

**Proposed Tariff Language for CIP-IROL Cost Recovery
For First Read at 5/31 MRC**

“IROL Critical Resource” shall mean a generation resource that the Office of the Interconnection designates, pursuant to NERC Reliability Standards, as having an interconnection reliability operating limit that, if violated, could lead to instability, uncontrolled separation, or cascading outages that adversely impact the reliability of the bulk electric system.

SCHEDULE 18
IROL Critical Resource Cost Recovery

The Generation Owner of an IROL Critical Resource may incur one-time or ongoing capital, operation and maintenance, and associated administrative and regulatory costs necessary to comply with NERC Reliability Standards, that would not have been incurred solely but for the Office of the Interconnection’s designation of the Generation Owner’s generation resource as an IROL Critical Resource, and are not already recoverable through any other mechanism subject to the jurisdiction of a Relevant Electric Retail Regulatory Authority. These costs may include, but are not limited to, labor, equipment, hardware, software, licenses, maintenance and support, upgrade costs, outside related services and fees, and physical improvements. A Generation Owner may elect to pursue recovery of such costs exclusively pursuant to this Schedule 18, and shall not pursue recovery of such costs through any other mechanism under the PJM Governing Agreements. Costs eligible for recovery pursuant to this Schedule 18 shall only include direct, incremental, verifiable, and actual costs. No other costs, including without limitation, allocations of administrative and general overhead, shall be recoverable pursuant to this Schedule 18, and no costs recovered pursuant to this Schedule 18 shall include a rate of return. Costs incurred prior to the effective date of this Schedule 18, or prior to the Office of the Interconnection’s designation of a Generation Owner’s generation resource as an IROL Critical Resource, shall not be recoverable pursuant to this Schedule 18.

By no later than June 1 of each year, the Office of the Interconnection shall identify all IROL Critical Resources in the PJM Region and notify each Generation Owner of such IROL Critical Resources of the Office of the Interconnection’s determination. A generation resource’s designation as an IROL Critical Resource shall remain in effect for a twelve month period, from June 1 through May 31 of the following year. Nothing herein shall preclude the Office of the Interconnection from designating any IROL Critical Resource as an IROL Critical Resource for subsequent twelve month periods. A Generation Owner of an IROL Critical Resource designated as an IROL Critical Resource for multiple twelve month periods must submit any recurring costs on a yearly basis, using the process described in this Schedule 18. Only new or recurring costs are eligible for recovery under this Schedule 18 for subsequent twelve month periods.

By no later than the last day of the twelve month period that a generation resource is designated as an IROL Critical Resource, the Generation Owner of the IROL Critical Resource shall notify the Market Monitoring Unit and the Office of the Interconnection in writing of the Generation Owner’s intent to seek cost recovery pursuant to this Schedule 18.

By no later than August 15 of the year following the Office of the Interconnection’s designation of the IROL Critical Resource, the Generation Owner of the IROL Critical Resource that intends to seek cost recovery pursuant to this Schedule 18 shall submit all costs proposed for recovery

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pursuant to this Schedule 18 to the Market Monitoring Unit, in accordance with the Market Monitoring Unit's specifications regarding format and level of detail. Each cost submitted to the Market Monitoring Unit shall be accompanied by supporting documentation and a detailed explanation as to why the cost: (i) is necessary to comply with NERC Reliability Standards, and (ii) would not have been incurred solely but for the Office of the Interconnection's designation of the Generation Owner's generation resource as an IROL Critical Resource.

By no later than November 15 of the year following the Office of the Interconnection's designation of the IROL Critical Resource, the Market Monitoring Unit shall review the submitted costs, recommend to the Office of the Interconnection that the costs be approved or denied for recovery, and notify the Generation Owner of the IROL Critical Resource of the Market Monitoring Unit's recommendation. A Generation Owner may submit any costs that the Market Monitoring Unit does not recommend for recovery to the Office of the Interconnection for review and approval, provided that the Generation Owner has timely provided to the Market Monitoring Unit the required supporting documentation and detailed explanation.

By no later than December 15 of the year following the Office of the Interconnection's designation of the IROL Critical Resource, the Office of the Interconnection shall consider the recommendation of the Market Monitoring Unit, and approve or deny the submitted costs.

Costs approved by the Office of the Interconnection shall be assessed on purchasers receiving Network Integration Transmission Service or Point-to-Point Transmission Service, in accordance with this Schedule 18, beginning January 1 of the second year following each year for which the Office of the Interconnection's designates the resource as an IROL Critical Resource.

The Office of the Interconnection shall assess charges on purchasers receiving Network Integration Transmission Service or Point-to-Point Transmission Service using the following formulae:

Monthly Charge for a purchaser receiving Network Integration Transmission Service or Point-to-Point Transmission Service to serve RTO Load = Allocation Factor * Monthly IROL CIP Revenue Requirement

Where:

purchaser serving RTO Load is a Network Customer or a Transmission Customer where the Point of Delivery is at the boundary of the PJM Region.

Monthly IROL CIP Revenue Requirement is the sum of the approved annual costs for recovery by the Office of the Interconnection of all IROL Critical Resources in the PJM Region, divided by twelve months.

Allocation Factor is the monthly transmission use of each Network Customer or Transmission Customer in the PJM Region on a megawatt basis divided by the total transmission use in the PJM Region, as applicable, on a megawatt basis.

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For Network Customers, monthly transmission use on a megawatt basis is the sum of a Network Customer's daily values of DCPZ or DCPNZ (as those terms are defined in Tariff, Part III, section 34.1) for all days of the month and all Zones.

For Transmission Customers, monthly transmission use on a megawatt basis is the sum of the Transmission Customer's hourly amounts of Reserved Capacity for each day of the month (not curtailed by PJM) divided by the number of hours in the day.

Only costs approved by the Office of the Interconnection are eligible for recovery under this Schedule 18. An IROL Critical Resource is ineligible for cost recovery pursuant to this Schedule 18 upon unit retirement or deactivation, and all applicable cost recovery payments made pursuant to this Schedule 18 shall cease upon the date of unit retirement or deactivation.