

Operating Agreement (and corresponding OATT section)

Section 8.8

8.8 Market Settlements

Payment for reducing load is based on the actual kWh relief provided plus the adjustment for losses, subject to the Reporting and Compliance provisions below. The minimum duration of a load reduction request is one hour. The magnitude of capacity relief provided by Full Program Option participants shall be the amount determined in accordance with the Reporting and Compliance provisions below. The magnitude of relief provided by Energy Only Option participants, and the magnitude of energy relief provided by Full Program Option participants, may be less than, equal to, or greater than the kW amount declared on the Emergency Registration Form. Compensation will be provided for reductions in energy consumption during emergency events by Full Program Option participants and Energy Only Option participants regardless of whether the participant's load during the event exceeds its peak load contribution for the applicable Delivery Year.

PJM Settlement pays the applicable LMP to the PJM Member that nominates the load. Payment will be equal to the measured energy load reduction adjusted for losses times the applicable LMP. The measured energy load reduction for locations with approved Economic Load Response registrations prior to ~~a Load Management Event~~emergency energy settlement submission that have an economic CBL different than the maximum base load as defined in the PJM Manual will use the associated economic CBL to determine the energy load reduction unless the locations on the Emergency Load Response registration are not the same locations as those included on the Economic Load Response registration. If, at the time that a Load Management Event or emergency event is initiated by PJM, an end-use customer is already responding economically (i.e., pursuant to the Economic Load Response rules) and economic CBL is based on Symmetric Additive Adjustment, then the CBL calculated based on the Symmetric Additive Adjustment period prior to the economic event will be used. Locations that do not have an approved Economic Load Response registration prior to ~~a Load Management Event~~submission of emergency energy settlement by the Curtailment Service Provider will use the Customer Baseline Load as defined in section 3.3A.2 and associated Symmetric Additive Adjustment as defined in section 3.3A.2~~measured load the hour before the load reduction~~unless an alternative CBL is approved pursuant to section 3.3A.2.01 as the CBL to determine the energy load reduction.

If, however, the sum of the hourly energy payments to a Curtailment Service Provider with a Demand Resource dispatched by PJM for actual, achieved reductions is not greater than or equal to the offer value (i.e. Minimum Dispatch Price and shut down costs) then the Curtailment Service Provider will be made whole up to the offer value for its actual, achieved reductions for the Demand Resource.

Locations on Economic Load Response registrations dispatched in the Real-time Energy Market or cleared in the Day-ahead Energy Market that are also included on an Emergency Load Response and Pre-Emergency Load Response registration as Full Program Option, and that have also been dispatched as part of an emergency event for the same hour (i.e., have an "overlapping dispatch hour") will be compensated for energy based on emergency energy settlement and cost allocation rules as set forth in this section and in the PJM Manuals. Overlapping dispatch hours will use shutdown costs based on what was considered for the economic event, and no balancing Operating Reserve charges will be assessed for deviations from real-time dispatch amounts or from cleared day-ahead commitments. To avoid duplicative energy payments, overlapping dispatch hours for an aggregate registration (i.e.,

multiple locations on the same registration) or dispatch groups where locations on the Emergency Load Response and Pre-Emergency Load

Response registration are not the same locations as those on the Economic Load Response registration will have hourly economic energy load reduction and/or hourly emergency energy load reduction prorated based on load reduction capability provided by the Curtailment Service Provider for the locations.

The Curtailment Service Provider will only submit energy settlements for Load Management Events that occur outside the product specific availability period as defined for each product specified in the Reliability Assurance Agreement if the Curtailment Service Provider has confirmed that the registration did take action to reduce load or the registration reflects the entire group of mass market customers for which an energy settlement will either be submitted for all or none of the mass market customers, as approved by PJM. The Curtailment Service Provider will only submit energy settlements for each registration for Load Management Events that occur during the product specific availability period as defined for each product in the Reliability Assurance Agreement if the Curtailment Service Provider also provides associated load data for each registration in order to calculate that registration's capacity compliance.

Full Program Option participants that fail to provide a load reduction (as measured as set forth in the Reporting and Compliance provisions below) when dispatched by PJM shall be assessed penalties and/or charges as specified in Attachment DD of the PJM Tariff and the Reliability Assurance Agreement, as applicable.

During emergency conditions, costs for emergency purchases in excess of LMP are allocated among PJM Market Buyers in proportion to their increase in net purchases minus real-time dispatch reduction megawatts from the PJM energy market during the hour in the Real-time Energy Market compared to the Day-ahead Energy Market. Consistent with this pricing methodology, all charges under the Emergency Load Response and Pre-Emergency Load Response Programs are allocated to purchasers of energy, in proportion to their increase in net purchases minus real-time dispatch reduction megawatts from the PJM energy market during the hour from day-ahead to real-time.

Emergency Load Response and Pre-Emergency Load Response Program charges and credits will appear on the PJM Members monthly bill, as described in the PJM Manual for Operating Agreement Accounting and the PJM Manual for Billing.

Manual Changes – Manual 11, section 10.4.2 and 10.4.5

10.4.2 Customer Base Line (CBL)

11) Adjustments. ~~Symmetric Additive Adjustment is CBL average usage for Event Day divided by Adjustment Basis Hours for same hours.~~ The Symmetric Additive Adjustment is the difference between: Average usage during the adjustment basis hours on the event day, and the average usage during the adjustment basis hours for the unadjusted CBL. This value is added to the unadjusted CBL to obtain the final adjusted CBL. Weather Sensitivity

Adjustment compares difference is average weather over CBL days to weather on event day and then calculates adjustment based on weather sensitivity as described in this manual.

10.4.5 Emergency and Pre-Emergency Energy Settlements

The CSP is responsible for providing all necessary information for each EDC account number unless otherwise approved by PJM for energy settlement. Locations with approved economic registration prior to a Load Management Event that have an economic CBL different than the maximum base load as defined in PJM Manual~~emergency or pre-emergency energy settlement submission~~ will use the associated economic CBL to determine the energy load reduction subject to the following:

A registration that is already responding to a PJM economic event where the economic CBL is based on SAA will use a SAA period prior to economic and emergency or pre-emergency event.

Locations that do not have an approved economic registration prior to a Load Management Event and have an economic CBL different than the maximum base load~~submission of emergency or pre-emergency energy settlement by the CSP~~ will use the CBL as defined in section 3.3A.2 and associated Symetric Additive Adjustment as defined in section 3.3A.2, measured load the hour before the load reduction ("hour before CBL") as the CBL unless an alternative CBL is approved pursuant to section 3.3A.2.01 to determine the energy load reduction.

Locations on economic registrations dispatched in the real time energy market or cleared in Day-Ahead energy market that are also included on an Emergency or Pre-Emergency full registration and have been dispatched as part of an emergency event for the same hour ("overlapping dispatch hour") will be compensated for energy based on emergency energy settlement and cost allocation rules as outlined in this section, and PJM manuals. Overlapping dispatch hours will use shutdown cost-based on what was considered for the economic event and no balancing operating reserve charges will be assessed for deviations from real time dispatch amount or from cleared Day-Ahead amount. Overlapping dispatch hours for aggregate registrations (multiple locations on same registration) or Dispatch Groups where locations on Emergency or Pre-Emergency registration are not the same as locations on the economic registration will have hourly economic energy load reduction with associated cleared Day-Ahead or real time dispatch amount and/or hourly emergency energy load reduction prorated based on load reduction capability provided by the Curtailment Service Provider for the location to avoid duplicative energy payment and appropriate balancing operating reserve charges, as applicable.

Emergency and Pre-Emergency registration dispatched by PJM for less than 1 hour will be eligible for compensation for 1 hour (ie: minimum run time is 1 hour)

The Curtailment Service Provider will only submit energy settlements for Load Management Events that occur outside the product specific availability period as defined for each product specified in the Reliability Assurance Agreement if the Curtailment Service Provider has confirmed that the registration did take action to reduce load or the registration reflects the entire group of mass market customers for which an energy settlement will either be submitted for all or none of the mass market customers, as approved by PJM. Curtailment Service Provider confirmation may include email, voicemail, letter or other form of confirmation that indicates the registration took actions to reduce load in response to PJM dispatch. The Curtailment Service Provider will only submit energy settlements for each registration for Load Management Events that occur during the product specific availability period as defined for each product in the Reliability Assurance Agreement if the Curtailment Service Provider also provides associated load data for each registration in order to calculate that registration's capacity compliance.