

Attachment K-Appendix of the Tariff / Schedule 1 of the Operating Agreement

1.10.1 General.

(a) The Office of the Interconnection shall administer scheduling processes to implement a Day-ahead Energy Market and a Real-time Energy Market. PJMSettlement shall be the Counterparty to the purchases and sales of energy that clear the Day-ahead Energy Market and the Real-time Energy Market; provided that PJMSettlement shall not be a contracting party to bilateral transactions between Market Participants or with respect to a Generating Market Buyer's self-schedule or self-supply of its generation resources up to that Generating Market Buyer's Equivalent Load.

(b) The Day-ahead Energy Market shall enable Market Participants to purchase and sell energy through the PJM Interchange Energy Market at Day-ahead Prices and enable Transmission Customers to reserve transmission service with Transmission Congestion Charges and Transmission Loss Charges based on locational differences in Day-ahead Prices. ~~Up-to Congestion †Transactions~~ submitted in the Day-ahead Energy Market shall not require transmission service and Transmission Customers shall not reserve transmission service for such Up-to Congestion †Transactions. Market Participants whose purchases and sales, and Transmission Customers whose transmission uses are scheduled in the Day-ahead Energy Market, shall be obligated to purchase or sell energy, or pay Transmission Congestion Charges and Transmission Loss Charges, at the applicable Day-ahead Prices for the amounts scheduled.

1.10.1A Day-ahead Energy Market Scheduling.

(c) All Market Participants shall submit to the Office of the Interconnection schedules for any ~~bilateral transactions~~ energy exports, energy imports, and wheel through transactions involving use of generation or Transmission Facilities as specified below, and shall inform the Office of the Interconnection ~~whether if~~ the transaction is to be ~~included-scheduled~~ in the Day-ahead Energy Market. Any Market Participant that elects to ~~schedule~~ include an export, import or wheel through ~~bilateral~~ transaction in the Day-ahead Energy Market may specify the price (such price not to exceed the maximum price that may be specified in the PJM Manuals), if any, at which ~~it the~~ export, import or wheel through transaction will be wholly or partially curtailed ~~rather than pay Transmission Congestion Charges~~. The foregoing price specification shall apply to the ~~price difference between the specified bilateral transaction source and sink~~ applicable interface pricing points in the day-ahead scheduling process only. Any Market Participant that elects not to ~~include-schedule~~ its export, import or wheel through ~~bilateral~~ transaction in the Day-ahead Energy Market shall inform the Office of the Interconnection if the parties to the transaction are not willing to incur Transmission Congestion ~~and Loss~~ Charges in the Real-time Energy Market in order to complete any such scheduled ~~bilateral~~ transaction. Scheduling of ~~bilateral~~ such transactions shall be conducted in accordance with the specifications in the PJM Manuals and the following requirements:

- i) ~~Internal~~-Market Buyers shall submit schedules for all ~~bilateral~~ energy purchases for delivery within the PJM Region, whether from generation

resources inside or outside the PJM Region;

- ii) Market Sellers shall submit schedules for ~~bilateral sales~~ exports to entities outside the PJM Region from generation within the PJM Region that is not dynamically scheduled to such entities pursuant to Section 1.12; and
- iii) In addition to the foregoing schedules for ~~exports, imports and wheel through-bilateral~~ transactions, Market Participants shall submit confirmations of each scheduled ~~bilateral~~ transaction from each other party to the transaction in addition to the party submitting the schedule, or the adjacent Control Area.

(c-1) A Market Participant may elect to submit in the Day-ahead Energy Market a form of Virtual Transaction that combines an offer to sell energy at a source, with a bid to buy the same megawatt quantity of energy at a sink where such transaction specifies the maximum difference between the Locational Marginal Prices at the source and sink. The Office of Interconnection will schedule these transactions only to the extent this difference in Locational Marginal Prices is within the maximum amount specified by the Market Participant. A Virtual Transaction of this type is referred to as an “Up-to Congestion Transaction.” Such Up-to Congestion Transactions may be wholly or partially scheduled depending on the price difference between the source and sink locations in the Day-ahead Energy Market. The foregoing price specification shall apply to the price difference between the specified source and sink in the day-ahead scheduling process only. An accepted Up-to Congestion Transaction results in scheduled injection at a specified source and scheduled withdrawal of the same megawatt quantity at a specified sink in the Day-ahead Energy Market. The source-sink paths on which an Up-to Congestion Transaction may be submitted are limited to those posted on the PJM internet site. Additionally, the maximum difference between the source and sink prices that a participant may specify shall be limited as specified in the PJM Manuals.

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(i) Except for Economic Load Response Participants, all Market Participants may submit ~~Virtual Transactions~~ ~~Increment Bids and/or Decrement Bids~~ that apply to the Day-ahead Energy Market only. Such ~~bids~~ Virtual Transactions must comply with the requirements set forth in the PJM Manuals and must specify amount, location and price, if any, at which the Market Participant desires to purchase or sell energy in the Day-ahead Energy Market. The Office of the Interconnection may require that a market participant shall not submit in excess of a defined number of 3000 bid/offer segments in the Day-ahead Energy Market, as specified in the PJM Manuals, when the Office of the Interconnection determines that such limit is required to avoid or mitigate significant system performance problems related to bid/offer volume. Notice of the need to impose such limit shall be provided prior to 10:00 a.m. EPT on the day that the Day-ahead Energy Market will clear. For purposes of this provision, a bid/offer segment is each pairing of price and megawatt quantity submitted as part of an Increment ~~Offer~~ Bid or Decrement Bid. For purposes of applying this provision to an Up-to Congestion Transaction, a bid/offer segment shall refer to the pairing of a source and sink designation, as well as price and megawatt quantity, that comprise each Up-to-Congestion Transaction.

1.3.38.01 Up-to Congestion Transaction.

“Up-to Congestion Transaction” shall have the meaning specified in Section 1.10.1A of [Attachment K-Appendix of the Tariff] [Schedule 1 of the Operating Agreement].

1.3.38B Virtual Transaction.

“Virtual Transaction” shall mean a Decrement Bid, Increment Offer and/or Up-to Congestion Transaction.

1.3.9A Increment ~~Offer~~Bid. [PJM will need to make consistent changes t/out OATT & OA]

“Increment ~~Bid~~Offer” shall mean an offer to sell energy at a specified location in the Day-ahead Energy Market. An accepted Increment ~~Offer~~Bid results in scheduled generation at the specified location in the Day-ahead Energy Market.