3.4.1 Plotting the Variable Resource Requirement Curves

The graph below illustrates the process for plotting the Variable Resource Requirement curves:

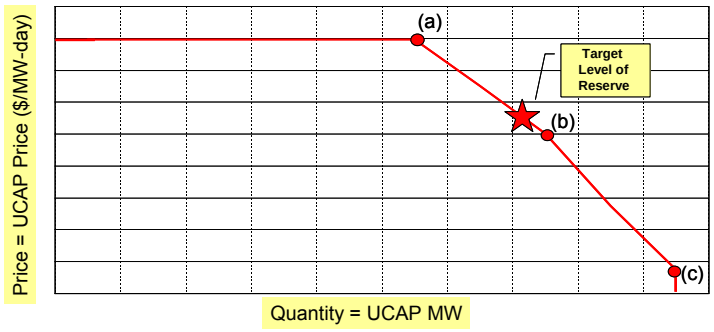

Exhibit 1: Illustrative Example of a Variable Resource Requirement Curve

The same process shall be used to establish the Variable Resource Requirement Curve for each LDA, except that the Locational Deliverability Area Reliability Requirement for such LDA shall be substituted for the PJM Region Reliability Requirement, and the LDA Short-Term Resource Procurement Target ~~(for 2012/2013 and beyond) or the Forecast Zonal ILR Obligation (for Delivery Years prior to 2012/2013)~~ for the Zones associated with such LDA shall be substituted for the ~~Forecast~~ RTO Short-Term Resource Procurement Target~~ILR Obligation~~ and the FRR adjustments will be for the FRR Entities in the LDA.

~~Beginning no later than for the Delivery Year 2015/2016, and continuing no later than for every third Delivery Year thereafter,~~ In 2014, PJM will perform a review of the shape of the Variable Resource Requirement Curve, CONE values, and Energy & Ancillary Services methodology~~.~~, and any changes resulting from this review will be incorporated into the BRA that is conducted in May 2015 for the 2018/2019 Delivery Year. Such a review will be conducted again in 2018 and every fourth year thereafter.

The Variable Resource Requirement Curve of Exhibit 1 will be further adjusted to reflect the impact of any PRD that is proposed in a PRD Plan and that is reviewed and accepted by PJM. To reflect accepted PRD Plans, the Variable Resource Requirement Curve will be shifted leftward along the horizontal axis by a quantity equal to the Nominal PRD Value multiplied by the FPR. This quantity represents the quantity of Unforced Capacity that would have been procured in the RTO on behalf of the PRD load but that is now not needed due to the PRD loads' commitment to reduce consumption. The curve will be shifted leftward in this manner only for those portions of the curve that are at or above the PRD Reservation Price, since the PRD load can be excluded only if the auction clears at or above that price. The Variable Resource Requirement Curve for each LDA in which the PRD resides (including the RTO curve) will be shifted in the exact same manner.