be subject to RBP shortfall charges for the committed RBP UCAP MW until the resources achieves commercial operation, for up to three years.

RBP shortfall charges shall be assessed daily, beginning in the first Delivery Year of the RBP commitment, on the full RBP committed UCAP.

The RBP shortfall charge shall equal the committed RBP UCAP MW times a charge rate equal to 20% of the RBP commitment price of such resource (i.e., RBP shortfall charge = committed RBP UCAP MW * 20% of RBP commitment price), for the applicable Delivery Year

(i) Exception to RBP Shortfall Charges

An RBP Resource that is a generation or Energy Storage Resource and is unable to meet expected commercial operation date solely due to Network Upgrades shall be excepted from RBP shortfall charges if the RBP Resource successfully demonstrates readiness through test energy and seeks interim deliverability.

(e) Failure of RBP UCAP MW to Materialize

Commitments of RBP UCAP MW through the Reliability Backstop Procurement shall be rescinded for the remainder of the fifteen-year term where RBP UCAP MW fail to come online for three Delivery Years beginning with the first Delivery Year in which the RBP Resource was committed. Once rescinded, RBP UCAP MW commitments will not be eligible to be compensated as RBP UCAP MW for the remainder of the fixed 15-year term and shall no longer be subject to RBP shortfall charges.

(f) Change in Ownership

Commitments of RBP UCAP MW shall follow the RBP Resource. With change in ownership of the RBP Resource, the commitment of RBP UCAP MW shall be conveyed to the new owner and continue through the end of the fixed 15-year term.

18.7 Exiting ~~Transmission Owner~~Load Serving Entity RBP Obligations

In the event a Load Serving Entity that is allocated RBP Charges withdraws from PJM (whether or not caused by the physical withdrawal of another entity from the PJM Region), such Load Serving Entity shall be responsible for the remainder of the RBP Charges allocated to it, subject to a rate filing with the Federal Energy Regulatory Commission that details the specific terms and amounts owed. Nothing in this provision shall limit such Load Serving Entity's ability to seek redress from another entity to the extent the Load Serving Entity's withdrawal is caused by that other entity's physical withdrawal from the PJM Region.

~~In the event a Transmission Owner exits PJM Interconnection, L.L.C. and the quantity of load with the Transmission Owner is commensurate with the RBP Resources that are located in that Transmission Owner's territory, the Transmission Owner shall honor the remaining term of the RBP commitment.~~

~~(a) Exiting Transmission Owner with Committed RBP Resources~~

~~Any Transmission Owner seeking to exit PJM Interconnection, L.L.C. may, prior to exiting PJM, enter into agreements that maintain appropriate rates, terms, and conditions that preserves the RBP commitments with the owners of RBP Resource(s) that have been committed through the Reliability Backstop Procurement that are located within the physical boundaries of the Transmission Owner's Zone. PJM and PJMSettlement shall be relieved of any applicable RBP obligations made to RBP Resources that are subject to such agreements. In the event no such agreement is made and such RBP Resource(s) can be pseudo-tied into the PJM Region, the exiting Transmission Owner must, to the extent the Office of the Interconnection elects to retain such RBP Resource throughout the term of its RBP commitment, pay all costs for RBP Resources to pseudo-tie into the PJM Region so that such resource meets the external Capacity Resource eligibility requirements set forth in Tariff, Attachment DD, section 5.5A prior to the Transmission Owner exiting PJM Interconnection, L.L.C.~~

~~Any Transmission Owner seeking to exit PJM Interconnection, L.L.C. with RBP Resource(s) that (i) are located within the physical boundaries of the Transmission Owner's Zone and (ii) cannot be pseudo-tied into the PJM Region, and/or which the Office of the Interconnection elects not to retain the RBP Resource as a Capacity Resource throughout the term of its RBP commitment, shall pay costs associated with the remaining term of the RBP Resource, the amount which shall be determined through a filing submitted under the Federal Power Act, prior to exiting PJM Interconnection, L.L.C. Revenues collected in such an event shall be credited to Load Serving Entities that are allocated a share of the RBP Charges on a pro rata basis through the remaining term of the RBP commitment.~~

~~(b) Exiting Transmission Owner with Load Allocated RBP Charges~~

~~Any Transmission Owner seeking to exit PJM Interconnection, L.L.C. with net load that has been allocated RBP Charges for RBP Resources not located within the physical boundaries of the Transmission Owner's Zone may, prior to exiting PJM, enter into agreements that maintain~~

~~appropriate rates, terms and conditions that preserves the RBP commitments with the owners of such RBP Resource(s). PJM and PJMSettlement shall be relieved of any applicable RBP obligations made to RBP Resources that are subject to such agreements. In the event no such agreement is made, the exiting Transmission Owner must pay all forward obligations on an accelerated basis, the amount which shall be determined through a filing submitted under the Federal Power Act, prior to exiting PJM Interconnection, L.L.C. Any such revenues collected shall be distributed to the RBP Resources under the standard daily RBP settlement schedule to such resources through the remaining term of the RBP commitment.~~

18.8 Credit Requirements for RBP Sellers and LSEs Allocated RBP Charges

The provisions of Tariff, Attachment DD, section 18.8(a) shall apply to RBP Sellers seeking to submit RBP Sell Offers in the Reliability Backstop Procurement. The provisions of Tariff, Attachment DD, section 18.8(b) shall apply to LSEs allocated costs for RBP UCAP MW procured through the Reliability Backstop Procurement, as determined in accordance with Tariff, Attachment DD, section 18.3. ~~Nothing in this Tariff, Attachment DD, section 18 supersedes the provisions of Tariff, Attachment Q.~~

~~In addition, s~~Settlement during any Delivery Year of cleared positions resulting from, or expected to result from, the Reliability Backstop Procurement ~~may be included, as appropriate~~, including payments and Locational Reliability Charges associated with the capacity commitments of RBP Resources, shall not be considered in Peak Market Activity pursuant to Tariff, Attachment Q, Section VII.A. The forms of acceptable credit support shall be limited to RBP Collateral.

The Reliability Backstop Procurement credit requirements described herein shall be separate from and additional to any credit requirements for participation in RPM Auctions and bilateral transactions under Tariff, Attachment DD, section 4.6, and other market activity in the PJM Markets, as set forth in Tariff, Attachment Q, and shall be applied separately to each RBP Seller with RBP Sell Offer and each LSE allocated cost for RBP UCAP MW procured through the Reliability Backstop Procurement, as determined in accordance with Tariff, Attachment DD, section 18.3.

(a) RBP Credit Requirements of RBP Sellers Seeking to Submit RBP Sell Offers

Prior to or simultaneous with submitting RBP Sell Offers, RBP Sellers seeking to participate in the Reliability Backstop Procurement must post the appropriate amount of the ~~Reliability Backstop Procurement~~RBP credit requirement to each RBP Resource for which RBP Sell Offers are submitted.

(i) Applicability

An RBP Seller seeking to submit an RBP Sell Offer in the Reliability Backstop Procurement must satisfy the credit requirement, i.e., the RBP credit requirement specified herein, prior to or simultaneously with submitting such RBP Sell Offer.

(ii) RBP Resource Credit Requirement

The credit requirement applicable to an RBP Seller seeking to submit an RBP Sell Offer in the Reliability Backstop Procurement shall be the RBP credit requirement as provided in Tariff, Attachment DD, section 18.8(iv).

The total RBP credit requirement for each RBP Seller shall be, for the sum of the credit requirements for all RBP Sell Offers submitted by such RBP Seller in the Reliability Backstop Procurement.

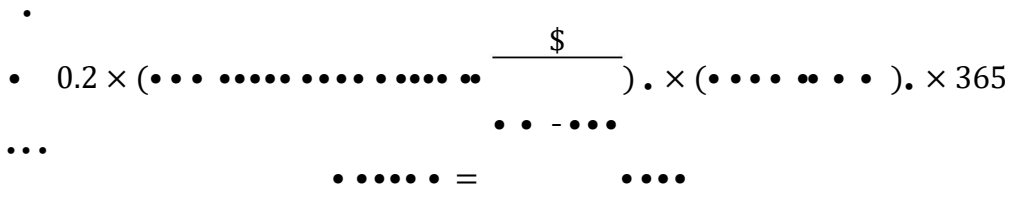
(iii) Reduction in RBP Credit Requirement

(A) The RBP credit requirement shall be returned for any RBP Resources that do not receive a commitment through the Reliability Backstop Procurement, within five (5) business days of the completion of the clearing process pursuant to Tariff, Attachment DD, section 18.5(f).

(B) Where an RBP Seller's RBP Sell Offer is committed through the Reliability Backstop Procurement and the RBP Resource subsequently achieves commercial operation, the Office of the Interconnection may return the RBP ~~Reliability Backstop Procurement C~~credit ~~Requirement~~ requirement after a one-year look-back from the achievement of commercial operation.

(iv) Calculation of RBP Credit Requirement for RBP Sellers Seeking to ~~Submit~~ submit RBP Sell Offers in the RBP

RBP Sell Offers submitted by RBP Sellers in the Reliability Backstop Procurement shall be accompanied by a Reliability Backstop Procurement credit requirement, which shall be equal to:



(v) Credit Responsibility for Traded RBP Resource Commitment

The Office of the Interconnection may require that credit and financial responsibility for a committed RBP Resource that is traded remain with the original party (which for these purposes, means the party bearing credit responsibility for the committed RBP Resource immediately prior to trade) unless the Office of the Interconnection determines that the receiving party has independently posted sufficient credit support with the Office of the Interconnection and agreed by providing written confirmation to the Office of the Interconnection that it will fully assume the credit responsibility associated with the committed RBP Resource. In determining the appropriate level of credit for any receiving party, the Office of the Interconnection may rely on Tariff, Attachment Q.

(b) RBP Credit Requirements Applicable to Load Serving Entities Responsible for RBP Charges

Prior to the first Delivery Year, the assessment of an RBP credit requirement by the Office of the Interconnection, LSEs allocated cost responsibility for RBP Charges, pursuant to Tariff, Attachment DD, section 18.3, must post RBP Collateral for the RBP credit requirement, calculated as set forth herein:

(i) RBP Credit Requirement for Load Serving Entities

(A) The cumulative RBP credit requirement for Load Serving Entities for a given Delivery Year shall be equivalent to ~~the product of the~~ RBP Credit Rate (as determined in accordance with Tariff, Attachment DD, section 18.8(b)(i)(B)) multiplied by the committed RBP UCAP MW ~~committed~~amount, where

~~the RBP Credit Rate shall equal $1.5 million, as may be reduced, for reasons including a change in~~ the ~~total~~ committed RBP UCAP MW~~, when total posted RBP Collateral is greater than the total remaining RBP Charges obligations, over time by the Office of the Interconnection to an amount sufficient to cover the total existing RBP Charges obligations; and~~

~~the RBP UCAP MW committed~~ amount shall equal the total amount of RBP UCAP MW that receives a commitment through the Reliability Backstop Procurement and is supported by an RBP Resource that has reached commercial operation by the start of the applicable Delivery Year. The foregoing determination of the committed RBP UCAP MW amount shall exclude ~~minus~~ each commitment of RBP UCAP MW that is rescinded pursuant to Tariff, Attachment DD, section 18.6(e).

Following the commencement of commercial operation of all Capacity Resources with RBP commitments, PJM shall review the RBP Credit Rate and present any recommendations to stakeholders through the Members Committee.

When total posted RBP Collateral is greater than the total remaining RBP payment obligations, the Office of the Interconnection will make available excess collateral, upon request by an applicable Load Serving Entity.

The cumulative RBP credit requirement for Load Serving Entities shall be met through RBP Collateral posted by those Load Serving Entities allocated cost pursuant to Tariff, Attachment DD, section 18.3.

(B) The Office of the Interconnection shall apply the following credit requirements to each Load Serving Entity allocated responsibility for RBP Obligations, pursuant to Tariff, Attachment DD, section 18.3, and each such LSE shall maintain credit support in an amount equal to its RBP LSE Credit Requirement, calculated as follows:

RBP LSE Credit Requirement = RBP Credit Rate x Allocated RBP Credit MW

For purposes of this calculation:

RBP Credit Rate shall mean an amount per MW equal to 40% of the discounted total RBP payment obligation per MW over the applicable RBP commitment term, calculated using the weighted-average RBP clearing price of all RBP UCAP MW committed through the RBP.

Allocated RBP Credit MW shall mean the amount of RBP UCAP MW, expressed in MW, for which the LSE has been allocated responsibility for RBP Charges in accordance with Tariff, Attachment DD, section 18.3 and as determined in accordance with this Tariff, Attachment DD, section 18.8(b)(i)(B)(1) or (2), as appropriate.

(1) For Load Serving Entities with an RBP Obligation in accordance Tariff, Attachment DD, section 18.3, prior to forty-five (45) days before the start of a given~~the~~ Delivery Year, such Load Serving Entities, must post, or maintain an existing, RBP Collateral equal to the RBP Credit Rate multiplied by the Allocated~~$1.5 million x the allocated~~ RBP ~~Obligation~~ Credit MW, where the zone/area allocated amount committed RBP UCAP~~RBP Obligation~~ MW is further allocated to each~~equals~~ Load Serving Entity based on the relevant Load Serving Entity's percent share of the zone/area's RBP Obligation MW assigned by the Electric Distributor ~~and scaled, as necessary, in the event that the RBP Obligation MW values uploaded by the Electric Distributor do not sum to the fixed, Final RBP Target MW for the zone/area~~. For Load Serving Entities required to post RBP Collateral by this section 18.8(b)(i)(B)(1)~~the foregoing sentence~~, the Office of the Interconnection may evaluate such Load Serving Entity for unreasonable credit risk under the Unreasonable Credit Risk provisions of Tariff, Attachment Q, Section II, and require additional RBP Collateral as appropriate.

(2) To the extent such Load Serving Entity is allocated cost pursuant to Tariff, Attachment DD, section 18.3 and no RBP Obligations are reported to the Office of the Interconnection in an Electric Distributor zone/area in which the Load Serving Entity serves load, prior to forty-five (45) days before the start of ~~the~~ a given Delivery Year, such Load Serving Entities, may be required to post, or maintain an existing, RBP Collateral equal to the ~~product of the~~ RBP Credit Rate multiplied by the ~~allocated~~ allocated RBP ~~UCAP~~ Credit MW, where the ~~allocated~~ zone/area committed RBP UCAP MW is allocated using~~shall equal~~ the relevant Load Serving Entity's proportional~~pro-rata~~ share of the Daily Unforced Capacity Obligation for the zone/area as determined in accordance with RAA, Schedule 8. For Load Serving Entities required to post RBP Collateral by this section 18.8(b)(i)(B)(2),~~by the foregoing sentence,~~ the Office of the Interconnection may evaluate whether such Load Serving Entity for unreasonable credit risk under the Unreasonable Credit Risk provisions of Tariff, Attachment Q, Section II, and require additional RBP Collateral as appropriate.

(C) Credit Requirements Associated With Intra-Delivery Year Transfer of Load and Allocated RBP UCAP MW Cost Responsibility

(1) To the extent a Load Serving Entity transfers its load serving obligations that are associated with committed RBP UCAP MW, as

determined pursuant to Tariff, Attachment DD, section 18.3, then the transferee LSE must fully satisfy all applicable credit and collateral requirements required herein associated with such transferred committed RBP UCAP MW obligation and, as applicable, the credit requirements in Tariff, Attachment Q. Transferee shall independently post sufficient RBP Collateral directly with the Office of the Interconnection to satisfy the incremental committed RBP UCAP MW associated with the acquired load.

(2) Transferor shall be released from its financial obligations for amount of RBP Collateral associated with the committed RBP UCAP MW associated with the transferred load. Any RBP Collateral posted by transferor shall be returned once Transferee has posted the RBP Collateral determined in accordance with Tariff, Attachment DD, section 18.8(c) and any unpaid invoice amounts associated with such transfer have been paid by the transferor.

Attachment B

Revisions to the Tariff
(in clean format)

Definitions – O – P - Q

Obligation:

"Obligation" shall mean all amounts owed to PJMSettlement for purchases from the PJM Markets, Transmission Service, (under both Tariff, Part II and Tariff, Part III), and other services or obligations pursuant to the Agreements. In addition, aggregate amounts that will be owed to PJMSettlement in the future for capacity purchases within the PJM capacity markets will be added to this figure. Should other markets be formed such that Participants may incur future Obligations in those markets, then the aggregate amount of those Obligations will also be added to the Net Obligation.

Offer Data:

"Offer Data" shall mean the scheduling, operations planning, dispatch, new resource, and other data and information necessary to schedule and dispatch generation resources and Demand Resource(s) for the provision of energy and other services and the maintenance of the reliability and security of the Transmission System in the PJM Region, and specified for submission to the PJM Interchange Energy Market for such purposes by the Office of the Interconnection.

Office of the Interconnection:

"Office of the Interconnection" shall mean the employees and agents of PJM Interconnection, L.L.C. subject to the supervision and oversight of the PJM Board, acting pursuant to the Operating Agreement.

Office of the Interconnection Control Center:

"Office of the Interconnection Control Center" shall mean the equipment, facilities and personnel used by the Office of the Interconnection to coordinate and direct the operation of the PJM Region and to administer the PJM Interchange Energy Market, including facilities and equipment used to communicate and coordinate with the Market Participants in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

On-Site Generators:

"On-Site Generators" shall mean generation facilities or portions of a generation facility (including Behind The Meter Generation) that (i) are not Generation Capacity Resources, (ii) are not injecting into the grid for the portion of a generation facility that participates as a Demand Resource or as an Economic Load Response Participant unless permitted as an Economic Load Response Regulation Only Participant, (iii) are either synchronized or non-synchronized to the Transmission System, and (iv) can be used to reduce demand for the purpose of participating in the PJM Interchange Energy Market.

Open Access Same-Time Information System (OASIS) or PJM Open Access Same-Time Information System:

"Open Access Same-Time Information System," "PJM Open Access Same-Time Information System" or "OASIS" shall mean the electronic communication and information system and standards of conduct contained in Part 37 and Part 38 of the Commission's regulations and all additional requirements implemented by subsequent Commission orders dealing with OASIS for the collection and dissemination of information about transmission services in the PJM Region, established and operated by the Office of the Interconnection in accordance with FERC standards and requirements.

Open-Loop Hybrid Resource:

"Open-Loop Hybrid Resource" shall mean a Hybrid Resource with a storage component that operates by charging its storage component from the grid.

Operating Agreement of the PJM Interconnection, L.L.C., Operating Agreement or PJM Operating Agreement:

"Operating Agreement of the PJM Interconnection, L.L.C.," "Operating Agreement" or "PJM Operating Agreement" shall mean the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. dated as of April 1, 1997 and as amended and restated as of June 2, 1997, including all Schedules, Exhibits, Appendices, addenda or supplements hereto, as amended from time to time thereafter, among the Members of the PJM Interconnection, L.L.C., on file with the Commission.

Operating Day:

"Operating Day" shall mean the daily 24 hour period beginning at midnight for which transactions on the PJM Interchange Energy Market are scheduled.

Operating Margin:

"Operating Margin" shall mean the incremental adjustments, measured in megawatts, required in PJM Region operations in order to accommodate, on a first contingency basis, an operating contingency in the PJM Region resulting from operations in an interconnected Control Area. Such adjustments may result in constraints causing Transmission Congestion Charges, or may result in Ancillary Services charges pursuant to the PJM Tariff.

Operating Margin Customer:

"Operating Margin Customer" shall mean a Control Area purchasing Operating Margin pursuant to an agreement between such other Control Area and the LLC.

Operating Reserve Demand Curve:

"Operating Reserve Demand Curve" shall mean a curve with prices on the y-axis and megawatts on the x-axis, which defines the relationship between each incremental megawatt of reserves that

can be used to meet a given reserve requirement.

Operationally Deliverable:

"Operationally Deliverable" shall mean, as determined by the Office of the Interconnection, that there are no operational conditions, arrangements or limitations experienced or required that threaten, impair or degrade effectuation or maintenance of deliverability of capacity or energy from the external Generation Capacity Resource to loads in the PJM Region in a manner comparable to the deliverability of capacity or energy to such loads from Generation Capacity Resources located inside the metered boundaries of the PJM Region, including, without limitation, an identified need by an external Balancing Authority Area for a remedial action scheme or manual generation trip protocol, transmission facility switching arrangements that would have the effect of radializing load, or excessive or unacceptable frequency of regional reliability limit violations or (outside an interregional agreed congestion management process) of local reliability dispatch instructions and commitments.

Opportunity Cost:

"Opportunity Cost" shall mean a component of the Market Seller Offer Cap calculated in accordance with Tariff, Attachment DD, section 6.

OPSI Advisory Committee:

"OPSI Advisory Committee" shall mean the committee established under Tariff, Attachment M, section III.G.

Option to Build:

"Option to Build" shall mean the option of the New Service Customer to build certain Customer-Funded Upgrades, as set forth in, and subject to the terms of, the Construction Service Agreement.

Optional Interconnection Study:

"Optional Interconnection Study" shall mean a sensitivity analysis of an Interconnection Request based on assumptions specified by the Interconnection Customer in the Optional Interconnection Study Agreement.

Optional Interconnection Study Agreement:

"Optional Interconnection Study Agreement" shall mean the form of agreement for preparation of an Optional Interconnection Study, as set forth in Tariff, Attachment N-3.

Part I:

"Part I" shall mean the Tariff Definitions and Common Service Provisions contained in Tariff, Part I, sections 1 through 12A.

Part II:

"Part II" shall mean Tariff, Part II, sections 13 through 27A pertaining to Point-To-Point Transmission Service in conjunction with the applicable Common Service Provisions of Tariff, Part I and appropriate Schedules and Attachments.

Part III:

"Part III" shall mean Tariff, Part III, sections 28 through 35 pertaining to Network Integration Transmission Service in conjunction with the applicable Common Service Provisions of Tariff, Part I and appropriate Schedules and Attachments.

Part IV:

"Part IV" shall mean Tariff, Part IV, sections 36 through 112C pertaining to generation or merchant transmission interconnection to the Transmission System in conjunction with the applicable Common Service Provisions of Tariff, Part I and appropriate Schedules and Attachments.

Part V:

"Part V" shall mean Tariff, Part V, sections 113 through 122 pertaining to the deactivation of generating units in conjunction with the applicable Common Service Provisions of Tariff, Part I and appropriate Schedules and Attachments.

Part VI:

"Part VI" shall mean Tariff, Part VI, sections 200 through 237 pertaining to the queuing, study, and agreements relating to New Service Requests, and the rights associated with Customer-Funded Upgrades in conjunction with the applicable Common Service Provisions of Tariff, Part I and appropriate Schedules and Attachments.

Participant:

"Participant" shall mean a Market Participant and/or Transmission Customer and/or Applicant requesting to be an active Market Participant and/or Transmission Customer**.**

Parties:

"Parties" shall mean the Transmission Provider, as administrator of the Tariff, and the Transmission Customer receiving service under the Tariff. PJMSettlement shall be the Counterparty to Transmission Customers.

Peak-Hour Dispatch:

"Peak-Hour Dispatch" shall mean, for purposes of calculating the Energy and Ancillary Services Revenue Offset under Tariff, Attachment DD, section 5, an assumption, as more fully set forth in the PJM Manuals, that the Reference Resource is committed in the Day-ahead Energy Market in four distinct blocks of four hours of continuous output for each block from the peak-hour period beginning with the hour ending 0800 EPT through to the hour ending 2300 EPT for any day when the average day-ahead LMP for the area for which the Net Cost of New Entry is being determined is greater than, or equal to, the cost to generate (including the cost for a complete start and shutdown cycle), plus 10% of such costs only for the 2022/2023 Delivery Year, for at least two hours during each four-hour block, where such blocks shall be assumed to be committed independently; provided that, if there are not at least two economic hours in any given four-hour block, then the Reference Resource shall be assumed not to be committed for such block; and to the extent not committed in any such block in the Day-ahead Energy Market under the above conditions based on Day-Ahead LMPs, is dispatched in the Real-time Energy Market for such block if the Real-Time LMP is greater than or equal to the cost to generate, plus 10% of such costs only for the 2022/2023 Delivery Year, under the same conditions as described above for the Day-ahead Energy Market.

Peak Market Activity:

"Peak Market Activity" shall mean a measure of exposure for which credit is required, calculated in accordance with Tariff, Attachment Q, section VII.A.

Peak Market Activity Shortfall:

"Peak Market Activity Shortfall" shall mean, for any given week, the amount by which a Participant's current Peak Market Activity exceeds such Participant's Peak Market Activity credit requirement from the prior week.

Peak Market Activity Surplus:

"Peak Market Activity Surplus" shall mean, for any given week, the amount by which a Participant's Peak Market Activity credit requirement from the prior week exceeds such Participant's current Peak Market Activity.

Peak Season:

"Peak Season" shall mean the weeks containing the 24th through 36th Wednesdays of the calendar year. Each such week shall begin on a Monday and end on the following Sunday, except for the week containing the 36th Wednesday, which shall end on the following Friday.

Percentage Internal Resources Required:

"Percentage Internal Resources Required" shall have the meaning specified in the Reliability Assurance Agreement.

Performance Assessment Interval:

"Performance Assessment Interval" shall mean each Real-time Settlement Interval for which an Emergency Action has been declared by the Office of the Interconnection, provided, however, that Performance Assessment Intervals for a Base Capacity Resource shall not include any intervals outside the calendar months of June through September.

Permissible Technological Advancement:

"Permissible Technological Advancement" shall mean a proposed technological change such as an advancement to turbines, inverters, plant supervisory controls or other similar advancements to the technology proposed in the Interconnection Request that is submitted to the Transmission Provider no later than the return of an executed Facilities Study Agreement (or, if a Facilities Study is not required, prior to the return of an executed Interconnection Service Agreement). Provided such change may not: (i) increase the capability of the Generating Facility as specified in the original Interconnection Request; (ii) represent a different fuel type from the original Interconnection Request; or (iii) cause any material adverse impact(s) on the Transmission System with regard to short circuit capability limits, steady-state thermal and voltage limits, or dynamic system stability and response. If the proposed technological advancement is a Permissible Technological Advancement, no additional study will be necessary and the proposed technological advancement will not be considered a Material Modification.

PJM:

"PJM" shall mean PJM Interconnection, L.L.C., including the Office of the Interconnection as referenced in the PJM Operating Agreement. When such term is being used in the RAA it shall also include the PJM Board.

PJM Administrative Service:

"PJM Administrative Service" shall mean the services provided by PJM pursuant to Tariff, Schedule 9.

PJM Board:

"PJM Board" shall mean the Board of Managers of the LLC, acting pursuant to the Operating Agreement except when such term is being used in Tariff, Attachment M, in which case PJM Board shall mean the Board of Managers of PJM or its designated representative, exclusive of any members of PJM Management.

PJM Control Area:

"PJM Control Area" shall mean the Control Area recognized by NERC as the PJM Control Area.

PJM Entities:

"PJM Entities" shall mean PJM, including the Market Monitoring Unit, the PJM Board, and PJM's officers, employees, representatives, advisors, contractors, and consultants.

PJM Interchange:

"PJM Interchange" shall mean the following, as determined in accordance with the Operating Agreement and Tariff: (a) for a Market Participant that is a Network Service User, the amount by which its interval Equivalent Load exceeds, or is exceeded by, the sum of the interval outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup; or (c) the interval scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the interval net metered output of any other Market Seller; or (e) the interval scheduled deliveries of Spot Market Energy to an External Market Buyer; or (f) the inteval scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

PJM Interchange Energy Market:

"PJM Interchange Energy Market" shall mean the regional competitive market administered by the Office of the Interconnection for the purchase and sale of spot electric energy at wholesale in interstate commerce and related services established pursuant to Operating Agreement, Schedule 1, and the parallel provisions of Tariff, Attachment K – Appendix.

PJM Interchange Export:

"PJM Interchange Export" shall mean the following, as determined in accordance with the Operating Agreement and Tariff: (a) for a Market Participant that is a Network Service User, the amount by which its interval Equivalent Load is exceeded by the sum of the inteval outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup sales; or (c) the interval scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the interval net metered output of any other Market Seller.

PJM Interchange Import:

"PJM Interchange Import" shall mean the following, as determined in accordance with the Operating Agreement and Tariff: (a) for a Market Participant that is a Network Service User, the amount by which its interval Equivalent Load exceeds the sum of the interval outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup purchases; or (c) the interval scheduled deliveries of Spot Market Energy to an External Market Buyer; or (d) the interval scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

PJM Liaison:

"PJM Liaison" shall mean the liaison established under Tariff, Attachment M, section III.I.

PJM Management:

"PJM Management" shall mean the officers, executives, supervisors and employee managers of PJM.

PJM Manuals:

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

PJM Markets:

"PJM Markets" shall mean the PJM Interchange Energy Market, capacity markets, including the RPM auctions, and any other market operated by PJM, together with all bilateral or other wholesale electric power and energy transactions, capacity transactions, ancillary services transactions (including black start service), transmission transactions, Financial Transmission Rights transactions, or transactions in any other market operated under the Agreements within the PJM Region, wherein Market Participants may incur Obligations to PJM and/or PJMSettlement.

PJM Market Rules:

"PJM Market Rules" shall mean the rules, standards, procedures, and practices of the PJM Markets set forth in the PJM Tariff, the PJM Operating Agreement, the PJM Reliability Assurance Agreement, the PJM Consolidated Transmission Owners Agreement, the PJM Manuals, the PJM Regional Practices Document, the PJM-Midwest Independent Transmission System Operator Joint Operating Agreement or any other document setting forth market rules.

PJM Net Assets:

"PJM Net Assets**"** shall mean the total assets per PJM's consolidated quarterly or year-end financial statements most recently issued as of the date of the receipt of written notice of a claim less amounts for which PJM is acting as a temporary custodian on behalf of its Members, transmission developers/Designated Entities, and generation developers, including, but not limited to, cash deposits related to credit requirement compliance, study and/or interconnection receivables, member prepayments, invoiced amounts collected from Net Buyers but have not yet been paid to Net Sellers, and excess congestion (as described in Operating Agreement, Schedule 1, section 5.2.6, and the parallel provisions of Tariff, Attachment K-Appendix, section 5.2.6).

PJM Region:

"PJM Region" shall have the meaning specified in the Operating Agreement.

PJM Regional Practices Document:

"PJM Regional Practices Document" shall mean the document of that title that compiles and describes the practices in the PJM Markets and that is made available in hard copy and on the Internet.

PJM Region Installed Reserve Margin:

"PJM Region Installed Reserve Margin" shall mean the percent installed reserve margin for the PJM Region required pursuant to RAA, Schedule 4.1, as approved by the PJM Board.

PJM Region Peak Load Forecast:

"PJM Region Peak Load Forecast" shall mean the peak load forecast used by the Office of the Interconnection in determining the PJM Region Reliability Requirement, and shall be determined on both a preliminary and final basis as set forth in Tariff, Attachment DD, section 5.

PJM Region Reliability Requirement:

"PJM Region Reliability Requirement" shall mean, for purposes of the Base Residual Auction, the Forecast Pool Requirement multiplied by the Preliminary PJM Region Peak Load Forecast, less the sum of all Preliminary Unforced Capacity Obligations of FRR Entities in the PJM Region; and, for purposes of the Incremental Auctions, the Forecast Pool Requirement multiplied by the updated PJM Region Peak Load Forecast, less the sum of all updated Unforced Capacity Obligations of FRR Entities in the PJM Region.

PJMSettlement:

"PJM Settlement" or "PJM Settlement, Inc." shall mean PJM Settlement, Inc. (or its successor), established by PJM as set forth in Operaitng Agreement, section 3.3.

PJM Tariff, Tariff, O.A.T.T., OATT or PJM Open Access Transmission Tariff:

"PJM Tariff," "Tariff," "O.A.T.T.," "OATT," or "PJM Open Access Transmission Tariff" shall mean that certain PJM Open Access Transmission Tariff, including any schedules, appendices or exhibits attached thereto, on file with FERC and as amended from time to time thereafter.

Plan:

"Plan" shall mean the PJM market monitoring plan set forth in Tariff, Attachment M.

Planned Demand Resource:

"Planned Demand Resource" shall have the meaning specified in the Reliability Assurance Agreement.

Planned External Generation Capacity Resource:

"Planned External Generation Capacity Resource" shall have the meaning specified in the Reliability Assurance Agreement.

Planned Generation Capacity Resource:

"Planned Generation Capacity Resource" shall have the meaning specified in the Reliability Assurance Agreement.

Planning Period:

"Planning Period" shall mean the 12 moths beginning June 1 and extending through May 31 of the following year, or such other period approved by the Members Committee.

Planning Period Balance:

"Planning Period Balance" shall mean the entire period of time remaining in the Planning Period following the month that a monthly auction is conducted.

Planning Period Quarter:

"Planning Period Quarter" shall mean any of the following three month periods in the Planning Period: June, July and August; September, October and November; December, January and February; or March, April and May.

Point(s) of Delivery:

"Point(s) of Delivery" shall mean the point(s) on the Transmission Provider's Transmission System where capacity and energy transmitted by the Transmission Provider will be made available to the Receiving Party under Tariff, Part II. The Point(s) of Delivery shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

Point of Interconnection:

"Point of Interconnection" shall mean the point or points where the Customer Interconnection Facilities interconnect with the Transmission Owner Interconnection Facilities or the Transmission System.

Point(s) of Receipt:

"Point(s) of Receipt" shall mean point(s) of interconnection on the Transmission Provider's Transmission System where capacity and energy will be made available to the Transmission Provider by the Delivering Party under Tariff, Part II. The Point(s) of Receipt shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

Point-To-Point Transmission Service:

"Point-To-Point Transmission Service shall mean the reservation and transmission of capacity and energy on either a firm or non-firm basis from the Point(s) of Receipt to the Point(s) of Delivery under Tariff, Part II.

Power Purchaser:

"Power Purchaser" shall mean the entity that is purchasing the capacity and energy to be transmitted under the Tariff.

PRD Curve:

"PRD Curve" shall have the meaning provided in the Reliability Assurance Agreement.

PRD Provider:

"PRD Provider" shall have the meaning provided in the Reliability Assurance Agreement.

PRD Reservation Price:

"PRD Reservation" Price shall have the meaning provided in the Reliability Assurance Agreement.

PRD Substation:

"PRD Substation" shall have the meaning provided in the Reliability Assurance Agreement.

Pre-Confirmed Application:

"Pre-Confirmed Application" shall be an Application that commits the Eligible Customer to execute a Service Agreement upon receipt of notification that the Transmission Provider can provide the requested Transmission Service.

Pre-Emergency Load Response Program:

"Pre-Emergency Load Response Program" shall be the program by which Curtailment Service Providers may be compensated by PJM for Demand Resources that will reduce load when dispatched by PJM during pre-emergency conditions, and is described in Operating Agreement, Schedule 1, section 8 and the parallel provisions of Tariff, Attachment K-Appendix, section 8.

Pre-Expansion PJM Zones:

"Pre-Expansion PJM Zones" shall be zones included in the Tariff, along with applicable Schedules and Attachments, for certain Transmission Owners – Atlantic City Electric Company, Baltimore Gas and Electric Company, Delmarva Power and Light Company, Jersey Central Power and Light Company, Mid-Atlantic Interstate Transmission, LLC ("MAIT") (MAIT owns and operates the transmission facilities in the Metropolitan Edison Company Zone and the

Pennsylvania Electric Company Zone), PECO Energy Company, Pennsylvania Power & Light Group, Potomac Electric Power Company, Public Service Electric and Gas Company, Allegheny Power, and Rockland Electric Company.

Price Responsive Demand:

"Price Responsive Demand" shall have the meaning provided in the Reliability Assurance Agreement.

Primary Reserve:

"Primary Reserve" shall mean the total reserve capability of generation resources that can be converted fully into energy or Economic Load Response Participant resources whose demand can be reduced within ten minutes of a request from the Office of the Interconnection dispatcher, and is comprised of both Synchronized Reserve and Non-Synchronized Reserve.

Primary Reserve Alert

"Primary Reserve Alert" shall mean a notification from PJM to alert Members of an anticipated shortage of Operating Reserve capacity for a future critical period.

Primary Reserve Requirement:

"Primary Reserve Requirement" shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Primary Reserve absent any increase to account for additional reserves scheduled to address operational uncertainty. The Primary Reserve Requirement is calculated in accordance with the PJM Manuals. The requirement can be satisfied by any combination of Synchronized Reserve or Non-Synchronized Reserve resources.

Principal:

"Principal" shall mean (i) all natural persons who Control Corporate Level Strategy for the Participant, which shall include a chief executive officer, managing member (or equivalent positions regardless of title) and members of a board of directors or board of managers; (ii) the chief legal officer or general counsel (or equivalent position regardless of title); (iii) the natural person who Controls the financial affairs and investments of the Participant, which shall include a chief financial officer (or equivalent position regardless of title); (iv) the natural person who Controls the Participant's management of commodity and derivatives market risks, which shall include a chief risk officer (or equivalent position regardless of title); (v) the natural person who Controls the Participant's transactions in the applicable PJM Markets (regardless of title); and (vi) all Beneficial Owners.

"Control," as that term is used in this definition, refers to possession of the power to direct the management or policies of an entity.

"Corporate Level Strategy," as that term is used in this definition, refers to the highest-level strategy of an entity, focused on the entity's overall direction rather than the day-to-day operations of the entity.

"Beneficial Owner," as that term is used in this definition, means a natural person who, directly or indirectly, alone or together with such person's Family Members, owns, controls, or holds with power to vote 10 percent or more of the outstanding securities of the Participant.

"Family Member," as that term is used in this definition of "Beneficial Owner," means a spouse, domestic partner, parent, child, or sibling.

For purposes of trusts with, directly or indirectly, 10 percent or more of the outstanding securities of the Participant as described above, the following are Beneficial Owners: (a) a natural person trustee; (b) a natural person with the authority to dispose of the trust assets; (c) a natural person grantor or settlor who has the right to revoke the trust or otherwise withdraw the assets of the trust; and (d) a natural person beneficiary who is the sole permissible recipient of income and principal from the trust or has the right to demand a distribution of or withdraw substantially all of the assets from the trust.

If, due to the Participant's business enterprise, structure or otherwise, a function described in clauses (i) through (v) above is performed by a natural person or entity separate from the Participant (such as a risk management department in an affiliate, or a director or manager at an entity that controls or invests in the Participant), then for that Participant the term Principal shall mean that natural person, or the senior officer or manager of that entity, that performs such function.

Prior CIL Exception External Resource:

"Prior CIL Exception External Resource" shall mean an external Generation Capacity Resource for which (1) a Capacity Market Seller had, prior to May 9, 2017, cleared a Sell Offer in an RPM Auction under the exception provided to the definition of Capacity Import Limit as set forth in RAA, Article I or (2) an FRR Entity committed, prior to May 9, 2017, in an FRR Capacity Plan under the exception provided in the definition of Capacity Import Limit. In the event only a portion (in MW) of an external Generation Capacity Resource has a Pseudo-Tie into the PJM Region, that portion of the external Generation Capacity Resource, which can include up to the maximum megawatt amount cleared in any prior RPM auction or committed in an FRR Capacity Plan (and no other portion thereof) is eligible for treatment as a Prior CIL Exception External Resource if such portion satisfies the requirements of the first sentence of this definition.

Project Financing:

"Project Financing" shall mean: (a) one or more loans, leases, equity and/or debt financings, together with all modifications, renewals, supplements, substitutions and replacements thereof, the proceeds of which are used to finance or refinance the costs of the Customer Facility, any alteration, expansion or improvement to the Customer Facility, the purchase and sale of the Customer Facility or the operation of the Customer Facility; (b) a power purchase agreement

pursuant to which Interconnection Customer's obligations are secured by a mortgage or other lien on the Customer Facility; or (c) loans and/or debt issues secured by the Customer Facility.

Project Finance Entity:

"Project Finance Entity" shall mean: (a) a holder, trustee or agent for holders, of any component of Project Financing; or (b) any purchaser of capacity and/or energy produced by the Customer Facility to which Interconnection Customer has granted a mortgage or other lien as security for some or all of Interconnection Customer's obligations under the corresponding power purchase agreement.

Projected EAS Dispatch:

"Projected EAS Dispatch" shall mean, for purposes of calculating the Net Energy and Ancillary Services Revenue Offset, a simulated dispatch with the objective of committing and dispatching a resource for the purpose of maximizing its net revenues. The calculation shall take inputs including Forward Hourly LMPs, Forward Hourly Ancillary Service Prices, and Forward Daily Natural Gas Prices or forecasted fuel prices, as applicable, in addition to the operating parameters and costs of the specific resource, including the cost emission allowances. Using operating parameters, forward or forecasted fuel prices, as applicable and other cost pricing inputs, a composite, cost-based energy offer is created for the resource such that its commitment and dispatch is co-optimized between energy and ancillary services in the Day-Ahead Energy Market and then the Real-Time Energy Market considering the electricity and ancillary service price inputs. In the Real-Time Energy Market co-optimization, the resource is assumed to be operating in the hours it was scheduled in the Day-Ahead Energy Market but is dispatched according to the real-time price inputs. In the hours where the resource was not committed in the Day-Ahead Market, the resource may be committed and dispatched in real-time only subject to the real-time electricity and ancillary service price inputs and the resource's offer and operating parameters. For combustion turbine units only, the cost-based energy offer will include a 10 percent adder only for the 2022/2023 Delivery Year.

Projected PJM Market Revenues:

"Projected PJM Market Revenues" shall mean a component of the Market Seller Offer Cap calculated in accordance with Tariff, Attachment DD, section 6.

Proportional Multi-Driver Project:

"Proportional Multi-Driver Project" shall have the same meaning provided in the Operating Agreement.

Provisional Interconnection Service:

"Provisional Interconnection Service" shall mean interconnection service provided by Transmission Provider associated with interconnecting the Interconnection Customer's Generating Facility to Transmission Provider's Transmission System and enabling that Transmission System

to receive electric energy and capacity from the Generating Facility at the Point of Interconnection, pursuant to the terms of the Interconnection Service Agreement and, if applicable, the Tariff.

Pseudo-Tie:

"Pseudo-Tie" shall have the same meaning provided in the Operating Agreement.

Public Policy Objectives:

"Public Policy Objectives" shall have the same meaning provided in the Operating Agreement.

Public Policy Requirements:

"Public Policy Requirements" shall have the same meaning provided in the Operating Agreement.

Qualifying RBP Offset UCAP MW:

"Qualifying RBP Offset UCAP MW" shall mean unforced capacity that: (i) pursuant to Tariff, Attachment DD, section 18.2, has not received an RPM commitment or been committed in an FRR Plan for the 2028/2029 or earlier Delivery Year as of the commencement of the Reliability Backstop Procurement (except for capacity that is first committed in the Third Incremental Auction associated with the 2027/2028 Delivery Year), (ii) is supplied by eligible Capacity Resources in accordance with Tariff, Attachment DD, section 18.2(b), and (iii) is supported by evidence, in accordance with Tariff, Attachment DD, section 18.2(c).

Qualifying Transmission Upgrade:

"Qualifying Transmission Upgrade" shall mean a proposed enhancement or addition to the Transmission System that: (a) will increase the Capacity Emergency Transfer Limit into an LDA by a megawatt quantity certified by the Office of the Interconnection; (b) the Office of the Interconnection has determined will be in service on or before the commencement of the first Delivery Year for which such upgrade is the subject of a Sell Offer in the Base Residual Auction; (c) is the subject of a Facilities Study Agreement executed before the conduct of the Base Residual Auction for such Delivery Year and (d) a New Service Customer is obligated to fund through a rate or charge specific to such facility or upgrade.

Queue Position:

"Queue Position" shall mean the priority assigned to an Interconnection Request, a Completed Application, or an Upgrade Request pursuant to applicable provisions of Tariff, Part VI.

Definitions – R - S

Ramping Capability:

"Ramping Capability" shall mean the sustained rate of change of generator output, in megawatts per minute.

Rating Agency:

"Rating Agency" shall mean a Nationally Recognized Statistical Rating Organization that assesses the financial condition, strength and stability of companies and governmental entities and their ability to timely make principal and interest payments on their debts and the likelihood of default, and assigns a rating that reflects its assessment of the ability of the company or governmental entity to make the debt payments.

RBP Charges:

"RBP Charges" shall mean the $/day value of the total RBP Settlement Credits, positive or negative, of all committed RBP Resources across the PJM Region.

RBP Collateral:

"RBP Collateral" shall mean any one of:(1) a cash deposit, including any interest thereon, (2) a surety bond with a provider, amount and form determined by and acceptable to PJM or PJMSettlement, or (3) a letter of credit issued for the benefit of PJM or PJMSettlement, with a provider, amount and form determined by and acceptable to PJM or PJMSettlement.

RBP Obligation:

"RBP Obligation" or "RBO" shall mean the state and/or RERRA-determined allocation of RBP UCAP MW to Load Serving Entities within each Electric Distributor's zone/area.

RBP Resources:

"RBP Resources" shall mean generation resources, Energy Storage Resources, Demand Resources, or DER Aggregation Resources, as set forth in Tariff, Attachment DD, section 18.5, offered to provide RBP UCAP MW from the Reliability Backstop Procurement, in accordance with Tariff, Attachment DD, section 18.

RBP Seller:

"RBP Seller" shall mean an entity that owns or controls an RBP Resource that is offered into the Reliability Backstop Procurement.

RBP Sell Offer:

"RBP Sell Offer" shall mean an offer to sell RBP Resources in the Reliability Backstop Procurement.

RBP Settlement Credits:

"RBP Settlement Credits" shall mean, for each day in the Delivery Year in the term of the Reliability Backstop Procurement commitment period, the $/day value that a resource committed in the Reliability Backstop Procurement receives as a contract for differences settlement in accordance with Tariff, Attachment DD, section 18.5(g).

RBP UCAP MW:

"RBP UCAP MW" shall mean unforced capacity that is eligible to be offered in the Reliability Backstop Procurement, in accordance with Tariff, Attachment DD, section 18.

Real-time Congestion Price:

"Real-time Congestion Price" shall mean the Congestion Price resulting from the Office of the Interconnection's dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Loss Price:

"Real-time Loss Price" shall mean the Loss Price resulting from the Office of the Interconnection's dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Energy Market:

"Real-time Energy Market" shall mean the purchase or sale of energy and payment of Transmission Congestion Charges for quantity deviations from the Day-ahead Energy Market in the Operating Day.

Real-time Offer:

"Real-time Offer" shall mean a new offer or an update to a Market Seller's existing cost-based or market-based offer for a clock hour, submitted for use after the close of the Day-ahead Energy Market.

Real-time Prices:

"Real-time Prices" shall mean the Locational Marginal Prices resulting from the Office of the Interconnection's dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Settlement Interval:

"Real-time Settlement Interval" shall mean the interval used by settlements, which shall be every five minutes.

Real-time State of Charge:

"Real-time State of Charge" shall mean the current State of Charge of an Energy Storage Resource Model Participant, measured in units of megawatt-hours.

Real-time System Energy Price:

"Real-time System Energy Price" shall mean the System Energy Price resulting from the Office of the Interconnection's dispatch of the PJM Interchange Energy Market in the Operating Day.

Reasonable Efforts:

"Reasonable Efforts" shall mean, with respect to any action required to be made, attempted, or taken by an Interconnection Party or by a Construction Party under Tariff, Part IV or Tariff, Part VI, an Interconnection Service Agreement, or a Construction Service Agreement, such efforts as are timely and consistent with Good Utility Practice and with efforts that such party would undertake for the protection of its own interests.

Receiving Party:

"Receiving Party" shall mean the entity receiving the capacity and energy transmitted by the Transmission Provider to Point(s) of Delivery.

Referral:

"Referral" shall mean a formal report of the Market Monitoring Unit to the Commission for investigation of behavior of a Market Participant, of behavior of PJM, or of a market design flaw, pursuant to Tariff, Attachment M, section IV.I.

Reference Resource:

For Delivery Years up to and including the 2025/2026 Delivery Year, "Reference Resource" shall mean a combustion turbine generating station, configured with a single General Electric Frame 7HA turbine with evaporative cooling, Selective Catalytic Reduction technology, dual fuel capability, and a heat rate of 9.134 Mmbtu/ MWh. For the 2026/2027 through and including the 2027/2028 Delivery Years, "Reference Resource" shall mean, for all CONE Areas, a combustion turbine generating station, configured with a single General Electric Frame 7HA turbine with evaporative cooling, Selective Catalytic Reduction technology, dual fuel capability, and a heat rate of 9.189 Mmbtu/MWh. For the 2028/2029 Delivery Year and subsequent Delivery Years, "Reference Resource" shall mean a combustion turbine generation station, configured with a single 1x0 GE Frame 7HA.03 turbine with evaporative cooling, no inlet chillers, wet compression, Selective Catalytic Reduction technology, dual fuel capability, and a heat rate of 9.199 MMBtu/MWh.

Regional Entity:

"Regional Entity" shall have the same meaning specified in the Operating Agreement.

Regional Network Integration Transmission Service:

"Regional Network Integration Transmission Service" shall mean firm transmission service taken by Network Customers that involves the delivery of energy and/or capacity from Network Resources physically interconnected to the Transmission Provider's transmission system to Network Load physically interconnected to the Transmission Provider's transmission system.

Regional Transmission Expansion Plan:

"Regional Transmission Expansion Plan" shall mean the plan prepared by the Office of the Interconnection pursuant to Operating Agreement, Schedule 6 for the enhancement and expansion of the Transmission System in order to meet the demands for firm transmission service in the PJM Region.

Regional Transmission Group (RTG):

"Regional Transmission Group" or "RTG" shall mean a voluntary organization of transmission owners, transmission users and other entities approved by the Commission to efficiently coordinate transmission planning (and expansion), operation and use on a regional (and interregional) basis.

Regulation:

"Regulation" shall mean the capability of a specific generation resource or Demand Resource with appropriate telecommunications, control and response capability to separately increase and decrease its output or adjust load in response to a regulating control signal, in accordance with the specifications in the PJM Manuals.

Regulation Requirement:

"Regulation Requirement" shall mean the required megawatts of performance-adjusted Regulation capability to be maintained in a Regulation Zone. The Regulation Requirement is defined as a set megawatt value by commitment interval and can increase to account for additional operational uncertainty, in accordance with the PJM Manuals.

Regulation Zone:

"Regulation Zone" shall mean any of those one or more geographic areas, each consisting of a combination of one or more Control Zone(s) as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, regulation service.

Relevant Electric Retail Regulatory Authority:

"Relevant Electric Retail Regulatory Authority" shall mean an entity that has jurisdiction over and establishes prices and policies for competition for providers of retail electric service to end-customers, such as the city council for a municipal utility, the governing board of a cooperative utility, the state public utility commission or any other such entity.

Reliability Assurance Agreement or PJM Reliability Assurance Agreement:

"Reliability Assurance Agreement" or "PJM Reliability Assurance Agreement" shall mean that certain Reliability Assurance Agreement Among Load Serving Entities in the PJM Region, on file with FERC as PJM Interconnection L.L.C. Rate Schedule FERC No. 44, and as amended from time to time thereafter.

Reliability Pricing Model Auction:

"Reliability Pricing Model Auction" or "RPM Auction" shall mean the Base Residual Auction or any Incremental Auction.

Required Transmission Enhancements:

"Regional Transmission Enhancements" shall mean enhancements and expansions of the Transmission System that (1) a Regional Transmission Expansion Plan developed pursuant to Operating Agreement, Schedule 6 or (2) any joint planning or coordination agreement between PJM and another region or transmission planning authority set forth in Tariff, Schedule 12-Appendix B ("Appendix B Agreement") designates one or more of the Transmission Owner(s) to construct and own or finance. Required Transmission Enhancements shall also include enhancements and expansions of facilities in another region or planning authority that meet the definition of transmission facilities pursuant to FERC's Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities constructed pursuant to an Appendix B Agreement cost responsibility for which has been assigned at least in part to PJM pursuant to such Appendix B Agreement.

Reserved Capacity:

"Reserved Capacity" shall mean the maximum amount of capacity and energy that the Transmission Provider agrees to transmit for the Transmission Customer over the Transmission Provider's Transmission System between the Point(s) of Receipt and the Point(s) of Delivery under Tariff, Part II. Reserved Capacity shall be expressed in terms of whole megawatts on a sixty (60) minute interval (commencing on the clock hour) basis.

Reserve Penalty Factor:

"Reserve Penalty Factor" shall mean the cost, in $/MWh, associated with being unable to meet a specific reserve requirement in a Reserve Zone or Reserve Sub-zone. A Reserve Penalty Factor will be defined for each reserve requirement in a Reserve Zone or Reserve Sub-zone.

Reserve Sub-zone:

"Reserve Sub-zone" shall mean any of those geographic areas wholly contained within a Reserve Zone, consisting of a combination of a portion of one or more Control Zone(s) as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, reserve service.

Reserve Zone:

"Reserve Zone" shall mean any of those geographic areas consisting of a combination of one or more Control Zone(s), as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, reserve service.

Residual Auction Revenue Rights:

"Residual Auction Revenue Rights" shall mean incremental stage 1 Auction Revenue Rights created within a Planning Period by an increase in transmission system capability, including the return to service of existing transmission capability, that was not modeled pursuant to Operating Agreement, Schedule 1, section 7.5 and the parallel provisions of Tariff, Attachment K-Appendix, section 7.5 in compliance with Operating Agreement, Schedule 1, section 7.4.2 (h) and the parallel provisions of Tariff, Attachment K-Appendix, section 7.4.2(h), and, if modeled, would have increased the amount of stage 1 Auction Revenue Rights allocated pursuant to Operating Agreement, Schedule 1, section 7.4.2 and the parallel provisions of Tariff, Attachment K-Appendix, section 7.4.2; provided that, the foregoing notwithstanding, Residual Auction Revenue Rights shall exclude: 1) Incremental Auction Revenue Rights allocated pursuant to Tariff, Part VI; and 2) Auction Revenue Rights allocated to entities that are assigned cost responsibility pursuant to Operating Agreement, Schedule 6 for transmission upgrades that create such rights.

Residual Metered Load:

"Residual Metered Load" shall mean all load remaining in an electric distribution company's fully metered franchise area(s) or service territory(ies) after all nodally priced load of entities serving load in such area(s) or territory(ies) has been carved out.

Resource Substitution Charge:

"Resource Substitution Charge" shall mean a charge assessed on Capacity Market Buyers in an Incremental Auction to recover the cost of replacement Capacity Resources.

Restricted Collateral:

"Restricted Collateral" shall mean Collateral, held by PJM or PJMSettlement, which cannot be used, netted, credited or spent by the Participant to satisfy any other obligations.

Revenue Data for Settlements:

"Revenue Data for Settlements" shall mean energy quantities used in accounting and billing as determined pursuant to Tariff, Attachment K-Appendix and the corresponding provisions of Operating Agreement, Schedule 1.

RPM Seller Credit:

"RPM Seller Credit" shall mean an additional form of Unsecured Credit defined in Tariff, Attachment Q, section VI.

Scheduled Incremental Auctions:

"Scheduled Incremental Auctions" shall refer to the First, Second, or Third Incremental Auction.

Schedule of Work:

"Schedule of Work" shall mean that schedule attached to the Interconnection Construction Service Agreement setting forth the timing of work to be performed by the Constructing Entity pursuant to the Interconnection Construction Service Agreement, based upon the Facilities Study and subject to modification, as required, in accordance with Transmission Provider's scope change process for interconnection projects set forth in the PJM Manuals.

Scope of Work:

"Scope of Work" shall mean that scope of the work attached as a schedule to the Interconnection Construction Service Agreement and to be performed by the Constructing Entity(ies) pursuant to the Interconnection Construction Service Agreement, provided that such Scope of Work may be modified, as required, in accordance with Transmission Provider's scope change process for interconnection projects set forth in the PJM Manuals.

Seasonal Capacity Performance Resource:

"Seasonal Capacity Performance Resource" shall have the same meaning specified in Tariff, Attachment DD, section 5.5A.

Secondary Reserve:

"Secondary Reserve" shall mean the reserve capability of generation resources that can be converted fully into energy or Economic Load Response Participant resources whose demand can be reduced within 30 minutes (less the capability of such resources to provide Primary Reserve), from the request of the Office of the Interconnection, regardless of whether the equipment providing the reserve is electrically synchronized to the Transmission System or not.

Secondary Systems:

"Secondary Systems" shall mean control or power circuits that operate below 600 volts, AC or DC, including, but not limited to, any hardware, control or protective devices, cables, conductors, electric raceways, secondary equipment panels, transducers, batteries, chargers, and voltage and current transformers.

Second Incremental Auction:

"Second Incremental Auction" shall mean an Incremental Auction conducted ten months before the Delivery Year to which it relates**.**

Security:

"Security" shall mean the security provided by the New Service Customer pursuant to Tariff, section 212.4 or Tariff, Part VI, section 213.4 to secure the New Service Customer's responsibility for Costs under the Interconnection Service Agreement or Upgrade Construction Service Agreement and Tariff, Part VI, section 217.

Segment:
"Segment" shall have the same meaning as described in Operating Agreement, Schedule 1, section 3.2.3(e), and the parallel provisions of Tariff, Attachment K-Appendix, section 3.2.3(e).

Self-Supply:

"Self-Supply" shall mean Capacity Resources secured by a Load-Serving Entity, by ownership or contract, outside a Reliability Pricing Model Auction, and used to meet obligations under this Attachment or the Reliability Assurance Agreement through submission in a Base Residual Auction or an Incremental Auction of a Sell Offer indicating such Market Seller's intent that such Capacity Resource be Self-Supply. Self-Supply may be either committed regardless of clearing price or submitted as a Sell Offer with a price bid. A Load Serving Entity's Sell Offer with a price bid for an owned or contracted Capacity Resource shall not be deemed "Self-Supply," unless it is designated as Self-Supply and used by the LSE to meet obligations under this Attachment or the Reliability Assurance Agreement.

Self-Supply Entity:

"Self-Supply Entity" shall mean the following types of Load Serving Entity that operate under long-standing business models: single customer entity, public power entity, or vertically integrated utility, where "vertically integrated utility" means a utility that owns generation, includes such generation in its regulated rates, and earns a regulated return on its investment in such generation or receives any cost recovery for such generation through bilateral contracts; "single customer entity" means a Load Serving Entity that serves at retail only customers that are under common control with such Load Serving Entity, where such control means holding 51% or more of the voting securities or voting interests of the Load Serving Entity and all its retail customers; and "public power entity" means cooperative and municipal utilities, including public power supply entities comprised of either or both of the same and rural electric cooperatives, and joint action agencies.

Self-Supply Seller:

"Self-Supply Seller" shall mean, for purposes of evaluating Buyer-Side Market Power, the following types of Load Serving Entities that operate under long-standing business models: vertically integrated utility or public power entity, where "vertically integrated utility" means a utility that owns generation, includes such generation in its state-regulated rates, and earns a state-regulated return on its investment in such generation; and "public power entity" means electric cooperatives that are either rate regulated by the state or have their long-term resource plan approved or otherwise reviewed and accepted by a Relevant Electric Retail Regulatory Authority and municipal utilities or joint action agencies that are subject to direct regulation by a Relevant Electric Retail Regulatory Authority.

Sell Offer:

"Sell Offer" shall mean an offer to sell Capacity Resources in a Base Residual Auction, Incremental Auction, or Reliability Backstop Auction.

Service Agreement:

"Service Agreement" shall mean the initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and the Transmission Provider for service under the Tariff.

Service Commencement Date:

"Service Commencement Date" shall mean the date the Transmission Provider begins to provide service pursuant to the terms of an executed Service Agreement, or the date the Transmission Provider begins to provide service in accordance with Tariff, Part II, section 15.3 or Tariff, Part III, section 29.1.

Short-Term Firm Point-To-Point Transmission Service:

"Short-Term Firm Point-To-Point Transmission Service" shall mean Firm Point-To-Point Transmission Service under Tariff, Part II with a term of less than one year.

Short-term Project:

"Short-term Project" shall have the same meaning provided in the Operating Agreement.

Site:

"Site" shall mean all of the real property, including but not limited to any leased real property and easements, on which the Customer Facility is situated and/or on which the Customer Interconnection Facilities are to be located.

Small Commercial Customer:

"Small Commercial Customer," as used in RAA, Schedule 6 and Tariff, Attachment DD-1, shall mean a commercial retail electric end-use customer of an electric distribution company that participates in a mass market demand response program under the jurisdiction of a RERRA and satisfies the definition of a "small commercial customer" under the terms of the applicable RERRA's program, provided that the customer has an annual peak demand no greater than 100kW.

Small Generation Resource:

"Small Generation Resource" shall mean an Interconnection Customer's device of 20 MW or less for the production and/or storage for later injection of electricity identified in an Interconnection Request, but shall not include the Interconnection Customer's Interconnection Facilities. This term shall include Energy Storage Resources and/or other devices for storage for later injection of energy.

Small Inverter Facility:

"Small Inverter Facility" shall mean an Energy Resource that is a certified small inverter-based facility no larger than 10 kW.

Small Inverter ISA:

"Small Inverter ISA" shall mean an agreement among Transmission Provider, Interconnection Customer, and Interconnected Transmission Owner regarding interconnection of a Small Inverter Facility under Tariff, Part IV, section 112B.

Special Member:

"Special Member" shall mean an entity that satisfies the requirements of Operating Agreement, Schedule 1, section 1.5A.02, and the parallel provisions of Tariff, Attachment K-Appendix, section 1.5A.02, or the special membership provisions established under the Emergency Load Response and Pre-Emergency Load Response Programs.

Spot Market Backup:

"Spot Market Backup" shall mean the purchase of energy from, or the delivery of energy to, the PJM Interchange Energy Market in quantities sufficient to complete the delivery or receipt obligations of a bilateral contract that has been curtailed or interrupted for any reason.

Spot Market Energy:

"Spot Market Energy" shall mean energy bought or sold by Market Participants through the PJM Interchange Energy Market at System Energy Prices determined as specified in Operating

Agreement, Schedule 1, section 2, and the parallel provisions of Tariff, Attachment K-Appendix, section 2.

Start Additional Labor Costs:

"Start Additional Labor Costs" shall mean additional labor costs for startup required above normal station manning levels.

Start Fuel:

For units without a soak process, "Start Fuel" shall consist of fuel consumed from first fire of the start process to first breaker closing, plus any fuel expended from last breaker opening to shutdown.

For units with a soak process, "Start Fuel" is fuel consumed from first fire of the start process (initial reactor criticality for nuclear units) to dispatchable output (including auxiliary boiler fuel), plus any fuel expended from last breaker opening to shutdown, excluding normal plant heating/auxiliary equipment fuel requirements. Start Fuel included for each temperature state from breaker closure to dispatchable output shall not exceed the unit specific soak time period reviewed and approved as part of the unit-specific parameter process detailed in Tariff, Attachment K-Appendix, section 6.6(c) or the defaults below:

- Cold Soak Time = 0.73 * unit specific Minimum Run Time (in hours)
- Intermediate Soak Time = 0.61 * unit specific Minimum Run Time (in hours)
- Hot Soak Time = 0.43 * unit specific Minimum Run Time (in hours)

Start-Up Costs:

"Start-Up Costs" shall consist primarily of the cost of fuel, as determined by the unit's start heat input (adjusted by the performance factor) times the fuel cost. It also includes operating costs, Maintenance Adders, emissions allowances/adders, and station service cost. Start-Up Costs can vary with the unit offline time being categorized in three unit temperature conditions: hot, intermediate and cold.

For units with a steam turbine and a soak process (nuclear, steam, and combined cycle), "Start Fuel" is fuel consumed from first fire of start process (initial reactor criticality for nuclear units): Start-Up Costs shall mean the net unit costs from PJM's notification to the level at which the unit can follow PJM's dispatch, and from last breaker open to shutdown.

For units without a steam turbine and no soak process (engines, combustion turbines, Intermittent Resources, and Energy Storage Resources): Start-Up Costs shall mean the unit costs from PJM's notification to first breaker close and from last breaker open to shutdown.

State:

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

State Commission:

"State Commission**"** shall mean any state regulatory agency having jurisdiction over retail electricity sales in any State in the PJM Region.

State Estimator:

"State Estimator" shall mean the computer model of power flows specified in Operating Agreement, Schedule 1, section 1.11A and the parallel provisions of Tariff, Attachment K-Appendix, section 1.11A.

State of Charge:

"State of Charge" shall mean the operating parameter that represents the quantity of physical energy stored (measured in units of megawatt-hours) in an Energy Storage Resource Model Participant or in a storage component of a Hybrid Resource in proportion to its maximum State of Charge capability. State of Charge is quantified as defined in the PJM Manuals.

State of Charge Management:

"State of Charge Management" shall mean the control of State of Charge of an Energy Storage Resource Market Participant or a storage component of a Hybrid Resource using Charge and Discharge Economic Minimum and Maximum Megawatts (and, as applicable, charge) limits, changes in operating mode (as applicable), discharging (and, as applicable, charging) offer curves, and self-scheduling of non-dispatchable sales (and, as applicable, purchases) of energy in the PJM markets. State of Charge Management shall not interfere with the obligation of a Market Seller of an Energy Storage Resource Model Participant or of a Hybrid Resource to follow PJM dispatch, consistent with all other resources.

State Subsidy:

"State Subsidy" shall mean a direct or indirect payment, concession, rebate, subsidy, non-bypassable consumer charge, or other financial benefit that is as a result of any action, mandated process, or sponsored process of a state government, a political subdivision or agency of a state, or an electric cooperative formed pursuant to state law, and that

(1) is derived from or connected to the procurement of (a) electricity or electric generation capacity sold at wholesale in interstate commerce, or (b) an attribute of the generation process for electricity or electric generation capacity sold at wholesale in interstate commerce; or

(2) will support the construction, development, or operation of a new or existing Capacity Resource; or

(3) could have the effect of allowing the unit to clear in any PJM capacity auction.

Notwithstanding the foregoing, State Subsidy shall not include (a) payments, concessions, rebates, subsidies, or incentives designed to incent, or participation in a program, contract or other arrangement that utilizes criteria designed to incent or promote, general industrial development in an area or designed to incent siting facilities in that county or locality rather than

another county or locality; (b) state action that imposes a tax or assesses a charge utilizing the parameters of a regional program on a given set of resources notwithstanding the tax or cost having indirect benefits on resources not subject to the tax or cost (e.g., Regional Greenhouse Gas Initiative); (c) any indirect benefits to a Capacity Resource as a result of any transmission project approved as part of the Regional Transmission Expansion Plan; (d) any contract, legally enforceable obligation, or rate pursuant to the Public Utility Regulatory Policies Act or any other state-administered federal regulatory program (e.g., the Cross-State Air Pollution Rule); (e) any revenues from the sale or allocation, either direct or indirect, to an Entity Providing Supply Services to Default Retail Service Provider where such entity's obligations was awarded through a state default procurement auction that was subject to independent oversight by a consultant or manager who certifies that the auction was conducted through a non-discriminatory and competitive bidding process, subject to the below condition, and provided further that nothing herein would exempt a Capacity Resource that would otherwise be subject to the minimum offer price rule pursuant to this Tariff; (f) any revenues for providing capacity as part of an FRR Capacity Plan or through bilateral transactions with FRR Entities; or (g) any voluntary and arm's length bilateral transaction (including but not limited to those reported pursuant to Tariff, Attachment DD, section 4.6), such as a power purchase agreement or other similar contract where the buyer is a Self-Supply Entity and the transaction is (1) a short term transaction (one-year or less) or (2) a long-term transaction that is the result of a competitive process that was not fuel-specific and is not used for the purpose of supporting uneconomic construction, development, or operation of the subject Capacity Resource, provided however that if the Self-Supply Entity is responsible for offering the Capacity Resource into an RPM Auction, the specified amount of installed capacity purchased by such Self-Supply Entity shall be considered to receive a State Subsidy in the same manner, under the same conditions, and to the same extent as any other Capacity Resource of a Self-Supply Entity. For purposes of subsection (e) of this definition, a state default procurement auction that has been certified to be a result of a non-discriminatory and competitive bidding process shall:

(i) have no conditions based on the ownership (except supplier diversity requirements or limits), location (except to meet PJM deliverability requirements), affiliation, fuel type, technology, or emissions of any resources or supply (except state-mandated renewable portfolio standards for which Capacity Resources are separately subject to the minimum offer price rule or eligible for an exemption);

(ii) result in contracts between an Entity Providing Supply Services to Default Retail Service Provider and the electric distribution company for a retail default generation supply product and none of those contracts require that the retail obligation be sourced from any specific Capacity Resource or resource type as set forth in subsection (i) above; and

(iii) establish market-based compensation for a retail default generation supply product that retail customers can avoid paying for by obtaining supply from a competitive retail supplier of their choice.

Station Power:

"Station Power" shall mean energy used for operating the electric equipment on the site of a generation facility located in the PJM Region or for the heating, lighting, air-conditioning and office equipment needs of buildings on the site of such a generation facility that are used in the operation, maintenance, or repair of the facility. Station Power does not include any energy (i) used to power synchronous condensers; (ii) used for pumping at a pumped storage facility; (iii) used in association with restoration or black start service; or (iv) that is Direct Charging Energy.

Sub-meter:

"Sub-meter" shall mean a metering point for electricity consumption that does not include all electricity consumption for the end-use customer as defined by the electric distribution company account number. PJM shall only accept sub-meter load data from end-use customers for measurement and verification of Regulation service as set forth in the Economic Load Response rules and PJM Manuals.

Summer-Period Capacity Performance Resource:

"Summer-Period Capacity Performance Resource" shall have the same meaning specified in Tariff, Attachment DD, section 5.5A.

Surplus Interconnection Customer:

"Surplus Interconnection Customer" shall mean either an Interconnection Customer whose Generating Facility is already interconnected to the PJM Transmission System or one of its affiliates, or an unaffiliated entity that submits a Surplus Interconnection Request to utilize Surplus Interconnection Service within the Transmission System in the PJM Region. A Surplus Interconnection Customer is not a New Service Customer.

Surplus Interconnection Request:

"Surplus Interconnection Request" shall mean a request submitted by a Surplus Interconnection Customer, pursuant to Tariff, Attachment RR, to utilize Surplus Interconnection Service within the Transmission System in the PJM Region. A Surplus Interconnection Request is not a New Service Request.

Surplus Interconnection Service:

"Surplus Interconnection Service" shall mean any unneeded portion of Interconnection Service established in an Interconnection Service Agreement, such that if Surplus Interconnection Service is utilized, the total amount of Interconnection Service at the Point of Interconnection would remain the same.

Switching and Tagging Rules:

"Switching and Tagging Rules" shall mean the switching and tagging procedures of Interconnected Transmission Owners and Interconnection Customer as they may be amended from time to time.

Synchronized Reserve:

"Synchronized Reserve" shall mean the reserve capability of generation resources that can be converted fully into energy or Economic Load Response Participant resources whose demand can be reduced within ten minutes from the request of the Office of the Interconnection dispatcher, and is provided by equipment that is electrically synchronized to the Transmission System.

Synchronized Reserve Event:

"Synchronized Reserve Event" shall mean a request from the Office of the Interconnection to generation resources and/or Economic Load Response Participant resources able, assigned or self-scheduled to provide Synchronized Reserve in one or more specified Reserve Zones or Reserve Sub-zones, within ten minutes, to increase the energy output or reduce load by a directed amount of the assigned or self-scheduled Synchronized Reserve.

Synchronized Reserve Requirement:

"Synchronized Reserve Requirement" shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Synchronized Reserve, absent any increase to account for additional reserves scheduled to address operational uncertainty. The Synchronized Reserve Requirement is calculated in accordance with the PJM Manuals. This requirement can only be satisfied by Synchronized Reserve resources.

System Condition:

"System Condition" shall mean a specified condition on the Transmission Provider's system or on a neighboring system, such as a constrained transmission element or flowgate, that may trigger Curtailment of Long-Term Firm Point-to-Point Transmission Service using the curtailment priority pursuant to Tariff, Part II, section 13.6. Such conditions must be identified in the Transmission Customer's Service Agreement.

System Energy Price:

"System Energy Price" shall mean the energy component of the Locational Marginal Price, which is the price at which the Market Seller has offered to supply an additional increment of energy from a resource, calculated as specified in Operating Agreement, Schedule 1, section 2 and the parallel provisions of Tariff, Attachment K-Appendix, section 2.

System Impact Study:

"System Impact Study" shall mean an assessment by the Transmission Provider of (i) the adequacy of the Transmission System to accommodate a Completed Application, an Interconnection Request or an Upgrade Request, (ii) whether any additional costs may be incurred in order to provide such transmission service or to accommodate an Interconnection Request, and (iii) with respect to an Interconnection Request, an estimated date that an Interconnection Customer's Customer Facility can be interconnected with the Transmission System and an estimate of the Interconnection Customer's cost responsibility for the interconnection; and (iv) with respect to an Upgrade Request, the estimated cost of the requested system upgrades or expansion, or of the cost of the system upgrades or expansion, necessary to provide the requested incremental rights.

System Protection Facilities:

"System Protection Facilities" shall refer to the equipment required to protect (i) the Transmission System, other delivery systems and/or other generating systems connected to the Transmission System from faults or other electrical disturbance occurring at or on the Customer Facility, and (ii) the Customer Facility from faults or other electrical system disturbance occurring on the Transmission System or on other delivery systems and/or other generating systems to which the Transmission System is directly or indirectly connected. System Protection Facilities shall include such protective and regulating devices as are identified in the Applicable Technical Requirements and Standards or that are required by Applicable Laws and Regulations or other Applicable Standards, or as are otherwise necessary to protect personnel and equipment and to minimize deleterious effects to the Transmission System arising from the Customer Facility.

5.5 Eligibility for Participation in RPM Auctions

(a) A Capacity Market Seller may submit a Sell Offer for a Capacity Resource in a Base Residual Auction or Incremental Auction only if such seller owns or has the contractual authority to control the output or load reduction capability of such resource and has not transferred such authority to another entity prior to submitting such Sell Offer. Capacity Resources must satisfy the capability and deliverability requirements of RAA, Schedule 9 and RAA, Schedule 10, the requirements for Demand Resources or Energy Efficiency Resources in Tariff, Attachment DD-1 and RAA, Schedule 6, as applicable, and, the criteria in Tariff, Attachment DD, section 5.5A. A Planned Generation Capacity Resource may be included in a Sell Offer for an RPM Auction only if the Capacity Market Seller of such resource provides a binding notice of intent, as further detailed in the PJM Manuals, to submit a Sell Offer in such auction to the Office of the Interconnection no later than (a) the immediately preceding December 1 for a Base Residual Auction, or (b) ninety (90) days prior to the commencement of the offer period for an Incremental Auction.

(b) Notwithstanding the foregoing, a committed RBP Resource shall be required to be offered into the relevant Reliability Pricing Model Auction and is not required to submit a binding notice of intent to offer into such auction. However, a Planned Generation Capacity Resource that is committed in the RBP for the 2030/2031 Delivery Year must still be the subject of a notice of intent to be offered into the Base Residual Auction associated with the 2030/2031 Delivery Year. In the event a committed RBP Resource is not expected to be in-service or deliverable by the relevant Delivery Year, the Capacity Market Seller of such committed RBP Resource may notify the Office of the Interconnection, with supporting documentation, that the resource is not expected to be in-service or deliverable by the relevant Delivery Year. Such notice for a committed RBP Resource shall be submitted no later than (i) the immediately preceding December 1 for a Base Residual Auction or (ii) ninety (90) days prior to the commencement of the offer period for an Incremental Auction. A committed RBP Resource that provides such notice will be assessed any applicable RBP shortfall charge and not be allowed to be offered into the applicable RPM Auction.

6.6 Offer Requirement for Capacity Resources

(a) To avoid application of subsection (h) below, (1) all of the installed capacity of all Existing Generation Capacity Resources located in the PJM Region, and (2) all of the RBP UCAP MW that is committed in the Reliability Backstop Procurement through the term of the commitment, shall be offered by the Capacity Market Seller that owns or controls all or part of such resource (which may include submission as Self-Supply) in all RPM Auctions for each Delivery Year, less any amount determined by the Office of the Interconnection to be eligible for an exception to this RPM must-offer requirement, where installed capacity is determined as of the date on which bidding commences for each RPM Auction pursuant to Tariff, Attachment DD, section 5.6.6. Beginning with the 2025/2026 Delivery Year and subsequent Delivery Years, a Planned Generation Capacity Resource associated with a notice of intent to offer submitted pursuant to Tariff, Attachment DD, section 5.5 shall be required to be offered by the Capacity Market Seller of such resource in the relevant RPM Auction. Through the 2024/2025 Delivery Year, the Unforced Capacity of such resources is determined using the EFORd value that is submitted by the Capacity Market Seller in its Sell Offer, which shall not exceed the maximum EFORd for that resource as defined in section 6.6(b). Starting with the 2025/2026 Delivery Year, the Unforced Capacity of such resource is determined using the effective Accredited UCAP Factor for that resource. If a resource should be included on the list of Existing Generation Capacity Resources subject to the RPM must-offer requirement that is maintained by the Market Monitoring Unit pursuant to Tariff, Attachment M-Appendix, section II.C.1, but is omitted therefrom whether by mistake of the Market Monitoring Unit or failure of the Capacity Market Seller that owns or controls all or part of such resource to provide information about the resource to the Market Monitoring Unit, this shall not excuse such resource from the RPM must-offer requirement.

(b) Through the 2024/2025 Delivery Year, for each Existing Generation Capacity Resource, a potential Capacity Market Seller must timely provide to the Market Monitoring Unit and the Office of the Interconnection all data and documentation required under this section 6.6 to establish the maximum EFORd applicable to each resource in accordance with standards and procedures specified in the PJM Manuals. The maximum EFORd that may be used in a Sell Offer for RPM Auctions held prior to the date on which the final EFORds used for a Delivery Year are posted, is the greater of (i) the average EFORd for the five consecutive years ending on the September 30 that last precedes the Base Residual Auction, or (ii) the EFORd for the 12 months ending on the September 30 that last precedes the Base Residual Auction.

Notwithstanding the foregoing, a Capacity Market Seller may request an alternate maximum EFORd for Sell Offers submitted in such auctions if it has a documented, known reason that would result in an increase in its EFORd, by submitting a written request to the Market Monitoring Unit and Office of the Interconnection, along with data and documentation required to support the request for an alternate maximum EFORd, by no later one hundred twenty (120) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year. The Capacity Market Seller must address any concerns identified by the Market Monitoring Unit and/or the Office of the Interconnection regarding the data and documentation provided and attempt to reach agreement with the Market Monitoring Unit on the level of the alternate maximum EFORd by no later than ninety (90) days prior to the

commencement of the offer period for the Base Residual Auction for the applicable Delivery Year. As further described in Tariff, Attachment M-Appendix, section II.C, the Market Monitoring Unit shall notify the Capacity Market Seller and the Office of the Interconnection in writing of its determination of the requested alternate maximum EFORd by no later than ninety (90) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year. By no later than eighty (80) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year, the Capacity Market Seller shall notify the Office of the Interconnection and the Market Monitoring Unit in writing whether it agrees with the Market Monitoring Unit on the alternate maximum EFORd or, if no agreement has been reached, specifying the level of alternate maximum EFORd to which it commits. If a Capacity Market Seller fails to request an alternate maximum EFORd prior to the specified deadlines, the maximum EFORd for the applicable RPM Auction shall be deemed to be the default EFORd calculated pursuant to this section.

The maximum EFORd that may be used in a Sell Offer for Third Incremental Auction, and for Conditional Incremental Auctions held after the date on which the final EFORd used for a Delivery Year is posted, is the EFORd for the 12 months ending on the September 30 that last precedes the submission of such offers.

(c) [Reserved for Future Use]

(d) Through the 2024/2025 Delivery Year, in the event that a Capacity Market Seller and the Market Monitoring Unit cannot agree on the maximum level of the alternate EFORd that may be used in a Sell Offer for RPM Auctions held prior to the date on which the final EFORds used for a Delivery Year are posted, the Office of the Interconnection shall make its own determination of the maximum level of the alternate EFORd based on the requirements of the Tariff and the PJM Manuals, per Tariff, Attachment DD, section 5.8, by no later than sixty-five (65) days prior to the commencement of the offer period for the Base Residual for the applicable Delivery Year, and shall notify the Capacity Market Seller and the Market Monitoring Unit in writing of such determination.

(e) Through the 2024/2025 Delivery Year, nothing in this section precludes the Capacity Market Seller from filing a petition with FERC seeking a determination of whether the EFORd complies with the requirements of the Tariff.

(f) Through the 2024/2025 Delivery Year, notwithstanding the foregoing, a Capacity Market Seller may submit an EFORd that it chooses for an RPM Auction held prior to the date on which the final EFORd used for a Delivery Year is posted, provided that (i) it has participated in good faith with the process described in this section 6.6 and in Tariff, Attachment M-Appendix, section II.C, (ii) the offer is no higher than the level defined in any agreement reached by the Capacity Market Seller and the Market Monitoring Unit that resulted from the foregoing process, and (iii) the offer is accepted by the Office of the Interconnection subject to the criteria set forth in the Tariff and the PJM Manuals.

(g) A Capacity Market Seller that owns or controls an existing generation resource in the PJM Region that is capable of qualifying as an Existing Generation Capacity Resource as of

the date on which bidding commences for an RPM Auction may not avoid the rule in subsection (a) or be removed from Capacity Resource status by failing to qualify as a Generation Capacity Resource, or by attempting to remove a unit previously qualified as a Generation Capacity Resource from classification as a Capacity Resource for that RPM Auction. However, generation resource may qualify for an exception to the RPM must-offer requirement, as shown by appropriate documentation, if the Capacity Market Seller that owns or controls such resource demonstrates that it: (i) is reasonably expected to be physically unable to participate in the relevant Delivery Year; (ii) has a financially and physically firm commitment to an external sale of its capacity, or (iii) was interconnected to the Transmission System as an Energy Resource and not subsequently converted to a Capacity Resource.

However, in any Delivery Year in which a Capacity Resource has committed RBP UCAP MW, through the Reliability Backstop Procurement such Capacity Resource shall not be eligible for an exception to the RPM must-offer requirement, under Tariff, Attachment DD, section 6.6A, based on having a financially and physically firm commitment to an external sale of its capacity.

Notwithstanding the foregoing, nothing herein provides a defense to a claim of withholding, market manipulation, or the exercise of market power by any entity who is affiliated with or are under common ownership or control of a Capacity Market Seller that does not submit an offer for a Generation Capacity Resource that obtains an exception to the capacity must-offer requirement.

In order to establish that a resource is reasonably expected to be physically unable to participate in the relevant auction as set forth in (i) above, the Capacity Market Seller must demonstrate that:

A. It has a documented plan in place to retire the resource prior to or during the Delivery Year, and has submitted a notice of Deactivation to the Office of the Interconnection consistent with Tariff, Part V, section 113.1, without regard to whether the Office of the Interconnection has requested the Capacity Market Seller to continue to operate the resource beyond its desired deactivation date in accordance with Tariff, Part V, section 113.2 for the purpose of maintaining the reliability of the PJM Transmission System and the Capacity Market Seller has agreed to do so;

B. Significant physical operational restrictions cause long term or permanent changes to the installed capacity value of the resource, or the resource is under major repair that will extend into the applicable Delivery Year, that will result in the imposition of RPM performance penalties pursuant to Tariff, Attachment DD;

C. The Capacity Market Seller is involved in an ongoing regulatory proceeding (e.g. – regarding potential environmental restrictions) specific to the resource and has received an order, decision, final rule, opinion or other final directive from the regulatory authority that will result in the retirement of the resource; or

D. A resource considered an Existing Generating Capacity Resource because it cleared an RPM Auction for a Delivery Year prior to the Delivery Year of the relevant auction, but

which is not yet in service, is unable to achieve full commercial operation prior to the Delivery Year of the relevant auction. The Capacity Market Seller must submit to the Office of the Interconnection and the Market Monitoring Unit a written sworn, notarized statement of a corporate officer certifying that the resource will not be in full commercial operation prior to the referenced Delivery Year.

In order to establish that a resource has a financially and physically firm commitment to an external sale of its capacity as set forth in (ii) above, the Capacity Market Seller must demonstrate that it has entered into a unit-specific bilateral transaction for service to load located outside the PJM Region, by a demonstration that such resource is identified on a unit-specific basis as a network resource under the transmission tariff for the control area applicable to such external load, or by an equivalent demonstration of a financially and physically firm commitment to an external sale. The Capacity Market Seller additionally shall identify the megawatt amount, export zone, and time period (in days) of the export.

A Capacity Market Seller that seeks approval for an exception to the RPM must-offer requirement, for any reason other than the reason specified in Paragraph A above, shall first submit such request in writing, along with all supporting data and documentation, to the Market Monitoring Unit for evaluation, notifying the Office of the Interconnection by copy of the same, by no later than one hundred twenty (120) days prior to the commencement of the offer period for the applicable RPM Auction.

In order to obtain an exception to the RPM must-offer requirement for the reason specified in Paragraph A above, a Capacity Market Seller shall first submit a preliminary exception request in writing, along with supporting data and documentation indicating the reasons and conditions upon which the Capacity Market Seller is relying in its analysis of whether to retire such resource, to the Market Monitoring Unit for evaluation, notifying the Office of the Interconnection by copy of the same, by no later than (a) the September 1 that last precedes the Base Residual Auction and (b) two hundred forty (240) days prior to the commencement of the offer period for the applicable Incremental Auction. By no later than five (5) Business Days after *the notification deadline for* any such preliminary exception requests, the Office of the Interconnection will post on its website a summary of the number of megawatts of Generation Capacity Resources for which it has received notification of preliminary exception requests, on an aggregate basis by Zone and Locational Deliverability Area that comprises a subset of a Zone, as specified in the PJM Manuals.

Thereafter, as applicable, such Capacity Market Seller shall by no later than (a) the December 1 that last precedes the Base Residual Auction for the applicable Delivery Year, or (b) one hundred twenty (120) days prior to the commencement of the offer period for the applicable Incremental Auction, either (a) notify the Office of the Interconnection and the Market Monitoring Unit in writing that it is withdrawing its preliminary exception request and explaining the changes to its analysis of whether to retire such resource that support its decision to withdraw, or (b) demonstrate that it has met the requirements specified under Paragraph A above. By no later than five (5) Business Days after *the notification deadline for* such notification, the Office of the Interconnection will post on its website a revised summary of the number of megawatts of Generation Capacity Resources for which it has received requests for exceptions to the RPM must-offer requirement for the reason specified in Paragraph A above, on

an aggregate basis by Zone and Locational Deliverability Area that comprises a subset of a Zone, as specified in the PJM Manuals.

A Capacity Market Seller that seeks to remove a Generation Capacity Resource from Capacity Resource status shall first submit a preliminary request in writing, along with supporting data and documentation indicating the reasons and conditions upon which the Capacity Market Seller is relying in its analysis of whether to remove the Capacity Resource status of such resource to the Market Monitoring Unit for evaluation, notifying the Office of the Interconnection by copy of the same, by no later than (a) the September 1 that last precedes the Base Residual Auction, and (b) two hundred forty (240) days prior to the commencement of the offer period for the applicable Incremental Auction. By no later than five (5) Business Days after *the notification deadline for* any such preliminary requests, the Office of the Interconnection will post on its website a summary of the number of megawatts of Generation Capacity Resources for which it has received notification of preliminary requests, on an aggregate basis by Zone and Locational Deliverability Area that comprises a subset of a Zone, as specified in the PJM Manuals.

Thereafter, as applicable, such Capacity Market Seller shall, by no later than (a) the December 1 that last precedes the Base Residual Auction for the applicable Delivery Year, or (b) one hundred twenty (120) days prior to the commencement of the offer period for the applicable Incremental Auction, notify the Office of the Interconnection and the Market Monitoring Unit in writing that it is either (a) withdrawing its preliminary request and explaining the changes to its analysis that support its decision to withdraw, or (b) confirming its preliminary decision to remove the Generation Capacity Resource from Capacity Resource status. By no later than five (5) Business Days after *the notification deadline for* such notification, the Office of the Interconnection will post on its website a revised summary of the number of megawatts of Generation Capacity Resources for which it has received requests to remove its Capacity Resource status, on an aggregate basis by Zone and Locational Deliverability Area that comprises a subset of a Zone, as specified in the PJM Manuals.

The Market Monitoring Unit shall analyze the effects of the proposed removal of a Generation Capacity Resource from Capacity Resource status with regard to potential market power issues and shall notify the Capacity Market Seller and the Office of the Interconnection in writing of its determination of the request to remove the Generation Capacity Resource from Capacity Resource status, and whether a market power issue has been identified, by no later than ninety (90) days prior to the commencement of the offer period for the applicable RPM Auction. Such notice shall include the specific market power impact resulting from the proposed removal of the Generation Capacity Resource from Capacity Resource status, as well as an initial assessment of any steps that could be taken to mitigate the market power impact.

A Capacity Market Seller may only remove the Generation Capacity Resource from Capacity Resource status if (i) the Market Monitoring Unit has determined that the Generation Capacity Resource meets the applicable criteria set forth in Tariff, Attachment DD, sections 5.6.6 and this section 6.6 and the Office of the Interconnection agrees with this determination, or (ii) the Commission has issued an order terminating the Capacity Resource status of the resource, or (iii) it is required as set forth in Tariff, Attachment DD, section 6.6A(c). Any RBP Resource committed through the Reliability Backstop Procurement shall not be allowed to remove

Capacity Resource status for the portion of the resource with committed RBP UCAP MW through the term of such commitment. Nothing herein shall require a Market Seller to offer its resource into an RPM Auction prior to seeking to remove a resource from Capacity Resource status, subject to satisfaction of this section 6.6. A Generation Capacity Resource that is removed from Capacity Resource status shall no longer qualify as an Existing Generation Capacity Resource, and the Capacity Interconnection Rights associated with such facility shall be subject to termination in accordance with the rules described in Tariff, Part VI, section 230.3.3. The Office of the Interconnection shall amend the applicable Interconnection Service Agreement or wholesale market participation agreement to reflect any such removal of the Capacity Interconnection Rights, and shall report the amended agreement to the Commission in the same manner as the original (e.g., FERC filing or Electronic Quarterly Reports). The Office of the Interconnection shall file the amended agreement unexecuted if the Interconnection Customer or wholesale market participant does not sign the amended Interconnection Service Agreement or wholesale market participation agreement.

If the Capacity Market Seller disagrees with the Market Monitoring Unit's determination of its request to remove a resource from Capacity Resource status or its request for an exception to the RPM must-offer requirement, it must notify the Market Monitoring Unit in writing, with a copy to the Office of the Interconnection, of the same by no later than eighty (80) days prior to the commencement of the offer period for the applicable RPM Auction. After the Market Monitoring Unit has made its determination of whether a resource may be removed from Capacity Resource status, or whether the resource meets one of the exceptions thereto, and has notified the Capacity Market Seller and the Office of the Interconnection of the same pursuant to Tariff, Attachment M-Appendix, section II.C.4, the Office of the Interconnection shall approve or deny the request. The request shall be deemed to be approved by the Office of the Interconnection, consistent with the determination of the Market Monitoring Unit, unless the Office of the Interconnection notifies the Capacity Market Seller and Market Monitoring Unit, by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences, that the request is denied.

If the Market Monitoring Unit does not timely notify the Capacity Market Seller and the Office of the Interconnection of its determination of the request to remove a Generation Capacity Resource from Capacity Resource status or for an exception to the RPM must-offer requirement, the Office of the Interconnection shall make the determination whether the request shall be approved or denied, and will notify the Capacity Market Seller of its determination in writing, with a copy to the Market Monitoring Unit, by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences.

After the Market Monitoring Unit and the Office of the Interconnection have made their determinations of whether a resource meets the criteria to qualify for an exception to the RPM must-offer requirement, the Capacity Market Seller must notify the Market Monitoring Unit and the Office of the Interconnection whether it intends to exclude from its Sell Offer some or all of the subject capacity on the basis of an identified exception by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences. PJM does not make determinations of whether withholding of capacity constitutes market power. A Generation Capacity Resource that does not qualify for submission into an RPM Auction because it is not owned or controlled by the Capacity Market Seller for a full Delivery Year is

not subject to the offer requirement hereunder; provided, however, that a Capacity Market Seller planning to transfer ownership or control of a Generation Capacity Resource during a Delivery Year pursuant to a sale or transfer agreement entered into after March 26, 2009 shall be required to satisfy the offer requirement hereunder for the entirety of such Delivery Year and may satisfy such requirement by providing for the assumption of this requirement by the transferee of ownership or control under such agreement.

If a Capacity Market Seller doesn't timely seek to remove a Generation Capacity Resource from Capacity Resource status or timely submit a request for an exception to the RPM must-offer requirement, the Generation Capacity Resource shall only be removed from Capacity Resource status, and may only be approved for an exception to the RPM must-offer requirement, upon the Capacity Market Seller requesting and receiving an order from FERC, prior to the close of the offer period for the applicable RPM Auction, directing the Office of the Interconnection to remove the resource from Capacity Resource status and/or granting an exception to the RPM must-offer requirement or a waiver of the RPM must-offer requirement as to such resource.

(h) Any existing generation resource located in the PJM Region that satisfies the criteria in the definition of Existing Generation Capacity Resource as of the date on which bidding commences for the Base Residual Auction for a Delivery Year, that is not offered into such Base Residual Auction, and that does not meet any of the exceptions stated in the prior subsection (g): (i) may not participate in any subsequent Incremental Auctions conducted for such Delivery Year; (ii) shall not receive any payments under Tariff, Attachment DD, section 5.14 for such Delivery Year for the capacity of such Generation Capacity Resources; and (iii) shall not be permitted to satisfy any LSE's Unforced Capacity Obligation, or any entity's obligation to obtain the commitment of Capacity Resources, for such Delivery Year.

All generation resources located in the PJM Region that satisfy the criteria in the definition of Existing Generation Capacity Resource as of the date on which bidding commences for an Incremental Auction for a particular Delivery Year, but that did not satisfy such criteria as of the date that on which bidding commenced in the Base Residual Auction for that Delivery Year, that is not offered into that Incremental Auction, and that does not meet any of the exceptions stated in the prior subsection (g): (i) may not participate in any subsequent Incremental Auctions conducted for such Delivery Year; (ii) shall not receive any payments under Tariff, Attachment DD, section 5.14 for such Delivery Year for the capacity of such Generation Capacity Resources; and (iii) shall not be permitted to satisfy any LSE's Unforced Capacity Obligation, or any entity's obligation to obtain the commitment of Capacity Resources, for such Delivery Year.

Any Planned Generation Capacity Resource associated with a notice of intent to offer into a particular RPM Auction that is not offered into the associated RPM Auction and all Existing Generation Capacity Resources that are offered into a Base Residual Auction or Incremental Auction for a particular Delivery Year but do not clear in such auction, that are not offered into each subsequent Incremental Auction, and that do not meet any of the exceptions stated in the prior subsection (g): (i) may not participate in any Incremental Auctions conducted for such Delivery Year subsequent to such failure to offer; (ii) shall not receive any payments under Tariff, Attachment DD, section 5.14 for such Delivery Year for the capacity of such

Generation Capacity Resources; and (iii) shall not be permitted to satisfy any LSE's Unforced Capacity Obligation, or any entity's obligation to obtain the commitment of Capacity Resources, for such Delivery Year.

Any such Existing Generation Capacity Resources may also be subject to further action by the Market Monitoring Unit under the terms of Tariff, Attachment M and Tariff, Attachment M – Appendix.

(i) In addition to the remedies set forth in subsections (g) and (h) above, if the Market Monitoring Unit determines that one or more Capacity Market Sellers' failure to offer part or all of one or more existing generation resources, for which the Office of the Interconnection has not approved an exception to the RPM must-offer requirement, into an RPM Auction as required by this Section 6.6 would result in an increase of greater than five percent in any Zonal Capacity Price determined through such auction, and the Office of the Interconnection agrees with that determination, the Office of the Interconnection shall apply to FERC for an order, on an expedited basis, directing such Capacity Market Seller to participate in the relevant RPM Auction, or for other appropriate relief, and PJM will postpone clearing the auction pending FERC's decision on the matter. If the Office of the Interconnection disagrees with the Market Monitoring Unit's determination and does not apply to FERC for an order directing the Capacity Market Seller to participate in the auction or for other appropriate relief, the Market Monitoring Unit may exercise its powers to inform Commission staff of its concerns and to seek appropriate relief.

(j) An RBP Resource committed through the Reliability Backstop Procurement must offer all available committed RBP UCAP MW as a price-taker (i.e., $0/MW-day) into the applicable RPM Auctions pursuant to the capacity must offer requirements and exceptions set forth in Tariff, Attachment DD, sections 6.6 and 6.6A. The applicable RPM Auctions shall be the Reliability Pricing Model Auctions beginning with the first Delivery Year in which an RBP Resource has been committed through the Reliability Backstop Procurement and is expected to be in-service. Such offer requirement shall continue for each subsequent Delivery Year through the end of the fixed 15-year term, except RBP UCAP MW for RBP Resources without a notice of intent to offer submitted pursuant to Tariff, Attachment DD, section 5.5 for the 2030/2031 Base Residual Auction, which shall have a must offer requirement beginning in the next applicable RPM Auction, including but not limited to the 2031/2032 Base Residual Auction and the 2029/2030 Second Incremental Auction to the extent such resource has RBP UCAP MW committed and is expected to be in-service for those Delivery Years.

6.6A Offer Requirement for Capacity Performance Resources

(a) The installed capacity of every Existing Generation Capacity Resource located in the PJM Region that is capable (or that reasonably can become capable) of qualifying as a Capacity Performance Resource shall be offered as a Capacity Performance Resource by the Capacity Market Seller that owns or controls all or part of such resource (which may include submission as Self-Supply) in all RPM Auctions for each such Delivery Year, less any amount determined by the Office of the Interconnection to be eligible for an exception to the Capacity Performance Resource must-offer requirement, where installed capacity is determined as of the date on which bidding commences for each RPM Auction pursuant to Tariff, Attachment DD, section 5.6.6. A Planned Generation Capacity Resource associated with a notice of intent to offer submitted pursuant to Tariff, Attachment DD, section 5.5 shall be required to be offered by the Capacity Market Seller of such resource in the relevant RPM Auction.

(b) Determinations of EFORd, Accredited UCAP, and Unforced Capacity made under this Tariff, Attachment DD, section 6.6 as to a Generation Capacity Resource shall govern the offers required under this section as to the same Generation Capacity Resource.

(c) Exceptions to the requirement in subsection (a) shall be permitted only for a resource which the Capacity Market Seller demonstrates is reasonably expected to be physically incapable of satisfying the requirements of a Capacity Performance Resource. Through the 2025/2026 Delivery Year, Intermittent Resources, Capacity Storage Resources, Hybrid Resources consisting exclusively of components that in isolation would be Intermittent Resources or Capacity Storage Resources, Demand Resources, and Energy Efficiency Resources shall not be required to offer as a Capacity Performance Resource, but shall not be precluded from being offered as a Capacity Performance Resource at a level that demonstrably satisfies such requirements. Beginning with the 2026/2027 Delivery Year, Demand Resources shall not be required to offer as a Capacity Performance Resource, but shall not be precluded from being offered as a Capacity Performance Resource at a level that demonstrably satisfies such requirements. Notwithstanding the foregoing, nothing herein provides a defense to a claim of withholding, market manipulation, or the exercise of market power by any entity who is affiliated with or are under common ownership or control of a Capacity Market Seller that does not offer Demand Resources into a Reliability Pricing Model Auction. Exceptions shall be determined using the same timeline and procedures as specified in section 6.6.

Effective with the 2023/2024 Delivery Year, Capacity Market Sellers seeking an exception for a Base Residual Auction on the basis that a resource is incapable of meeting the Capacity Performance Resource requirement shall include a documented plan with the submission of their request showing the steps the Capacity Market Seller intends to pursue for the resource to become physically capable of satisfying the requirements of a Capacity Performance Resource. Such plan shall include (i) a timeline for design, permitting, procurement, and construction milestones, as applicable, where such timeline shall not exceed one Base Residual Auction exception, and (ii) evidence of corporate commitment (e.g., an SEC filing, a press release, or a letter from a duly authorized corporate officer indicating intent to make such investment). Periodic updates on the progress, shall be provided by the Capacity Market Seller to the Office of the Interconnection and the Market Monitoring Unit for their

review by no later than (i) one hundred twenty (120) days prior to the commencement of the offer period for subsequent Incremental Auctions for the applicable Delivery Years, and (ii) the December 1 that last precedes subsequent Base Residual Auctions. The Capacity Market Seller shall also immediately notify the Office of the Interconnection and the Market Monitoring Unit of any material changes to the plan that may occur. Upon request by a Capacity Market Seller, a one year extension to the plan timeline shall be permissible only for delays not caused by the Capacity Market Seller, and that could not have been remedied through the exercise of due diligence by the Capacity Market Seller. In no event may an exception be requested by the Capacity Market Seller for more than two Base Residual Auctions.

Failure to submit a documented plan, or lack of good faith effort by a Capacity Market Seller to make an Existing Generation Capacity Resource physically capable of meeting the requirements of a Capacity Performance Resource in accordance with a documented plan, shall result in the removal of the resource's Capacity Resource status effective with the first future Delivery Year for which the resource was granted an exception, no earlier than the 2023/2024 Delivery Year. The Office of the Interconnection shall amend the applicable Interconnection Service Agreement or wholesale market participation agreement to reflect any such removal of the Capacity Interconnection Rights, and shall report the amended agreement to the Commission in the same manner as the original (e.g. FERC Filing or Electronic Quarterly Reports). The Office of the Interconnection shall file the amended agreement unexecuted if the Interconnection Customer or wholesale market participant does not sign the amended Interconnection Service Agreement or wholesale market participation agreement. The required change in Capacity Resource status shall only apply to those Generation Capacity Resources that are shown to be physically incapable of satisfying the requirements of a Capacity Performance Resource.

(d) A resource not exempted or excepted under subsection (c) hereof that is capable of qualifying as a Capacity Performance Resource and does not offer into an RPM Auction as a Capacity Performance Resource shall be subject to the same restrictions on subsequent offers, and other possible remedies, as specified in section 6.6.

(e) An RBP Resource committed through the Reliability Backstop Procurement must offer all committed RBP UCAP MW as price-takers (i.e., $0/MW-day) into the applicable RPM Auctions pursuant to the capacity must offer requirements and exceptions set forth in Tariff, Attachment DD, sections 6.6 and 6.6A. The applicable RPM Auctions shall be the Reliability Pricing Model Auctions beginning with the first Delivery Year in which an RBP Resource has been committed through the Reliability Backstop Procurement and is expected to be in-service. Such offer requirement shall continue for each subsequent Delivery Year through the end of the fixed 15-year term, except RBP UCAP MW for Capacity Performance Resources without a notice of intent to offer submitted pursuant to Tariff, Attachment DD, section 5.5 for the 2030/2031 Base Residual Auction, which shall have a must offer requirement beginning in the next applicable RPM Auction, including but not limited to the 2031/2032 Base Residual Auction and the 2029/2030 Second Incremental Auction to the extent such resource has an RBP UCAP MW commitment and is expected to be in-service for those Delivery Years.

18. RELIABILITY BACKSTOP PROCUREMENT

The Reliability Backstop Procurement or "RBP" is a one-time procurement, starting in 2027, to address resource adequacy challenges in the PJM Region arising from insufficient capacity committed through Reliability Pricing Model Auctions starting in the 2027/2028 Delivery Year.

18.1 Determination of Final RBP Target

The Reliability Backstop Procurement is designed to procure sufficient RBP UCAP MW to meet the Final RBP Target.

(a) Initial RBP Target

The Initial RBP Target shall be a region-wide value equal to the lesser of the (1) most up to date UCAP MW quantity that PJM cleared short of the PJM Region Reliability Requirement for the 2028/2029 Delivery Year Base Residual Auction or (2) the UCAP equivalent of the aggregate region-wide Large Load MW quantity reported by the Electric Distributor in accordance with Tariff, Attachment DD, section 18.3A. Specifically, the Initial RBP Target shall equal the lesser of ([the latest estimate of the PJM Region Reliability Requirement for the 2028/2029 Delivery Year, calculated as the RTO Region Peak Load Forecast for the 2028/2029 Delivery Year from the 2027 Load Forecast times the 2028/2029 Forecast Pool Requirement from the updated planning parameters available at the commencement of the RBP, less the sum of all updated Unforced Capacity Obligations of FRR Entities in the PJM Region] minus [the UCAP-equivalent of the ICAP quantity of Capacity Resources that cleared in the 2028/2029 Base Residual Auction using the latest capacity accreditation factors for the 2028/2029 Delivery Year available at the commencement of the RBP], the aggregate region-wide Large Load MW reported by the Electric Distributor in accordance with Tariff, Attachment DD, section 18.3A times the most recent 2028/2029 Forecast Pool Requirement).

(b) Final RBP Target

The Final RBP Target shall be a PJM region-wide value equal to the Initial RBP Target minus the total PJM region-wide Qualifying RBP Offset UCAP MW and the unforced capacity obligation value of load that have successfully requested and obtained an opt-out pursuant to Tariff, Attachment DD, section 18.1(d).

(c) Fixed Resource Requirement Entities

Fixed Resource Requirement ("FRR") Entities as of the 2028/2029 Delivery Year shall be excluded from the Reliability Backstop Procurement, including Initial and Final RBP Targets.
To the extent an Electric Distributor zone/area that has RBP UCAP MW committed through the Reliability Backstop Procurement later becomes an FRR Service Area pursuant to RAA, Schedule 8.1.D, the Electric Distributor zone/area shall continue to be accountable for the RBP UCAP MW quantity committed through the Reliability Backstop Procurement.

(d) Opt-Out

When calculating the Final RBP Target, the Initial RBP Target shall also be decremented, if requested by an Electric Distributor, and accompanied by an officer attestation in accordance with the PJM Manuals, by up to the associated MW quantity of load that participates in a peak shaving adjustment program for a minimum period of five years where such Electric Distributor's zone/area addresses their capacity needs through peak shaving adjustment programs that are codified in state law and that also meet the requirements of Tariff, Attachment DD-2.

18.2 Qualifying RBP Offset UCAP MW

(a) Qualifying RBP Offset UCAP MW is capacity that will be located within the PJM Region (i) has not previously supported a capacity commitment or been committed in an FRR Plan for the 2028/2029 or earlier Delivery Year as of the commencement of the Reliability Backstop Procurement (except for capacity that is first committed in the Third Incremental Auction associated with the 2027/2028 Delivery Year); and (ii) is supplied by a resource that satisfies each of the criteria set forth in Tariff, Attachment DD, section 18.2(b).

(b) Resources Eligible to Supply Qualifying RBP Offset UCAP MW

A resource eligible to supply Qualifying RBP Offset UCAP MW must have an expected commercial operation date, or is reasonably expected to be an Annual Demand Resource or DER Capacity Aggregation Resource that will be registered with the Office of the Interconnection and under a contract to perform based on PJM dispatch instructions, by no later than June 1, 2032 and be: (i) a new build generation resource including new resources that obtain Capacity Interconnection Rights transferred from deactivated resources or resources that have announced deactivation as of April 10, 2026; (ii) the incremental capacity created by an uprate of existing Generation Capacity Resources, but only to the extent such incremental capacity is created through an increase in such Generation Capacity Resource's installed capacity and increase in Capacity Interconnection Rights associated with that Generation Capacity Resource; (iii) the incremental capacity created by the utilization of Surplus Interconnection Service; (iv) repowering of a deactivated generation resource that deactivated prior to April 10, 2026; (v) incremental capacity, whether due to greater Unforced Capacity or a higher level of Capacity Interconnection Rights, created by an existing Generation Capacity Resource's changing fuel type to a more efficient fuel type; or (vi) Planned Demand Resource or Planned DER Capacity Aggregation Resources, as described in the RAA, Schedule 6 and Schedule 6.2 , and must meet the requirements of being eligible to be an RBP Resource as set forth in Tariff, Attachment DD, section 18.5(c) and 18.5(d), except that the associated participation contract(s) are not required to be eligible for the offset.
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(c) Evidence of Qualifying RBP Offset UCAP MW

During the RBP bid submission window defined in Tariff, Attachment DD, section 18.4, Electric Distributors shall report the Qualifying RBP Offset UCAP MW that is the subject of a bilateral agreement with a Large Load, up to the capacity obligation of the Large Load, reported to the Office of the Interconnection in accordance with Tariff, Attachment DD, section 18.3(a)(2) in their respective zones/areas. Such report shall be accompanied by evidence of at least one of the following supporting materials. Likewise, to the extent LSEs, interconnecting customers, large loads, Transmission Owners, or other entities report Qualifying RBP Offset UCAP MW to the Office of the Interconnection during such RBP bid submission window, the reported Qualifying RBP Offset UCAP MW must be accompanied with evidence of at least one of the following supporting materials:

(i) Signed bilateral contracts for Qualifying RBP Offset UCAP MW for at least five Delivery Years with a commercial operation date prior to the start of the 2032/2033

Delivery Year, and matched with Large Load that has an executed electric service agreement or transmission service agreement, indicating that the load will be coming online in the 2027/2028 or 2028/2029 Delivery Year;

(ii) Self-Supply generation that is in a Relevant Electric Retail Regulatory Authority ("RERRA")-approved or accepted integrated resource plan with either associated generation in the PJM interconnection queue or signed bilateral contracts for Qualifying RBP Offset UCAP MW for at least five Delivery Years with a commercial operation date prior to the start of the 2032/2033 Delivery Year, and matched with load that has an executed electric service agreement or transmission service agreement, indicating that the Large Load will be coming online in the 2027/2028 or 2028/2029 Delivery Year; or

(iii) Signed commitment between a Curtailment Service Provider or DER Aggregator and new load(s) that has an executed electric service agreement or transmission service agreement, indicating that the new Large Load(s) will, in a MW quantity equal to MW quantity of the new load(s), either (a) participate as Annual Demand Resources or DER Capacity Aggregation Resources starting in the 2028/2029 Delivery Year Second Incremental Auction and continuing through the 2032/2033 Delivery Year, or (b) purchase replacement Qualifying RBP Offset UCAP MW that are eligible generation or storage resources.

(d) To determine the quantity of any Qualifying RBP Offset UCAP MW that are verified by the Office of the Interconnection and used to decrement the Initial RBP Target, the Office of the Interconnection shall use the most up-to-date ELCC Class Ratings associated with the 2028/2029 Delivery Year, or the estimated unit-specific UCAP value for resources with no ELCC Class Rating available at the commencement of the RBP.

(e) The total quantity of Qualifying RBP Offset UCAP MW verified by the Office of the Interconnection and used to decrement the Initial RBP Target total amount allowed for each zone/area will be capped by the aggregate MW quantity of Large Load reported by each Electric Distributor, as reported in accordance with Tariff, Attachment DD, section 18.3(a)(2), and the total MW quantity that is subject to the RBP opt-out, as requested in accordance with Tariff, Attachment DD, section 18.1(d), for the relevant zone/area.

18.3 Allocation of RBP Charges, Credits, and Shortfall Charges

(a) Allocation of RBP Charges to Electric Distributor zone/area

(i) The Office of the Interconnection shall allocate the Initial RBP Target MW to each Electric Distributor's zone/area using that zone/area's pro-rata share of the total incremental Large Load reported to the Office of the Interconnection in accordance with Tariff, Attachment DD, section 18.3A. Such allocation shall be only to Electric Distributors' zone/area not located in an FRR Service Area and based on information provided by each such Electric Distributor.

(ii) The allocation based on the zone/area's MW share of the total incremental Large Load MW shall be reduced for the purpose of this calculation to the extent:

(1) an Electric Distributor, LSE, Transmission Owner, or other entity provides the Office of Interconnection with evidence of Qualifying RBP Offset UCAP MW, in accordance with Tariff, Attachment DD, section 18.2 and as may be further set forth in the PJM Manuals; or

(2) an Electric Distributor zone/area meets the opt-out provisions set forth in accordance with Tariff, Attachment DD, section 18.1(d).

The resulting reduced MW, floored at zero, shall be used to calculate the zone/area's assigned pro-rata share of the Final RBP Target MW. The zone/area's assigned share of the Final RBP Target MW shall remain constant throughout the fixed, 15-year term.

(iii) The Office of the Interconnection shall allocate the total RBP Charges, assessed daily, to an Electric Distributor's zone/area on a pro-rata basis using the zone/area's assigned share of the total Final RBP Target MW across all zone/areas.

(b) Allocation of RBP Charges to Load Serving Entities

LSEs located in an Electric Distributor zone/area with a positive, non-zero allocation of RBP Charges pursuant to Tariff, Attachment DD, section 18.3(a)(iii) shall be eligible to be allocated responsibility for RBP Charges as follows:

(i) The daily assessed RBP Charges allocated to each Electric Distributor zone/area shall be further allocated to each applicable LSE within that zone/area with an RBP Obligation ("RBO") based on the LSE's pro-rata share of the total RBP Obligation MW for the zone/area.

(ii) The RBP Charge assessed daily to an LSE in a zone/area shall be the LSE's daily reported RBO MW in the zone/area divided by the total RBO MW in the zone/area multiplied by total, daily RBP Charges allocated to the zone/area.

(iii) The RBO MW shall be, where available, the state and/or RERRA-determined allocation of cleared RBP UCAP MW to LSEs within each Electric Distributor's zone/area, as reported by each Electric Distributor to the Office of the Interconnection, with the initial allocation reported no later than one hundred and twenty (120) days prior to the 2028/2029 Delivery Year. Electric Distributors may report updated RBO MW to the Office of the Interconnection after the initial allocation is reported to reflect any changes in Load Serving Entities that should be assigned RBP Charges. If no RBO MW are reported to the Office of the Interconnection for an Electric Distributor zone/area, PJM will allocate the RBP Charges for that zone/area to all load in the zone/area using each LSE's ratio share of the Daily Unforced Capacity Obligation for the zone/area as determined in RAA, Schedule 8. PJMSettlement shall be the Counterparty to each LSE's obligation to pay, and payments of, RBP Charges.

(iv) RBP Shortfall Charges will be allocated to LSEs as credits based on using the same pro-rata share of the RBP Charges, pursuant to RAA, Article 7, section 7.2B.

18.3A Electric Distributor Reporting Requirement for Reliability Backstop Procurement

No later than seven days prior to the commencement of the Reliability Backstop Procurement, each Electric Distributor outside of an FRR Service Area shall report to the Office of the Interconnection the quantity and identity of incremental Large Load that is supported by an electric service obligation, construction commitment, or similar agreement. Such Electric Distributor shall also report the amount (in MW) that represents the difference between the aggregate quantity of Large Load based on the 2026 actual summer peak and the expected summer peak of Large Load for the 2028/2029 Delivery Year. An Electric Distributor shall provide an explanation for any deviation between the expected quantity of Large Loads for the 2028/2029 Delivery Year and the values provided by the Electric Distributor to the Office of the Interconnection as part of the development for the load forecast.

18.4 Scope of the Reliability Backstop Procurement

The Office of the Interconnection shall conduct an RBP to commit RBP Resources up to the UCAP MW value to meet the Final RBP Target. The Reliability Backstop Procurement offer submission window for RBP Sell Offers shall open for four weeks. The clearing and selection process will take place thereafter and concluding six weeks following the close of the offer submission window. The Office of the Interconnection shall notify RBP Sellers that receive a commitment as an RBP Resource as soon as practicable upon the conclusion of the RBP. The Office of the Interconnection shall post specific dates on the PJM website prior to the commencement of the Reliability Backstop Procurement.

RBP Sellers may submit RBP Sell Offers of RBP Resources supporting RBP UCAP MW into the Reliability Backstop Procurement. PJMSettlement shall be the Counterparty to the transactions arising from the RBP.

An RBP Sell Offer will be considered binding once any PJM-identified deficiencies are cured and until the conclusion of the Reliability Backstop Procurement and the underlying resource does not receive a commitment in the Reliability Backstop Procurement.

The Reliability Backstop Procurement shall offer commitments for RBP UCAP MW for a fixed period of fifteen (15) Delivery Years, starting with the 2028/2029 Delivery Year. Resources with a commercial operation date later than the 2028/2029 Delivery Year shall be committed for the remainder of the fifteen-year term of the Reliability Backstop Procurement commitment period, i.e. through the end of the 2042/2043 Delivery Year.

18.5 The Reliability Backstop Procurement Process

(a) RBP Seller Eligibility to Participate and General Requirements for Resources Supporting RBP UCAP MW

To be eligible to participate in the Reliability Backstop Procurement, an RBP Seller must meet the RBP credit requirements, set forth in Tariff, Attachment DD, section 18.8, with RBP Sell Offer(s) for RBP UCAP MW based on a resource that:

(i) Has a commercial operation date, or is reasonably expected to be an Annual Demand Resource or DER Capacity Aggregation Resource that will be registered with the Office of the Interconnection and under a contract to perform based on PJM dispatch instructions, by no later than June 1, 2032, inclusive of any required Network Upgrades;

(ii) Has not received a capacity commitment or been committed in an FRR Plan for the 2028/2029 or earlier Delivery Year as of the commencement of the Reliability Backstop Procurement (except for capacity that is first committed in the Third Incremental Auction associated with the 2027/2028 Delivery Year);

(iii) Is not supplying Qualifying RBP Offset UCAP MW;

(iv) To the extent the subject of a notice of intent for the 2028/2029 Base Residual Auction, must have offered and not cleared in the 2028/2029 Base Residual Auction; and

(v) Meets the requirements in Tariff, Attachment DD, sections 18.5(b), 18.5(c), or 18.5(d).

(b) Generation or Energy Storage Resources as an RBP Resource

To qualify as an RBP Resource, a generation or Energy Storage Resource that supplies RBP UCAP MW eligible to be offered into the Reliability Backstop Procurement shall be in the PJM Region or meet the requirements to pseudo-tie into the PJM Region in Tariff, Attachment DD, section 5.5A(b), must meet the requirements of Tariff, Attachment DD, section 18.5(a) and must be:

(i) Composed of new Installed Capacity and new Maximum Facility Output;

(ii) Supported by new Capacity Interconnection Rights (if located in the PJM Region) or Capacity Interconnection Rights transferred from a deactivated resource or a resource that announced deactivation as of April 10, 2026; and

(iii) Consist of (1) new build; (2) incremental capacity created by an uprate of an existing Generation Capacity Resource's or Energy Storage Resource's installed capacity and associated level of Capacity Interconnection Rights; or (3) repowering of a generation resource that had deactivated, or announced deactivation, on or before April 10, 2026.

(c) RBP Demand Resources

To qualify as a Demand Resource that supplies RBP UCAP MW eligible to be offered into the Reliability Backstop Procurement, a Demand Resource must meet the requirements of Tariff, Attachment DD, sections 18.5(a), and:

(i) Not be reliant on or composed of registered location(s) that previously supported a Demand Resource that provided capacity in the 2026/2027 Delivery Year unless such location represents an incremental increase in capacity resulting from an investment in new generation or new storage resources at that location; and

(ii) Identify, as part of its RBP Sell Offer, for the full length of the fixed term, the location(s) and associated participation contract(s).

(d) RBP DER Aggregation Resources

To qualify as a DER Capacity Aggregation Resource that supplies RBP UCAP MW eligible to be offered into the Reliability Backstop Procurement, a Planned DER Capacity Aggregation Resource must meet the requirements of Tariff, Attachment DD, sections 18.5(a) and:

(i) Identify, as part of its RBP Sell Offer, for the length of the fixed term, the location(s) and associated participation contract(s).

(e) RBP Sell Offers

RBP Sell Offers for RBP UCAP MW shall specify an offer quantity in UCAP MW and an offer price in $/MW-day UCAP for each Delivery Year beginning with the first full Delivery Year in which the RBP UCAP MW is expected to provide capacity through the end of the fixed 15-year term.

RBP Sellers will be responsible for all actual Network Upgrade costs as determined through the interconnection process, without subsequent adjustments to RBP Sell Offers.

Each RBP Sell Offer shall include the following information for the RBP UCAP MW offered:

(i) the MW of UCAP to be provided by such resource for each Delivery Year, where the maximum UCAP included in an RBP Sell Offer shall be limited to no greater than 120% of the resource type's most recent maximum Preliminary ELCC Class Ratings for 2028/2029 through the last posted Delivery Year or based on the resource's maximum estimated unit-specific ELCC ratings across such period for resources with no ELCC Class Rating, multiplied by the resource's ICAP;

(ii) the price in $/MW-day UCAP for each Delivery Year beginning with the first full Delivery Year in which the RBP UCAP MW is expected to provide capacity through the end of the fixed 15-year term;

(iii) the first full Delivery Year for which such resource shall be available and offering to provide capacity;

(iv) all relevant documentation necessary for the Office of the Interconnection to evaluate whether the project satisfies the gating criteria, as set forth in Tariff, Attachment DD, section 18.5(f)(i).

(f) Clearing Structure

Following the closing date of bid solicitation for the Reliability Backstop Procurement, the Office of the Interconnection shall complete the Reliability Backstop Procurement in two stages: (1) gating criteria evaluation and (2) selection assessment, with notification of finalized commitments posted prior to the Base Residual Auction for the 2030/2031 Delivery Year. The Reliability Backstop Procurement shall be pay-as-bid.

(i) Stage 1: Gating Criteria Evaluation

A valid RBP Sell Offer shall include the information and evidence required by this section. The Office of the Interconnection shall evaluate all RBP Sell Offers for compliance with this requirement. Such evaluation shall be conducted by the Office of the Interconnection on a pass/fail basis.

RBP Sell Offers that do not include the following information shall not proceed to selection assessment, provided, however, that the Office of the Interconnection shall provide the RBP Seller the opportunity to cure any identified deficiencies within five (5) calendar days of being notified by PJM.

RBP Sell Offers for RBP Generation and/or Storage Capacity Resources must be accompanied by:

(1) A critical path construction schedule and expected commercial operation date, with attestation, for the Office of the Interconnection to validate that RBP Sell Offers are for RBP UCAP MW with a feasible commercial operation date of June 1, 2032 or earlier;

(A) With respect to a project in Transition Cycle #2 under Tariff, Part VII and earlier, such project must provide study information and timeline from its most current PJM study;

(B) With respect to a project in Cycle 1 under Tariff Part VIII, the Expedited Interconnection Track under Tariff, Part X, or not under study, the project must provide study information and timeline from (1) an independent consultant report or (2) the most current PJM study;

(2) For projects that are not the subject of a completed interconnection study or are not currently under study as part of an active New Service Request by the Office of the Interconnection, evidence of 100% Site Control consistent with Tariff, Part VIII, Subpart A, section 402 for each of the Generating Facility (including the location of the main step-up transformer), the Interconnection Facilities, and the Interconnection Switchyard (as defined in the PJM Manuals) for a term of at least three years from the date of submission of the RBP Sell Offer.

Such projects must also be accompanied by a certification, executed by an officer or authorized representative of the Generation Project Developer, verifying that the Site Control requirements have been met. Further, at Transmission Provider's request, Generation Project Developer shall provide copies of landowner attestations or county recordings. The Site Control requirements include an acreage requirement for the Project, as set forth in the PJM Manuals.

(3) Financing plan, i.e., identified financing sources and details (e.g., project financing, balance sheets, tax equity, sponsor equity), current status of any financing commitments or term sheets, and a general description of the capital structure and expected timeline to financial close;

(4) Permitting plan, e.g., a list of all applicable permits, current status, and timeline to obtain each;

(5) Signed memorandum for the acquisition of major equipment, invoices or agreements to acquire major equipment, or other documentary evidence that major equipment has been procured;

(6) Evidence of experience having constructed a previous project of similar size and technology or have contracted with an engineering, procurement, and construction partner with such experience, or contract with an engineering, procurement, and construction partner with such experience;

(7) For natural gas-fueled generation resources, evidence of delivery infrastructure arrangements in the form of a notice of intent or attestation of pipeline capacity expansion to support the new project; and

(8) For generation and/or energy storage resources located outside of the PJM Region, evidence of (a) a completed facilities study or equivalent under the host Regional Transmission Organization/Independent System Operator's or utility's interconnection process and (b) long-term firm point-to-point transmission service, or a confirmed transmission service request with a completed system impact study, sufficient to deliver capacity to the border of the PJM Region consistent with the requirements of Tariff, Attachment DD, section 5.5A(b).

RBP Sell Offers for Demand Resources or DER Capacity Aggregation Resources must be accompanied by:

(9) Locations within the PJM Region by Zone/Sub-zonal LDA and aggregate capacity for RBP Sell Offers;

(10) Executed customer agreements or binding commitments covering the proposed RBP UCAP MW commitment, with identified locations, customer names, and expected curtailment/injection capability per site; and

(11) Equipment procurement plan or evidence of deployed enabling infrastructure such as metering, telemetry, load control, SCADA/dispatch systems, or DER major equipment as applicable.

RBP Sell Offers for DER Capacity Aggregation Resources must also be accompanied by:

(12) Applicable Electric Distributor interconnection/distribution impact study requirements and a plan to initiate on a timeline consistent with the proposed delivery date.

RBP Sell Offers for Demand Resources must also be accompanied by:

(13) Electric Distributor coordination requirements for metering, telemetry, and baseline measurement infrastructure.

(ii) Stage 2: Selection Assessment

All RBP Sell Offers that pass the gating criteria evaluation shall be evaluated based on the first Delivery Year offered in the RBP Sell Offer, levelized cost, and RBP UCAP MW quantity.

RBP Sell Offers shall be selected in rank order from earliest to latest offered Delivery Year, and then in least-cost order based on the levelized cost ($/MW-day) of UCAP MW over the fixed 15-year term, until the Final RBP Target is satisfied for any Delivery Year up through the 2032/2033 Delivery Year. RBP Resources shall not be partially cleared. In selecting the least-cost solution that satisfies the Final RBP Target and the cost of procurement constraint, the Office of the Interconnection may commit an RBP Sell Offer with an offered quantity that exceeds the remaining Final RBP Target to the extent such solution provides greater economic efficiency than an alternative solution that satisfies the requirements and constraints.

The levelized cost of each RBP Sell Offer shall be calculated as:

Levelized Cost ($/MW-day) = Net Present Value (RBP Sell Offer price x UCAP offered)/Net Present Value (UCAP offered)

with a discount rate equal to 9.5% after-tax average weighted average cost of capital (ATWACC).

The MW-weighted average of the levelized procurement cost of all selected RBP Sell Offers shall not exceed $555/MW-day UCAP.

In the event that two or more RBP Sell Offers with the same initial offered Delivery Year and levelized cost, and fewer than all of such offers are needed to satisfy the Final RBP Target, the Office of the Interconnection shall select the RBP Sell Offer(s) proposing resources based on the earliest timestamp of such RBP Sell Offer(s).

In the event that the Reliability Backstop Procurement cannot meet the Final RBP Target, the Reliability Backstop Procurement shall clear short of the Final RBP Target.

(g) Settlement Structure

(i) UCAP MW Eligible to Be Settled as Contract for Difference

Each RBP Resource that has been committed in the Reliability Backstop Procurement shall be individually settled as a contract for difference ("CfD").

An RBP Resource's total daily MW eligible to be settled as a CfD shall be the lesser of the RBP Resource's daily committed RBP UCAP MW, daily owned UCAP MW, and daily cleared RPM UCAP MW.

All UCAP MW of an RBP Resource above the committed RBP UCAP MW shall be eligible to participate in RPM Auctions, subject to existing RPM rules, without being subject to RBP obligations or settlement.

(ii) RBP Settlement Credits Based on Contract for Difference

An RBP Resource's contract for difference ("CfD"), represented as positive or negative RBP Settlement Credits, shall be settled daily as the product of the total daily UCAP MW eligible to settle as CfD and the difference between the price at which the RBP Resource was committed in the Reliability Backstop Procurement for a Delivery Year and the RBP Resource's unit-specific weighted average resource clearing price of all applicable RPM Auctions from the associated Delivery Year. Applicable RPM Auctions include all RPM Auctions for the associated Delivery Year that are conducted after the Reliability Backstop Procurement. If the RBP Resource is committed through the RBP for a Delivery Year in which PJM has already conducted the Base Residual Auction, the CfD will be settled using the difference between the price at which the RBP Resource was committed in the Reliability Backstop Procurement for such Delivery Year and the weighted average resource clearing price in the applicable Incremental Auction(s) for such Delivery Year.

(iii) RBP Charges

RBP Charges shall be based on the total RBP Settlement Credits, positive and negative, of all RBP Resources across the PJM Region.

RBP Charges shall be calculated daily and allocated to Load Serving Entities by the relevant Electric Distributor(s) in accordance with Tariff, Attachment DD, section 18.3(b) and the RAA, Article 7, section 2B.

18.6 RBP Resource Obligations

(a) Capacity Must Offer Obligation

An RBP Resource committed through the Reliability Backstop Procurement must offer all committed RBP UCAP MW into the RPM Auctions as Capacity Resources pursuant to the capacity must offer requirements and exceptions set forth in Tariff, Attachment DD, sections 6.6 and 6.6A. The applicable RPM Auctions shall be the Base Residual Auctions and Incremental Auctions conducted after an RBP Resource's RBP UCAP MW have been committed through the Reliability Backstop Procurement beginning with the first Delivery Year in which such resource is has an RBP commitment and is expected to be in service. Such offer requirement shall continue for each subsequent Delivery Year through the end of the RBP term, except RBP UCAP MW for RBP Resources that is expected to be in service for the 2030/2031 Delivery Year without a notice of intent to offer submitted pursuant to Tariff, Attachment DD, section 5.5 for the 2030/2031 Base Residual Auction shall have a must offer requirement in the next RPM Auction, including but not limited to the 2031/2032 Base Residual Auction and the 2030/2031 First Incremental Auction. The RBP Resource's capacity must offer obligation into RPM Auctions for a Delivery Year is satisfied once the entirety of the committed RBP UCAP MW have cleared in RPM Auction(s) for such Delivery Year.

RBP Resources with RBP UCAP MW committed through RPM Auctions will be subject to all RPM capacity market rules, as set forth in Tariff, Attachments DD and DD-1.

(i) Price

RBP UCAP MW committed through the Reliability Backstop Procurement, and not qualifying for an exception pursuant to Tariff, Attachment DD, section 6.6(g), must be offered into the applicable RPM Auctions as price takers, i.e., $0/MW-day UCAP.

(ii) Quantity

RBP Resources committed through the Reliability Backstop Procurement must be offered into the applicable RPM Auctions. The UCAP MW quantity offered in an applicable RPM Auction for the Delivery Year must be a quantity equal to the lesser of committed RBP UCAP MW minus total RPM committed MW through RPM Auctions for the Delivery Year and the available UCAP MW at the time of the RPM Auction.

(b) Exceptions to the Must Offer Obligation

An RBP Resource that is granted an exception to the RPM must-offer obligation, as set forth in Tariff, Attachment DD, section 6.6(g) or 6.6A(c), shall nevertheless be subject to the RBP shortfall charge.

(c) RBP Shortfall UCAP MW

RBP UCAP MW committed through the Reliability Backstop Procurement that is unable to be delivered in a Delivery Year within the fixed, 15-year period will not be compensated for the undelivered megawatts via RBP Settlement Credits for each day the daily unforced capacity value of the RBP Resource is below the daily committed RBP UCAP MW and will be subject to any applicable RBP shortfall charges.

(d) RBP Shortfall Charges

RBP Resources with RBP UCAP MW committed through the Reliability Backstop Procurement that are unable to meet its full RBP UCAP MW commitment due to not achieving commercial operation by the first Delivery Year of the RBP commitment shall be subject to RBP shortfall charges for the committed RBP UCAP MW until the resources achieves commercial operation, for up to three years.

RBP shortfall charges shall be assessed daily, beginning in the first Delivery Year of the RBP commitment, on the full RBP committed UCAP.

The RBP shortfall charge shall equal the committed RBP UCAP MW times a charge rate equal to 20% of the RBP commitment price of such resource (i.e., RBP shortfall charge = committed RBP UCAP MW * 20% of RBP commitment price), for the applicable Delivery Year

(i) Exception to RBP Shortfall Charges

An RBP Resource that is a generation or Energy Storage Resource and is unable to meet expected commercial operation date solely due to Network Upgrades shall be excepted from RBP shortfall charges if the RBP Resource successfully demonstrates readiness through test energy and seeks interim deliverability.

(e) Failure of RBP UCAP MW to Materialize

Commitments of RBP UCAP MW through the Reliability Backstop Procurement shall be rescinded for the remainder of the fifteen-year term where RBP UCAP MW fail to come online for three Delivery Years beginning with the first Delivery Year in which the RBP Resource was committed. Once rescinded, RBP UCAP MW commitments will not be eligible to be compensated as RBP UCAP MW for the remainder of the fixed 15-year term and shall no longer be subject to RBP shortfall charges.

(f) Change in Ownership

Commitments of RBP UCAP MW shall follow the RBP Resource. With change in ownership of the RBP Resource, the commitment of RBP UCAP MW shall be conveyed to the new owner and continue through the end of the fixed 15-year term.

18.7 Exiting Load Serving Entity RBP Obligations

In the event a Load Serving Entity that is allocated RBP Charges withdraws from PJM (whether or not caused by the physical withdrawal of another entity from the PJM Region), such Load Serving Entity shall be responsible for the remainder of the RBP Charges allocated to it, subject to a rate filing with the Federal Energy Regulatory Commission that details the specific terms and amounts owed. Nothing in this provision shall limit such Load Serving Entity's ability to seek redress from another entity to the extent the Load Serving Entity's withdrawal is caused by that other entity's physical withdrawal from the PJM Region.

18.8 Credit Requirements for RBP Sellers and LSEs Allocated RBP Charges

The provisions of Tariff, Attachment DD, section 18.8(a) shall apply to RBP Sellers seeking to submit RBP Sell Offers in the Reliability Backstop Procurement. The provisions of Tariff, Attachment DD, section 18.8(b) shall apply to LSEs allocated costs for RBP UCAP MW procured through the Reliability Backstop Procurement, as determined in accordance with Tariff, Attachment DD, section 18.3.

Settlement during any Delivery Year of cleared positions resulting from, or expected to result from, the Reliability Backstop Procurement, including payments and Locational Reliability Charges associated with the capacity commitments of RBP Resources, shall not be considered in Peak Market Activity pursuant to Tariff, Attachment Q, Section VII.A. The forms of acceptable credit support shall be limited to RBP Collateral.

The Reliability Backstop Procurement credit requirements described herein shall be separate from and additional to any credit requirements for participation in RPM Auctions and bilateral transactions under Tariff, Attachment DD, section 4.6, and other market activity in the PJM Markets, as set forth in Tariff, Attachment Q, and shall be applied separately to each RBP Seller with RBP Sell Offer and each LSE allocated cost for RBP UCAP MW procured through the Reliability Backstop Procurement, as determined in accordance with Tariff, Attachment DD, section 18.3.

(a) RBP Credit Requirements of RBP Sellers Seeking to Submit RBP Sell Offers

Prior to or simultaneous with submitting RBP Sell Offers, RBP Sellers seeking to participate in the Reliability Backstop Procurement must post the appropriate amount of the RBP credit requirement to each RBP Resource for which RBP Sell Offers are submitted.

(i) Applicability

An RBP Seller seeking to submit an RBP Sell Offer in the Reliability Backstop Procurement must satisfy the credit requirement, i.e., the RBP credit requirement specified herein, prior to or simultaneously with submitting such RBP Sell Offer.

(ii) RBP Resource Credit Requirement

The credit requirement applicable to an RBP Seller seeking to submit an RBP Sell Offer in the Reliability Backstop Procurement shall be the RBP credit requirement as provided in Tariff, Attachment DD, section 18.8(iv).

The total RBP credit requirement for each RBP Seller shall be, for the sum of the credit requirements for all RBP Sell Offers submitted by such RBP Seller in the Reliability Backstop Procurement.

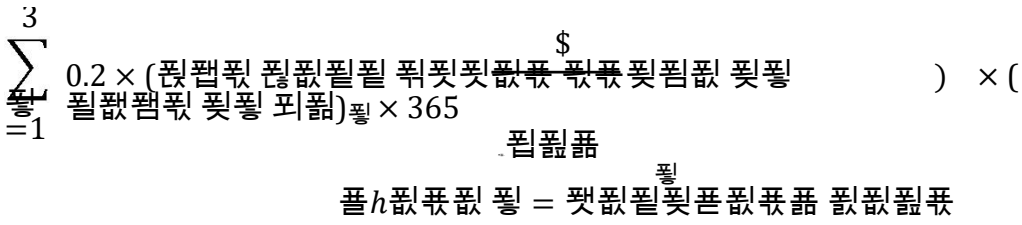
(iii) Reduction in RBP Credit Requirement

(A) The RBP credit requirement shall be returned for any RBP Resources that do not receive a commitment through the Reliability Backstop Procurement, within five (5) business days of the completion of the clearing process pursuant to Tariff, Attachment DD, section 18.5(f).

(B) Where an RBP Seller's RBP Sell Offer is committed through the Reliability Backstop Procurement and the RBP Resource subsequently achieves commercial operation, the Office of the Interconnection may return the RBP credit requirement after a one-year look-back from the achievement of commercial operation.

(iv) Calculation of RBP Credit Requirement for RBP Sellers Seeking to submit RBP Sell Offers in the RBP

RBP Sell Offers submitted by RBP Sellers in the Reliability Backstop Procurement shall be accompanied by a Reliability Backstop Procurement credit requirement, which shall be equal to:



(v) Credit Responsibility for Traded RBP Resource Commitment

The Office of the Interconnection may require that credit and financial responsibility for a committed RBP Resource that is traded remain with the original party (which for these purposes, means the party bearing credit responsibility for the committed RBP Resource immediately prior to trade) unless the Office of the Interconnection determines that the receiving party has independently posted sufficient credit support with the Office of the Interconnection and agreed by providing written confirmation to the Office of the Interconnection that it will fully assume the credit responsibility associated with the committed RBP Resource. In determining the appropriate level of credit for any receiving party, the Office of the Interconnection may rely on Tariff, Attachment Q.

(b) RBP Credit Requirements Applicable to Load Serving Entities Responsible for RBP Charges

Prior to the first Delivery Year, the assessment of an RBP credit requirement by the Office of the Interconnection, LSEs allocated cost responsibility for RBP Charges, pursuant to Tariff, Attachment DD, section 18.3, must post RBP Collateral for the RBP credit requirement, calculated as set forth herein:

(i) RBP Credit Requirement for Load Serving Entities

(A) The cumulative RBP credit requirement for Load Serving Entities for a given Delivery Year shall be equivalent to RBP Credit Rate (as determined in accordance with Tariff, Attachment DD, section 18.8(b)(i)(B)) multiplied by the committed RBP UCAP MW amount, where the committed RBP UCAP MW amount shall equal the total amount of RBP UCAP MW that receives a commitment through the Reliability Backstop Procurement and is supported by an RBP Resource that has reached commercial operation by the start of the applicable Delivery Year. The foregoing determination of the committed RBP UCAP MW amount shall exclude each commitment of RBP UCAP MW that is rescinded pursuant to Tariff, Attachment DD, section 18.6(e).

Following the commencement of commercial operation of all Capacity Resources with RBP commitments, PJM shall review the RBP Credit Rate and present any recommendations to stakeholders through the Members Committee.

When total posted RBP Collateral is greater than the total remaining RBP payment obligations, the Office of the Interconnection will make available excess collateral, upon request by an applicable Load Serving Entity.

The cumulative RBP credit requirement for Load Serving Entities shall be met through RBP Collateral posted by those Load Serving Entities allocated cost pursuant to Tariff, Attachment DD, section 18.3.

(B) The Office of the Interconnection shall apply the following credit requirements to each Load Serving Entity allocated responsibility for RBP Obligations, pursuant to Tariff, Attachment DD, section 18.3, and each such LSE shall maintain credit support in an amount equal to its RBP LSE Credit Requirement, calculated as follows:

RBP LSE Credit Requirement = RBP Credit Rate x Allocated RBP Credit MW

For purposes of this calculation:

RBP Credit Rate shall mean an amount per MW equal to 40% of the discounted total RBP payment obligation per MW over the applicable RBP commitment term, calculated using the weighted-average RBP clearing price of all RBP UCAP MW committed through the RBP.

Allocated RBP Credit MW shall mean the amount of RBP UCAP MW, expressed in MW, for which the LSE has been allocated responsibility for RBP Charges in accordance with Tariff, Attachment DD, section 18.3 and as determined in accordance with this Tariff, Attachment DD, section 18.8(b)(i)(B)(1) or (2), as appropriate.

(1) For Load Serving Entities with an RBP Obligation in accordance Tariff, Attachment DD, section 18.3, prior to forty-five (45) days before the start of a given Delivery Year, such Load Serving Entities, must post, or maintain an existing, RBP Collateral equal to the RBP Credit Rate multiplied by the Allocated RBP Credit MW, where the zone/area allocated amount committed RBP UCAP MW is further allocated to each Load Serving Entity based on the relevant Load Serving Entity's percent share of the zone/area's RBP Obligation MW assigned by the Electric Distributor. For Load Serving Entities required to post RBP Collateral by this section 18.8(b)(i)(B)(1), the Office of the Interconnection may evaluate such Load Serving Entity for unreasonable credit risk under the Unreasonable Credit Risk provisions of Tariff, Attachment Q, Section II, and require additional RBP Collateral as appropriate.

(2) To the extent such Load Serving Entity is allocated cost pursuant to Tariff, Attachment DD, section 18.3 and no RBP Obligations are reported to the Office of the Interconnection in an Electric Distributor zone/area in which the Load Serving Entity serves load, prior to forty-five (45) days before the start of a given Delivery Year, such Load Serving Entities, may be required to post, or maintain an existing, RBP Collateral equal to the RBP Credit Rate multiplied by the allocated RBP Credit MW, where the zone/area committed RBP UCAP MW is allocated using the relevant Load Serving Entity's proportional share of the Daily Unforced Capacity Obligation for the zone/area as determined in accordance with RAA, Schedule 8. For Load Serving Entities required to post RBP Collateral by this section 18.8(b)(i)(B)(2), the Office of the Interconnection may evaluate whether such Load Serving Entity for unreasonable credit risk under the Unreasonable Credit Risk provisions of Tariff, Attachment Q, Section II, and require additional RBP Collateral as appropriate.

(C) Credit Requirements Associated With Intra-Delivery Year Transfer of Load and Allocated RBP UCAP MW Cost Responsibility

(1) To the extent a Load Serving Entity transfers its load serving obligations that are associated with committed RBP UCAP MW, as determined pursuant to Tariff, Attachment DD, section 18.3, then the transferee LSE must fully satisfy all applicable credit and collateral requirements required herein associated with such transferred committed RBP UCAP MW obligation and, as applicable, the credit requirements in Tariff, Attachment Q. Transferee shall independently post sufficient RBP Collateral directly with the Office of the Interconnection to satisfy the incremental committed RBP UCAP MW associated with the acquired load.

(2) Transferor shall be released from its financial obligations for amount of RBP Collateral associated with the committed RBP UCAP MW

associated with the transferred load. Any RBP Collateral posted by transferor shall be returned once Transferee has posted the RBP Collateral determined in accordance with Tariff, Attachment DD, section 18.8(c) and any unpaid invoice amounts associated with such transfer have been paid by the transferor.

Attachment C

Affidavit of Gwen Kelly

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.) Docket No. ER27-____-000

AFFIDAVIT OF GWEN KELLY
ON BEHALF OF PJM INTERCONNECTION, L.L.C.

1. My name is Gwen Kelly. I am the Senior Director, Credit Risk and Collateral Management at PJM Interconnection, L.L.C. ("PJM"). My business address is 2750 Monroe Boulevard, Audubon, Pennsylvania 19403.

2. I hold a Bachelor of Business Administration from the University of Hartford. I have more than 34 years of experience in credit and collateral management, including approximately 29 years in credit, treasury, and finance functions at subsidiaries of Public Service Enterprise Group, Inc. I have served in my current position at PJM since March 2021.

3. In my current position, I am responsible for overseeing PJM's credit risk management program, including the development and administration of collateral requirements and the evaluation of financial risks associated with participation in PJM-administered markets.

4. The purpose of this affidavit is to explain and support PJM's revised proposal for determining the credit requirements applicable to Load Serving Entities ("LSE") allocated responsibility for charges associated with the Reliability Backstop Procurement ("RBP"). Specifically, I explain the credit risk considerations underlying the proposal, the economic analysis used to determine the proposed collateral level, and the manner in which the resulting credit requirements will be calculated and administered.

5. I participated in the development and evaluation of the revised methodology. My statements are based on my experience in credit risk management, my responsibilities at PJM, and my review of the analyses underlying the proposal.

I. Credit Risks Associated with Long-Term RBP Commitments

6. The RBP provides for the procurement of capacity resources through commitments that may extend for up to 15 years. LSEs allocated responsibility for RBP Charges will have payment obligations associated with those commitments. The purpose of the buyer-side requirements is to mitigate the risk that an LSE will fail to satisfy those obligations, potentially resulting in unpaid amounts that may be allocated to other LSEs.

7. In developing the proposed credit methodology, PJM considered the long-term nature of RBP commitments. Although RBP Charges are calculated and settled periodically, the underlying procurement commitments extend over a substantially longer period. From a credit risk management perspective, PJM must establish appropriate protection against the financial exposure associated with those commitments over their terms.

8. Assessing credit exposure over the term of an RBP commitment is not the same as estimating an LSE's payment obligations for an individual Delivery Year. The periodic calculation of payment obligations does not necessarily mean that collateral requirements should be based primarily on expected payment exposure for each individual Delivery Year.

9. Under the RBP settlement provisions, RBP Charges are calculated using a contract-for-differences mechanism. The RBP clearing price is established through the procurement process, but the Reliability Pricing Model ("RPM") clearing prices used to calculate future settlement amounts are not known when the RBP commitments are established. Although RPM clearing prices affect RBP Charges, they are not inputs to PJM's proposed calculation of the RBP LSE credit requirement.

10. As a result, the actual RBP Charges payable over the commitment term may be substantially lower than the gross payment obligation calculated using the RBP clearing price. However, the amount of those future settlement obligations cannot be determined with certainty when the RBP commitments are established.

11. One alternative approach to determining collateral requirements, which PJM is not proposing, would be to forecast future RPM clearing prices and use the estimated differences between those prices and the RBP clearing price to calculate expected payment exposure. Although such an approach could more closely reflect anticipated settlement obligations, it would depend on forecasts of RPM clearing prices extending many years into the future.

12. Another approach would be to periodically adjust collateral requirements as future RPM clearing prices become known. Such adjustments could account for changes in expected payment exposure, but their effectiveness would depend on PJM's ability to obtain additional collateral when needed.

13. An increase in payment exposure may occur at a time when an LSE's financial condition has deteriorated or when the LSE is otherwise unable to satisfy an additional collateral requirement. Under those circumstances, PJM could be left with insufficient collateral to secure the LSE's payment obligations.

14. Accordingly, PJM favors a methodology that establishes meaningful credit protection based on long-term RBP commitments rather than making that protection substantially dependent on forecasts of future RPM clearing prices or on the ability to obtain additional collateral over time.

15. This does not mean that PJM assumes LSEs will ultimately pay the full gross value of their allocated RBP commitments, nor does it mean that collateral must equal the full gross value of those commitments. Instead, the RBP weighted-average clearing price provides a known and objectively determinable basis for calculating collateral requirements, while the appropriate level of collateral is determined through a separate economic analysis.

II. Objective of the Revised LSE Credit Methodology

16. PJM's revised proposal is designed to establish a collateral requirement that balances the cost of providing collateral against the expected cost of socialized losses resulting from LSE payment defaults.

17. In evaluating the appropriate amount of collateral, PJM considered two principal categories of costs. The first is the cost incurred by LSEs in posting the required collateral. The second is the expected cost of socialized default amounts that may be borne by non-defaulting LSEs if an LSE fails to satisfy its RBP payment obligations.

18. These costs generally move in opposite directions as the amount of collateral changes. As the proportion of the gross RBP payment obligation secured by collateral increases, the cost of posting collateral increases, while the expected cost of socialized default amounts decreases.

19. Accordingly, PJM sought to identify the collateral percentage at which the combined expected costs of posting collateral and socialized default amounts are minimized.

20. This approach recognizes that requiring collateral equal to the entire gross RBP payment obligation would not necessarily produce the most economically reasonable result. Although additional collateral reduces the amount of unsecured exposure, it also imposes costs on the LSEs required to provide it.

21. Similarly, a collateral requirement based primarily on minimizing the cost of posting collateral could result in insufficient protection against payment defaults, potentially leaving other LSEs to bear the resulting losses.

III. Economic Analysis Supporting the Proposed Collateral Requirement

22. To determine the appropriate collateral percentage, PJM performed an economic analysis evaluating the cost of posting collateral and the expected cost of socialized default amounts at different collateral levels, expressed as percentages of the net present value of the total RBP payment obligation.

23. The principal inputs to this analysis include the weighted-average RBP clearing price, the credit quality of the LSE portfolio, the probability of default, the loss given default, and the cost of posting collateral.

24. As noted in PJM's July 31, 2026 transmittal letter and my supporting affidavit for that filing, PJM has used a discount rate of 9.5%, based on the capacity market Weighted Average Cost of Capital developed by The Brattle Group as part of PJM's 2025 periodic review of the Cost of New Entry of Capacity Resources into the PJM Region. PJM considers this rate appropriate for purposes of calculating the net present value of the total RBP payment obligation.[1]

A. Weighted-Average RBP Clearing Price

25. The RBP clearing price is used to calculate the gross payment obligation that serves as the reference for determining collateral requirements. Because different RBP Resources may clear at different prices and have different quantities of committed capacity over their respective commitment terms, PJM proposes to use a weighted-average RBP clearing price.

26. The weighted-average RBP clearing price is calculated by summing, for each RBP Seller and each Delivery Year of its commitment, the product of the applicable RBP clearing price and the committed RBP UCAP MW, and dividing that sum by the total RBP UCAP MW-years associated with those commitments.

27. For purposes of the economic analysis and illustrative calculations, PJM assumed a weighted-average RBP clearing price of $555/MW-day. The actual RBP Credit Rate will be calculated using the weighted-average RBP clearing price determined from the procurement results rather than the illustrative $555/MW-day assumption.

B. LSE Credit Quality and Probability of Default

28. PJM also considered the overall credit quality of the LSEs serving load in the PJM Region in developing its economic analysis. The weighted-average credit rating of this portfolio is BBB, which PJM used as an input to the analysis. A portfolio-level approach is appropriate because potential losses resulting from LSE payment defaults may be shared among non-defaulting LSEs, and the LSEs responsible for RBP payment obligations, as well as their credit quality, may change over the RBP commitment term, which can extend for up to 15 years. Accordingly, PJM's methodology establishes a uniform collateral requirement based on the RBP obligations being secured rather than the individual credit ratings of the LSEs responsible for those obligations.

29. The analysis uses the current LSE portfolio's UCAP MW obligation weighted-average credit rating to determine the probability-of-default assumption. PJM used historical default information published by S&P Global in its *Default, Transition, and Recovery: 2025 Annual U.S. Corporate Default and Rating Transition Study*, particularly Table 11 (Average 10-Year Corporate Transition Rate (1981-2025)(%)), to inform that assumption. Based on this historical default information

[1] The Brattle Group, *Brattle 2025 CONE Report for PJM*, PJM Interconnection, L.L.C., 26-34 (Apr. 9, 2025), https://www.pjm.com/-/media/DotCom/committees-groups/committees/mic/2025/20250411-special/item-1-02-revised-cone-report-final.pdf [https://perma.cc/B3VN-EY34].

and the assumed portfolio credit rating of BBB, PJM's economic analysis uses a probability-of-default assumption of 4.05%.

30. Using a portfolio-wide credit rating assumption is consistent with PJM's objective of establishing a uniform collateral methodology for LSEs assigned responsibility for RBP Charges. This does not mean that every LSE has a BBB credit rating or the same probability of default, but a uniform methodology is appropriate for the reasons discussed above.

C. Loss Given Default

31. Another input is loss given default, which represents the percentage of the relevant payment exposure that PJM would not expect to recover following an LSE default.

32. PJM's economic analysis assumes a loss given default of 100% with respect to unsecured exposure, based on PJM's historical experience with socialized losses resulting from LSE defaults. In those circumstances, PJM has generally not recovered amounts beyond the collateral available to secure the defaulting LSE's obligations. Accordingly, the analysis assumes that any exposure remaining after application of available collateral would not be recovered following a default.

D. Cost of Posting Collateral

33. The analysis also considers the cost incurred by LSEs in posting collateral.

34. PJM's analysis estimates the cost of posting collateral using a bank facility pricing approach based on the five-year historical trend in the 30-day average Secured Overnight Financing Rate ("SOFR"), plus an indicative credit spread associated with the assumed BBB credit rating of the LSE portfolio.

35. PJM's economic analysis uses an assumed cost-of-collateral rate of 4.93%, consisting of (a) a SOFR rate of 3.73% (https://www.newyorkfed.org/markets/reference-rates/sofr); and (b) an indicative average BBB bank facility spread of 1.20%.

36. To calculate the cost of posting collateral, PJM applied the assumed 4.93% annual cost of collateral to the gross RBP payment obligation associated with one MW of committed capacity over a 15-year term, multiplied by the applicable collateral percentage. PJM used a 40% collateral level because, as discussed below, its economic analysis identified that level as minimizing the combined cost of posting collateral and expected socialized default amounts. At that collateral level, using the illustrative weighted-average RBP clearing price of $555/MW-day, the calculated cost of posting collateral is approximately $59,962. This calculation is reflected as Point A in Figure 1 below.

E. Cost of Socialized Default Amounts

37. The cost of socialized default amounts represents the losses that may be borne by non-defaulting LSEs if an LSE fails to satisfy its RBP payment obligations. For illustrative purposes, PJM calculated the expected cost of socialized default amounts using the methodology shown in Table 1 below:

Table 1: Cost of Socialized Default Amounts

a) LSE Credit Ratings (weighted average)	BBB	
b) Probability of Default	4.05%	
c) Loss Given Default	100%	
d) expected default %	2.4%	adjusted by the amount posted to PJM
e) Defaulted Amount	$73,839	=$555 x 1 x 365 x 15 x 2.4%
f) Collateral Held	$29,535	=$73,839 x 40%
g) Socialized Amount (=Defaulted Amount- Collateral Held)	$44,303	=$73,839 - $29,535
h) Socialized Cost to Non Default LSEs	$45,407	=$44,303 / (1-2.4%)

38. In Table 1:

a) LSE Credit Ratings represents the LSE portfolio's UCAP MW obligation weighted-average credit rating.

b) Probability of Default is 4.05%, based on the historical 10-year corporate default rate for BBB rated entities reported by S&P Global.

c) Loss Given Default is assumed to be 100%, reflecting the assumption that PJM would not recover any unsecured losses from LSEs.

d) Expected default % represents the assumed probability of default after accounting for the effect of collateral posted to PJM. For purposes of its economic analysis, PJM assumes that the probability of default decreases proportionately as the percentage of the RBP payment obligation secured by collateral increases, from 4.05% with no collateral to zero with full collateralization. This simplifying assumption reflects PJM's judgment that posting collateral can reduce the risk of default. At the proposed 40% collateral level, the resulting expected default percentage is approximately 2.4%.

e) Defaulted Amount is calculated by multiplying the gross RBP payment obligation by the Expected default %. For illustrative purposes, the gross RBP payment obligation is calculated using the assumed weighted-average RBP clearing price of $555/MW-day, 1 MW of committed capacity, 365 days per year, and a 15-year commitment term.

f) Collateral Held represents the LSE collateral requirement calculated using the applicable collateral percentage.

g) Socialized Amount represents the Defaulted Amount less the Collateral Held.

h) Socialized Cost to Non Default LSEs represents the Socialized Amount allocated among non-defaulting LSEs.

The Socialized Cost to Non Default LSEs of $45,407 is reflected as Point B in Figure 1 below.

F. Determination of the Optimal Collateral Percentage

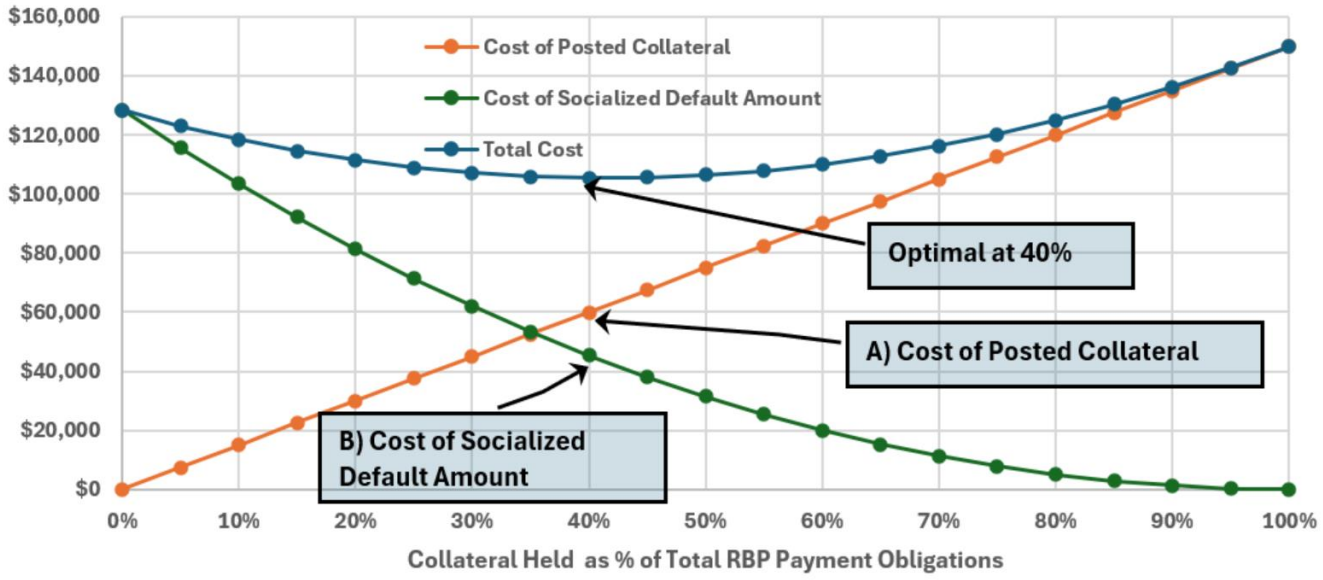
39. Using these inputs, PJM evaluated the combined expected costs of posting collateral and socialized default amounts at different collateral levels, expressed as percentages of the total RBP payment obligation (see Table 2 below).

40. Based on the assumptions used in PJM's economic analysis, the combined cost of posting collateral and expected socialized default amounts is minimized at a collateral level equal to 40% of the net present value of the total RBP payment obligation.

Table 2: Total Cost

Collateral Held %	Cost of Posted Collateral Cost	Cost of Socialized Default Amount	Total
0%	-	128,259	128,259
5%	7,495	115,510	123,005
10%	14,991	103,453	118,443
15%	22,486	92,084	114,570
20%	29,981	81,398	111,380
25%	37,476	71,392	108,869
30%	44,972	62,061	107,033
35%	52,467	53,400	105,867
40%	59,962	45,407	105,369
45%	67,457	38,075	105,532
50%	74,953	31,402	106,355
55%	82,448	25,383	107,831
60%	89,943	20,015	109,958
65%	97,438	15,292	112,731
70%	104,934	11,212	116,146
75%	112,429	7,770	120,199
80%	119,924	4,963	124,887
85%	127,419	2,786	130,205
90%	134,915	1,236	136,150
95%	142,410	308	142,718
100%	149,905	-	149,905

Figure 1: Optimal Collateralization



41. PJM therefore proposes to use a 40% factor in determining the RBP Credit Rate.

42. The 40% factor does not represent the percentage of gross RBP payments that PJM expects LSEs to pay through contract-for-differences settlements. Rather, it is the collateral percentage identified by PJM's economic analysis as minimizing the combined cost of posting collateral and expected socialized default amounts.

IV. Calculation of the RBP LSE Credit Requirement

43. Under PJM's proposed methodology, each LSE allocated responsibility for RBP Charges must maintain RBP Collateral sufficient to satisfy its RBP LSE credit requirement.

44. Each LSE's RBP LSE credit requirement is calculated by multiplying the RBP Credit Rate established following the applicable RBP auction by the LSE's Allocated RBP Credit MW.

RBP LSE Credit Requirement = RBP Credit Rate x Allocated RBP Credit MW

45. The RBP Credit Rate is an amount per MW calculated by applying the 40% factor to the net present value of the total RBP payment obligation per MW over the applicable RBP commitment term, using the weighted-average RBP clearing price of all RBP UCAP MW committed through the RBP.

46. Allocated RBP Credit MW means the RBP UCAP MW for which the LSE has been allocated responsibility for RBP Charges in accordance with the applicable Tariff provisions.

47. The RBP Credit Rate therefore establishes a uniform dollar-per-MW amount based on the weighted-average RBP clearing price and the proposed collateral methodology. Each LSE's total collateral requirement depends on the quantity of its Allocated RBP Credit MW.

48. For example, at an assumed weighted-average RBP clearing price of $555/MW-day, the proposed methodology produces an illustrative RBP Credit Rate of approximately $686,000 per MW. This amount is equivalent to approximately 3.4 years of undiscounted RBP payments per MW at the assumed clearing price.

49. The approximately $686,000-per-MW amount is illustrative and does not represent a fixed RBP Credit Rate under the proposed Tariff provisions. The actual RBP Credit Rate will be calculated using the weighted-average RBP clearing price determined from the procurement results.

50. The proposed methodology establishes the RPM Credit Rate by applying the 40% factor to the net present value of the total RBP payment obligation, rather than by requiring collateral equal to a specified number of years of payments.

V. Administration of the RBP LSE Credit Requirement

A. Posting of Collateral

51. The proposed Tariff provisions establish procedures for identifying the LSEs responsible for RBP Charges and requiring those LSEs to provide the applicable collateral before the beginning of each Delivery Year.

52. Electric Distributors will provide PJM with the information necessary to identify the LSEs responsible for RBP Charges and their respective Allocated RBP Credit MW.

53. LSEs responsible for RBP Charges must post or maintain the required RBP Collateral no later than 45 days before the beginning of the applicable Delivery Year.

54. The annual identification and collateral posting process recognizes that responsibility for serving load, and consequently responsibility for RBP Charges, may change over the RBP commitment term. This annual process does not alter the long-term nature of the underlying RBP commitments or the long-term economic basis for determining the RBP Credit Rate.

55. The proposed Tariff provisions also address circumstances in which an LSE is responsible for RBP Charges, but the information necessary to determine its Allocated RBP Credit MW has not been reported for the applicable Electric

Distributor zone or area. In those circumstances, PJM may determine the LSE's Allocated RBP Credit MW using its proportional share of the Daily Unforced Capacity Obligation for the zone or area, as specified in the Tariff.

56. In addition, the proposed Tariff provisions preserve PJM's authority to evaluate an LSE under the Unreasonable Credit Risk provisions of Attachment Q.

B. Acceptable Forms of Collateral

57. PJM proposes to accept RBP Collateral in the form of cash, letters of credit, or surety bonds, subject to PJM's acceptance of the provider, form, and amount of such collateral. Consistent with PJM's existing credit requirements, these forms of collateral are intended to provide reliable financial protection that PJM can access promptly when necessary, without conditions that could delay or impair its ability to obtain payment.

C. Relationship to Other PJM Credit Requirements

58. The RBP LSE credit requirement addresses payment exposure associated with RBP commitments and is separate from the credit requirements applicable to other PJM market activities.

59. PJM proposes that settlement during any Delivery Year of cleared positions resulting from, or expected to result from, the RBP, including payments and Locational Reliability Charges associated with the capacity commitments of RBP Resources, as well as RBP Charges, shall not be considered in Peak Market Activity under Tariff, Attachment Q, section VII.A. This treatment is intended to avoid duplicative collateral requirements for RBP-related exposure while preserving the application of other PJM credit requirements.

VI. Review of the RBP Credit Rate

60. Over the RBP commitment term, the inputs used to determine the RBP Credit Rate, including the overall credit quality of the LSE portfolio, may change.

61. Following the commencement of commercial operation of all capacity resources with RBP commitments, PJM shall review the RBP Credit Rate, including inputs used to determine that rate.

62. If PJM identifies material changes that would affect the RBP Credit Rate, PJM will reassess the RBP Credit Rate and present any resulting recommendations to PJM stakeholders through the Members Committee.

63. A change in the credit characteristics of an individual LSE does not, by itself, trigger an adjustment to the RBP Credit Rate.

VII. Reasonableness of the Revised Methodology

64. In my opinion, the revised RBP LSE credit methodology represents a reasonable approach to managing the financial risks associated with long-term RBP commitments.

65. Using the known weighted-average RBP clearing price as the basis for determining collateral allows PJM to establish meaningful credit protection without relying on forecasts of future RPM clearing prices or on the ability to obtain additional collateral later in the commitment term.

66. By considering both collateral costs and expected socialized default amounts, the methodology balances the interests of LSEs required to post collateral against those of LSEs that may bear losses resulting from another LSE's payment default.

67. Although alternative collateral methodologies are possible, including approaches based on projected contract-for-differences settlement exposure, PJM's proposed methodology reflects a reasonable credit risk management judgment that balances the need for long-term credit protection against collateral costs and expected socialized default amounts.

VIII. Conclusion

68. For the reasons explained above, I believe the proposed methodology represents a reasonable approach to establishing the RBP LSE credit requirement.

69. This concludes my affidavit.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.) Docket No. ER27-____-000

VERIFICATION

I, Gwen Kelly, pursuant to 28 U.S.C. § 1746, state, under penalty of perjury, that I am the Gwen Kelly referred to in the foregoing document entitled "Affidavit of Gwen Kelly, Senior Director Credit Risk and Collateral Management at PJM Interconnection, L.L.C.," that I have read the same and am familiar with the contents thereof, and that the facts set forth therein are true and correct to the best of my knowledge, information, and belief.

/s/ Gwen Kelly
Gwen Kelly
Sr. Director,
Credit Risk & Collateral Management
Risk Management
PJM Interconnection, L.L.C.

Attachment D

Affidavit of Danielle Croop

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.) Docket No. ER27-____-000

AFFIDAVIT OF DANIELLE CROOP
ON BEHALF OF PJM INTERCONNECTION, L.L.C.

1. My name is Danielle Croop, Senior Manager in the Market Design group for PJM Interconnection, L.L.C. ("PJM"). My business address is 2750 Monroe Blvd., Audubon, Pennsylvania, 19403. I am submitting this affidavit on behalf of PJM to support the proposed reforms to PJM's Open Access Transmission Tariff ("Tariff") and PJM's Reliability Assurance Agreement Among Load Serving Entities ("RAA") to implement the Reliability Backstop Procurement ("RBP") framework by providing support for PJM's proposal to:

    a. Update the Initial RBP Target; and
    b. Update Cost Allocation Methodology to Electric Distributor zone/areas.

Qualifications

2. In my role as Senior Manager for PJM, I lead a team of Market Design Specialists and Economists on the development of PJM's market design across all of PJM's markets including the energy, ancillary services, and capacity markets. My responsibilities include leading the development of wholesale market rules and participation frameworks that advance market efficiency and grid reliability. I joined PJM in 2014 as an Engineer, and since then, I have held numerous other roles, including as a Senior Engineer, Senior Lead Engineer, Senior Lead Market Design Specialist, and Market Design Manager, providing technical support and leading cross-divisional teams on market design, market evolution initiatives related to energy storage and distributed energy technologies participating in the PJM markets, and balancing operations at PJM, including involvement in a number of North American Electric Reliability Corporation subcommittees and initiatives.

3. Prior to joining PJM, I was employed by the SI Organization, Inc. as a System Engineer supporting large system integrations. I received a Bachelor of Engineering Degree and a Master of Engineering (Electrical Engineering) from Drexel University in Philadelphia, Pennsylvania, and have obtained a Certificate in Engineering Management.

Initial RBP Target

4. PJM proposes to update the Initial RBP Target using the lesser of the projected shortfall established from the latest load forecast and planning parameters for the 2028/2029 Delivery Year that will be available at the time the RBP is conducted, and the aggregate quantity of Large Load growth reported to PJM, rather than

relying solely on the shortfall quantity established through the Base Residual Auction for the 2028/2029 Delivery Year, held in July 2026.

5. First, utilizing the latest information allows PJM to identify the most accurate estimate of the reliability need for the 2028/2029 Delivery Year based on the latest load forecast of demand that will need to be served and the expected supply. Specifically, because this updated information will be available prior to conducting the RBP, it is appropriate to use the most up-to-date information to produce an Initial RBP Target that represents the latest expected reliability shortfall and avoid either under-procurement or over-procurement of resources.

6. Second, applying the "lesser of" calculation using the aggregate quantity of Large Load growth reported to PJM for the RBP will mitigate the potential over-allocation of RBP Charges to a zone/area relative to the forecasted Large Load growth. PJM believes this scenario is unlikely based on currently available information. Specifically, PJM's 2026 Load Forecast indicates approximately 9,000 MW of large load growth, while the projected Regional Transmission Organization ("RTO") shortfall for the 2028/2029 Base Residual Auction is approximately 6,800 MW. Although these values may change as updated forecasts become available in 2027, PJM expects the relationship between Large Load growth and the projected shortfall to remain generally consistent. Nevertheless, including the "lesser of" calculation in the Initial Target provides an important safeguard by accounting for the possibility that previously reported Large Load agreements may be canceled between the collection of data for the 2027 Load Forecast and the establishment of the RBP. By ensuring that RBP cost allocations do not exceed 100% of the Large Load growth reported for the applicable zone/area, the proposed procurement target and cost allocation framework better align cost responsibility with the principles of cost causation and beneficiary pays.

7. Further, since PJM plans to run the RBP in March 2027, by that time PJM will have conducted the 2029/2030 Base Residual Auction, scheduled for December 2026. That auction may produce a shortfall, and of different quantity than for the 2028/2029 Delivery Year. Nevertheless, PJM proposes to maintain the 2028/2029 Delivery Year shortfall as the basis for the RBP. This approach is consistent with the underlying intent of the RBP to address the nearer-term reliability need while allowing market fundamentals to address the longer-term resource adequacy.

8. Additionally, adopting a different procurement target timeframe would necessitate broader revisions to the overall design, including resource eligibility requirements and commitment terms. Because market participants have already planned and made business decisions based on PJM conducting the RBP for the 2028/2029 Delivery Year, maintaining the existing design is prudent. Doing so promotes certainty, preserves stakeholder expectations, and avoids unnecessary disruption to the market.

9. The RBP is intended to serve as a bridge mechanism to address immediate reliability concerns while PJM and stakeholders continue to pursue longer-term

market design reforms aimed at improving investment and retention signals to support resource adequacy. In support of those efforts, PJM has initiated its Powering Reliability Through Market Design initiative with stakeholders and continues to work with the Charles River Associates to facilitate bilateral matching efforts.

10. The shortfall MW calculation that will set the Initial RBP Target will be calculated using the updated information from the 2027 Load Forecast and associated updated planning parameters and submitted Large Load MW values from the Electric Distributors. More specifically, PJM will calculate the Initial RBP Target MW as:

The lesser of:

(1) the PJM Region Reliability Requirement for the 2028/2029 Delivery Year minus the UCAP-equivalent of the ICAP quantity of Capacity Resources that cleared in the 2028/2029 Base Residual Auction

Where the PJM Region Reliability Requirement for the 2028/2029 Delivery Year will be calculated as the RTO Region Peak Load Forecast for the 2028/2029 Delivery Year from the 2027 Load Forecast times the 2028/2029 Forecast Pool Requirement from the updated planning parameters published in 2027 prior to the commencement of the RBP, less the sum of all updated Unforced Capacity Obligations of FRR Entities in the PJM Region.

And where the UCAP-equivalent of the ICAP quantity of Capacity Resources that cleared in the 2028/2029 Base Residual Auction, where the UCAP-equivalent values will be determined by the Capacity Resources' updated capacity accreditation factors for the 2028/2029 Delivery Year that will be available in the updated planning parameters available just prior to the commencement of the RBP.

And

(2) the UCAP equivalent of the aggregate region-wide Large Load MW quantity reported by the Electric Distributor

Where the UCAP equivalent of the aggregate region-wide Large Load MW is the aggregate region-wide Large Load MW times the most recent 2028/2029 Forecast Pool Requirement.

11. The RBP will function as a safety net to address the shortfall MW for the 2028/2029 Delivery Year that has not been addressed by new Large Load bringing their own new capacity through bilateral agreements or otherwise. The RBP is a stop-gap, one-time measure aimed specifically at addressing the resource adequacy shortfall in the PJM Region, an effort designed to work in part with the load that has voluntarily brought supply to the PJM Region—independently or with support of ongoing PJM bilateral matching efforts—and a return to market fundamentals to support the expected load growth over the next decade.

RBP Cost Allocation Methodology

12. The cost allocation structure begins with the Initial RBP Target based on the Large Load growth between the 2026 summer peak load and the forecasted Large Load MW in each Electric Distributor's zone/area for the 2028/2029 Delivery Year. The Initial RBP Target is then adjusted by the quantity of Qualifying RBP Offset UCAP MW and Peak Shaving Adjustment opt-out to reach the Final RBP Target. Each Electric Distributor's zones/areas with resulting forecasted Large Load growth between 2026 and the 2028/2029 Deliver Year will be allocated a pro rata share of the Final RBP Target.[1] The MW quantity assigned to each Electric Distributor's zone/area will be further allocated to Load Serving Entities ("LSE") based on the RBP Obligation ("RBO"), which permits states to determine the appropriate cost allocation to specific LSEs. Should the Relevant Electric Retail Regulatory Authority(s), through the relevant Electric Distributors, decline to provide an RBO MW, PJM has proposed to apply a backup default cost allocation where costs would be allocated to all of the LSEs in the zone/area based on their percent share of the zone/area's Daily Unforced Capacity Obligation.

Step 1: Collecting the Forecasted Large Load Growth Between 2026 Through the 2028/2029 Delivery Year Subject to RBP Cost Allocation

13. Seven days prior to the commencement of the RBP, PJM will receive all Large Load growth in the Electric Distributor zone/area from the 2026/2027 Delivery Year through the 2028/2029 Delivery Year. The Large Load growth will be submitted based on firm commitments, as supported by electric service obligation, construction commitment, or equivalent agreements, and measured based on summer peak values. These submissions are required to align with the Large Loads submitted to PJM for the 2027 load forecast. Any discrepancies between the Electric Distributors' submissions for RBP and data submitted to PJM for the 2027 load forecast must be accompanied by written documentation of the change from the Electric Distributor.

14. The aggregate Large Loads growth will be submitted within a zone/area, along with identification of the underlying Large Loads. This will result in PJM having the aggregate value to determine the total Large Load MW for the zone/area and the summation of all zone/areas to determine the total Large Load MW for the RTO Region. The underlying Large Loads will be used to facilitate the Qualifying RBP Offset UCAP MW process.

Step 2: Allocating to Electric Distributor Zone/Area

15. To allocate costs, i.e., RBP Charges, PJM is proposing to determine cost responsibility by the Electric Distributor zone/area and their pro rata share of Large Load MW subject to RBP in comparison to the total Large Load MW subject to

[1] This cost allocation structure in detailed in the example below starting in paragraph 17.

RBP across the RTO. The final pro rata share determination will be fixed for the term of the RBP and be applied to the committed RBP UCAP MW and associated RBP Charges throughout the term of the RBP.

16. An illustrative example of Step 1 and Step 2 is detailed in the following section.

Example of Allocation to Electric Distributor Zone/Area

17. For this example, the Initial RBP Target MW will be assumed to be 4,000 MW. This value is purely illustrative for this example and not indicative of the Initial RBP Target for the RBP.

18. The initial pro rata allocation to each Electric Distributor zone/area will be based on the submitted data from the Electric Distributors representing the forecasted Large Load growth between the 2026/2027 Delivery Year and 2028/2029 Delivery Year. The initial share is calculated as: [Zone/Areas Large Load Growth MW/ RTO Large Load Growth MW], which can be represented as the initial RBP UCAP MW allocation based on that pro rata share of the Initial RBP Target.

Zone/Area	Submitted Large Load Growth (MW)	Initial Share of RBP (%)	Share of Initial Target MW (4000MW)
Zone/Area 1	1000	24%	975.6
Zone/Area 2	500	12%	487.8
Zone/Area 3	100	2%	97.6
Zone/Area 4	1000	24%	975.6
Zone/Area 5	1500	37%	1463.4
Total	***4100***	***100%***	***4000***

19. Second, as Qualifying RBP Offset UCAP MW are submitted, both the Final RBP Target and the pro rata allocation to each Electric Distributor zone/area will be updated. In this example, I will assume the following Qualifying RBP Offset UCAP MW were submitted and will decrement the Initial RBP Target:

Zone/Area	Load (MW)	Qualifying RBP Offset UCAP MW
1	500	470
Zone/Area 2	100	94

Note: The Qualifying RBP Offset UCAP MW is represented by Load*FPR. FPR is represented as 0.9401 int this example.

20. In my illustrative example, for purposes of simplicity, I assume there are no additional decrements to the Initial RBP Target for opt outs. Thus, the Final RBP Target would be calculated as Initial RBP Target – Qualifying RBP Offset UCAP

MW. In this example, this would be: 4,000 MW – [470 MW + 94 MW] = 3,436 MW.

21. Subsequently, the Large Load that submitted the Qualifying RBP UCAP MW will be removed from the Large Load growth for cost allocation purposes. The updated pro rata allocation and RBP UCAP share of the Final RBP Target is demonstrated in the table below. In Zone/Area 1 the Large Load Growth (MW) will be reduced from 1000 MW to 500 MW to account for the 500 MW of load with demonstrated Qualifying RBP Offset UCAP MW. Similarly, Zone/Area 2 will be updated to 400 MW to account for the Qualifying RBP Offset UCAP MW.

22. Based on adjustments to each Electric Distributor zone/area's Large Load Growth MW, the final pro rata shares are recalculated.

	Large Load Growth	Final Share of Target	Share of Final
Zone/Area	(MW)	RBP (%)	MW (3436 MW)
Zone/Area 1	500	14%	490.9
Zone/Area 2	400	11%	392.7
Zone/Area 3	100	3%	98.2
Zone/Area 4	1000	29%	981.7
Zone/Area 5	1500	43%	1472.6
Total	***3500***	***100%***	***3436***

The Bounds of Qualifying Offsets

23. Large Load can be removed from the Large Load MW used to determine RBP cost allocation by bringing Qualifying RBP Offset UCAP MW. A Large Load can bring up to their capacity obligation (in UCAP), determined as peak MW times the Forecast Pool Requirement. MW from supply resources in excess of that value will not be considered to decrement the Large Load growth in a zone/area or decrement the Initial RBP Target value.

24. A zone/area cannot reduce its zone/area share of the Initial RBP Target beyond the capacity obligation of the total Large Load MW in that zone/area (floored at zero). Further, a zone/area must provide Qualifying RBP Offset UCAP MW equal to capacity obligation of the total Large Load MW in that zone/area to be fully removed from the RBP cost allocation.

25. This concludes my affidavit.

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/s/ Danielle Croop
Danielle Croop
Sr. Manager, Market Design
PJM Interconnection, L.L.C.