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FEDERAL ENERGY
REGULATORY COMMISSION

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August 15, 2008

VIA FEDERAL EXPRESS

ORIGINAL

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426-0001

Re: PJM Interconnection, L.L.C., Docket Nos. ER08-1016-200 (Compliance Filing)

Dear Secretary Bose:

PJM Interconnection, L.L.C. ("PJM") hereby submits for filing revised sheets to Schedule 1 of the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement"), as well as the parallel provisions of the Appendix to Attachment K of the PJM Open Access Transmission Tariff ("PJM Tariff"),¹ in compliance with the Federal Energy Regulatory Commission's ("Commission") July 25, 2008 Order Accepting Tariff Revisions and Directing Further Compliance Filing ("July 25th Order").² The July 25th Order accepted PJM's long-term FTR auction process, but directed PJM to submit a compliance filing within thirty (30) days of that order to clarify the timing of the auctions and to provide revised Operating Agreement and Tariff sheets if necessary.³

I. Background

PJM filed revisions to its Operating Agreement to establish a long-term FTR auction on May 28, 2008 ("May 28th Filing"), requesting an effective date of July 28, 2008 therefor.⁴ Among other things, the revisions to the Operating Agreement delineated the frequency and timing of the long-term FTR auctions, providing that each auction would consist of two rounds. It was PJM's intention, as is expressed in its transmittal letter to the Commission that accompanied its May 28th Filing, that the initial auction be conducted on a condensed schedule, transitioning to the "regular" schedule

¹ The referenced long-term FTR auction provisions are found in Sections 7.1A.1 and 7.1A.2 of Schedule 1 of the Operating Agreement and the Appendix to Attachment K of the Tariff. All further references in this transmittal letter to Sections 7.1A.1 and 7.1A.2 shall only be made to the Operating Agreement provisions, without reference to the parallel Tariff provisions.

² *PJM Interconnection, L.L.C.*, 124 FERC ¶ 61,087 (2008).

³ *Id.* at P 15.

⁴ See May 28th Filing.

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for the auctions beginning in the second year.⁵ In its July 25th Order, the Commission recognized that while PJM raised the issue of a transition auction schedule, PJM did not provide for the transition auction in the revised sheets that accompanied the May 28th Filing. Thus, this compliance filing is being provided to the Commission to rectify this omission and to incorporate revisions into the current effective sheets that specifically provide for a transition period during which the initial long-term FTR auction will be conducted on a condensed schedule. Additionally, PJM is seeking approval of a revision to correct a non-substantive typographical error in Section 7.1A.1 to correct a misspelling.

II. Required Clarification and Proposed Revision

The revised sheets accompanying the instant filing specifically provide for a transition period during which the initial long-term FTR auction will be conducted on a condensed schedule. The revised sheets provide for PJM to conduct the first round of the two round auction process approximately eight months prior to the start of the three Planning Period term covered by that long-term FTR auction (i.e., in October of this year), and to conduct the second round of the auction approximately two months after the first round auction (i.e., in December of this year). Subsequent long-term FTR auctions, beginning in 2009, will be conducted such that the first round will be conducted approximately eleven months prior to the start of the three Planning Period term covered by the relevant long-term FTR auction and the second round will occur four months after the first round.

The condensed period of time for the conduct of the long-term FTR auctions in the initial transition period is necessary because changes to PJM's computer systems are required in order for PJM to have the ability to execute the long-term FTR auctions. Given that PJM will not take delivery of these software changes until the end of August 2008, and in order to allow for adequate time to thoroughly test and integrate the changes into PJM's FTR technical systems, PJM does not anticipate being able to open the first round of the long-term FTR auction until the first week of October 2008. Thus, PJM was unable to run the first auction round in July 2008 as the initially filed tariff language would have required.⁶

Finally, PJM is requesting approval of a correction to a typographical error in Section 7.1A, changing a misspelling to revise the word "determing" to "determining."

Accordingly, PJM files Tariff and Operating Agreement sheets with this filing as Attachment A (clean) and Attachment B (blacklined) as directed by the Commission.

⁵ See May 28th Filing Transmittal Letter to the Commission at 5, fn. 13.

⁶ See Proposed Operating Agreement Sheets at Section 7.1A.2 provided with the May 28th Filing.

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III. Effective Date

The enclosed Operating Agreement and Tariff revisions have the effective date of July 28, 2008, the same effective date originally requested by PJM in its May 28th Filing.

IV. Description of Submittal

This submittal includes an original and six copies of the following:

- This letter of transmittal;
- The proposed revisions on clean Tariff sheets (Attachment A); and
- The proposed revisions blacklined against the currently effective Tariff sheets (Attachment B).

V. 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:

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VI. 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, and requests waiver of the requirement to post by mailing paper copies. Waiver of paper service is consistent with Commission's decision to establish electronic service as the default method of service on service lists maintained by the Commission Secretary for Commission proceedings.⁷ While Order No. 653 did not amend the posting

⁷ See Electronic Notification of Commission Issuances, Order No. 653, 110 FERC ¶ 61,110 (2005).

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requirements, application of its rules to initial tariff filings would be consistent with the Commission's "efforts to reduce the use of paper in compliance with the Government Paperwork Elimination Act."⁸ Applying amended Rule 385.2010(f) to this filing, PJM will post this filing on the day that it is filed with the Commission to the FERC filings section of its internet site, <http://www.pjm.com/documents/ferc.html>, and send an e-mail to all PJM members and all state utility regulatory commissions in the PJM Region notifying them that the filing is available by following such link.⁹ PJM is also serving electronic copies of this filing on all persons listed on the Commission's official service list for these proceedings.

Respectfully submitted,



Jacquelyn B. Hugee
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Norristown, Pennsylvania 19403
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⁸ *Id.* at P 2, *citing* 44 U.S.C. § 3504.

⁹ PJM already maintains, updates, and regularly uses e-mail lists for all Members and affected commissions.

REVISIONS TO PJM OPERATING AGREEMENT

Schedule 1

Clean Version

PJM Interconnection, L.L.C.
Third Revised Rate Schedule FERC No. 24

Substitute Fourth Revised Sheet No. 133
Superseding Fourth Revised Sheet No. 133

Each Financial Transmission Right acquired in a Financial Transmission Rights auction shall entitle the holder to credits of Transmission Congestion Charges for the period that was specified in the corresponding auction.

7.1A Long-Term Financial Transmission Rights Auctions.

7.1A.1 Auctions.

(i) Subsequent to each annual FTR auction conducted pursuant to Section 7.1 of Schedule 1 of this Agreement, the Office of the Interconnection shall conduct a long-term FTR auction for the three consecutive Planning Periods immediately subsequent to the Planning Period during which the long-term FTR auction is conducted.

(ii) The capacity offered for sale in long-term FTR auctions shall be the residual system capability after the Annual Auction Revenue Rights allocations and annual FTR auction. In determining the residual capability the Office of the Interconnection shall assume that all Auction Revenue Rights allocated in the immediately prior annual Auction Revenue Rights allocation process are self-scheduled into FTRs, which shall be modeled as fixed injections and withdrawals in the long-term FTR auction.

7.1A.2 Frequency and Timing.

The long-term FTR auction process shall consist of two rounds. During the transition period when the long-term FTR auction process will be phased into PJM's market operations, the initial first round of the auction shall be conducted by the Office of the Interconnection approximately eight months prior to the start of the three Planning Period term covered by the first long-term FTR auction. The second round of the auction shall be conducted approximately two months after the first round. Thereafter, the first round shall be conducted by the Office of the Interconnection approximately 11 months prior to the start of the three Planning Period term covered by the relevant long-term FTR auction and the second round shall be conducted approximately 4 months after the first round. In each round 50% of total capacity available in the long-term FTR auction shall be offered for sale. Eligible entities may submit bids to purchase and offers to sell FTRs at the start of the bidding period in each round. The bidding period shall be three business days ending at 1700 on the last day. PJM performs the FTR auction clearing analysis for each round and posts the auction results on the MUI within five business days after the close of the bidding period for each round.

7.1A.3 Products.

(i) The periods covered by long-term FTR auctions shall be: (1) any single Planning Period within the three Planning Period term covered by the relevant auction; and (2) the three Planning Period term covered by the relevant auction.

(ii) On-Peak, off-peak and 24-hour FTR obligations, as defined in Section 7.3.4 of Schedule 1 of this Agreement, shall be offered in long-term FTR auctions; FTR options shall not be offered.

7.1A.4 Participation Eligibility.

(i) To participate in long-term FTR auctions an entity shall be a PJM Member or a PJM Transmission Customer. Eligible entities may submit bids or offers in long-term FTR auctions, provided they own FTRs offered for sale.

7.1A.5 Specified Receipt and Delivery Points.

Eligible sources and sinks in long-term FTR auctions shall be limited to hubs, zones, aggregates, generators, and interface buses.

Issued By: Craig Glazer
Vice President, Federal Government Policy

Effective: July 28, 2008

Issued On: August 18, 2008

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER08-1016-000, issued July 25, 2008, 124 FERC ¶ 61,087.

REVISIONS TO PJM TARIFF

Appendix to Attachment K

Clean Version

PJM Interconnection, L.L.C.
 FERC Electric Tariff
 Sixth Revised Volume No. 1

Substitute Original Sheet No. 403B
 Superseding Original Sheet No. 403B

(ii) The capacity offered for sale in long-term FTR auctions shall be the residual system capability after the Annual Auction Revenue Rights allocations and annual FTR auction. In determining the residual capability the Office of the Interconnection shall assume that all Auction Revenue Rights allocated in the immediately prior annual Auction Revenue Rights allocation process are self-scheduled into FTRs, which shall be modeled as fixed injections and withdrawals in the long-term FTR auction.

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Attachment B

REVISIONS TO PJM OPERATING AGREEMENT

Schedule 1

Redline Version

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Superseding Fourth Revised Sheet No. 133

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Appendix to Attachment K

Redline Version

PJM Interconnection, L.L.C.
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Sixth Revised Volume No. 1

Substitute Original Sheet No. 403B
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