

Inertia Power, LP

Red Wolf Energy Trading, LLC

Executive Summary: This proposal builds on DC Energy's proposal to include balancing congestion to the numerator components currently under consideration by the stakeholders. The denominator in the proposal would include the following: incremental offers, decremental bids, Up-To Congestion transactions, generation (including alternate supply resources) and load (including demand response and exports). All netting is eliminated under this proposal and a portfolio fee for FTRs is added. This denominator is aimed at having as wide a number of participants paying into the pool as possible, consistent with PJM's goal at the outset of this process. A potential solution component we would particularly like feedback on is having load pay a higher fee but receive a credit, if they participate in the Day-Ahead market. The goal of this potential solution component is to incent load to bid in the Day-Ahead market and thus reduce overall cost.

There are three other components of the proposal we would like to bring to your attention. First, the true-up period is a six month timeframe to allow sufficient time to smooth out the curves of high volatility periods. The six month timeframe also allows us to capture high volatility months as well as shoulder months in the calculation. Second, we handle unusual circumstances by allocating 25% of the marginal line loss dollars as well as 25% of the any FTR surplus to a reserve fund. Last, we include an on-peak as well as an off-peak rate in our tiered structure.

The figures included in the proposal are preliminary and are based on the one standard deviation figures presented by PJM at the June 19th EMU meeting. In addition, we suggest maintaining a \$23 million reserve per month, which is the difference between the mean and one standard deviation. The figures for load and generation are not included because we wanted further feedback on the design of the components prior to including financial figures.