

OATT Attachment K – Appendix / Schedule 1 of Operating Agreement

1.3.31.01A Residual Metered Load.

“Residual Metered Load” shall mean all load remaining in an electric distribution company’s fully metered franchise area(s) or service territory(ies) after all nodally priced load of entities serving load in such area(s) or territory(ies) has been carved out.

5.2.3 Target Allocation of Transmission Congestion Credits.

A Target Allocation of Transmission Congestion Credits for each entity holding a Financial Transmission Right shall be determined for each Financial Transmission Right. Each Financial Transmission Right shall be multiplied by the Day-ahead Congestion Price differences for the receipt and delivery points associated with the Financial Transmission Right, calculated as the Day-ahead Congestion Price at the delivery point(s) minus the Day-ahead Congestion Price at the receipt point(s). For the purposes of calculating Transmission Congestion Credits, the Day-ahead Congestion Price of a Zone is calculated as the sum of the Day-ahead Congestion Price of ~~each~~ the busses that comprises the Zone multiplied by the percent of annual peak load assigned to each node in the Zone. Commencing with the 2015/2016 Delivery Year, for the purposes of calculating Transmission Congestion Credits, the Day-ahead Congestion Price of a Residual Metered Load aggregate is calculated as the sum of the Day-ahead Congestion Price of each bus that comprises the Residual Metered Load aggregate multiplied by the percent of the annual peak residual load assigned to each bus that comprises the Residual Metered Load aggregate. When the FTR Target Allocation is positive, the FTR Target Allocation is a credit to the FTR holder. When the FTR Target Allocation is negative, the FTR Target Allocation is a debit to the FTR holder if the FTR is a Financial Transmission Right Obligation. When the FTR Target Allocation is negative, the FTR Target Allocation is set to zero if the FTR is a Financial Transmission Right Option. The total Target Allocation for Network Service Users and Transmission Customers for each hour shall be the sum of the Target Allocations associated with all of the Network Service Users’ or Transmission Customers’ Financial Transmission Rights.

7.4.2 Auction Revenue Rights.

(b) In stage 1A of the allocation process, each Network Service User may request Auction Revenue Rights for a term covering ten consecutive PJM Planning Periods beginning with the immediately ensuing PJM Planning Period from a subset of the historical generation resources that were designated to be delivered to load based on the historical reference year for the Zone, and each Qualifying Transmission Customer (as defined in subsection (f) of this section) may request Auction Revenue Rights based on the megawatts of firm service provided between the receipt and delivery points as to which the Transmission Customer had Point-to-Point Transmission Service during the historical reference year. The historical reference year for all Zones shall be 1998, except that the historical reference year shall be: 2002 for the Allegheny Power and Rockland Electric Zones; 2004 for the AEP East, The Dayton Power & Light Company and Commonwealth Edison Company Zones; 2005 for the Virginia Electric and Power Company and Duquesne Light Company Zones; 2011 for the ATSI Zone; and the Office of the Interconnection shall specify a historical reference year for a new PJM zone corresponding to the year that the zone is integrated into the PJM Interchange Energy Market. For stage 1, the Office of the Interconnection shall determine a set of eligible historical generation resources for each Zone based on the historical reference year and

assign a pro rata amount of megawatt capability from each historical generation resource to each Network Service User in the Zone based on its proportion of peak load in the Zone. Auction Revenue Rights shall be allocated to each Network Service User in a Zone from each historical generation resource in a number of megawatts equal to or less than the amount of the historical generation resource that has been assigned to the Network Service User. Each Auction Revenue Right allocated to a Network Service User shall be to the ~~aggregate load buses~~ Energy Settlement Area of such Network Service User in a Zone or, with respect to Non-Zone Network Load, to the border of the PJM Region. In stage 1A of the allocation process, the sum of each Network Service User's allocated Auction Revenue Rights for a Zone must be equal to or less than the Network Service User's pro-rata share of the Zonal Base Load for that Zone.

Each Network Service User's pro-rata share of the Zonal Base Load shall be based on its proportion of peak load in the Zone. The sum of each Network Service User's Auction Revenue Rights for Non-Zone Network Load must be equal to or less than fifty percent (50%) of the Network Service User's transmission responsibility for Non-Zone Network Load as determined under Section 34.1 of the Tariff. The sum of each Qualifying Transmission Customer's Auction Revenue Rights must be equal to or less than fifty percent (50%) of the megawatts of firm service provided between the receipt and delivery points as to which the Transmission Customer had Point-to-Point Transmission Service during the historical reference year. If stage 1A Auction Revenue Rights are adversely affected by any new or revised statute, regulation or rule issued by an entity with jurisdiction over the Office of the Interconnection, the Office of the Interconnection shall, to the greatest extent practicable, and consistent with any such statute, regulation or rule change, preserve the priority of the stage 1A Auction Revenue Rights for a minimum period covering the ten (10) consecutive PJM Planning Periods ("Stage 1A Transition Period") immediately following the implementation of any such changes, provided that the terms of all stage 1A Auction Revenue Rights in effect at the time the Office of the Interconnection implements the Stage 1A Transition Period shall be reduced by one PJM Planning Period during each annual stage 1A Auction Revenue Rights allocation performed during the Stage 1A Transition Period so that all stage 1A Auction Revenue Rights that were effective at the start of the Stage 1A Transition Period expire at the end of that period.

(d) In stage 2 of the allocation process, the Office of the Interconnection shall conduct an iterative allocation process that consists of three rounds with up to one third of the remaining system Auction Revenue Rights capability allocated in each round. Each round of this allocation process will be conducted sequentially with Network Service Users and Transmission Customers being given the opportunity to view results of each allocation round prior to submission of Auction Revenue Right requests into the subsequent round. In each round, each Network Service User shall designate a subset of buses from which Auction Revenue Rights will be sourced. Valid Auction Revenue Rights source buses include only Zones, generators, hubs and external Interface Pricing Points. The Network Service User shall specify the amount of Auction Revenue Rights requested from each source bus. Each Auction Revenue Right shall be sunk to the ~~aggregate load buses~~ Energy Settlement Area of the Network Service User in a Zone or, with respect to Non-Zone Network Load, to the border of the PJM Region. The sum of each Network Service User's Auction Revenue Rights requests in each stage 2 allocation round for each Zone must be equal to or less than one third of the difference between the Network Service User's peak load for that Zone as determined pursuant to Section 7.4.2(b) and the sum of its Auction Revenue Right Allocation from stages 1A and 1B of the allocation process for that Zone. The stage 2 allocation to Transmission Customers shall be as set forth in subsection (f).

OATT part III

31.7 **Establishing and** Changing Network Load Energy Settlement Area Definitions:

Prior to the 2015/2016 Delivery Year, the Energy Settlement Area for a Network Customer's Network Load in a given electric distribution company's fully metered franchise area(s) or service territory(ies) shall be the aggregate load buses in a Zone or, with respect to Non-Zone Network Load, to the border of the PJM Region, unless the Network Customer defines a more specific Energy Settlement Area in accordance with the procedures set forth in the PJM Manuals. Commencing with the 2015/2016 Delivery Year, the Energy Settlement Area for a Network Customer's Network Load in a given electric distribution company's fully metered franchise area(s) or service territory(ies) shall be the aggregate load buses specifying the Residual Metered Load distribution for that franchise area(s) or service territory(ies) unless the Network Customer defines a more specific Energy Settlement Area in accordance with the procedures set forth in the PJM Manuals.

A ~~n~~Network Customer ~~receiving transmission service pursuant to Attachment F of this Tariff~~ may change the definition of its existing Network Load Energy Settlement Area in accordance with the procedures set forth in the PJM Manuals and the Network Customer's existing rights under the Tariff. Notwithstanding any other relevant provision(s) of this Tariff, advance notice of any such change described in the PJM Manuals must be provided to the Transmission Provider and the effective date of such change shall coincide with the first day of a Planning Period, as defined in the Operating Agreement. If system upgrades are required to effect a Network Load Energy Settlement Area change, all required upgrades shall be completed prior to the requested effective date of the change; if all required system upgrades are not completed prior to the requested effective date, the effective date shall be the first day of the Planning Period that immediately follows completion of all system upgrades.

A ~~Network Integration Transmission Service customer receiving transmission service pursuant to Attachment F of this Tariff~~Network Customer may not change the definition of its existing Network Load Energy Settlement Area to a less specific ~~Energy s~~Settlement ~~a~~Area, except in circumstances where there has been a physical change to the relevant transmission system infrastructure, as set forth in the PJM Manuals, such that settlement according to the previously defined Energy Settlement Area is no longer possible.