

**Market Participation Risk Evaluation  
Enhancements**

**For MRC/MC Vote**

**March 26, 2020**

**Tariff, Attachment DD**

## **4. GENERAL PROVISIONS**

### **4.1 Capacity Market Sellers**

Only Capacity Market Sellers shall be eligible to submit Sell Offers into the Base Residual Auction and Incremental Auctions. Capacity Market Sellers shall comply with the terms and conditions of all Sell Offers, as established by the Office of the Interconnection in accordance with this Attachment [DD](#), [Tariff](#), Attachment M, [Tariff](#), Attachment M - Appendix and the Operating Agreement.

### **4.2 Capacity Market Buyers**

Only Capacity Market Buyers shall be eligible to submit Buy Bids into an Incremental Auction. Capacity Market Buyers shall comply with the terms and conditions of all Buy Bids, as established by the Office of the Interconnection in accordance with this Attachment [DD](#), [Tariff](#), Attachment M, [Tariff](#), Attachment M - Appendix and the Operating Agreement.

### **4.3 Agents**

A Capacity Market Seller may participate in a Base Residual Auction or Incremental Auction through an Agent, provided that the Capacity Market Seller informs the Office of the Interconnection in advance in writing of the appointment and authority of such Agent. A Capacity Market Buyer may participate in an Incremental Auction through an Agent, provided that the Capacity Market Buyer informs the Office of the Interconnection in advance in writing of the appointment and authority of such Agent. A Capacity Market Buyer or Capacity Market Seller participating in such an auction through an Agent shall be bound by all of the acts or representations of such Agent with respect to transactions in such auction. Any written instrument establishing the authority of such Agent shall provide that any such Agent shall comply with the requirements of this Attachment [DD](#) and the Operating Agreement.

### **4.4 General Obligations of Capacity Market Buyers and Capacity Market Sellers**

Each Capacity Market Buyer and Capacity Market Seller shall comply with all laws and regulations applicable to the operation of the Base Residual and Incremental Auctions and the use of these auctions shall comply with all applicable provisions of this Attachment [DD](#), [Tariff](#), Attachment M, [Tariff](#), Attachment M - Appendix, [Tariff](#), [Attachment Q](#), the Operating Agreement, and the Reliability Assurance Agreement, [Tariff](#), [Attachment K-Appendix](#), [section 1.4 and the parallel provisions of Operating Agreement, Schedule 1, section 1.4](#), and all procedures and requirements for the conduct of the Base Residual and Incremental Auctions and the PJM Region established by the Office of the Interconnection in accordance with the foregoing.

### **4.5 Confidentiality**

The following information submitted to the Office of the Interconnection in connection with any Base Residual Auction, Incremental Auction, Reliability Backstop Auction, or Capacity

Performance Transition Incremental Auction shall be deemed confidential information for purposes of Operating Agreement, sSection 18.17-~~of the Operating Agreement~~, Tariff, Attachment M and Tariff, Attachment M - Appendix: (i) the terms and conditions of the Sell Offers and Buy Bids; and (ii) the terms and conditions of any bilateral transactions for Capacity Resources.

#### **4.6 Bilateral Capacity Transactions**

(a) Unit-Specific Internal Capacity Bilateral Transaction Transferring All Rights and Obligations (“Section 4.6(a) Bilateral”).

(i) Market Participants may enter into unit-specific internal bilateral capacity contracts for the purchase and sale of title and rights to a specified amount of installed capacity from a specific generating unit or units. Such bilateral capacity contracts shall be for the transfer of rights to capacity to and from a Market Participant and shall be reported to the Office of the Interconnection in accordance with this Attachment DD and the Office of the Interconnection’s rules related to its eRPM tools.

(ii) For purposes of clarity, with respect to all Section 4.6(a) Bilateral transactions, the rights to, and obligations regarding, the capacity that is the subject of the transaction shall pass to the buyer under the contract at the location of the unit and further transactions and rights and obligations associated with such capacity shall be the responsibility of the buyer under the contract. Such obligations include any charges, including penalty charges, relating to the capacity under this Attachment DD. In no event shall the purchase and sale of the rights to capacity pursuant to a Section 4.6(a) Bilateral constitute a transaction with the Office of the Interconnection or PJMSettlement or a transaction in any auction under this Attachment DD.

(iii) All payments and related charges associated with a Section 4.6(a) Bilateral shall be arranged between the parties to the transaction and shall not be billed or settled by the Office of the Interconnection or PJMSettlement. The Office of the Interconnection, PJMSettlement, and the Members will not assume financial responsibility for the failure of a party to perform obligations owed to the other party under a Section 4.6(a) Bilateral reported to the Office of the Interconnection under this Attachment DD.

(iv) With respect to capacity that is the subject of a Section 4.6(a) Bilateral that has cleared an auction under this Attachment DD prior to a transfer, the buyer of the cleared capacity shall be considered in the Delivery Year the party to a transaction with PJMSettlement as Counterparty for the cleared capacity at the Capacity Resource Clearing Price published for the applicable auction.

(v) A buyer under a Section 4.6(a) Bilateral contract shall pay any penalties or charges associated with the capacity transferred under the contract. To the extent the capacity that is the subject of a Section 4.6(a) Bilateral contract has cleared an auction under this Attachment DD prior to a transfer, then the seller under the contract also shall guarantee and indemnify the Office of the Interconnection, PJMSettlement, and the Members for the buyer’s obligation to pay any penalties or charges associated with the capacity and for which payment is

not made to PJMSettlement by the buyer as determined by the Office of the Interconnection. All claims regarding a default of a buyer to a seller under a Section 4.6(a) Bilateral contract shall be resolved solely between the buyer and the seller.

(vi) To the extent the capacity that is the subject of the Section 4.6(a) Bilateral transaction already has cleared an auction under this Attachment DD, such bilateral capacity transactions shall be subject to the prior consent of the Office of the Interconnection and its determination that sufficient credit is in place for the buyer with respect to the credit exposure associated with such obligations.

(b) Bilateral Capacity Transaction Transferring Title to Capacity But Not Transferring Performance Obligations (“Section 4.6(b) Bilateral”).

(i) Market Participants may enter into bilateral capacity transactions for the purchase and sale of a specified megawatt quantity of capacity that has cleared an auction pursuant to this Attachment DD. The parties to a Section 4.6(b) Bilateral transaction shall identify (1) each unit from which the transferred megawatts are being sold, and (2) the auction in which the transferred megawatts cleared. Such bilateral capacity transactions shall transfer title and all rights with respect to capacity and shall be reported to the Office of the Interconnection on an annual basis prior to each Delivery Year in accordance with this Attachment DD and pursuant to the Office of the Interconnection’s rules related to its eRPM tools. Reported transactions with respect to a unit will be accepted by the Office of the Interconnection only to the extent that the total of all bilateral sales from the reported unit (including Section 4.6(a) Bilaterals, Section 4.6(b) Bilaterals, and Locational UCAP bilaterals) do not exceed the unit’s cleared unforced capacity.

(ii) For purposes of clarity, with respect to all Section 4.6(b) Bilateral transactions, the rights to the capacity shall pass to the buyer at the location of the unit(s) specified in the reported transaction. In no event shall the purchase and sale of the rights to capacity pursuant to a Section 4.6(b) Bilateral constitute a transaction with PJMSettlement or the Office of the Interconnection or a transaction in any auction under this Attachment DD.

(iii) With respect to a Section 4.6(b) Bilateral, the buyer of the cleared capacity shall be considered in the Delivery Year the party to a transaction with PJMSettlement as Counterparty for the cleared capacity at the Capacity Resource Clearing Price published for the applicable auction; provided, however, with respect to all Section 4.6(b) Bilateral transactions, such transactions do not effect a novation of the seller’s obligations to make RPM capacity available to PJM pursuant to the terms and conditions originally agreed to by the seller; provided further, however, the buyer shall indemnify PJMSettlement, the LLC, and the Members for any failure by a seller under a Section 4.6(b) Bilateral to meet any resulting obligations, including the obligation to pay deficiency penalties and charges owed to PJMSettlement, associated with the capacity.

(iv) All payments and related charges associated with a Section 4.6(b) Bilateral shall be arranged between the parties to the contract and shall not be billed or settled by the Office of the Interconnection or PJMSettlement. The Office of the Interconnection,

PJMSettlement, and the Members will not assume financial responsibility for the failure of a party to perform obligations owed to the other party under a Section 4.6(b) Bilateral capacity contract reported to the Office of the Interconnection under this Attachment DD.

(v) All claims regarding a default of a buyer to a seller under a Section 4.6(b) Bilateral shall be resolved solely between the buyer and the seller.

(c) Locational UCAP Bilateral Transactions Between Capacity Sellers.

(i) Market Participants may enter into Locational UCAP bilateral transactions which shall be reported to the Office of the Interconnection in accordance with this Attachment DD and the LLC's rules related to its eRPM tools.

(ii) For purposes of clarity, with respect to all Locational UCAP bilateral transactions, the rights to the Locational UCAP that are the subject of the Locational UCAP bilateral transaction shall pass to the buyer under the Locational UCAP bilateral contract subject to the provisions of [Tariff, Attachment DD](#), section 5.3A. In no event, shall the purchase and sale of Locational UCAP pursuant to a Locational UCAP bilateral transaction constitute a transaction with the Office of the Interconnection or PJMSettlement, or a transaction in any auction under this Attachment DD.

(iii) A Locational UCAP Seller shall have the obligation to make the capacity available to PJM in the same manner as capacity that has cleared an auction under this Attachment DD and the Locational UCAP Seller shall have all obligations for charges and penalties associated with the capacity that is the subject of the Locational UCAP bilateral contract; provided, however, the buyer shall indemnify PJMSettlement, the LLC, and the Members for any failure by a seller to meet any resulting obligations, including the obligation to pay deficiency penalties and charges owed to PJMSettlement, associated with the capacity. All claims regarding a default of a buyer to a seller under a Locational UCAP bilateral contract shall be resolved solely between the buyer and the seller.

(iv) All payments and related charges for the Locational UCAP associated with a Locational UCAP bilateral contract shall be arranged between the parties to such bilateral contract and shall not be billed or settled by the Office of the Interconnection or PJMSettlement. The LLC, PJMSettlement, and the Members will not assume financial responsibility for the failure of a party to perform obligations owed to the other party under a Locational UCAP bilateral contract reported to the Office of the Interconnection under this Attachment DD.

(d) The bilateral transactions provided for in this section 4.6 shall be for the physical transfer of capacity to or from a Market Participant and shall be reported to and coordinated with the Office of the Interconnection in accordance with this Attachment DD and pursuant to the Office of the Interconnection's rules relating to its eRPM tools. Bilateral transactions that do not contemplate the physical transfer of capacity to and from a Market Participant are not subject to this Attachment DD and shall not be reported to and coordinated with the Office of the Interconnection.

## 5.5 Eligibility for Participation in RPM Auctions

A Capacity Market Seller may submit a Sell Offer for a Capacity Resource in a Base Residual Auction, Incremental Auction, or Capacity Performance Transition Incremental Auction only if such seller owns or has the contractual authority to control the output or load reduction capability of such resource and has not transferred such authority to another entity prior to submitting such Sell Offer, and has satisfied all of the applicable requirements of Tariff, Attachment Q. Capacity Resources must satisfy the capability and deliverability requirements of Reliability Assurance Agreement, Schedules 9 and ~~10 of the PJM~~ Reliability Assurance Agreement, Schedule 10, the requirements for Demand Resources or Energy Efficiency Resources in Tariff, Attachment DD-1 and Reliability Assurance Agreement, Schedule 6 ~~of the Reliability Assurance Agreement~~, as applicable, and, for the 2018/2019 Delivery Year and subsequent Delivery Years, the criteria in section 5.5A below.

## 5.6 Sell Offers

Sell Offers shall be submitted or withdrawn via the internet site designated by the Office of the Interconnection, under the procedures and time schedule set forth in the PJM Manuals.

### 5.6.1 Specifications

A Sell Offer shall state quantities in increments of 0.1 megawatts and shall specify, as appropriate:

a) Identification of the Generation Capacity Resource, Demand Resource, Capacity Storage Resource or Energy Efficiency Resource on which such Sell Offer is based;

b) Minimum and maximum megawatt quantity of installed capacity that the Capacity Market Seller is willing to offer (notwithstanding such specification, the product offered shall be Unforced Capacity), or designate as Self-Supply, from a Generation Capacity Resource;

i) Price, in dollars and cents per megawatt-day, that will be accepted by the Capacity Market Seller for the megawatt quantity of Unforced Capacity offered from such Generation Capacity Resource.

ii) The Sell Offer may take the form of offer segments with varying price-quantity pairs for varying output levels from the underlying resource, but may not take the form of an offer curve with nonzero slope.

c) EFORd of each Generation Capacity Resource offered.

i) If a Capacity Market Seller is offering such resource in a Base Residual Auction, First Incremental Auction, Second Incremental Auction, or Conditional Incremental Auction occurring before the Third Incremental Auction, the Capacity Market Seller shall specify the EFORd to apply to the offer.

ii) If a Capacity Market Seller is committing the resource as Self-Supply, the Capacity Market Seller shall specify the EFORd to apply to the commitment.

iii) The EFORd applied to the Third Incremental Auction will be the final EFORd established by the Office of the Interconnection six (6) months prior to the Delivery Year, based on the actual EFORd in the PJM Region during the 12-month period ending September 30 that last precedes such Delivery Year.

d) The Nominated Demand Resource Value for each Demand Resource offered and the Nominated Energy Efficiency Value for each Energy Efficiency Resource offered. The Office of the Interconnection shall, in both cases, convert such value to an Unforced Capacity basis by multiplying such value by the DR Factor (for Delivery Years through May 31, 2018) times the Forecast Pool Requirement. Demand Resources shall specify the LDA in which the Demand Resource is located, including the location of such resource within any Zone that

includes more than one LDA as identified on [Reliability Assurance Agreement](#), Schedule 10.1 of ~~the RAA~~.

e) For Delivery Years through May 31, 2018, a Demand Resource with the potential to qualify as two or more of a Limited Demand Resource, Extended Summer Demand Resource or Annual Demand Resource may submit separate but coupled Sell Offers for each Demand Resource type for which it qualifies at different prices and the auction clearing algorithm will select the Sell Offer that yields the least-cost solution. For such coupled Demand Resource offers, the offer price of an Annual Demand Resource offer must be at least \$.01 per MW-day greater than the offer price of a coupled Extended Summer Demand Resource offer and the offer price of a Extended Summer Demand Resource offer must be at least \$.01 per MW-day greater than the offer price of a coupled Limited Demand Resource offer.

f) For a Qualifying Transmission Upgrade, the Sell Offer shall identify such upgrade, and the Office of the Interconnection shall determine and certify the increase in CETL provided by such upgrade. The Capacity Market Seller may offer the upgrade with an associated increase in CETL to an LDA in accordance with such certification, including an offer price that will be accepted by the Capacity Market Seller, stated in dollars and cents per megawatt-day as a price difference between a Capacity Resource located outside such an LDA and a Capacity Resource located inside such LDA; and the increase in CETL into such LDA to be provided by such Qualifying Transmission Upgrade, as certified by the Office of the Interconnection.

g) For the 2018/2019 and 2019/2020 Delivery Years, each Capacity Market Seller owning or controlling a resource that qualifies as both a Base Capacity Resource and a Capacity Performance Resource may submit separate but coupled Sell Offers for such resource as a Base Capacity Resource and as a Capacity Performance Resource, at different prices, and the auction clearing algorithm will select the Sell Offer that yields the least-cost solution. Submission of a coupled Base Capacity Resource Sell Offer shall be mandatory for any Capacity Performance Resource Sell Offer that exceeds a Sell Offer Price equal to the applicable Net Cost of New Entry times the Balancing Ratio as provided for in [Tariff, Attachment DD](#), section 6.4. For such coupled Sell Offers, the offer price of a Capacity Performance Resource offer must be at least \$.01 per MW-day greater than the offer price of a coupled Base Capacity Resource offer.

(h) For the 2018/2019 Delivery Year and subsequent Delivery Years, a Capacity Market Seller that owns or controls one or more Capacity Storage Resources, Intermittent Resources, Demand Resources, or Energy Efficiency Resources may submit a Sell Offer as a Capacity Performance Resource in a MW quantity consistent with their average expected output during peak-hour periods. Alternatively, for the 2018/2019 Delivery Year and subsequent Delivery Years, a Capacity Market Seller that owns or controls one or more Capacity Storage Resources, Intermittent Resources, Demand Resources, Energy Efficiency Resources, or Environmentally-Limited Resources may submit a Sell Offer which represents the aggregated Unforced Capacity value of such resources, where such Sell Offer shall be considered to be located in the smallest modeled LDA common to the aggregated resources. Such aggregated resources shall be owned by or under contract to the Capacity Market Seller, including all such resources obtained through bilateral contract and reported to the Office of the Interconnection in accordance with the Office of the Interconnection's rules related to its eRPM tools. For the 2018/2019 and 2019/2020 Delivery Years, any such offer may be submitted as Capacity

Performance Resource, Base Capacity Resource, or as a coupled offer for Capacity Performance Resource and Base Capacity Resource, provided that, for any such coupled Sell Offers, the offer price of a Capacity Performance Resource offer must be at least \$.01 per MW-day greater than the offer price of a coupled Base Capacity Resource offer. For the 2020/2021 Delivery Year and subsequent Delivery Years, any such offer must be submitted as a Capacity Performance Resource.

(i) For the 2020/2021 Delivery Year and subsequent Delivery Years, a Capacity Market Seller that owns or controls a resource that qualifies as a Summer-Period Capacity Performance Resource may submit a Sell Offer as a Capacity Performance Resource in a MW quantity consistent with the average expected output of such resource during peak-hour periods, and may submit a separate Sell Offer as a Summer-Period Capacity Performance Resource in a MW quantity consistent with the average expected output of such resource during summer peak-hour periods, provided the total Sell Offer MW quantity submitted as both a Capacity Performance Resource and a Summer-Period Capacity Performance Resource does not exceed the Unforced Capacity value of the resource. For the 2020/2021 Delivery Year and subsequent Delivery Years, a Capacity Market Seller that owns or controls a resource that qualifies as a Winter-Period Capacity Performance Resource may submit a Sell Offer as a Capacity Performance Resource in a MW quantity consistent with the average expected output of such resource during peak-hour periods, and may submit a separate Sell Offer as a Winter-Period Capacity Performance Resource in a MW quantity consistent with the average expected output of such resource during winter peak-hour periods, provided the total Sell Offer MW quantity submitted as both a Capacity Performance Resource and a Winter-Period Capacity Performance Resource does not exceed the Unforced Capacity value of the resource. Each segment of a Seasonal Capacity Performance Resource Sell Offer must be submitted as a flexible Sell Offer segment with the minimum MW quantity offered set to zero.

### **5.6.2 Compliance with PJM Credit Risk Management Policy**

Capacity Market Sellers shall comply with the provisions of the PJM Credit Risk Management Policy as set forth in Tariff, Attachment Q ~~to this Tariff~~, including the provisions specific to the Reliability Pricing Model, prior to submission of Sell Offers in any Reliability Pricing Model Auction. A Capacity Market Seller desiring to submit a Credit-Limited Offer shall specify in its Sell Offer the maximum auction credit requirement, in dollars, and the maximum amount of Unforced Capacity, in megawatts, applicable to its Sell Offer.

### **5.6.3 [reserved]**

### **5.6.4 Qualifying Transmission Upgrades**

A Qualifying Transmission Upgrade may not be the subject of any Sell Offer in a Base Residual Auction unless it has been approved by the Office of the Interconnection, including certification of the increase in Import Capability to be provided by such Qualifying Transmission Upgrade, no later than 45 days prior to such Base Residual Auction. No such approval shall be granted unless, at a minimum, a Facilities Study Agreement has been executed with respect to such upgrade, and such upgrade conforms to all applicable standards of the Regional Transmission Expansion Plan process.

### 5.6.5 Market-based Sell Offers

Subject to [Tariff, Attachment DD](#), section 6, a Market Seller authorized by FERC to sell electric generating capacity at market-based prices, or that is not required to have such authorization, may submit Sell Offers that specify market-based prices in any Base Residual Auction or Incremental Auction.

### 5.6.6 Availability of Capacity Resources for Sale

(a) The Office of the Interconnection shall determine the quantity of megawatts of available installed capacity that each Capacity Market Seller must offer in any RPM Auction pursuant to [Tariff, Attachment DD](#), ~~sSection 6.6-of Attachment DD~~, through verification of the availability of megawatts of installed capacity from: (i) all Generation Capacity Resources owned by or under contract to the Capacity Market Seller, including all Generation Capacity Resources obtained through bilateral contract; (ii) the results of prior Reliability Pricing Model Auctions, if any, for such Delivery Year (including consideration of any restriction imposed as a consequence of a prior failure to offer); and (iii) such other information as may be available to the Office of the Interconnection. The Office of the Interconnection shall reject Sell Offers or portions of Sell Offers for Capacity Resources in excess of the quantity of installed capacity from such Capacity Market Seller's Capacity Resource that it determines to be available for sale.

(b) The Office of the Interconnection shall determine the quantity of installed capacity available for sale in a Base Residual Auction or Incremental Auction as of the beginning of the period during which Buy Bids and Sell Offers are accepted for such auction, as applicable, in accordance with the time schedule set forth in the PJM Manuals. Removal of a resource from Capacity Resource status shall not be reflected in the determination of available installed capacity unless the associated unit-specific bilateral transaction is approved, the designation of such resource (or portion thereof) as a network resource for the external load is demonstrated to the Office of the Interconnection, or equivalent evidence of a firm external sale is provided prior to the deadline established therefor. The determination of available installed capacity shall also take into account, as they apply in proportion to the share of each resource owned or controlled by a Capacity Market Seller, any approved capacity modifications, and existing capacity commitments established in a prior RPM Auction, an FRR Capacity Plan, Locational UCAP transactions and/or replacement capacity transactions under this Attachment DD. To enable the Office of the Interconnection to make this determination, no bilateral transactions for Capacity Resources applicable to the period covered by an auction will be processed from the beginning of the period for submission of Sell Offers and Buy Bids, as appropriate, for that auction until completion of the clearing determination for such auction. Processing of such bilateral transactions will reconvene once clearing for that auction is completed. A Generation Capacity Resource located in the PJM Region shall not be removed from Capacity Resource status to the extent the resource is committed to service of PJM loads as a result of an RPM Auction, FRR Capacity Plan, Locational UCAP transaction and/or by designation as a replacement resource under this Attachment DD.

(c) In order for a bilateral transaction for the purchase and sale of a Capacity Resource to be processed by the Office of the Interconnection, both parties to the transaction must notify the Office of the Interconnection of the transfer of the Capacity Resource from the

seller to the buyer in accordance with procedures established by the Office of the Interconnection and set forth in the PJM Manuals. If a material change with respect to any of the prerequisites for the application of this ~~S~~section 5.6.6 to the Generation Capacity Resource occurs, the Capacity Resource Owner shall immediately notify the Market Monitoring Unit and the Office of the Interconnection.