

Reminders of Applicable Deadlines for 2014/2015 2nd Incremental Auction

This communication is directed to Capacity Market Sellers that plan to offer Generation Capacity Resources into the Reliability Pricing Model (RPM) 2nd Incremental Auction for the 2014/2015 Delivery Year. As you are aware, as of December 17, 2012, PJM implemented new processes and deadline requirements relating to the submission of requests, documents and data related to Sell Offers for all RPM Auctions. As a courtesy, PJM is providing this notice to Capacity Market Sellers to remind them of these new deadlines and requirements, the majority of which are tied to the July 15, 2013 date on which the offer period for the 2nd Incremental Auction for the 2014/2015 Delivery Year is scheduled to commence.

These deadlines are also reflected in the PJM Open Access Transmission Tariff (Tariff), Attachment DD Sections 6.4 and 6.6 and Attachment M-Appendix Section II, and in the RPM Schedule posted on PJM's website at <http://www.pjm.com/~media/markets-ops/rpm/rpm-auction-info/rpm-auction-schedule.ashx>.

Activity	Deadline
<p>Capacity Market Seller submission to IMM and PJM of</p> <ul style="list-style-type: none"> • request for exception to Minimum Offer Price Rule (MOPR) • request to remove resource from Capacity Resource status • must-offer requirement exception request • data/documents to establish level of Market Seller Offer Cap (MSOC) 	<p>March 17, 2013</p> <p>(120 days prior to commencement of offer period for 2IA)</p>
<p>IMM notice to PJM and Capacity Market Seller of its determination</p> <ul style="list-style-type: none"> • of the appropriate level of MSOC, the calculation of Projected PJM Market Revenues and whether it believes a requested unit-specific Avoidable Cost Rate (ACR) is acceptable • whether resource satisfied criteria to qualify for exception to must-offer requirement • whether resource may be removed from Capacity Resource status • whether proposed Sell Offer under a MOPR exception request raises market power concerns • whether it objects to the inclusion of prices available to Existing Generation Capacity Resources in markets external to PJM that a Capacity Market Seller proposes to include in the MSOC 	<p>April 16, 2013</p> <p>(90 days prior to commencement of offer period for 2IA)</p>
<p>Capacity Market Seller notification to IMM and PJM</p> <ul style="list-style-type: none"> • whether it has reached agreement with IMM on level of MSOC, and if no agreement is reached specifying level of MSOC to which it commits 	<p>April 26, 2013</p> <p>(80 days prior to commencement of offer period)</p>

<ul style="list-style-type: none"> that it disagrees with IMM's determination of its request to remove a resource from Capacity Resource status 	for 2IA)
<p>PJM notification to Capacity Market Seller and IMM of its determination</p> <ul style="list-style-type: none"> whether to accept or reject MSOC / make determination of level of MSOC if IMM doesn't provide its determination by deadline whether must-offer exception request is accepted or denied whether resource may be removed from Capacity Resource status if IMM doesn't provide its determination by deadline whether the proposed Sell Offer under a MOPR exception request is acceptable and if not provide a calculation of an acceptable minimum Sell Offer 	<p>May 11, 2013</p> <p>(65 days prior to commencement of offer period for 2IA)</p>
<p>Capacity Market Seller notification to IMM and PJM whether it intends to exclude from its Sell Offer some or all capacity of its generation resource on the basis of an identified exception to the must-offer requirement</p>	<p>May 11, 2013</p> <p>(65 days prior to commencement of offer period for 2IA)</p>
<p>Capacity Market Seller notification to IMM and PJM of the minimum level of Sell Offer to which it agrees to commit under its MOPR exception</p>	<p>May 16, 2013</p> <p>(60 days prior to commencement of offer period for 2IA)</p>

All notifications and documentation that must be submitted by Capacity Market Sellers shall be emailed to PJM at rpm_hotline@pjm.com and to IMM at rpmacr@monitoringanalytics.com. Capacity Market Sellers' submission of data to support their MSOCs, Opportunity Costs and ACRs to the RPM/ACR system hosted by Monitoring Analytics for the July 2013 2IA shall also be deemed to satisfy the requirement for submission of such data to PJM.

Default for Missed Deadlines:

If the Capacity Market Seller fails to notify IMM and PJM of the MSOC it desires to utilize by no later than 80 days prior to the commencement of the offer period for the 2IA, the Capacity Market Seller will be required to utilize a MSOC determined using the applicable default ACR values less net revenues.

Sell Offers of a Capacity Market Seller that fails to submit a fully documented MOPR exception request at least 120 days prior to commencement of offer period for the 2IA shall be set to equal 90 percent of the applicable Net Asset Class Cost of New Entry (or set equal to 70 percent of such cost for a combustion turbine, where there is no otherwise applicable net asset class figure).

If a Capacity Market Seller doesn't request an exception to the must-offer requirement or to remove a resource from Capacity Resource Status at least 120 days prior to the commencement of the offer period for the 2IA, the Capacity Market Seller is required to submit a Sell Offer for such resource in the 2IA unless it has obtained from FERC a waiver of the requirement and an order granting the exception request. As further described in Section 6.6(g), (h) and (i) of Attachment DD, failure to submit a Sell Offer for such resource will also subject the Capacity Market Seller to limitations on its ability to participate in future RPM Auctions, and PJM and/or the IMM may also seek an order from FERC requiring the Capacity Market Seller to offer the resource into the 2IA or for other appropriate relief.

PJM cannot excuse failures to adhere to the Tariff-prescribed deadlines. In such cases, the Capacity Market Seller's recourse is to submit to FERC a request to waive the deadline or other requirement(s).

Final Determination of Requests:

Per Section 12A of the Tariff, PJM determines whether an offer, bid, components of an offer or bid, or decision not to offer a committed resource complies with the PJM Market Rules. PJM has the final authority to determine whether an offer, bid or decision not to offer a committed resource complies with the PJM Market Rules. PJM may accept an offer, bid or decision not to offer a committed resource regardless of whether the IMM has made a finding that such conduct raises market power concerns, unless FERC issues an order determining that the offer or bid must be rejected prior to the clearing of the relevant RPM Auction.

As the Tariff administrator, PJM has final approval of all requests for exceptions to the must-offer requirement and MOPR, alternative maximum EFORds and the level of the MSOC. However, PJM does not make determinations about market power, including, but not limited to, whether the level or value of inputs or a decision not to offer a committed resource involves the potential exercise of market power. Acceptance or rejection of an offer or bid by PJM does not include an evaluation of whether such offer or bid represents a potential exercise of market power.

As specified in Attachment M, Article IV, Section E-1, the IMM reviews all proposed Sell Offers and the level of offer or cost inputs to determine whether they raise market power concerns. The IMM determines whether a decision not to offer a resource is physical or economic withholding or otherwise involves a potential exercise of market power. In the event that a market participant determines to use an offer or cost input at a level or value that the IMM has found to involve a potential exercise of market power, the IMM may file a petition or initiate other regulatory proceedings addressing the issue.

Any questions regarding this communication should be directed to rpm_hotline@pjm.com and to IMM at rpmacr@monitoringanalytics.com.