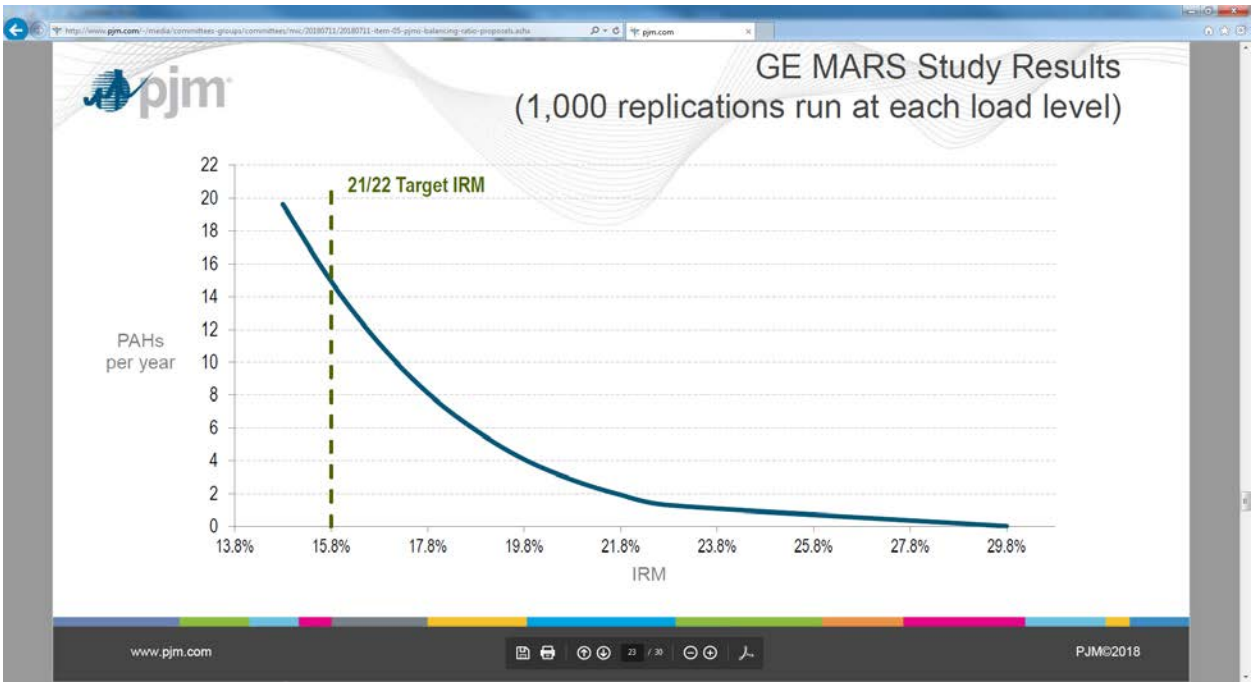
Exelon Package Summary for Balancing Ratio Proposal – August 8, 2018

Package E:

Exelon's Package E is intended to preserve the FERC approved default Market Seller Offer Cap (MSOC) of Net CONE * B. A key feature of the Exelon proposal is the **consistent** assumption for the expected number of PAHs in the calculation of both the CP penalty rate and the default offer cap. Exelon proposes to use a forward looking, probabilistic modeling approach (e.g. GE MARS) to determine the expected number of PAHs based upon all potential weather and capacity supply performance scenarios assuming the system is at the target IRM.

From simulations PJM conducted, at the 21/22 target IRM, the expected number of events would be 15 hours or 180 intervals. This would result in a $255/MWday MSOC and a $7,300 penalty rate/hour (assuming a $300/MWday for Net CONE and a B of .85). Each year, PJM will update the forward analysis and adjust to the expected number of PAHs if warranted.



Exelon's Package E proposes the same methodology as PJM's Package A for the Balancing Ratio. B would be calculated by averaging the Balancing Ratios during the 3 delivery years that immediately precede the BRA using actual Balancing Ratios calculated during RTO PAIs and, for any DY with less than 360 intervals, estimated Balancing Ratios calculated during the intervals of the highest RTO peak loads that do not overlap a PAI.