

Proposed Clean-Up, Clarification and Corrections to Governing Documents

SECOND READ PROPOSED REVISIONS

Dated: December 8, 2015

For Discussion at GDECS December 11, 2015

	Agreement, Attachment, Section, Title	Current Language	Proposed Revisions	Rationale
1.	<p>Tariff, Attachment K-Appendix, §§ 1.3.5.01 and 1.3.2A.03 (Definitions)</p> <p>Operating Agreement, Schedule 1, §§ 1.3.5.01 and 1.3.2A.03 (Definitions)</p>	N/A	<p><u>(1.3.5.01) “FTR Holder” shall mean the PJM Member that has acquired an FTR in an FTR Auction or by any other means.</u></p> <p>1.3.2A.03 “Effective FTR Holder”</p> <p>Proposed at 10/23 GDECS:</p> <p><u>(1.3.2A.03) “Effective FTR Holder” shall mean an FTR Holder, any Affiliate or subsidiary of the FTR Holder, any other PJM Member that is under common ownership with the FTR Holder if the FTR Holder is a privately held company, and/or for publically traded companies, any other PJM Member that has over 5% common ownership with the FTR Holder. Further, any two PJM Members shall be considered Effective FTR Holders if they share common ownership in any third party business entity that is a PJM Member.</u></p> <p>Revised to:</p> <p><u>(1.3.2A.03) “Effective FTR Holder” shall mean:</u></p> <p><u>(i) For an FTR Holder that is a privately held company, an FTR Holder, together with any Affiliate, subsidiary or parent of the FTR Holder, any other entity that is under common ownership, wholly or partly, directly or indirectly, with the FTR Holder; or</u></p> <p><u>(ii) For an FTR Holder that is a publicly traded company, an FTR</u></p>	<p>The term FTR holder or holder of FTR is used throughout the Tariff and OA. However, the term is not defined. Thus we are adding a definition and will use the defined term in all places where “FTR holder”, “holder of FTRs” or holder of Financial Transmission Rights” currently exists, except as described below regarding use of the new defined term Effective FTR Holder.</p> <p>In addition, PJM proposes to add a definition of Effective FTR Holder, and to use that defined term in the FTR Forfeiture section of the Tariff and OA (Tariff, Attachment K-Appendix sections 5.2.1(b) and 5.2.1(d), Tariff, Attachment M-Appendix Section VI, and OA, Schedule 1, sections 5.2.1(b) and (d). The reason for these changes as they pertain to the FTR Forfeiture Rule contained in those Tariff and OA sections, is to ensure that the scope of entities PJM and the IMM for purposes of the FTR Forfeiture Rule is appropriate. The intention is to ensure all entities under common ownership or control will be monitored for purposes of the FTR Forfeiture Rule. The proposed definition of</p>

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			<p><u>Holder, together with any Affiliate, subsidiary or parent of the FTR Holder, any other PJM Member has over 5% common ownership with the FTR Holder, wholly or partly, directly or indirectly, or has the ability to influence, directly or indirectly, the management or policies of the FTR Holder; or</u></p> <p><u>(iii) an FTR Holder together with any other PJM Member, including also any Affiliate, subsidiary or parent of such other PJM Member, with which it shares common ownership, wholly or partly, directly or indirectly, in any third entity which is a PJM Member (e.g., a joint venture).</u></p>	Effective FTR Holder clarifies that intention.
2.	<p>Tariff, Attachment K-Appendix, §§ 1.3.35, 5.2.1(a), (b) and (d) (FTR Forfeiture Rule), 5.2.2(b), (c) and (d)(iii), 5.2.3, 5.25 (b) and (c), and 5.26(a), (b), and (d).</p> <p>Operating Agreement, Schedule 1, §§ 1.3.35, 5.2.1(a), (b) and (d) (FTR Forfeiture Rule), 5.2.2(b), (c) and</p>	<p>1.3.35 Transmission Congestion Credit. “Transmission Congestion Credit” shall mean the allocated share of total Transmission Congestion Charges credited to each holder of Financial Transmission Rights, calculated and allocated as specified in Section 5.2 of this Schedule.</p> <p>5.2.1 Eligibility. (a) Except as provided in Section 5.2.1(b), each holder of a Financial Transmission Right shall receive as a Transmission Congestion Credit a proportional share of the total Transmission Congestion Charges collected for each constrained hour.</p> <p>(b) If a holder of a Financial Transmission Right between specified delivery and receipt buses acquired the Financial Transmission Right in a Financial Transmission Rights auction (the procedures for which are</p>	<p>1.3.35 Transmission Congestion Credit. “Transmission Congestion Credit” shall mean the allocated share of total Transmission Congestion Charges credited to each <u>FTR Holder of Financial Transmission Rights</u>, calculated and allocated as specified in Section 5.2 of this Schedule.</p> <p>5.2.1 Eligibility. (a) Except as provided in Section 5.2.1(b), each <u>FTR Holder</u> of a Financial Transmission Right shall receive as a Transmission Congestion Credit a proportional share of the total Transmission Congestion Charges collected for each constrained hour.</p> <p>(b) If an <u>Effective FTR Holder</u> of a Financial Transmission Right between specified delivery and receipt buses acquired the Financial Transmission Right in a Financial Transmission Rights auction (the</p>	Revisions to use the term FTR Holder rather than holder of FTRs or holder of Financial Transmission Rights” in various sections of the Operating Agreement and Tariff, as well as to use the term Effective FTR Holder in the FTR Forfeiture Rule contained in Operating Agreement, Schedule 1, Sections 5.2.1 (b) and (d) as well as Tariff, Attachment M-Appendix.

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	<p>(d)(iii), 5.2.3, 5.25 (b) and (c), and 5.26(a), (b), and (d).</p>	<p>set forth in Part 7 of this Schedule 1) and (i) had an Increment Offer and/or Decrement Bid that was accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for delivery or receipt at or near delivery or receipt buses of the Financial Transmission Right or had an Up-to Congestion Transaction that was accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for a path at or near the path of the Financial Transmission Right; and (ii) the result of the acceptance of such Increment Offer, Decrement Bid or Up-to Congestion Transaction is that the difference in Locational Marginal Prices in the Day-ahead Energy Market between such delivery and receipt buses is greater than the difference in Locational Marginal Prices between such delivery and receipt buses in the Real-time Energy Market, then the Market Participant shall not receive any Transmission Congestion Credit, associated with such Financial Transmission Right in such hour, in excess of one divided by the number of hours in the applicable month multiplied by the amount that the Market Participant paid for the Financial Transmission Right in the Financial Transmission Rights auction.</p> <p>***</p> <p>(d) The Market Monitoring Unit shall calculate Transmission Congestion Credits pursuant to this section and section VI of Attachment M – Appendix. Nothing in this section shall preclude the Market Monitoring Unit from action to recover inappropriate benefits from the subject activity if the amount forfeited is less than the benefit derived by the FTR holder. If the Office of</p>	<p>procedures for which are set forth in Part 7 of this Schedule 1) and (i) had an Increment Offer and/or Decrement Bid that was accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for delivery or receipt at or near delivery or receipt buses of the Financial Transmission Right or had an Up-to Congestion Transaction that was accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for a path at or near the path of the Financial Transmission Right; and (ii) the result of the acceptance of such Increment Offer, Decrement Bid or Up-to Congestion Transaction is that the difference in Locational Marginal Prices in the Day-ahead Energy Market between such delivery and receipt buses is greater than the difference in Locational Marginal Prices between such delivery and receipt buses in the Real-time Energy Market, then the Market Participant shall not receive any Transmission Congestion Credit, associated with such Financial Transmission Right in such hour, in excess of one divided by the number of hours in the applicable month multiplied by the amount that the Market Participant paid for the Financial Transmission Right in the Financial Transmission Rights auction.</p> <p>***</p> <p>(d) The Market Monitoring Unit shall calculate Transmission Congestion Credits pursuant to this section and section VI of Attachment M – Appendix. Nothing in this section shall preclude the Market Monitoring Unit from action to recover inappropriate benefits from the subject activity if the amount forfeited is less than the benefit</p>	

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		<p>the Interconnection agrees with such calculation, then it shall impose the forfeiture of the Transmission Congestion Credit accordingly. If the Office of the Interconnection does not agree with the calculation, then it shall impose a forfeiture of Transmission Congestion Credit consistent with its determination. If the Market Monitoring Unit disagrees with the Office of the Interconnection's determination, it may exercise its powers to inform the Commission staff of its concerns and may request an adjustment. This provision is duplicated in section VI of Attachment M – Appendix. An FTR holder objecting to the application of this rule shall have recourse to the Commission for review of the application of the FTR forfeiture rule to its trading activity.</p> <p>5.2.2 Financial Transmission Rights.</p> <p>***</p> <p>(b) The hourly economic value of a Financial Transmission Right Obligation is based on the Financial Transmission Right MW reservation and the difference between the Day-ahead Congestion Price at the point of delivery and the point of receipt of the Financial Transmission Right. The hourly economic value of a Financial Transmission Right Obligation is positive (a benefit to the Financial Transmission Right holder) when the Day-ahead Congestion Price at the point of delivery is higher than the Day-ahead Congestion Price at the point of receipt. The hourly economic value of a Financial Transmission Right Obligation is negative (a liability to the holder)</p>	<p>derived by the <u>Effective FTR H</u>holder. If the Office of the Interconnection agrees with such calculation, then it shall impose the forfeiture of the Transmission Congestion Credit accordingly. If the Office of the Interconnection does not agree with the calculation, then it shall impose a forfeiture of Transmission Congestion Credit consistent with its determination. If the Market Monitoring Unit disagrees with the Office of the Interconnection's determination, it may exercise its powers to inform the Commission staff of its concerns and may request an adjustment. This provision is duplicated in section VI of Attachment M – Appendix. An <u>Effective FTR H</u>holder objecting to the application of this rule shall have recourse to the Commission for review of the application of the FTR forfeiture rule to its trading activity.</p> <p>5.2.2 Financial Transmission Rights.</p> <p>***</p> <p>(b) The hourly economic value of a Financial Transmission Right Obligation is based on the Financial Transmission Right MW reservation and the difference between the Day-ahead Congestion Price at the point of delivery and the point of receipt of the Financial Transmission Right. The hourly economic value of a Financial Transmission Right Obligation is positive (a benefit to the <u>FTR Financial Transmission Right h</u>Holder) when the Day-ahead Congestion Price at the point of delivery is higher than the Day-ahead Congestion Price at the point of receipt. The hourly economic value of a Financial Transmission Right Obligation is negative (a liability to the <u>FTR H</u>holder) when the Day-ahead Congestion Price at the point of</p>	

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		<p>when the Day-ahead Congestion Price at the point of receipt is higher than the Day-ahead Congestion Price at the point of delivery.</p> <p>(c) The hourly economic value of a Financial Transmission Right Option is based on the Financial Transmission Right MW reservation and the difference between the Day-ahead Congestion Price at the point of delivery and the point of receipt of the Financial Transmission Right when that difference is positive. The hourly economic value of a Financial Transmission Right Option is positive (a benefit to the Financial Transmission Right holder) when the Day-ahead Congestion Price at the point of delivery is higher than the Day-ahead Congestion Price at the point of receipt. The hourly economic value of a Financial Transmission Right Option is zero (neither a benefit nor a liability to the holder) when the Day-ahead Congestion Price at the point of receipt is higher than the Day-ahead Congestion Price at the point of delivery.</p> <p>(d)(iii) Consent of the Office of the Interconnection shall be required for a seller to transfer to a buyer any Financial Transmission Right Obligation. Such consent shall be based upon the Office of the Interconnection's assessment of the buyer's ability to perform the obligations, including meeting applicable creditworthiness requirements, transferred in the bilateral contract. If consent for a transfer is not provided by the Office of the Interconnection, the title to the Financial Transmission Rights shall not transfer to the third party and the holder of the Financial Transmission Rights shall continue to receive all</p>	<p>receipt is higher than the Day-ahead Congestion Price at the point of delivery.</p> <p>(c) The hourly economic value of a Financial Transmission Right Option is based on the Financial Transmission Right MW reservation and the difference between the Day-ahead Congestion Price at the point of delivery and the point of receipt of the Financial Transmission Right when that difference is positive. The hourly economic value of a Financial Transmission Right Option is positive (a benefit to the <u>FTR Financial Transmission Right HHolder</u>) when the Day-ahead Congestion Price at the point of delivery is higher than the Day-ahead Congestion Price at the point of receipt. The hourly economic value of a Financial Transmission Right Option is zero (neither a benefit nor a liability to the <u>FTR Hholder</u>) when the Day-ahead Congestion Price at the point of receipt is higher than the Day-ahead Congestion Price at the point of delivery.</p> <p>(d)(iii) Consent of the Office of the Interconnection shall be required for a seller to transfer to a buyer any Financial Transmission Right Obligation. Such consent shall be based upon the Office of the Interconnection's assessment of the buyer's ability to perform the obligations, including meeting applicable creditworthiness requirements, transferred in the bilateral contract. If consent for a transfer is not provided by the Office of the Interconnection, the title to the Financial Transmission Rights shall not transfer to the third party and the <u>FTR Hholder of the Financial Transmission Rights</u> shall continue to receive all Transmission Congestion Credits attributable to</p>	

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		<p>Transmission Congestion Credits attributable to the Financial Transmission Rights and remain subject to all credit requirements and obligations associated with the Financial Transmission Rights.</p> <p>5.2.3 Target Allocation of Transmission Congestion Credits.</p> <p>A Target Allocation of Transmission Congestion Credits for each entity holding a Financial Transmission Right shall be determined for each Financial Transmission Right. Each Financial Transmission Right shall be multiplied by the Day-ahead Congestion Price differences for the receipt and delivery points associated with the Financial Transmission Right, calculated as the Day-ahead Congestion Price at the delivery point(s) minus the Day-ahead Congestion Price at the receipt point(s). For the purposes of calculating Transmission Congestion Credits, the Day-ahead Congestion Price of a Zone is calculated as the sum of the Day-ahead Congestion Price of each bus that comprises the Zone multiplied by the percent of annual peak load assigned to each node in the Zone. Commencing with the 2015/2016 Planning Period, for the purposes of calculating Transmission Congestion Credits, the Day-ahead Congestion Price of a Residual Metered Load aggregate is calculated as the sum of the Day-ahead Congestion Price of each bus that comprises the Residual Metered Load aggregate multiplied by the percent of the annual peak residual load assigned to each bus that comprises the Residual Metered Load aggregate. When the FTR Target Allocation is positive, the FTR Target Allocation is a credit to the FTR holder. When the FTR Target Allocation is negative, the FTR</p>	<p>the Financial Transmission Rights and remain subject to all credit requirements and obligations associated with the Financial Transmission Rights.</p> <p>5.2.3 Target Allocation of Transmission Congestion Credits.</p> <p>A Target Allocation of Transmission Congestion Credits for each <u>FTR Holder</u> entity holding a Financial Transmission Right shall be determined for each Financial Transmission Right. Each Financial Transmission Right shall be multiplied by the Day-ahead Congestion Price differences for the receipt and delivery points associated with the Financial Transmission Right, calculated as the Day-ahead Congestion Price at the delivery point(s) minus the Day-ahead Congestion Price at the receipt point(s). For the purposes of calculating Transmission Congestion Credits, the Day-ahead Congestion Price of a Zone is calculated as the sum of the Day-ahead Congestion Price of each bus that comprises the Zone multiplied by the percent of annual peak load assigned to each node in the Zone. Commencing with the 2015/2016 Planning Period, for the purposes of calculating Transmission Congestion Credits, the Day-ahead Congestion Price of a Residual Metered Load aggregate is calculated as the sum of the Day-ahead Congestion Price of each bus that comprises the Residual Metered Load aggregate multiplied by the percent of the annual peak residual load assigned to each bus that comprises the Residual Metered Load aggregate. When the FTR Target Allocation is positive, the FTR Target Allocation is a credit to the FTR holder. When the FTR Target</p>	

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		<p>Target Allocation is a debit to the FTR holder if the FTR is a Financial Transmission Right Obligation. When the FTR Target Allocation is negative, the FTR Target Allocation is set to zero if the FTR is a Financial Transmission Right Option. The total Target Allocation for Network Service Users and Transmission Customers for each hour shall be the sum of the Target Allocations associated with all of the Network Service Users' or Transmission Customers' Financial Transmission Rights.</p> <p>***</p> <p>5.2.5 Calculation of Transmission Congestion Credits.</p> <p>***</p> <p>(b) If the total of the Target Allocations is greater than the total Transmission Congestion Charges for the hour resulting from both the Day-ahead Energy Market and the Real-time Energy Market, each holder of Financial Transmission Rights shall be assigned a share of the total Transmission Congestion Charges in proportion to its Target Allocations for Financial Transmission Rights which have a positive Target Allocation value. Financial Transmission Rights which have a negative Target Allocation value are assigned the full Target Allocation value as a negative Transmission Congestion Credit.</p> <p>(c) At the end of a Planning Period if all FTR holders did not receive Transmission Congestion Credits equal to their Target Allocations, the Office of the Interconnection shall assess a charge equal to the difference between the Transmission Congestion Credit Target Allocations for all revenue deficient FTRs and the actual Transmission</p>	<p>Allocation is negative, the FTR Target Allocation is a debit to the FTR Hholder if the FTR is a Financial Transmission Right Obligation. When the FTR Target Allocation is negative, the FTR Target Allocation is set to zero if the FTR is a Financial Transmission Right Option. The total Target Allocation for Network Service Users and Transmission Customers for each hour shall be the sum of the Target Allocations associated with all of the Network Service Users' or Transmission Customers' Financial Transmission Rights.</p> <p>***</p> <p>5.2.5 Calculation of Transmission Congestion Credits.</p> <p>***</p> <p>(b) If the total of the Target Allocations is greater than the total Transmission Congestion Charges for the hour resulting from both the Day-ahead Energy Market and the Real-time Energy Market, each <u>FTR</u> Hholder of Financial Transmission Rights shall be assigned a share of the total Transmission Congestion Charges in proportion to its Target Allocations for Financial Transmission Rights which have a positive Target Allocation value. Financial Transmission Rights which have a negative Target Allocation value are assigned the full Target Allocation value as a negative Transmission Congestion Credit.</p> <p>(c) At the end of a Planning Period if all FTR Hholders did not receive Transmission Congestion Credits equal to their Target Allocations, the Office of the Interconnection shall assess a charge equal to the difference between the Transmission Congestion Credit Target Allocations for all revenue deficient FTRs and the actual Transmission</p>	

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		<p>Congestion Credits allocated to those FTR holders. A charge assessed pursuant to this section shall also include any aggregate charge assessed pursuant to section 7.4.4(c) of Schedule 1 of this Agreement and shall be allocated to all FTR holders on a pro-rata basis according to the total Target Allocations for all FTRs held at any time during the relevant Planning Period. The charge shall be calculated and allocated in accordance with the following methodology:</p> <p>***</p> <p>5.2.6 Distribution of Excess Congestion Charges. (a) Excess Transmission Congestion Charges accumulated in a month shall be distributed to each holder of Financial Transmission Rights in proportion to, but not more than, any deficiency in the share of Transmission Congestion Charges received by the holder during that month as compared to its total Target Allocations for the month.</p> <p>(b) After the excess Transmission Congestion Charge distribution described in Section 5.2.6(a) is performed, any excess Transmission Congestion Charges remaining at the end of a month shall be distributed to each holder of Financial Transmission Rights in proportion to, but not more than, any deficiency in the share of Transmission Congestion Charges received by the holder during the current Planning Period, including previously distributed excess Transmission Congestion Charges, as compared to its total Target Allocation for the Planning Period.</p>	<p>Congestion Credits allocated to those FTR <u>H</u>olders. A charge assessed pursuant to this section shall also include any aggregate charge assessed pursuant to section 7.4.4(c) of Schedule 1 of this Agreement and shall be allocated to all FTR <u>H</u>olders on a pro-rata basis according to the total Target Allocations for all FTRs held at any time during the relevant Planning Period. The charge shall be calculated and allocated in accordance with the following methodology:</p> <p>***</p> <p>5.2.6 Distribution of Excess Congestion Charges. (a) Excess Transmission Congestion Charges accumulated in a month shall be distributed to each <u>FTR H</u>older of Financial Transmission Rights in proportion to, but not more than, any deficiency in the share of Transmission Congestion Charges received by the <u>FTR H</u>holder during that month as compared to its total Target Allocations for the month.</p> <p>(b) After the excess Transmission Congestion Charge distribution described in Section 5.2.6(a) is performed, any excess Transmission Congestion Charges remaining at the end of a month shall be distributed to each <u>FTR H</u>holder of Financial Transmission Rights in proportion to, but not more than, any deficiency in the share of Transmission Congestion Charges received by the <u>FTR H</u>holder during the current Planning Period, including previously distributed excess Transmission Congestion Charges, as compared to its total Target Allocation for the Planning Period.</p>	

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	Tariff, Attachment K (Preface)	<p>***</p> <p>(d) Any excess Transmission Congestion Charges remaining after a distribution pursuant to subsection (c) of this section shall be distributed to all FTR holders on a pro-rata basis according to the total Target Allocations for all FTRs held at any time during the relevant Planning Period. Any allocation pursuant to this subsection (d) shall be conducted in accordance with the following methodology:</p> <p>***</p> <p>Attachment K Preface. This Attachment and Attachment K – Appendix specify the manner in which all Transmission Customers, Network Customers, and Transmission Owners using the Transmission System to serve their Native Load Customers and Market Participants submitting Virtual Transactions will be charged for the costs of congestion and losses on the Transmission System, the manner in which all FTR holders share in the allocation of revenues received as Transmission Congestion Charges , and the manner in which Network Service Users, Market Participants in the PJM Interchange Energy Market and Transmission Customers share in the allocation of Transmission Loss Charges. In addition, Attachment K - Appendix incorporates into the Tariff for ease of reference the provisions of Schedule 1 of the Operating Agreement (“Schedule 1”). Capitalized terms used in this Attachment which are not defined in the Tariff or in the Attachment, but which are defined in Schedule 1 shall have the</p>	<p>***</p> <p>(d) Any excess Transmission Congestion Charges remaining after a distribution pursuant to subsection (c) of this section shall be distributed to all FTR <u>H</u>olders on a pro-rata basis according to the total Target Allocations for all FTRs held at any time during the relevant Planning Period. Any allocation pursuant to this subsection (d) shall be conducted in accordance with the following methodology:</p> <p>Attachment K Preface. This Attachment and Attachment K – Appendix specify the manner in which all Transmission Customers, Network Customers, and Transmission Owners using the Transmission System to serve their Native Load Customers and Market Participants submitting Virtual Transactions will be charged for the costs of congestion and losses on the Transmission System, the manner in which all FTR <u>H</u>olders share in the allocation of revenues received as Transmission Congestion Charges , and the manner in which Network Service Users, Market Participants in the PJM Interchange Energy Market and Transmission Customers share in the allocation of Transmission Loss Charges. In addition, Attachment K - Appendix incorporates into the Tariff for ease of reference the provisions of Schedule 1 of the Operating Agreement (“Schedule 1”). Capitalized terms used in this Attachment which are not defined in the Tariff or in the Attachment, but which are defined in Schedule 1 shall have the meanings set forth in Schedule 1.</p>	

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	Tariff Attachment M-Appendix, § VI (FTR Forfeiture Rule)	<p>meanings set forth in Schedule 1.</p> <p>Attachment M – Appendix VI. FTR FORFEITURE RULE The Market Monitoring Unit shall calculate Transmission Congestion Credits as required under Section 5.2.1(b) of Schedule 1 of the Operating Agreement, including the determination of the identity of the holder of FTRs and an evaluation of the overall benefits accrued by an entity or affiliated entities trading in FTRs and Virtual Transactions in the Day-ahead Energy Market, and provide such calculations to the Office of the Interconnection. Nothing in this section shall preclude the Market Monitoring Unit from action to recover inappropriate benefits from the subject activity if the amount forfeited is less than the benefit derived by the FTR holder. If the Office of the Interconnection imposes a forfeiture of the Transmission Congestion Credit in an amount that the Market Monitoring Unit disagrees with, then it may exercise its powers to inform Commission staff of its concerns and request an adjustment.</p>	<p>Attachment M – Appendix VI. FTR FORFEITURE RULE The Market Monitoring Unit shall calculate Transmission Congestion Credits as required under Section 5.2.1(b) of Schedule 1 of the Operating Agreement, including the determination of the identity of the <u>Effective FTR Holder</u> of FTRs and an evaluation of the overall benefits accrued by an entity or affiliated entities trading in FTRs and Virtual Transactions in the Day-ahead Energy Market, and provide such calculations to the Office of the Interconnection. Nothing in this section shall preclude the Market Monitoring Unit from action to recover inappropriate benefits from the subject activity if the amount forfeited is less than the benefit derived by the <u>Effective FTR Holder</u>. If the Office of the Interconnection imposes a forfeiture of the Transmission Congestion Credit in an amount that the Market Monitoring Unit disagrees with, then it may exercise its powers to inform Commission staff of its concerns and request an adjustment.</p>	
3.	OA, Schedule 1, § 5.2.2(h) (Financial Transmission Rights)	(h) The following congestion charge crediting and uplift (hereinafter, “mitigation”) rules shall apply to each new zone first integrated on any date from May 1, 2004 through May 31, 2005 for which FERC orders such mitigation as a result of a filing for such zone of the type specified in subsection (g) above. Where FERC orders such mitigation, such rules shall remain in effect for such zone from the date of its integration	(h) <u>Reserved</u> . The following congestion charge crediting and uplift (hereinafter, “mitigation”) rules shall apply to each new zone first integrated on any date from May 1, 2004 through May 31, 2005 for which FERC orders such mitigation as a result of a filing for such zone of the type specified in subsection (g) above. Where FERC orders such mitigation, such rules shall remain in effect for such zone from the date	This section has become obsolete because it was only in effect for a new zone that integrated through May 31, 2005.

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		<p>through May 31, 2005. All such mitigation shall terminate for all such zones on May 31, 2005.</p> <p>1.) Mitigation shall apply only to Long-Term Firm Point-to-Point Transmission Service customers in such a zone that did not receive an allocation of ARR or FTRs, as applicable, equal to the ARR or FTRs such customer requested in the allocation for such zone. Only pro-rated requests that complied with the source, sink, and service level limitations stated in section 7.4.2(f) are eligible for mitigation. Such mitigation shall continue for the period stated above if a customer eligible for mitigation renews or rolls over its service agreement, but shall no longer apply if such a customer redirects its service to alternate points on a firm basis.</p> <p>2.) The affected customers that will receive mitigation will be notified by PJM of the MW amount of mitigation they will receive based on the difference between the amount of ARR or FTRs requested and the amount of ARR or FTRs awarded.</p> <p>3.) Mitigation provided herein applies only to requests submitted and pro-rated in the interim or annual ARR/FTR allocation process conducted for such zones for the time period specified above.</p> <p>4.) For each affected customer as described above, PJM each month will provide a mitigation credit to offset any congestion charges incurred by such customer in connection with the MW amount for the contract reservation eligible for mitigation as determined under subsection (2) above. In no event shall the amount of any such credit exceed the net</p>	<p>of its integration through May 31, 2005. All such mitigation shall terminate for all such zones on May 31, 2005.</p> <p>1.) Mitigation shall apply only to Long-Term Firm Point-to-Point Transmission Service customers in such a zone that did not receive an allocation of ARR or FTRs, as applicable, equal to the ARR or FTRs such customer requested in the allocation for such zone. Only pro-rated requests that complied with the source, sink, and service level limitations stated in section 7.4.2(f) are eligible for mitigation. Such mitigation shall continue for the period stated above if a customer eligible for mitigation renews or rolls over its service agreement, but shall no longer apply if such a customer redirects its service to alternate points on a firm basis.</p> <p>2.) The affected customers that will receive mitigation will be notified by PJM of the MW amount of mitigation they will receive based on the difference between the amount of ARR or FTRs requested and the amount of ARR or FTRs awarded.</p> <p>3.) Mitigation provided herein applies only to requests submitted and pro-rated in the interim or annual ARR/FTR allocation process conducted for such zones for the time period specified above.</p> <p>4.) For each affected customer as described above, PJM each month will provide a mitigation credit to offset any congestion charges incurred by such customer in connection with the MW amount for the contract reservation eligible for mitigation as determined under subsection (2) above. In no event shall the amount of any such credit exceed the net</p>	

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		<p>amount of any congestion paid (after taking account of any congestion credits) by such customer during such month with respect to such identified MW amount.</p> <p>5.) The total cost of all such credits for all mitigated customers in a zone each month shall be charged to and collected from all Network Integration Transmission Service and Long-Term Firm Point-to-Point Transmission Service customers within such zone that received ARR or FTRs or that received mitigation under this subsection (h), in proportion to each such customer's share of the total allocated ARR/FTR MWs (including mitigation MWs). Mitigation and uplift shall be determined separately for each such zone.</p>	<p>amount of any congestion paid (after taking account of any congestion credits) by such customer during such month with respect to such identified MW amount.</p> <p>5.) The total cost of all such credits for all mitigated customers in a zone each month shall be charged to and collected from all Network Integration Transmission Service and Long-Term Firm Point-to-Point Transmission Service customers within such zone that received ARRs or FTRs or that received mitigation under this subsection (h), in proportion to each such customer's share of the total allocated ARR/FTR MWs (including mitigation MWs). Mitigation and uplift shall be determined separately for each such zone.</p>	
4.	OATT, Att. DD, §6.5(a)(ii) (Mitigation for Planned Generation Capacity Resources)	<p>ii) Planned Generation Capacity Resources</p> <p>(A) Sell Offers based on Planned Generation Capacity Resources (including External Planned Generation Capacity Resources) shall be presumed to be competitive and shall not be subject to market power mitigation in any Base Residual Auction or Incremental Auction for which such resource qualifies as a Planned Generation Capacity Resource, but any such Sell Offer shall be rejected if it meets the criteria set forth in subsection (C) below, unless the Capacity Market Seller obtains approval from FERC for use of such offer prior to the deadline for submission of such offers in the applicable auction. Such resources are Existing Generation Capacity Resources in the auctions for any Delivery Year following the Delivery Year for which such resource cleared an RPM Auction. Such resources may receive certain</p>	<p>ii) Planned Generation Capacity Resources</p> <p>(A) Sell Offers based on Planned Generation Capacity Resources (including External Planned Generation Capacity Resources) shall be presumed to be competitive and shall not be subject to market power mitigation in any Base Residual Auction or Incremental Auction for which such resource qualifies as a Planned Generation Capacity Resource, but any such Sell Offer shall be rejected if it meets the criteria set forth in subsection (C) below, unless the Capacity Market Seller obtains approval from FERC for use of such offer prior to the <u>deadline for submission of such offers in close of the offer period for the applicable RPM Auction</u>. Such resources are Existing Generation Capacity Resources in the auctions for any Delivery Year following the Delivery Year for which such resource cleared an RPM Auction. Such</p>	<p>Changes to subsection A – adding close of the offer period is more specific and in line with procedures. Removing the language about what is considered existing or subject to New Entry Price Adjustment (NEPA) is not complete and is not necessary for this section. The rules regarding when a planned resource becomes existing, and when a planned resource is eligible for NEPA are fully described elsewhere. Removing the “Notwithstanding” clause because it was only there to address one situation years ago and will not be implicated again.</p>

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		<p>price assurances for the two Delivery Years immediately following the first Delivery Year of service under certain conditions as set forth in section 5.14 of this Attachment. Notwithstanding the foregoing, a Generation Capacity Resource for which construction has not commenced and which would otherwise have been treated as a Planned Generation Capacity Resource but for the fact that it was bid into RPM Auctions for at least two consecutive Delivery Years, and cleared the last such auction only because it was considered existing and its mitigated offer cap was accepted when its price offer would not have otherwise been accepted, shall be deemed to be a Planned Generation Capacity Resource.</p> <p>(B) Sell Offers based on Planned Generation Capacity Resources (including External Planned Generation Capacity Resources) submitted for the first year in which such resources qualify as Planned Generation Capacity Resources shall be deemed competitive and not be subject to mitigation if: (1) collectively all such Sell Offers provide Unforced Capacity in an amount equal to or greater than two times the incremental quantity of new entry required to meet the LDA Reliability Requirement; and (2) at least two unaffiliated suppliers have submitted Sell Offers for Planned Generation Capacity Resources in such LDA. Notwithstanding the foregoing, any Capacity Market Seller, together with Affiliates, whose Sell Offers based on Planned Generation Capacity Resources in that LDA are pivotal, shall be subject to mitigation.</p> <p>(C) Where the two conditions stated in subsection (B) are not met, or</p>	<p>resources may receive certain price assurances for the two Delivery Years immediately following the first Delivery Year of service under certain conditions as set forth in section 5.14 of this Attachment. Notwithstanding the foregoing, a Generation Capacity Resource for which construction has not commenced and which would otherwise have been treated as a Planned Generation Capacity Resource but for the fact that it was bid into RPM Auctions for at least two consecutive Delivery Years, and cleared the last such auction only because it was considered existing and its mitigated offer cap was accepted when its price offer would not have otherwise been accepted, shall be deemed to be a Planned Generation Capacity Resource.</p> <p>(B) Sell Offers based on Planned Generation Capacity Resources (including <u>Planned</u> External Planned Generation Capacity Resources) submitted for the first year in which such resources qualify as Planned Generation Capacity Resources shall be deemed competitive and not be subject to mitigation if: (1) collectively all such Sell Offers provide Unforced Capacity in an amount equal to or greater than two times the incremental quantity of new entry required to meet the LDA Reliability Requirement; and (2) at least two unaffiliated suppliers have submitted Sell Offers for Planned Generation Capacity Resources in such LDA. Notwithstanding the foregoing, any Capacity Market Seller, together with Affiliates, whose Sell Offers based on Planned Generation Capacity Resources in that <u>modeled</u> LDA are pivotal, shall be subject to mitigation.</p> <p>PJM is removing the following highlighted aspect of the changes</p>	<p>Changes to subsection B – switching the order of the words to match the actual defined term. The language about this being submitted the first year must come out as they will be reviewed in this manner until they are Existing. They may or may not become Existing (depending if they clear or not) simply after the first offer year. We added the word modeled to be more technically correct.</p> <p>Changes to subsection C – on 10/23, PJM proposed changing the calculation to make this process simpler and still achieve the overall mitigation result that underlies the process. However, PJM is taking that off the table here as stakeholders raised it as being a substantive change that would need further review and discussion.</p> <p>Thus, PJM is simply adding the word Sell and capitalizing offer in the middle of the paragraph. And it is also proposing to provide a cross reference to the IMM's process and be clear as to when the IMM's review will be provided to PJM consistent with that process.</p>

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		<p>the Sell Offer is pivotal, the Sell Offer shall be rejected if it exceeds 140 percent of: 1) the average of location-adjusted Sell Offers for Planned Generation Capacity Resources from the same asset class as such Sell Offer, submitted (and not rejected) (Asset-Class New Plant Offers) for such Delivery Year; or 2) if there are no Asset-Class New Plant Offers for such Delivery Year, the average of Asset-Class New Plant Offers for all prior Delivery Years; or 3) if there are no Asset-Class New Plant Offers for any prior Delivery Year, the Net CONE applicable for such Delivery Year in the LDA for which such offer was submitted. For purposes of this section, asset classes shall be as stated in section 6.7(c) as effective for such Delivery Year, and Asset-Class New Plant Offers shall be location-adjusted by the ratio between the Net CONE effective for such Delivery Year for the LDA in which the Sell Offer subject to this section was submitted and the average, weighted by installed capacity, of the Net CONEs for all LDAs in which the units underlying such Asset Class New Plant Offers are located. Following the conduct of the applicable auction and before the final determination of clearing prices, in accordance with Section 6.2(b) above, each Capacity Market Seller whose Sell Offer is so rejected shall be notified in writing by the Office of the Interconnection by no later than one (1) business day after the close of the offer period for the applicable RPM Auction and allowed an opportunity to submit a revised Sell Offer that does not exceed such threshold within one business (1) day of the Office of the Interconnection's rejection of such Sell Offer. If such revised Sell Offer is accepted by the Office of the Interconnection, the Office of the Interconnection then shall clear the auction with such</p>	<p>discussed at the 10/23 GDECS meeting from its current proposal and will revert back to that original language due to questions raised about the substance of this proposal.</p> <p>(C) Where the two conditions stated in subsection (B) are not met, or the Sell Offer is pivotal, the Sell Offer shall be rejected if it exceeds 140 percent of: 1) the average of location-adjusted Sell Offers for Planned Generation Capacity Resources from the same asset class as such Sell Offer, submitted (and not rejected) (Asset-Class New Plant Offers) for such Delivery Year; or 2) if there are no Asset-Class New Plant Offers for such Delivery Year, the average of Asset-Class New Plant Offers for all prior Delivery Years; or 3) if there are no Asset-Class New Plant Offers for any prior Delivery Year, the Net CONE applicable for such Delivery Year in the LDA for which such Sell Offer was submitted. For purposes of this section, asset classes shall be as stated in section 6.7(c) as effective for such Delivery Year, and Asset-Class New Plant Offers shall be location-adjusted by the ratio between the Net CONE effective for such Delivery Year for the LDA in which the Sell Offer subject to this section was submitted and the average, weighted by installed capacity, of the Net CONEs for all LDAs in which the units underlying such Asset Class New Plant Offers are located. Following the conduct of the applicable auction and before the final determination of clearing prices, in accordance with Section 6.2(b) above, each Capacity Market Seller whose Sell Offer is so rejected shall be notified in writing by the Office of the Interconnection by no later than one (1) business day after the close of the offer period for the applicable RPM Auction and allowed an opportunity to submit a revised</p>	

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		revised Sell Offer in place.	<p>Sell Offer that does not exceed such threshold within one business (1) day of the Office of the Interconnection's rejection of such Sell Offer. If such revised Sell Offer is accepted by the Office of the Interconnection, the Office of the Interconnection then shall clear the auction with such revised Sell Offer in place. <u>Pursuant to Section II.F of Attachment M-Appendix, the Market Monitoring Unit shall notify in writing each Capacity Market Seller whose Sell Offer has been determined to be non-competitive and subject to mitigation, with a copy to the Office of the Interconnection, by no later than one (1) business day after the close of the offer period for the applicable RPM Auction.</u></p> <p>For clarity, Subsection C will read as follows:</p> <p>(C) Where the two conditions stated in subsection (B) are not met, or the Sell Offer is pivotal, the Sell Offer shall be rejected if it exceeds 140 percent of: 1) the average of location-adjusted Sell Offers for Planned Generation Capacity Resources from the same asset class as such Sell Offer, submitted (and not rejected) (Asset-Class New Plant Offers) for such Delivery Year; or 2) if there are no Asset-Class New Plant Offers for such Delivery Year, the average of Asset-Class New Plant Offers for all prior Delivery Years; or 3) if there are no Asset-Class New Plant Offers for any prior Delivery Year, the Net CONE applicable for such Delivery Year in the LDA for which such Sell Offer was submitted. For purposes of this section, asset classes shall be as stated in section 6.7(c) as effective for such Delivery Year, and Asset-Class New Plant Offers shall be location-adjusted by the ratio between the Net CONE effective for such Delivery Year for the LDA in which the Sell Offer</p>	

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			<p>subject to this section was submitted and the average, weighted by installed capacity, of the Net CONEs for all LDAs in which the units underlying such Asset Class New Plant Offers are located. Following the conduct of the applicable auction and before the final determination of clearing prices, in accordance with Section 6.2(b) above, each Capacity Market Seller whose Sell Offer is so rejected shall be notified in writing by the Office of the Interconnection by no later than one (1) business day after the close of the offer period for the applicable RPM Auction and allowed an opportunity to submit a revised Sell Offer that does not exceed such threshold within one business (1) day of the Office of the Interconnection's rejection of such Sell Offer. If such revised Sell Offer is accepted by the Office of the Interconnection, the Office of the Interconnection then shall clear the auction with such revised Sell Offer in place. Pursuant to Section II.F of Attachment M-Appendix, the Market Monitoring Unit shall notify in writing each Capacity Market Seller whose Sell Offer has been determined to be non-competitive and subject to mitigation, with a copy to the Office of the Interconnection, by no later than one (1) business day after the close of the offer period for the applicable RPM Auction.</p>	
5.	OATT, Attachment DD, §§ 5.5A(a) and (b) (Capacity Resource	<p>a) Capacity Performance Resources Capacity Performance Resources are Capacity Resources which, to the extent such resources cleared in a Reliability Pricing Model Auction</p>	<p>a) Capacity Performance Resources Capacity Performance Resources are Capacity Resources which, to the extent such resources cleared in a Reliability Pricing Model Auction</p>	The term used in the Tariff is Non-Performance Charge. The changes proposed are to conform this section to use the

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	Types)	<p>or are otherwise committed as a Capacity Resource, are obligated to deliver energy during the relevant Delivery Year as scheduled and/or dispatched by the Office of Interconnection during the Performance Assessment Hours. As further detailed in Section 10A of this Attachment, Capacity Performance Resources that fail to meet this obligation will be subject to a Non-Performance Assessment Charge, unless excused pursuant to Section 10A(d) of this Attachment. Subject to 5.5A(a)(i)-(ii), the following types of Capacity Resources are eligible to submit a Sell Offer as a Capacity Performance Resource: internal or external Generation Capacity Resources; Annual Demand Resources; Capacity Storage Resources; Annual Energy Efficiency Resources; and Qualifying Transmission Upgrades. To the extent the underlying Capacity Resource is an external Generation Capacity Resource, such resource must meet the criteria for obtaining an exception to the Capacity Import Limit as contained in section 1.7A of the Reliability Assurance Agreement.</p> <p>***</p> <p>b) Base Capacity Resources For the 2018/2019 and 2019/2020 Delivery Years, following types of Capacity Resources eligible to submit a Sell Offer as a Base Capacity Resource: Generation Capacity Resources, Capacity Storage Resources, Annual Demand Resources, Base Capacity Demand Resources, and Base Capacity Energy Efficiency Resources. Each resource that clears a RPM Auction as a Base Capacity Resource must provide energy output to PJM if called during</p>	<p>or are otherwise committed as a Capacity Resource, are obligated to deliver energy during the relevant Delivery Year as scheduled and/or dispatched by the Office of Interconnection during the Performance Assessment Hours. As further detailed in Section 10A of this Attachment, Capacity Performance Resources that fail to meet this obligation will be subject to a Non-Performance Assessment Charge, unless excused pursuant to Section 10A(d) of this Attachment. Subject to 5.5A(a)(i)-(ii), the following types of Capacity Resources are eligible to submit a Sell Offer as a Capacity Performance Resource: internal or external Generation Capacity Resources; Annual Demand Resources; Capacity Storage Resources; Annual Energy Efficiency Resources; and Qualifying Transmission Upgrades. To the extent the underlying Capacity Resource is an external Generation Capacity Resource, such resource must meet the criteria for obtaining an exception to the Capacity Import Limit as contained in section 1.7A of the Reliability Assurance Agreement.</p> <p>***</p> <p>b) Base Capacity Resources For the 2018/2019 and 2019/2020 Delivery Years, following types of Capacity Resources eligible to submit a Sell Offer as a Base Capacity Resource: Generation Capacity Resources, Capacity Storage Resources, Annual Demand Resources, Base Capacity Demand Resources, and Base Capacity Energy Efficiency Resources. Each resource that clears a RPM Auction as a Base Capacity Resource must provide energy output to PJM if called during</p>	<p>terminology used elsewhere in the tariff, including in Attachment DD, section 10A which is where non-performance is addressed.</p>

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		Performance Assessment Hours occurring in the calendar months of June through September, including any necessary recall of such capacity and energy from service to areas outside the PJM Region. As further detailed in Section 10A of this Attachment, Base Capacity Resources that fail to meet this obligation will be subject to a Non-Performance Assessment Charge, unless excused pursuant to Section 10A(d) of this section.	Performance Assessment Hours occurring in the calendar months of June through September, including any necessary recall of such capacity and energy from service to areas outside the PJM Region. As further detailed in Section 10A of this Attachment, Base Capacity Resources that fail to meet this obligation will be subject to a Non-Performance Assessment Charge, unless excused pursuant to Section 10A(d) of this section.	