

OATT OPEN ACCESS TRANSMISSION TARIFF - OATT VI. ADMINISTRATION AND STUDY OF NEW SERVICE R - OATT ATTACHMENT DD - OATT ATTACHMENT DD.11. DEMAND RESOURCE AND ILR COM

11. DEMAND RESOURCE AND ILR COMPLIANCE PENALTY CHARGE

(a) The Office of the Interconnection shall separately evaluate compliance of each Demand Resource committed and each nominated ILR resource certified for a Delivery Year, in accordance with procedures set forth in the PJM Manuals. The compliance is evaluated separately by event in each Zone for Demand Resources and ILR resources dispatched by the Office of Interconnection. To the extent an ILR resource or Demand Resource cannot respond, another ILR resource or Demand Resource in the same geographic location defined by the PJM dispatch instruction with the same designated lead time and comparable capacity commitment may be substituted. Any Demand Resource or ILR resource used as a substitute during an event will have the same obligation to respond to future event(s) as if it did not respond to such event. Capacity Market Sellers that committed Demand Resources, Locational UCAP Sellers that sold Demand Resources, and ILR Providers that nominated ILR for a Delivery Year that cannot demonstrate the hourly performance of such resource in real-time based on the capacity commitment or ILR certification shall be assessed a Demand Resource and ILR Compliance Penalty Charge; provided, however, that such under compliance shall be determined on an aggregate basis for all Demand Resources and ILR committed by the same Capacity Market Seller, same Locational UCAP Seller, or same ILR Provider in a single Zone. To the extent a Capacity Market Seller is also an ILR Provider, compliance of all Demand Resources committed and ILR resources certified in the same Zone will be evaluated in aggregate.

(b) The Demand Resource and ILR Compliance Penalty Charge for a Capacity Market Seller/ILR Provider in a Zone for the on-peak period, which includes all hours specified in the Reliability Assurance Agreement definition of the Limited Demand Resource, shall equal the lesser of (1/the number of load management events during the year, or 0.50) times the weighted daily revenue rate for such seller/provider, multiplied by the net under-compliance in such on-peak period, if any, for such seller/provider resulting from all resources it has committed and ILR it has certified for such Delivery Year for such Zone for each load reduction event called by the Office of the Interconnection. The Demand Resource and ILR Compliance Penalty Charge for a Capacity Market Seller/ILR Provider in a Zone for the off-peak period, which includes all hours specified in the Reliability Assurance Agreement definitions of Extended Summer Demand Resource or Annual Demand Resource, but does not included in the on-peak period, shall equal 1/52 times the weighted daily revenue rate for such seller/provider, multiplied by the net undercompliance in such off-peak period, if any, for such seller/provider resulting from all resources it has committed and ILR it has certified for such Delivery Year for such Zone for each load reduction event called by the Office of the Interconnection. If a load management event is comprised of both an on-peak period and an off-peak period then such Demand Resource and ILR Compliance Penalty Charge will be the higher of the charges calculated under the prior two sentences. The total Compliance Penalty Charge for the Delivery Year is not to exceed the annual revenue

received for such resources. The net undercompliance for each such load reduction event shall be the following megawatt quantity, converted to an Unforced Capacity basis using the applicable DR Factor and Forecast Pool Requirement: (i) the megawatts of load reduction capability committed and/or ILR certified by such seller/provider on the day of the Load Management event minus (ii) the megawatts of load reduction actually provided by all such Demand Resources and ILR during such reduction event. A provider's net undercompliance in a Zone shall be reduced by the provider's total amount of Capacity Resource deficiency shortfalls on the day of the Load Management event, determined pursuant to section 8 of Attachment DD of this Tariff, in a Zone for the provider's committed Demand Resources. The daily revenue rate for a Demand Resource shall be the Resource Clearing Price that the resource received in the auction in which it cleared, including any adjustment pursuant to Attachment DD-1, section C of this Tariff. The daily revenue rate for an ILR resource shall be the Final Zonal ILR Price. The weighted daily revenue rate for a Capacity Market Seller/ILR Provider shall be the average rate for all cleared Demand Resources and certified ILR, weighted by the megawatts cleared or certified at each price. The total charge per megawatt that may be assessed on a Capacity Market Seller/ILR Provider in a Delivery Year shall be capped at the weighted daily revenue rate the Capacity Market Seller/ILR Provider would receive in the Delivery Year. The Demand Resource and ILR Compliance Penalty Charges for a Load Management event are assessed daily and initially billed by the later of the month of October during such Delivery Year or the third billing month following the Load Management event that gave rise to such charge. The initial billing for a Load Management event will reflect the amounts due from the start of the Delivery Year to the last day that is reflected in the initial billing. The remaining charges for such Load Management event will be assessed daily and billed monthly through the remainder of the Delivery Year.

c) Daily revenues from assessment of a Demand Resource and ILR Compliance Penalty Charge shall be distributed on a pro-rata basis to Demand Resource Providers, Locational UCAP Sellers, and ILR Providers that provided load reductions in excess of the amount such resources were committed or certified to provide. Such revenue distribution, however, shall not exceed for any Capacity Market Seller/ILR Provider the quantity of excess megawatts provided by such Capacity Market Seller/ILR Provider during a single event times 0.20 times the weighted daily revenue rate for such Capacity Market Seller/ILR Provider. To the extent any such revenues remain after such distribution, the remaining revenues shall be distributed to LSEs based on each LSE's Daily Unforced Capacity Obligation.