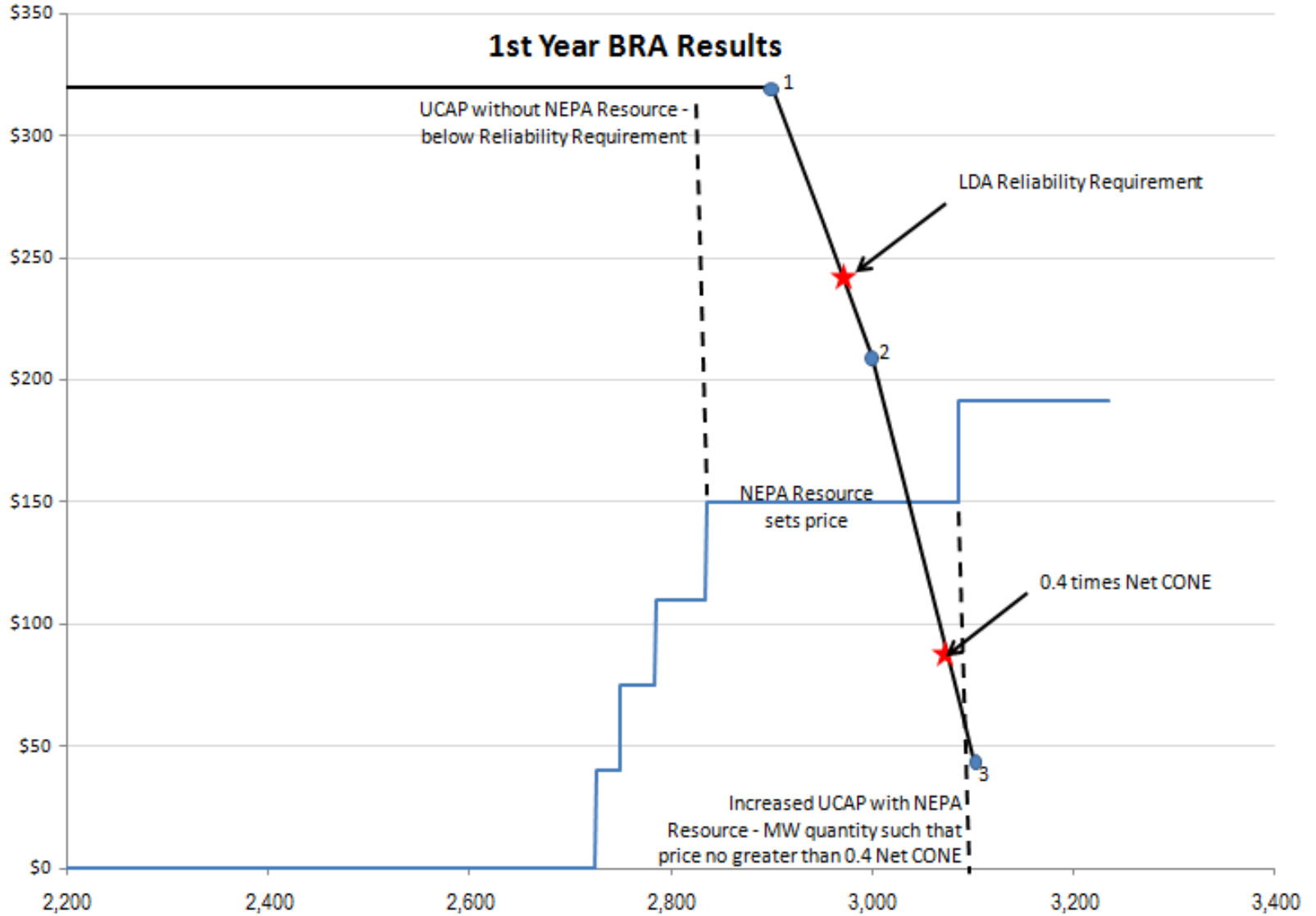


Existing New Entry Price Adjustment (NEPA) Provisions

10/14/2011

- PJM OATT describes NEPA available to:
 - Planned generation (DD, 5.14.c)
 - Energy efficiency (DD-1, M.4)
 - Existing generation submitting a sell offer with an Avoidable Project Investment Recovery Rate (APIR) component that is based on a project investment of at least \$450/kW (DD, 6.8.a)
- Eligible new entrants must provide notification of NEPA election when it submits sell offer in BRA for 1st delivery year (5.14.c.1)
- Acceptance of such offer in 1st BRA must increase total UCAP in LDA from a MW quantity below LDA reliability requirement to MW quantity corresponding to point on VRR curve where price is no greater than 0.4 times Net CONE (see illustration on next slide) (5.14.c.2)
- Resource must be marginal and set price in 1st BRA (5.14.c.3(i))





Minimum Resource Size needed to Qualify for NEPA (based on 2014/2015 BRA Parameters)

- In order to qualify for NEPA, acceptance of offer in 1st BRA must increase total UCAP in LDA from a MW quantity below LDA reliability requirement to MW quantity corresponding to point on VRR curve where price is no greater than 0.4 times Net CONE.
 - Table below shows the minimum resource size needed to qualify for NEPA.
- Table demonstrates narrow focus of current NEPA on offer from single new resource that is large enough relative to LDA size to have very large downward impact on price in the LDA

LDA	Reliability Requirement (excluding STRPT) (MW)	MW Quantity @ 40% of Net CONE (MW)	Minimum resource Size to Qualify as NEPA (MW)
MAAC	70,519.7	73,024.0	2,504.3
EMAAC	39,084.9	40,472.4	1,387.5
SWMAAC	16,968.8	17,571.0	602.2
PS	12,804.4	13,258.9	454.4
PS NORTH	6,077.0	6,292.4	215.5
DPL SOUTH	2,954.0	3,058.7	104.7
PEPCO	8,761.9	9,072.5	310.5

New Entry Price Adjustment (NEPA) Subsequent Two Delivery Years

- Resources meeting the 1st delivery year requirements are eligible for NEPA in the BRAs for the two immediately succeeding delivery years
- Sell offers in next two BRAs equal to lesser of
 - 1st year offer price or
 - 0.9 times the then-current Net CONE (5.14.c.3)
- If resource clears then it receives the RCP for the LDA (5.14.c.3(ii))
- If resource does not clear then as per 5.14.c.3(ii):
 - Resource is resubmitted at highest price at which it will clear all NEPA MW
 - RCP and cleared resources re-determined to reflect resubmission
 - NEPA resource is paid at its sell offer price for the BRA
 - Difference between sell offer price and RCP is treated as a resource make-whole payment which is collected pro-rata from all buyers in the LDA