
**OPERATING AGREEMENT
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Acceleration Request:

“Acceleration Request” shall mean a request pursuant to section 1.9.4A of this Schedule to accelerate or reschedule a transmission outage scheduled pursuant to sections 1.9.2 or 1.9.4.

1.1—Act:

“Act” shall mean the Delaware Limited Liability Company Act, Title 6, §§ 18-101 to 18-1109 of the Delaware Code.

1.1A—Active and Significant Business Interest:

“Active and Significant Business Interest” is a term that shall be used to assess the scope of a Member’s PJM membership and shall be based on a Member’s activity in the PJM RTO and/or Interchange Energy Markets. A Member’s Active and Significant Business Interest shall: 1) be determined relative to the scope of the Member’s PJM membership and activity in the PJM RTO and/or Interchange Energy Markets considering, among other things, the Member’s public statements and/or regulatory filings regarding its PJM activities; and 2) reflect a substantial contributor to the Member’s recent market activity, revenues, costs, investment, and/or earnings when considering the Member and its corporate affiliates’ interests within the PJM footprint.

Additional Day-ahead Scheduling Reserves Requirement:

“Additional Day-ahead Scheduling Reserves Requirement” shall mean the portion of the Day-ahead Scheduling Reserves Requirement that is required in addition to the Base Day-ahead Scheduling Reserves Requirement to ensure adequate resources are procured to meet real-time load and operational needs, as specified in the PJM Manuals.

1.2A—Affected Member:

“Affected Member” shall mean a Member of PJM which as a result of its participation in PJM’s markets or its membership in PJM provided confidential information to PJM, which confidential information is requested by, or is disclosed to an Authorized Person under a Non-Disclosure Agreement.

1.2—Affiliate:

“Affiliate” shall mean any two or more entities, one of which controls the other or that are under common control. “Control” shall mean the possession, directly or indirectly, of the power to direct the management or policies of an entity. Ownership of publicly-traded equity securities of another entity shall not result in control or affiliation for purposes of this Agreement if the securities are held as an investment, the holder owns (in its name or via intermediaries) less than 10 percent of the outstanding securities of the entity, the holder does not have representation on the entity’s board of directors (or equivalent managing entity) or vice versa, and the holder does

not in fact exercise influence over day-to-day management decisions. Unless the contrary is demonstrated to the satisfaction of the Members Committee, control shall be presumed to arise from the ownership of or the power to vote, directly or indirectly, ten percent or more of the voting securities of such entity.

~~1.3~~—Agreement or Operating Agreement:

“Agreement” or “Operating Agreement” shall mean this Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., including all Schedules, Exhibits, Appendices, addenda or supplements hereto, as amended from time to time.

~~1.4~~—Annual Meeting of the Members:

“Annual Meeting of the Members” shall mean the meeting specified in Section 8.3.1 of this Agreement.

~~1.5A~~—Applicable Regional Entity:

“Applicable Regional Entity” shall mean the Regional Entity for the region in which a Member, Network Customer, Transmission Customer, New Service Customer, or Transmission Owner operates.

~~1.4.01~~—Associate Member:

“Associate Member” shall mean an entity that satisfies the requirements of Section 11.7 of this Agreement.

Auction Revenue Rights:

“Auction Revenue Rights” or “ARRs” shall mean the right to receive the revenue from the Financial Transmission Right auction, as further described in Section 7.4 of this Schedule.

Auction Revenue Rights Credits:

“Auction Revenue Rights Credits” shall mean the allocated share of total FTR auction revenues or costs credited to each holder of Auction Revenue Rights, calculated and allocated as specified in Section 7.4.3 of this Schedule.

~~1.4A~~—Authorized Commission:

“Authorized Commission” shall mean (i) a State public utility commission that regulates the distribution or supply of electricity to retail customers and is legally charged with monitoring the operation of wholesale or retail markets serving retail suppliers or customers within its State or (ii) an association or organization comprised exclusively of State public utility commissions described in the immediately preceding clause (i).

~~1.4B~~—Authorized Person:

“Authorized Person” shall have the meaning set forth in Section 18.17.4.

Base Day-ahead Scheduling Reserves Requirement:

“Base Day-ahead Scheduling Reserves Requirement” shall mean the thirty-minute reserve requirement for the PJM Region established consistent with the Applicable Standards, plus any additional thirty-minute reserves scheduled in response to an RTO-wide Hot or Cold Weather Alert or other reasons for conservative operations.

Batch Load Demand Resource:

“Batch Load Demand Resource” shall mean a Demand Resource that has a cyclical production process such that at most times during the process it is consuming energy, but at consistent regular intervals, ordinarily for periods of less than ten minutes, it reduces its consumption of energy for its production processes to minimal or zero megawatts.

~~1.5B~~—Behind The Meter Generation:

“Behind The Meter Generation” refers to a generating unit that delivers energy to load without using the Transmission System or any distribution facilities (unless the entity that owns or leases the distribution facilities has consented to such use of the distribution facilities and such consent has been demonstrated to the satisfaction of the Office of the Interconnection); provided, however, that Behind The Meter Generation does not include (i) at any time, any portion of such generating unit’s capacity that is designated as a Generation Capacity Resource, or (ii) in any hour, any portion of the output of such generating unit[s] that is sold to another entity for consumption at another electrical location or into the PJM Interchange Energy Market.

~~1.5~~—Board Member:

“Board Member” shall mean a member of the PJM Board.

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~~1.6~~—Capacity Resource~~;~~

“Capacity Resource” have the meaning provided in the Reliability Assurance Agreement.

~~1.6.01~~—Catastrophic Force Majeure~~;~~

“Catastrophic Force Majeure” shall not include any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, or Curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, unless as a consequence of any such action, event, or combination of events, either (i) all, or substantially all, of the Transmission System is unavailable, or (ii) all, or substantially all, of the interstate natural gas pipeline network, interstate rail, interstate highway or federal waterway transportation network serving the PJM Region is unavailable. The Office of the Interconnection shall determine whether an event of Catastrophic Force Majeure has occurred for purposes of this Agreement, the PJM Tariff, and the Reliability Assurance Agreement, based on an examination of available evidence. The Office of the Interconnection’s determination is subject to review by the Commission.

Cold Weather Alert:

“Cold Weather Alert” shall mean the notice that PJM provides to PJM Members, Transmission Owners, resource owners and operators, customers, and regulators to prepare personnel and facilities for expected extreme cold weather conditions.

Committed Offer:

“Committed Offer shall mean an offer on which a resource was scheduled by the Office of the Interconnection for a particular clock hour for the Operating Day.

Compliance Monitoring and Enforcement Program:

The program to be used by the NERC and the Regional Entities to monitor, assess and enforce compliance with the NERC Reliability Standards. As part of a Compliance Monitoring and Enforcement Program, NERC and the Regional Entities may, among other things, conduct investigations, determine fault and assess monetary penalties.

Congestion Price:

“Congestion Price” shall mean the congestion component of the Locational Marginal Price, which is the effect on transmission congestion costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource, based on the effect of increased generation from or consumption by the resource on transmission line loadings, calculated as specified in Section 2 of Schedule 1 of this Agreement.

~~1.6A~~—Consolidated Transmission Owners Agreement~~;~~

“Consolidated Transmission Owners Agreement” dated as of December 15, 2005, by and among the Transmission Owners and by and between the Transmission Owners and PJM Interconnection, L.L.C.

~~1.7~~—Control Area:

“Control Area” shall mean an electric power system or combination of electric power systems bounded by interconnection metering and telemetry to which a common automatic generation control scheme is applied in order to:

- (a) match the power output of the generators within the electric power system(s) and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- (b) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;
- (c) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice and the criteria of NERC and each Applicable Regional Entity;
- (d) maintain power flows on transmission facilities within appropriate limits to preserve reliability; and
- (e) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

~~1.7.01~~—Control Zone:

“Control Zone” shall mean one Zone or multiple contiguous Zones, as designated in the PJM Manuals.

Coordinated External Transaction:

“Coordinated External Transaction” shall mean a transaction to simultaneously purchase and sell energy on either side of a CTS Enabled Interface in accordance with the procedures of Section 1.13 of this Schedule 1 of this Agreement.

Coordinated Transaction Scheduling:

“Coordinated Transaction Scheduling” or “CTS” shall mean the scheduling of Coordinated External Transactions at a CTS Enabled Interface in accordance with the procedures of Section 1.13 of Schedule 1 of this Agreement.

~~1.7.01a~~—Counterparty:

“Counterparty” shall mean PJMSettlement as the contracting party, in its name and own right and not as an agent, to an agreement or transaction with Market Participants or other entities, including the agreements and transactions with customers regarding transmission service and other transactions under the PJM Tariff and this Operating Agreement. PJMSettlement shall not be a counterparty to (i) any bilateral transactions between Market Participants, or (ii) with respect to self-supplied or self-scheduled transactions reported to the Office of the Interconnection.

CTS Enabled Interface:

“CTS Enabled Interface” shall mean an interface between the PJM Control Area and an adjacent Control Area at which the Office of the Interconnection has authorized the use of Coordinated Transaction Scheduling (“CTS”), designated in Schedule A to the Joint Operating Agreement Among and Between New York Independent System Operator Inc. and PJM Interconnection, L.L.C. (PJM Rate Schedule FERC No. 45).

CTS Interface Bid:

“CTS Interface Bid” shall mean a unified real-time bid to simultaneously purchase and sell energy on either side of a CTS Enabled Interface in accordance with the procedures of Section 1.13 of this Schedule 1 of this Agreement.

Curtailed Service Provider:

“Curtailed Service Provider” or “CSP” shall mean a Member or a Special Member, which action on behalf of itself or one or more other Members or non-Members, participates in the PJM Interchange Energy Market, Ancillary Services markets, and/or Reliability Pricing Model by causing a reduction in demand.

Day-ahead Congestion Price:

“Day-ahead Congestion Price” shall mean the Congestion Price resulting from the Day-ahead Energy Market.

Day-ahead Energy Market:

“Day-ahead Energy Market” shall mean the schedule of commitments for the purchase or sale of energy and payment of Transmission Congestion Charges developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.

Day-ahead Loss Price:

“Day-ahead Loss Price” shall mean the Loss Price resulting from the Day-ahead Energy Market.

Day-ahead Prices:

“Day-ahead Prices” shall mean the Locational Marginal Prices resulting from the Day-ahead Energy Market.

Day-ahead Scheduling Reserves:

“Day-ahead Scheduling Reserves” shall mean thirty-minute reserves as defined by the ReliabilityFirst Corporation and SERC.

Day-ahead Scheduling Reserves Market:

“Day-ahead Scheduling Reserves Market” shall mean the schedule of commitments for the purchase or sale of Day-ahead Scheduling Reserves developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.

Day-ahead Scheduling Reserves Requirement:

“Day-ahead Scheduling Reserves Requirement” shall mean the sum of Base Day-ahead Scheduling Reserves Requirement and Additional Day-ahead Scheduling Reserves Requirement.

Day-ahead Scheduling Reserves Resources:

“Day-ahead Scheduling Reserves Resources” shall mean synchronized and non-synchronized generation resources and Demand Resources electrically located within the PJM Region that are capable of providing Day-ahead Scheduling Reserves.

Day-ahead System Energy Price:

“Day-ahead System Energy Price” shall mean the System Energy Price resulting from the Day-ahead Energy Market.

Decrement Bid:

“Decrement Bid” shall mean a type of Virtual Transaction that is a bid to purchase energy at a specified location in the Day-ahead Energy Market. A cleared Decrement Bid results in scheduled load at the specified location in the Day-ahead Energy Market.

~~1.7.02~~ Default Allocation Assessment:

“Default Allocation Assessment” shall mean the assessment determined pursuant to section 15.2.2 of this Agreement.

Demand Bid

“Demand Bid” shall mean a bid, submitted by a Load Serving Entity in the Day-ahead Energy Market, to purchase energy at its contracted load location, for a specified timeframe and

megawatt quantity, that if cleared will result in energy being scheduled at the specified location in the Day-ahead Energy Market and in the physical transfer of energy during the relevant Operating Day.

Demand Bid Limit:

“Demand Bid Limit” shall mean the largest MW volume of Demand Bids that may be submitted by a Load Serving Entity for any hour of an Operating Day, as determined pursuant to Section 1.10.1B of Schedule 1 of the Operating Agreement.

Demand Bid Screening:

“Demand Bid Screening” shall mean the process by which Demand Bids are reviewed against the applicable Demand Bid Limit, and rejected if they would exceed that limit, as determined pursuant to Section 1.10.1B of Schedule 1 of the Operating Agreement.

1.7.03—Demand Resource:

“Demand Resource” shall have the meaning provided in the Reliability Assurance Agreement.

“Demand Resource” shall mean a resource with the capability to provide a reduction in demand.[DISCREPANT WITH OA SCHED 1, SEC 1.3]

1.7A—Designated Entity:

An entity, including an existing Transmission Owner or Nonincumbent Developer, designated by the Office of the Interconnection with the responsibility to construct, own, operate, maintain, and finance Immediate-need Reliability Projects, Short-term Projects, Long-lead Projects, or Economic-based Enhancements or Expansions pursuant to Section 1.5.8 of Schedule 6 of this Agreement.

1.7A.01—Direct Load Control:

Load reduction that is controlled directly by the Curtailment Service Provider’s market operations center or its agent, in response to PJM instructions.

Formatted: None

Dispatch Rate:

“Dispatch Rate” shall mean the control signal, expressed in dollars per megawatt-hour, calculated and transmitted continuously and dynamically to direct the output level of all generation resources dispatched by the Office of the Interconnection in accordance with the Offer Data.

Formatted: None

1.7B—[Reserved]:

Definitions E - F

~~1.7C~~ ~~[Reserved]~~

~~1.7D~~ ~~Economic-based Enhancement or Expansion~~:

“Economic-based Enhancement or Expansion” means an enhancement or expansion described in Section 1.5.7(b) (i) – (iii) of Schedule 6 of the Operating Agreement that is designed to relieve transmission constraints that have an economic impact.

Economic Load Response Participant:

“Economic Load Response Participant” shall mean a Member or Special Member that qualifies under Section 1.5A of this Schedule to participate in the PJM Interchange Energy Market and/or Ancillary Services markets through reductions in demand.

Economic Maximum:

“Economic Maximum” shall mean the highest incremental MW output level, submitted to PJM market systems by a Market Participant, that a unit can achieve while following economic dispatch.

Economic Minimum:

“Economic Minimum” shall mean the lowest incremental MW output level, submitted to PJM market systems by a Market Participant, that a unit can achieve while following economic dispatch.

~~1.9~~ ~~Effective Date~~:

“Effective Date” shall mean August 1, 1997, or such later date that FERC permits this Agreement to go into effect.

Effective FTR Holder.

“Effective FTR Holder” shall mean:

(i) For an FTR Holder that is either a (a) privately held company, or (b) a municipality or electric cooperative, as defined in the Federal Power Act, such FTR Holder, together with any Affiliate, subsidiary or parent of the FTR Holder, any other entity that is under common ownership, wholly or partly, directly or indirectly, or has the ability to influence, directly or indirectly, the management or policies of the FTR Holder; or

(ii) For an FTR Holder that is a publicly traded company including a wholly owned subsidiary of a publicly traded company, such FTR Holder, together with any Affiliate,

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subsidiary or parent of the FTR Holder, any other PJM Member has over 10% common ownership with the FTR Holder, wholly or partly, directly or indirectly, or has the ability to influence, directly or indirectly, the management or policies of the FTR Holder; or

(iii) an FTR Holder together with any other PJM Member, including also any Affiliate, subsidiary or parent of such other PJM Member, with which it shares common ownership, wholly or partly, directly or indirectly, in any third entity which is a PJM Member (e.g., a joint venture).

1.8—Electric Distributor:

“Electric Distributor” shall mean a Member that: 1) owns or leases with rights equivalent to ownership electric distribution facilities that are used to provide electric distribution service to electric load within the PJM Region; or 2) is a generation and transmission cooperative or a joint municipal agency that has a member that owns electric distribution facilities used to provide electric distribution service to electric load within the PJM Region.

1.10—Emergency:

“Emergency” shall mean: (i) an abnormal system condition requiring manual or automatic action to maintain system frequency, or to prevent loss of firm load, equipment damage, or tripping of system elements that could adversely affect the reliability of an electric system or the safety of persons or property; or (ii) a fuel shortage requiring departure from normal operating procedures in order to minimize the use of such scarce fuel; or (iii) a condition that requires implementation of emergency procedures as defined in the PJM Manuals.

Emergency Load Response Program:

The Emergency Load Response Program is the program by which Curtailment Service Providers may be compensated by PJM for Demand Resources that will reduce load when dispatched by PJM during emergency conditions, and is described in Section 8 of Schedule 1 of the Operating Agreement and the parallel provisions of Section 8 of Attachment K-Appendix of the Tariff.

1.11—End-Use Customer:

“End-Use Customer” shall mean a Member that is a retail end-user of electricity within the PJM Region. A Member that is a retail end-user that owns generation may qualify as an End-Use customer if: (1) the average physical unforced capacity owned by the Member and its affiliates in the PJM region over the five Planning Periods immediately preceding the relevant Planning Period does not exceed the average PJM capacity obligation for the Member and its affiliates over the same time period; or (2) the average energy produced by the Member and its affiliates within the PJM region over the five Planning Periods immediately preceding the relevant Planning Period does not exceed the average energy consumed by that Member and its affiliates within the PJM region over the same time period. The foregoing notwithstanding, taking retail service may not be sufficient to qualify a Member as an End-Use Customer.

Energy Market Opportunity Cost:

“Energy Market Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of available run hours due to limitations imposed on the unit by Applicable Laws and Regulations (as defined in PJM Tariff), and (b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Energy Market Opportunity Cost therefore is the value associated with a specific generating unit’s lost opportunity to produce energy during a higher valued period of time occurring within the same compliance period, which compliance period is determined by the applicable regulatory authority and is reflected in the rules set forth in PJM Manual 15. Energy Market Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.

Energy Storage Resource:

“Energy Storage Resource” shall mean flywheel or battery storage facility solely used for short term storage and injection of energy at a later time to participate in the PJM energy and/or Ancillary Services markets as a Market Seller.

Equivalent Load:

“Equivalent Load” shall mean the sum of a Market Participant’s net system requirements to serve its customer load in the PJM Region, if any, plus its net bilateral transactions.

Extended Primary Reserve Requirement:

“Extended Primary Reserve Requirement” shall equal the Primary Reserve Requirement in a Reserve Zone or Reserve Sub-zone, plus additional reserves scheduled under emergency conditions necessary to address operational uncertainty. The Extended Primary Reserve Requirement is calculated in accordance with the PJM Manuals.

Extended Synchronized Reserve Requirement:

“Extended Synchronized Reserve Requirement” shall equal the Synchronized Reserve Requirement in a Reserve Zone or Reserve Sub-zone, plus additional reserves scheduled under emergency conditions necessary to address operational uncertainty. The Extended Synchronized Reserve Requirement is calculated in accordance with the PJM Manuals.

External Market Buyer:

“External Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for consumption by end-users outside the PJM Region, or for load in the PJM Region that is not served by Network Transmission Service.

External Resourcep:

“External Resource” shall mean a generation resource located outside the metered boundaries of the PJM Region.

1.12—FERC:

“FERC” shall mean the Federal Energy Regulatory Commission or any successor federal agency, commission or department exercising jurisdiction over this Agreement.

Final Offer.

“Final Offer” shall mean the offer on which a resource was dispatched by the Office of the Interconnection for a particular clock hour for the Operating Day.

1.13—Finance Committee:

“Finance Committee” shall mean the body formed pursuant to Section 7.5.1 of this Agreement.

Financial Transmission Right:

“Financial Transmission Right” or “FTR” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2 of this Schedule.

Financial Transmission Right Obligation:

“Financial Transmission Right Obligation” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(b) of this Schedule.

Financial Transmission Right Option:

“Financial Transmission Right Option” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(c) of this Schedule.

FTR Holder.

“FTR Holder” shall mean the PJM Member that has acquired and possesses an FTR.

Definitions G - H

Generating Market Buyer:

“Generating Market Buyer” shall mean an Internal Market Buyer that is a Load Serving Entity that owns or has contractual rights to the output of generation resources capable of serving the Market Buyer’s load in the PJM Region, or of selling energy or related services in the PJM Interchange Energy Market or elsewhere.

1.14A Generation Capacity Resource:

“Generation Capacity Resource” shall have the meaning provided in the Reliability Assurance Agreement.

1.14 — Generation Owner:

“Generation Owner” shall mean a Member that owns or leases, with right equivalent to ownership, a Capacity Resource or an Energy Resource within the PJM footprint. The foregoing notwithstanding, for a planned generation resource to qualify a Member as a Generation Owner, such resource shall have cleared an RPM auction, and for Energy Resources, the resource shall have a FERC-jurisdictional interconnection agreement or wholesale market participation agreement within PJM.

A Member that is primarily a retail end-user of electricity that owns generation may qualify as a Generation Owner if: (1) the generation resource is the subject of a FERC-jurisdictional interconnection agreement or wholesale market participation agreement within PJM; (2) the average physical unforced capacity owned by the Member and its affiliates over the five Planning Periods immediately preceding the relevant Planning Period exceeds the average PJM capacity obligation of the Member and its affiliates over the same time period; and (3) the average energy produced by the Member and its affiliates within PJM over the five Planning Periods immediately preceding the relevant Planning Period exceeds the average energy consumed by the Member and its affiliates within PJM over the same time period.

Generation Resource Maximum Output:

“Generation Resource Maximum Output” shall mean, for Customer Facilities identified in an Interconnection Service Agreement or Wholesale Market Participation Agreement, the Generation Resource Maximum Output for a generating unit shall equal the unit’s pro rata share of the Maximum Facility Output, determined by the Economic Maximum values for the available units at the Customer Facility. For generating units not identified in an Interconnection Service Agreement or Wholesale Market Participation Agreement, the Generation Resource Maximum Output shall equal the generating unit’s Economic Maximum.

Generator Forced Outage:

“Generator Forced Outage” shall mean an immediate reduction in output or capacity or removal from service, in whole or in part, of a generating unit by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the facility, as specified in the relevant portions of the PJM Manuals. A reduction in output or removal from service of a generating unit in response to changes in market conditions shall not constitute a Generator Forced Outage.

Generator Maintenance Outage:

“Generator Maintenance Outage” shall mean the scheduled removal from service, in whole or in part, of a generating unit in order to perform necessary repairs on specific components of the facility, if removal of the facility meets the guidelines specified in the PJM Manuals.

Generator Planned Outage:

“Generator Planned Outage” shall mean the scheduled removal from service, in whole or in part, of a generating unit for inspection, maintenance or repair with the approval of the Office of the Interconnection in accordance with the PJM Manuals.

1.15 — Good Utility Practice:

“Good Utility Practice” shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather is intended to include acceptable practices, methods, or acts generally accepted in the region; including those practices required by Federal Power Act Section 215(a)(4).

Hot Weather Alert:

“Hot Weather Alert” shall mean the notice provided by PJM to PJM Members, Transmission Owners, resource owners and operators, customers, and regulators to prepare personnel and facilities for extreme hot and/or humid weather conditions which may cause capacity requirements and/or unit unavailability to be substantially higher than forecast are expected to persist for an extended period.

Definitions I - L

~~1.15A~~ Immediate-need Reliability Project:

A reliability-based transmission enhancement or expansion with an in-service date of three years or less from the year the Office of the Interconnection identified the existing or projected limitations on the Transmission System that gave rise to the need for such enhancement or expansion pursuant to the study process described in section 1.5.3 of this Schedule 6.

Inadvertent Interchange:

“Inadvertent Interchange” shall mean the difference between net actual energy flow and net scheduled energy flow into or out of the individual Control Areas operated by PJM.

~~1.15B~~ Incremental Multi-Driver Project:

“Incremental Multi-Driver Project” shall mean a Multi-Driver Project that is planned as described in Schedule 6, section 1.5.10(h) of this Agreement.

Increment Offer:

“Increment Offer” shall mean a type of Virtual Transaction that is an offer to sell energy at a specified location in the Day-ahead Energy Market. A cleared Increment Offer results in scheduled generation at the specified location in the Day-ahead Energy Market.

~~1.16~~ Information Request:

“Information Request” shall mean a written request, in accordance with the terms of this Agreement for disclosure of confidential information pursuant to Section 18.17.4 of this Agreement.

Interface Pricing Point:

“Interface Pricing Point” shall have the meaning specified in section 2.6A.

Internal Market Buyer:

“Internal Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for ultimate consumption by end-users inside the PJM Region that are served by Network Transmission Service

~~1.16A~~ Interregional Transmission Project:

Interregional Transmission Project shall mean transmission facilities that would be located within two or more neighboring transmission planning regions and are determined by each of those regions to be a more efficient or cost effective solution to regional transmission needs.

1.17—LLC;

“LLC” shall mean PJM Interconnection, L.L.C., a Delaware limited liability company.

1.18—Load Serving Entity;

“Load Serving Entity” shall mean any entity (or the duly designated agent of such an entity), including a load aggregator or power marketer, (1) serving end-users within the PJM Region, and (2) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the PJM Region, ~~or the duly designated agent of such an entity.~~ Load Serving Entity shall include any end-use customer, or an affiliated entity, that qualifies under state rules or a utility retail tariff to manage directly its own supply of electric power and energy and use of transmission and ancillary services.

Load Management:

“Load Management” shall mean a Demand Resource (“DR”) as defined in the Reliability Assurance Agreement.

Load Management Event:

“Load Management Event” shall mean a) a single temporally contiguous dispatch of Demand Resources in a Compliance Aggregation Area during an Operating Day, or b) multiple dispatches of Demand Resources in a Compliance Aggregation Area during an Operating Day that are temporally contiguous.

Load Reduction Event:

“Load Reduction Event” shall mean a reduction in demand by a Member or Special Member for the purpose of participating in the PJM Interchange Energy Market.

1.18A—Local Plan;

“Local Plan” shall mean the plan as developed by the Transmission Owners. The Local Plan shall include, at a minimum, the Subregional RTEP Projects and Supplemental Projects as identified by the Transmission Owners within their zone. The Local Plan will include those projects that are developed to comply with the Transmission Owner planning criteria.

Location:

“Location” as used in the Economic Load Response rules shall mean an end-use customer site as defined by the relevant electric distribution company account number.

1.19—Locational Marginal Price;

“Locational Marginal Price” or “LMP” shall mean the hourly integrated market clearing marginal price for energy at the location the energy is delivered or received, calculated as specified in Section 2 of Schedule 1 of this Agreement.

LOC Deviation:

“LOC Deviation” shall mean, for units other than wind units, the LOC Deviation shall equal the desired megawatt amount for the resource determined according to the point on the Final Offer corresponding to the hourly integrated real-time Locational Marginal Price at the resource’s bus and adjusted for any Regulation or Tier 2 Synchronized Reserve assignments and limited to the lesser of the unit’s Economic Maximum or the unit’s Generation Resource Maximum Output, minus the actual hourly integrated output of the unit. For wind units, the LOC Deviation shall be the deviation of the generating unit’s output equal to the lesser of the PJM forecasted output for the unit or the desired megawatt amount for the resource determined according to the point on the Final Offer corresponding to the hourly integrated real-time Locational Marginal Price at the resource’s bus, and shall be limited to the lesser of the unit’s Economic Maximum or the unit’s Generation Resource Maximum Output, minus the actual hourly integrated output of the unit.

1.19A—Long-lead Project:-

A transmission enhancement or expansion with an in-service date more than five years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, or Public Policy Requirements to be addressed by the enhancement or expansion.

Loss Price:

“Loss Price” shall mean the loss component of the Locational Marginal Price, which is the effect on transmission loss costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource based on the effect of increased generation from or consumption by the resource on transmission losses, calculated as specified in Section 2 of Schedule 1 of this Agreement.

Definitions M - N

~~1.20~~ — ~~[Reserved]~~

~~1.20B~~ — ~~[Reserved]~~

~~1.20C~~ — ~~[Reserved]~~

~~1.21~~ — **Market Buyer**:-

“Market Buyer” shall mean a Member that has met reasonable creditworthiness standards established by the Office of the Interconnection and that is otherwise able to make purchases in the PJM Interchange Energy Market.

Market Operations Center:

“Market Operations Center” shall mean the equipment, facilities and personnel used by or on behalf of a Market Participant to communicate and coordinate with the Office of the Interconnection in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

~~1.22~~ — **Market Participant**:-

“Market Participant” shall mean a Market Buyer, a Market Seller, an Economic Load Response Participant, or all three.

~~1.23~~ — **Market Seller**:-

“Market Seller” shall mean a Member that has met reasonable creditworthiness standards established by the Office of the Interconnection and that is otherwise able to make sales in the PJM Interchange Energy Market.

Maximum Emergency:

“Maximum Emergency” shall mean the designation of all or part of the output of a generating unit for which the designated output levels may require extraordinary procedures and therefore are available to the Office of the Interconnection only when the Office of the Interconnection declares a Maximum Generation Emergency and requests generation designated as Maximum Emergency to run. The Office of the Interconnection shall post on the PJM website the aggregate amount of megawatts that are classified as Maximum Emergency.

Maximum Generation Emergency:

“Maximum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection to address either a generation or transmission emergency in which the Office of the Interconnection anticipates requesting one or more Generation Capacity Resources, or Non-

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Retail Behind The Meter Generation resources to operate at its maximum net or gross electrical power output, subject to the equipment stress limits for such Generation Capacity Resource or Non-Retail Behind The Meter resource in order to manage, alleviate, or end the Emergency.

Maximum Generation Emergency Alert:

“Maximum Generation Emergency Alert” shall mean an alert issued by the Office of the Interconnection to notify PJM Members, Transmission Owners, resource owners and operators, customers, and regulators that a Maximum Generation Emergency may be declared, for any Operating Day in either, as applicable, the Day-ahead Energy Market or the Real-time Energy Market, for all or any part of such Operating Day.

1.24—Member:-

“Member” shall mean an entity that satisfies the requirements of Section 11.6 of this Agreement and that (i) is a member of the LLC immediately prior to the Effective Date, or (ii) has executed an Additional Member Agreement in the form set forth in Schedule 4 hereof.

1.25—Members Committee:-

“Members Committee” shall mean the committee specified in Section 8 of this Agreement composed of representatives of all the Members.

Minimum Generation Emergency:

“Minimum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection in which the Office of the Interconnection anticipates requesting one or more generating resources to operate at or below Normal Minimum Generation, in order to manage, alleviate, or end the Emergency.

MISO:

Midcontinent Independent System Operator, Inc. or any successor thereto.

1.25A—Multi-Driver Project:

“Multi-Driver Project” shall mean a transmission enhancement or expansion that addresses more than one of the following: reliability violations, economic constraints or State Agreement Approach initiatives.

1.26—NERC:-

“NERC” shall mean the North American Electric Reliability ~~Council~~Corporation, or any successor thereto.

NERC Functional Model:

Defines the set of functions that must be performed to ensure the reliability of the electric bulk power system. The NERC Reliability Standards establish the requirements of the responsible entities that perform the functions defined in the Functional Model.

NERC Interchange Distribution Calculator:

“NERC Interchange Distribution Calculator” shall mean the NERC mechanism that is in effect and being used to calculate the distribution of energy, over specific transmission interfaces, from energy transactions.

NERC Reliability Standards:

Those standards that have been developed by NERC and approved by FERC to ensure the reliability of the electric bulk power system.

NERC Rules of Procedure:

The rules and procedures developed by NERC and approved by the FERC. These rules include the process by which a responsible entity, who is to perform a set of functions to ensure the reliability of the electric bulk power system, must register as the Registered Entity.

Net Benefits Test:

“Net Benefits Test” shall mean a calculation to determine whether the benefits of a reduction in price resulting from the dispatch of Economic Load Response exceeds the cost to other loads resulting from the billing unit effects of the load reduction, as specified in Section 3.3A.4 of this Schedule.

Network Resource:

“Network Resource” shall have the meaning specified in the PJM Tariff.

Network Service User:

“Network Service User” shall mean an entity using Network Transmission Service.

Network Transmission Service:

“Network Transmission Service” shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Part III of the PJM Tariff, or transmission service comparable to such service that is provided to a Load Serving Entity that is also a Transmission Owner.

New York ISO or NYISO:

New York Independent System Operator, Inc. or any successor thereto.

~~1.26A~~ Non-Disclosure Agreement:

“Non-Disclosure Agreement” shall mean an agreement between an Authorized Person and the Office of the Interconnection, pursuant to Section 18 of this Agreement, the form of which is appended to this Agreement as Schedule 10, wherein the Authorized Person is given access to otherwise restricted confidential information, for the benefit of their respective Authorized Commission.

~~1.26A.01~~ Nonincumbent Developer:

“Nonincumbent Developer” shall mean: (1) a transmission developer that does not have an existing Zone in the PJM Region as set forth in Attachment J of the PJM Tariff; or (2) a Transmission Owner that proposes a transmission project outside of its existing Zone in the PJM Region as set forth in Attachment J of the PJM Tariff.

Non-Regulatory Opportunity Cost:

“Non-Regulatory Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of starts or available run hours resulting from (i) the physical equipment limitations of the unit, for up to one year, due to original equipment manufacturer recommendations or insurance carrier restrictions, (ii) a fuel supply limitation, for up to one year, resulting from an event of Catastrophic Force Majeure; and, (b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Non-Regulatory Opportunity Cost therefore is the value associated with a specific generating unit’s lost opportunity to produce energy during a higher valued period of time occurring within the same period of time in which the unit is bound by the referenced restrictions, and is reflected in the rules set forth in PJM Manual 15. Non-Regulatory Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.

~~1.26B~~ Non-Retail Behind The Meter Generation:

“Non-Retail Behind The Meter Generation” shall mean Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, and electric distribution companies to serve load.

Non-Synchronized Reserve:

“Non-Synchronized Reserve” shall mean the reserve capability of non-emergency generation resources that can be converted fully into energy within ten minutes of a request from the Office of the Interconnection dispatcher, and is provided by equipment that is not electrically synchronized to the Transmission System.

Non-Synchronized Reserve Event:

“Non-Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources able and assigned to provide Non-Synchronized Reserve in one or more specified Reserve Zones or Reserve Sub-zones, within ten minutes to increase the energy output by the amount of assigned Non-Synchronized Reserve capability.

Non-Variable Loads:

“Non-Variable Loads” shall have the meaning specified in section 1.5A.6 of this Schedule.

Normal Maximum Generation:

“Normal Maximum Generation” shall mean the highest output level of a generating resource under normal operating conditions.

Normal Minimum Generation:

“Normal Minimum Generation” shall mean the lowest output level of a generating resource under normal operating conditions.

Definitions O - P

Offer Data:

“Offer Data” shall mean the scheduling, operations planning, dispatch, new resource, and other data and information necessary to schedule and dispatch generation resources and Demand Resource(s) for the provision of energy and other services and the maintenance of the reliability and security of the transmission system in the PJM Region, and specified for submission to the PJM Interchange Energy Market for such purposes by the Office of the Interconnection.

1.27—Office of the Interconnection:-

“Office of the Interconnection” shall mean the ~~LL~~Employees and agents of PJM Interconnection, L.L.C. subject to the supervision and oversight of the PJM Board, acting pursuant to the Operating Agreement.

Office of the Interconnection Control Center:

“Office of the Interconnection Control Center” shall mean the equipment, facilities and personnel used by the Office of the Interconnection to coordinate and direct the operation of the PJM Region and to administer the PJM Interchange Energy Market, including facilities and equipment used to communicate and coordinate with the Market Participants in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

On-Site Generators:

“On-Site Generators” shall mean generation facilities (including Behind The Meter Generation) that (i) are not Capacity Resources, (ii) are not injecting into the grid, (iii) are either synchronized or non-synchronized to the Transmission System, and (iv) can be used to reduce demand for the purpose of participating in the PJM Interchange Energy Market.

Operating Day:

“Operating Day” shall mean the daily 24 hour period beginning at midnight for which transactions on the PJM Interchange Energy Market are scheduled.

Operating Margin:

“Operating Margin” shall mean the incremental adjustments, measured in megawatts, required in PJM Region operations in order to accommodate, on a first contingency basis, an operating contingency in the PJM Region resulting from operations in an interconnected Control Area. Such adjustments may result in constraints causing Transmission Congestion Charges, or may result in Ancillary Services charges pursuant to the PJM Tariff.

Operating Margin Customer:

“Operating Margin Customer” shall mean a Control Area purchasing Operating Margin pursuant to an agreement between such other Control Area and the LLC.

1.28—Operating Reserve:

“Operating Reserve” shall mean the amount of generating capacity scheduled to be available for a specified period of an Operating Day to ensure the reliable operation of ~~the PJM Regional Control Zone~~, as specified in the PJM Manuals.

1.29—Original PJM Agreement:

“Original PJM Agreement” shall mean that certain agreement between certain of the Members, originally dated September 26, 1956, and as amended and supplemented up to and including December 31, 1996, relating to the coordinated operation of their electric supply systems and the interchange of electric capacity and energy among their systems.

1.30—Other Supplier:

“Other Supplier” shall mean a Member that: (i) is engaged in buying, selling or transmitting electric energy, capacity, ancillary services, financial transmission rights or other services available under PJM’s governing documents in or through the Interconnection or has a good faith intent to do so, and; (ii) does not qualify for the Generation Owner, Electric Distributor, Transmission Owner or End-Use Customer sectors.

1.31—PJM Board:

“PJM Board” shall mean the Board of Managers of the PJM Interconnection, L.L.C., acting pursuant to this Agreement.

~~1.31A—[Reserved].~~

1.32—PJM Control Area:

“PJM Control Area” shall mean the Control Area recognized by NERC as the PJM Control Area.

1.33—PJM Dispute Resolution Procedures:

“PJM Dispute Resolution Procedures” shall mean the procedures for the resolution of disputes set forth in Schedule 5 of this Agreement.

PJM Governing Agreements:

The PJM Open Access Transmission Tariff, the Operating Agreement, the Consolidated Transmission Owners Agreement, the Reliability Assurance Agreement, or any other applicable agreement approved by the FERC and intended to govern the relationship by and among PJM and any of its Members.

PJM Interchange:

“PJM Interchange” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds, or is exceeded by, the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller; or (e) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (f) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

1.34—PJM Interchange Energy Market:

“PJM Interchange Energy Market” shall mean the regional competitive market administered by the Office of the Interconnection for the purchase and sale of spot electric energy at wholesale in interstate commerce and related services established pursuant to Schedule 1 to this Agreement.

PJM Interchange Export:

“PJM Interchange Export” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load is exceeded by the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup sales; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller.

PJM Interchange Import:

“PJM Interchange Import” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup purchases; or (c) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (d) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

1.35—PJM Manuals:

“PJM Manuals” shall mean the instructions, rules, procedures and guidelines established by the Office of the Interconnection for the operation, planning, and accounting requirements of the PJM Region and the PJM Interchange Energy Market.

1.35.01—PJM Market Monitor:

“PJM Market Monitor” shall mean the Market Monitoring Unit established under Attachment M to the PJM Tariff.

PJM Open Access Same-time Information System:

“PJM Open Access Same-time Information System” shall mean the electronic communication system for the collection and dissemination of information about transmission services in the PJM Region, established and operated by the Office of the Interconnection in accordance with FERC standards and requirements.

1.20 PJM Mid-Atlantic Region.

“PJM Mid-Atlantic Region” shall mean the aggregate of the Transmission Facilities of Atlantic City Electric Company, Baltimore Gas and Electric Company, Delmarva Power and Light Company, Jersey Central Power and Light Company, Metropolitan Edison Company, PECO Energy Company, Pennsylvania Electric Company, PPL Electric Utilities Corporation, Potomac Electric Power Company, Public Service Electric and Gas Company, and Rockland Electric Company.

1.35A PJM Region:

“PJM Region” shall mean the aggregate of the Zones within PJM as set forth in Attachment J to the PJM Tariff.

1.35C PJM Settlement:

“PJM Settlement” or “PJM Settlement, Inc.” shall mean PJM Settlement, Inc. (or its successor), established by PJM as set forth in Section 3.3 of this Agreement.

1.35B PJM South Region:

“PJM South Region” shall mean the Transmission Facilities of Virginia Electric and Power Company.

1.36 PJM Tariff:

“PJM Tariff” or “Tariff” shall mean ~~that certain~~ “PJM Open Access Transmission Tariff” ~~providing transmission service within the PJM Region,~~ including any schedules, appendices, or exhibits attached thereto, on file with FERC and as in-effect amended from time to time thereafter.

1.36A [Reserved.]

1.36B PJM West Region:

“PJM West Region” shall mean the Zones of Allegheny Power; Commonwealth Edison Company (including Commonwealth Edison Co. of Indiana); AEP East Operating Companies; The Dayton Power and Light Company; the Duquesne Light Company; American Transmission Systems, Incorporated; Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.

1.37—Planning Period:

“Planning Period” shall initially mean the 12 months beginning June 1 and extending through May 31 of the following year, or such other period established under the procedures of, as applicable, the Reliability Assurance Agreement.

Planning Period Balance:

“Planning Period Balance” shall mean the entire period of time remaining in the Planning Period following the month that a monthly auction is conducted.

Planning Period Quarter:

“Planning Period Quarter” shall mean any of the following three month periods in the Planning Period: June, July and August; September, October and November; December, January and February; or March, April and May.

Point-to-Point Transmission Service:

“Point-to-Point Transmission Service” shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Part II of the PJM Tariff.

PRD Curve:

PRD Curve shall have the meaning provided in the Reliability Assurance Agreement.

PRD Provider:

PRD Provider shall have the meaning provided in the Reliability Assurance Agreement.

PRD Reservation Price:

PRD Reservation Price shall have the meaning provided in the Reliability Assurance Agreement.

PRD Substation:

PRD Substation shall have the meaning provided in the Reliability Assurance Agreement.

Pre-Emergency Load Response Program:

The Pre-Emergency Load Response Program is the program by which Curtailment Service Providers may be compensated by PJM for Demand Resources that will reduce load when dispatched by PJM during pre-emergency conditions, and is described in Section 8 of Schedule I of the Operating Agreement and the parallel provisions of Section 8 of Attachment K-Appendix of the Tariff.

1.38—President:

“President” shall have the meaning specified in Section 9.2.

Price Responsive Demand:

Price Responsive Demand shall have the meaning provided in the Reliability Assurance Agreement.

Primary Reserve:

“Primary Reserve” shall mean the total reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes of a request from the Office of the Interconnection dispatcher, and is comprised of both Synchronized Reserve and Non-Synchronized Reserve.

Primary Reserve Requirement:

“Primary Reserve Requirement” shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Primary Reserve, absent any increase to account for additional reserves scheduled to address operational uncertainty. The Primary Reserve Requirement is calculated in accordance with the PJM Manuals.

1.38.00 Prohibited Securities:

“Prohibited Securities” shall mean the Securities of a Member, Eligible Customer, or Nonincumbent Developer, or their Affiliates, if:

- (1) the primary business purpose of the Member or Eligible Customer, or their Affiliates, is to buy, sell or schedule energy, power, capacity, ancillary services or transmission services as indicated by an industry code within the “Electric Power Generation, Transmission, and Distribution” industry group under the North American Industry Classification System (“NAICS”) or otherwise determined by the Office of the Interconnection;
- (2) the Nonincumbent Developer has been pre-qualified as eligible to be a Designated Entity pursuant to Schedule 6 of this Agreement;
- (3) the total (gross) financial settlements regarding the use of transmission capacity of the Transmission System and/or transactions in the centralized markets that the Office of the Interconnection administers under the Tariff and the Operating Agreement for all Members or

Eligible Customers affiliated with the publicly traded company during its most recently completed fiscal year is equal to or greater than 0.5% of its gross revenues for the same time period; or

(4) the total (gross) financial settlements regarding the use of transmission capacity of the Transmission System and/or transactions in the centralized markets that the Office of the Interconnection administers under the Tariff and the Operating Agreement for all Members or Eligible Customers affiliated with the publicly traded company during the prior calendar year is equal to or greater than 3% of the total transactions for which PJMSettlements is a Counterparty pursuant to Section 3.3 of this Agreement for the same time period.

The Office of the Interconnection shall compile and maintain a list of the Prohibited Securities publicly traded and post this list for all employees and distribute the list to the Board Members.

~~1.38.01~~ **Proportional Multi-Driver Project:**

“Proportional Multi-Driver Project” shall mean a Multi-Driver Project that is planned as described in Schedule 6, section 1.5.10(h) of this Agreement.

~~1.38A~~ **Public Policy Objectives:**

“Public Policy Objectives” shall refer to Public Policy Requirements, as well as public policy initiatives of state or federal entities that have not been codified into law or regulation but which nonetheless may have important impacts on long term planning considerations.

~~1.38B~~ **Public Policy Requirements:**

“Public Policy Requirements” shall refer to policies pursued by: (a) state or federal entities, where such policies are reflected in duly enacted statutes or regulations, including but not limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations; and (b) local governmental entities such as a municipal or county government, where such policies are reflected in duly enacted laws or regulations passed by the local governmental entity.

Definitions Q - R

Ramping Capability:

“Ramping Capability” shall mean the sustained rate of change of generator output, in megawatts per minute.

Real-time Congestion Price:

“Real-time Congestion Price” shall mean the Congestion Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Loss Price:

“Real-time Loss Price” shall mean the Loss Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Offer:

“Real-time Offer” shall mean a new offer or an update to a Market Seller’s existing cost-based or market-based offer for a clock hour, submitted after the close of the Day-ahead Energy Market.

Real-time Prices:

“Real-time Prices” shall mean the Locational Marginal Prices resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Energy Market:

“Real-time Energy Market” shall mean the purchase or sale of energy and payment of Transmission Congestion Charges for quantity deviations from the Day-ahead Energy Market in the Operating Day.

Real-time System Energy Price:

“Real-time System Energy Price” shall mean the System Energy Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

1.38.001 Regional Entity:

“Regional Entity” shall mean an organization that NERC has delegated the authority to propose and enforce reliability standards pursuant to the Federal Power Act.

Regional Entity – An entity to whom NERC has delegated Electric Reliability Organization (ERO) functions in a particular geographic region. Within PJM the applicable Regional Entities

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are ReliabilityFirst Corporation or SERC Reliability Corporation. [DISCREPANCY WITH OA SCHED 11.1.2]

1.38.01 Regional RTEP Project:-

“Regional RTEP Project” shall mean a transmission expansion or enhancement rated at 230 kV or above which is required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

Registered Entity:

The entity registered under the NERC Functional Model and NERC Rules of Procedures for the purpose of compliance with NERC Reliability Standards and responsible for carrying out the tasks within a NERC function without regard to whether a task or tasks are performed by another entity pursuant to the terms of the PJM Governing Agreements.

Regulation:

“Regulation” shall mean the capability of a specific generation resource or Demand Resource with appropriate telecommunications, control and response capability to *separately* increase and/or decrease its output or adjust load in response to a regulating control signal, in accordance with the specifications in the PJM Manuals.

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1.38A—Regulation Zone:-

“Regulation Zone” shall mean any of those one or more geographic areas, each consisting of a combination of one or more Control Zone(s) as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, regulation service.

1.39—Related Parties:-

“Related Parties” shall mean, solely for purposes of the governance provisions of this Agreement: (i) any generation and transmission cooperative and one of its distribution cooperative members; and (ii) any joint municipal agency and one of its members. For purposes of this Agreement, representatives of state or federal government agencies shall not be deemed Related Parties with respect to each other, and a public body's regulatory authority, if any, over a Member shall not be deemed to make it a Related Party with respect to that Member.

1.38.01A—Relevant Electric Retail Regulatory Authority:

An entity that has jurisdiction over and establishes prices and policies for competition for providers of retail electric service to end-customers, such as the city council for a municipal utility, the governing board of a cooperative utility, the state public utility commission or any other such entity.

~~1.40—Reliability Assurance Agreement;:~~

~~“Reliability Assurance Agreement” shall mean that certain Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region, on file with FERC as PJM Interconnection, L.L.C. Rate Schedule FERC. No .424, and as amended from time to time thereafter establishing obligations, standards and procedures for maintaining the reliable operation of the PJM Region.~~

Reserve Penalty Factor:

~~“Reserve Penalty Factor” shall mean the cost, in \$/MWh, associated with being unable to meet a specific reserve requirement in a Reserve Zone or Reserve Sub-zone. A Reserve Penalty Factor will be defined for each reserve requirement in a Reserve Zone or Reserve Sub-zone.~~

~~1.40.01—Reserve Sub-zone;:~~

~~“Reserve Sub-zone” shall mean any of those geographic areas wholly contained within a Reserve Zone, consisting of a combination of a portion of one or more Control Zone(s) as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, reserve service.~~

~~1.40A—Reserve Zone;:~~

~~“Reserve Zone” shall mean any of those geographic areas consisting of a combination of one or more Control Zone(s) as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, reserve service.~~

~~1.40B—[Reserved];~~

Residual Auction Revenue Rights:

~~“Residual Auction Revenue Rights” shall mean incremental stage 1 Auction Revenue Rights created within a Planning Period by an increase in transmission system capability, including the return to service of existing transmission capability, that was not modeled pursuant to section 7.5 of Schedule 1 of this Agreement in compliance with section 7.4.2(h) of Schedule 1 of this Agreement, and, if modeled, would have increased the amount of stage 1 Auction Revenue Rights allocated pursuant to section 7.4.2 of Schedule 1 of this Agreement; provided that, the foregoing notwithstanding, Residual Auction Revenue Rights shall exclude: 1) Incremental Auction Revenue Rights allocated pursuant to Part VI of the Tariff; and 2) Auction Revenue Rights allocated to entities that are assigned cost responsibility pursuant to Schedule 6 of this Agreement for transmission upgrades that create such rights.~~

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.~~

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Definitions S – T

~~1.41~~ **Sector Votes**:

“Sector Votes” shall mean the affirmative and negative votes of each sector of a Senior Standing Committee, as specified in Section 8.4.

~~1.41.01~~ **Securities**:

“Securities” shall mean negotiable or non-negotiable investment or financing instruments that can be sold and bought. Securities include bonds, stocks, debentures, notes and options.

Segment:

“Segment” shall have the same meaning as described in section 3.2.3(e) of Schedule 1 of this Agreement.

~~1.41A~~ **Senior Standing Committees**:

“Senior Standing Committees” shall mean the Members Committee, and the Markets, and Reliability Committee, as established in Sections 8.1 and 8.6.

~~1.40C~~ **SERC**:

“SERC” or “Southeastern Electric Reliability Council” shall mean the reliability council under section 202 of the Federal Power Act established pursuant to the SERC Agreement dated January 14, 1970, or any successor thereto.

~~1.41A.01~~ **Short-term Project**:

A transmission enhancement or expansion with an in-service date of more than three years but no more than five years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, or Public Policy Requirements to be addressed by the enhancement or expansion.

Special Member:

“Special Member” shall mean an entity that satisfies the requirements of Section 1.5A.02 of this Schedule or the special membership provisions established under the Emergency Load Response and Pre-Emergency Load Response Programs.

Spot Market Backup:

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“Spot Market Backup” shall mean the purchase of energy from, or the delivery of energy to, the PJM Interchange Energy Market in quantities sufficient to complete the delivery or receipt obligations of a bilateral contract that has been curtailed or interrupted for any reason.

Spot Market Energy:

“Spot Market Energy” shall mean energy bought or sold by Market Participants through the PJM Interchange Energy Market at System Energy Prices determined as specified in Section 2 of this Schedule.

~~1.41A.02 [Reserved].~~

~~1.41A.03 [Reserved].~~

~~1.41B Standing Committees:-~~

“Standing Committees” shall mean the Members Committee, the committees established and maintained under Section 8.6, and such other committees as the Members Committee may establish and maintain from time to time.

~~1.42 State:-~~

“State” shall mean the District of Columbia and any State or Commonwealth of the United States.

~~1.42.01 State Certification:-~~

“State Certification” shall mean the Certification of an Authorized Commission, pursuant to Section 18 of this Agreement, the form of which is appended to this Agreement as Schedule 10A, wherein the Authorized Commission identifies all Authorized Persons employed or retained by such Authorized Commission, a copy of which shall be filed with FERC.

~~1.42A State Consumer Advocate:-~~

“State Consumer Advocate” shall mean a legislatively created office from any State, all or any part of the territory of which is within the PJM Region, and the District of Columbia established, inter alia, for the purpose of representing the interests of energy consumers before the utility regulatory commissions of such states and the District of Columbia and the FERC.

State Estimator:

“State Estimator” shall mean the computer model of power flows specified in Section 2.3 of this Schedule.

Station Power:

“Station Power” shall mean energy used for operating the electric equipment on the site of a generation facility located in the PJM Region or for the heating, lighting, air-conditioning and office equipment needs of buildings on the site of such a generation facility that are used in the operation, maintenance, or repair of the facility. Station Power does not include any energy (i) used to power synchronous condensers; (ii) used for pumping at a pumped storage facility; (iii) used for compressors at a compressed air energy storage facility; (iv) used for charging an Energy Storage Resource or a Capacity Storage Resource; or (v) used in association with restoration or black start service.

Sub-meter:

“Sub-meter” shall mean a metering point for electricity consumption that does not include all electricity consumption for the end-use customer as defined by the electric distribution company account number. PJM shall only accept sub-meter load data from end-use customers for measurement and verification of Regulation service as set forth in the Economic Load Response rules and PJM Manuals.

1.42A.01 Subregional RTEP Project:-

“Subregional RTEP Project” shall mean a transmission expansion or enhancement rated below 230 kV which is required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

1.42A.02 Supplemental Project:-

“Supplemental Project” shall mean a transmission expansion or enhancement that is not required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection and is not a state public policy project pursuant to section 1.5.9(a)(ii) of Schedule 6 of this Agreement. Any system upgrades required to maintain the reliability of the system that are driven by a Supplemental Project are considered part of that Supplemental Project and are the responsibility of the entity sponsoring that Supplemental Project.

1.42B [Reserved]:

Synchronized Reserve:

“Synchronized Reserve” shall mean the reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes from the request of the Office of the Interconnection dispatcher, and is provided by equipment that is electrically synchronized to the Transmission System.

Synchronized Reserve Event:

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“Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources and/or Demand Resources able, assigned or self-scheduled to provide Synchronized Reserve in one or more specified Reserve Zones or Reserve Sub-zones, within ten minutes, to increase the energy output or reduce load by the amount of assigned or self-scheduled Synchronized Reserve capability.

Synchronized Reserve Requirement:

“Synchronized Reserve Requirement” shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Synchronized Reserve, absent any increase to account for additional reserves scheduled to address operational uncertainty. The Synchronized Reserve Requirement is calculated in accordance with the PJM Manuals.

1.43—System:-

“System” shall mean the interconnected electric supply system of a Member and its interconnected subsidiaries exclusive of facilities which it may own or control outside of the PJM Region. Each Member may include in its system the electric supply systems of any party or parties other than Members which are within the PJM Region, provided its interconnection agreements with such other party or parties do not conflict with such inclusion.

System Energy Price:

“System Energy Price” shall mean the energy component of the Locational Marginal Price, which is the price at which the Market Seller has offered to supply an additional increment of energy from a resource, calculated as specified in Section 2 of Schedule 1 of this Agreement.

Target Allocation:

“Target Allocation” shall mean the allocation of Transmission Congestion Credits as set forth in Section 5.2.3 of this Schedule or the allocation of Auction Revenue Rights Credits as set forth in Section 7.4.3 of this Schedule.

1.43A—Third Party Request:-

“Third Party Request” shall mean any request or demand by any entity upon an Authorized Person or an Authorized Commission for release or disclosure of confidential information provided to the Authorized Person or Authorized Commission by the Office of the Interconnection or PJM Market Monitor. A Third Party Request shall include, but shall not be limited to, any subpoena, discovery request, or other request for confidential information made by any: (i) federal, state, or local governmental subdivision, department, official, agency or court, or (ii) arbitration panel, business, company, entity or individual.

Total Lost Opportunity Offer:

“Total Lost Opportunity Offer” is the applicable offer used to calculate lost opportunity credits. For pool-scheduled generating units specified in section 3.2.3(f-1) of this Schedule, the Total Lost Opportunity Offer shall equal the hourly offer integrated under the applicable offer curve for the LOC Deviation, as determined by the greater of the Committed Offer or last Real-Time Offer submitted for the offer on which the resource was committed in the Day-Ahead Energy Market for each hour in an Operating Day. For all other pool-scheduled generating units, the Total Lost Opportunity Offer shall equal the hourly offer integrated under the applicable offer curve for the LOC Deviation, as determined by the offer curve associated with the greater of the Committed Offer or Final Offer for each hour in an Operating Day. For self-scheduled generating units, the Total Lost Opportunity Offer shall equal the hourly offer integrated under the applicable offer curve for the LOC Deviation, as determined by the either the cost-based offer on which the resource was dispatched or the offer curve associated with the highest available offer submitted by the Market Seller for each hour in an Operating Day.

Total Operating Reserve Offer:

“Total Operating Reserve Offer” is the applicable offer used to calculate Operating Reserve credits. The Total Operating Reserve Offer shall equal the sum of all individual hourly energy offers, inclusive of start-up costs (shut-down costs for Demand Resources) and no-load costs, for every hour in a Segment, integrated under the applicable offer curve up to the applicable megawatt output as further described in the PJM Manuals. The applicable offer curve shall be the lesser of the Committed Offer or Final Offer for each hour in an Operating Day.

Transmission Congestion Charge:

“Transmission Congestion Charge” shall mean a charge attributable to the increased cost of energy delivered at a given load bus when the transmission system serving that load bus is operating under constrained conditions, or as necessary to provide energy for third-party transmission losses in accordance with Section 9.3, which shall be calculated and allocated as specified in Section 5.1 of this Schedule.

Transmission Congestion Credit:

“Transmission Congestion Credit” shall mean the allocated share of total Transmission Congestion Charges credited to each ~~FTR Holder of Financial Transmission Rights~~, calculated and allocated as specified in Section 5.2 of this Schedule.

Transmission Customer:

“Transmission Customer” shall mean an entity using Point-to-Point Transmission Service.

1.44—Transmission Facilities:

“Transmission Facilities” shall mean facilities that: (i) are within the PJM Region; (ii) meet the definition of transmission facilities pursuant to FERC’s Uniform System of Accounts or have

been classified as transmission facilities in a ruling by FERC addressing such facilities; and (iii) have been demonstrated to the satisfaction of the Office of the Interconnection to be integrated with the PJM Region transmission system and integrated into the planning and operation of the PJM Region to serve all of the power and transmission customers within the PJM Region.

Transmission Forced Outage:

“Transmission Forced Outage” shall mean an immediate removal from service of a transmission facility by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the transmission facility, as specified in the relevant portions of the PJM Manuals. A removal from service of a transmission facility at the request of the Office of the Interconnection to improve transmission capability shall not constitute a Forced Transmission Outage.

Transmission Loading Relief:

“Transmission Loading Relief” shall mean NERC’s procedures for preventing operating security limit violations, as implemented by PJM as the security coordinator responsible for maintaining transmission security for the PJM Region.

Transmission Loading Relief Customer:

“Transmission Loading Relief Customer” shall mean an entity that, in accordance with Section 1.10.6A, has elected to pay Transmission Congestion Charges during Transmission Loading Relief in order to continue energy schedules over contract paths outside the PJM Region that are increasing the cost of energy in the PJM Region.

Transmission Loss Charge:

“Transmission Loss Charge” shall mean the charges to each Market Participant, Network Customer, or Transmission Customer for the cost of energy lost in the transmission of electricity from a generation resource to load as specified in Section 5 of this Schedule.

1.45—Transmission Owner:-

“Transmission Owner” shall mean a Member that owns or leases with rights equivalent to ownership Transmission Facilities and is a signatory to the PJM Transmission Owners Agreement. Taking transmission service shall not be sufficient to qualify a Member as a Transmission Owner.

1.46—Transmission Owner Upgrade:

“Transmission Owner Upgrade” shall mean an upgrade to a Transmission Owner’s own transmission facilities, which is an improvement to, addition to, or replacement of a part of, an existing facility and is not an entirely new transmission facility.

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Transmission Planned Outage:

“Transmission Planned Outage” shall mean any transmission outage scheduled in advance for a pre-determined duration and which meets the notification requirements for such outages specified in this Agreement or the PJM Manuals.

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Definitions U - Z

Up-to Congestion Transaction:

“Up-to Congestion Transaction” shall have the meaning specified in Section 1.10.1A of this Schedule.

~~1.47~~—**User Group**:

“User Group” shall mean a group formed pursuant to Section 8.7 of this Agreement.

~~1.47A~~—**VACAR**:

“VACAR” shall mean the group of five companies, consisting of Duke Energy Carolinas, LLC; Duke Energy Progress, Inc.; South Carolina Public Service Authority; South Carolina Electric and Gas Company; and Virginia Electric and Power Company.

Variable Loads:

“Variable Loads” shall have the meaning specified in section 1.5A.6 of this Schedule.

~~1.47B~~—**[Reserved]**

Virtual Transaction:

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

~~1.48~~—**Voting Member**:

“Voting Member” shall mean (i) a Member as to which no other Member is an Affiliate or Related Party, or (ii) a Member together with any other Members as to which it is an Affiliate or Related Party.

~~1.49~~—**Weighted Interest**:

“Weighted Interest” shall be equal to $(0.1(1/N) + 0.5(B/C) + 0.2(D/E) + 0.2(F/G))$, where:

- N = the total number of Members excluding ex officio Members and State Consumer Advocates (which, for purposes of Section 15.2 of this agreement, shall be calculated as of five o'clock p.m. Eastern Time on the date PJM declares a Member in default)
- B = the Member's internal peak demand for the previous calendar year (which, for Load Serving Entities under the Reliability Assurance Agreement, shall be that used to calculate Accounted For Obligation as determined by the Office of the

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Interconnection pursuant to Schedule 7 of the Reliability Assurance Agreement averaged over the previous calendar year)

C = the sum of factor B for all Members

D = the Member's generating capability from Generation Capacity Resources located in the PJM Region as of January 1 of the current calendar year, determined by the Office of the Interconnection pursuant to Schedule 9 of the Reliability Assurance Agreement

E = the sum of factor D for all Members

F = the sum of the Member's circuit miles of transmission facilities multiplied by the respective operating voltage for facilities 100 kV and above as of January 1 of the current calendar year

G = the sum of factor F for all Members

~~1.50~~—~~[Reserved]~~.

~~1.51~~—~~[Reserved]~~.

Zonal Base Load:

“Zonal Base Load” shall mean the lowest daily zonal peak load from the twelve month period ending October 21 of the calendar year immediately preceding the calendar year in which an annual Auction Revenue Right allocation is conducted, increased by the projected load growth rate for the relevant Zone, when non-extraordinary conditions exist for the applicable twelve month period, as determined by PJM. If the lowest daily zonal peak load from the applicable twelve month period is abnormally low due to extraordinary conditions, as determined by PJM, Zonal Base Load shall mean the next lowest daily zonal peak load that was not affected by extraordinary conditions during the applicable twelve month period, increased by the projected load growth rate for the relevant Zone. For the purposes of this definition, extraordinary conditions shall mean a significant event, or combination of events, that affect the operation of the bulk power system in an atypical manner and results in an abnormal reduction in the consumption of energy within a Zone.

~~1.52~~—~~Zone~~:-

“Zone” shall mean an area within the PJM Region, as set forth in Attachment J to the PJM Tariff.

Schedule 1, Section 1.3

1.3 ~~Definitions.~~[Reserved for Future Use]

~~1.3.1 Acceleration Request.~~

~~“Acceleration Request” shall mean a request pursuant to section 1.9.4A of this Schedule to accelerate or reschedule a transmission outage scheduled pursuant to sections 1.9.2 or 1.9.4.~~

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~~1.3.1.01 Additional Day-ahead Scheduling Reserves Requirement~~

~~“Additional Day-ahead Scheduling Reserves Requirement” shall mean the portion of the Day-ahead Scheduling Reserves Requirement that is required in addition to the Base Day-ahead Scheduling Reserves Requirement to ensure adequate resources are procured to meet real-time load and operational needs, as specified in the PJM Manuals.~~

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~~1.3.1A Auction Revenue Rights.~~

~~“Auction Revenue Rights” or “ARRs” shall mean the right to receive the revenue from the Financial Transmission Right auction, as further described in Section 7.4 of this Schedule.~~

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~~1.3.1B Auction Revenue Rights Credits.~~

~~“Auction Revenue Rights Credits” shall mean the allocated share of total FTR auction revenues or costs credited to each holder of Auction Revenue Rights, calculated and allocated as specified in Section 7.4.3 of this Schedule.~~

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~~1.3.1B.001 Base Day-ahead Scheduling Reserves Requirement~~

~~“Base Day-ahead Scheduling Reserves Requirement” shall mean the thirty minute reserve requirement for the PJM Region established consistent with the Applicable Standards, plus any additional thirty minute reserves scheduled in response to an RTO wide Hot or Cold Weather Alert or other reasons for conservative operations.~~

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~~1.3.1B.01 Batch Load Demand Resource.~~

~~“Batch Load Demand Resource” shall mean a Demand Resource that has a cyclical production process such that at most times during the process it is consuming energy, but at consistent regular intervals, ordinarily for periods of less than ten minutes, it reduces its consumption of energy for its production processes to minimal or zero megawatts.~~

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~~1.3.1B.01A Cold Weather Alert.~~

~~“Cold Weather Alert” shall mean the notice that PJM provides to PJM Members, Transmission Owners, resource owners and operators, customers, and regulators to prepare personnel and facilities for expected extreme cold weather conditions.~~

~~**1.3.1B.01B Committed Offer.**~~

~~“Committed Offer shall mean an offer on which a resource was scheduled by the Office of the Interconnection for a particular clock hour for the Operating Day.~~

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~~**1.3.1B.02 Congestion Price.**~~

~~“Congestion Price” shall mean the congestion component of the Locational Marginal Price, which is the effect on transmission congestion costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource, based on the effect of increased generation from or consumption by the resource on transmission line loadings, calculated as specified in Section 2 of Schedule 1 of this Agreement.~~

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~~**1.3.1B.02A Coordinated External Transaction.**~~

~~“Coordinated External Transaction” shall mean a transaction to simultaneously purchase and sell energy on either side of a CTS Enabled Interface in accordance with the procedures of Section 1.13 of this Schedule 1 of this Agreement.~~

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~~**1.3.1B.02B Coordinated Transaction Scheduling.**~~

~~“Coordinated Transaction Scheduling” or “CTS” shall mean the scheduling of Coordinated External Transactions at a CTS Enabled Interface in accordance with the procedures of Section 1.13 of Schedule 1 of this Agreement.~~

~~**1.3.1B.02C CTS Enabled Interface.**~~

~~“CTS Enabled Interface” shall mean an interface between the PJM Control Area and an adjacent Control Area at which the Office of the Interconnection has authorized the use of Coordinated Transaction Scheduling (“CTS”). *The CTS Enabled Interfaces between the PJM Control Area and the New York Independent System Operator, Inc. Control Area shall be designated in Schedule A to the Joint Operating Agreement Among and Between New York Independent System Operator Inc. and PJM Interconnection, L.L.C. (PJM Rate Schedule FERC No. 45).*~~

~~**1.3.1B.02D CTS Interface Bid**~~

~~“CTS Interface Bid” shall mean a unified real time bid to simultaneously purchase and sell energy on either side of a CTS Enabled Interface in accordance with the procedures of Section 1.13 of this Schedule 1 of this Agreement.~~

~~**1.3.1B.03 Curtailment Service Provider.**~~

~~“Curtailed Service Provider” or “CSP” shall mean a Member or a Special Member, which action on behalf of itself or one or more other Members or non Members, participates in the PJM Interchange Energy Market, Ancillary Services markets, and/or Reliability Pricing Model by causing a reduction in demand.~~

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~~1.3.1B.04 Day-ahead Congestion Price.~~

~~“Day-ahead Congestion Price” shall mean the Congestion Price resulting from the Day-ahead Energy Market.~~

~~1.3.1C Day-ahead Energy Market.~~

~~“Day-ahead Energy Market” shall mean the schedule of commitments for the purchase or sale of energy and payment of Transmission Congestion Charges developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.~~

~~1.3.1C.01 Day-ahead Loss Price.~~

~~“Day-ahead Loss Price” shall mean the Loss Price resulting from the Day-ahead Energy Market.~~

~~1.3.1D Day-ahead Prices.~~

~~“Day-ahead Prices” shall mean the Locational Marginal Prices resulting from the Day-ahead Energy Market.~~

~~1.3.1D.01 Day-ahead Scheduling Reserves.~~

~~“Day-ahead Scheduling Reserves” shall mean thirty-minute reserves as defined by the Reliability First Corporation and SERC.~~

~~1.3.1D.02 Day-ahead Scheduling Reserves Requirement.~~

~~“Day-ahead Scheduling Reserves Requirement” shall mean the sum of Base Day-ahead Scheduling Reserves Requirement and Additional Day-ahead Scheduling Reserves Requirement.~~

~~1.3.1D.03 Day-ahead Scheduling Reserves Resources.~~

~~“Day-ahead Scheduling Reserves Resources” shall mean synchronized and non-synchronized generation resources and Demand Resources electrically located within the PJM Region that are capable of providing Day-ahead Scheduling Reserves.~~

~~1.3.1D.04 Day-ahead Scheduling Reserves Market.~~

~~“Day-ahead Scheduling Reserves Market” shall mean the schedule of commitments for the purchase or sale of Day-ahead Scheduling Reserves developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Section 1.10 of this Schedule.~~

~~1.3.1D.05 Day-ahead System Energy Price.~~

~~“Day-ahead System Energy Price” shall mean the System Energy Price resulting from the Day-ahead Energy Market.~~

~~1.3.1E Decrement Bid:~~

~~“Decrement Bid” shall mean a type of Virtual Transaction that is a bid to purchase energy at a specified location in the Day-ahead Energy Market. A cleared Decrement Bid results in scheduled load at the specified location in the Day-ahead Energy Market.~~

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~~1.3.1E.01 Demand Bid~~

~~“Demand Bid” shall mean a bid, submitted by a Load-Serving Entity in the Day-ahead Energy Market, to purchase energy at its contracted load location, for a specified timeframe and megawatt quantity, that if cleared will result in energy being scheduled at the specified location in the Day-ahead Energy Market and in the physical transfer of energy during the relevant Operating Day.~~

~~1.3.1E.02 Demand Bid Limit~~

~~“Demand Bid Limit” shall mean the largest MW volume of Demand Bids that may be submitted by a Load-Serving Entity for any hour of an Operating Day, as determined pursuant to Section 1.10.1B of Schedule 1 of the Operating Agreement.~~

~~1.3.1E.03 Demand Bid Screening~~

~~“Demand Bid Screening” shall mean the process by which Demand Bids are reviewed against the applicable Demand Bid Limit, and rejected if they would exceed that limit, as determined pursuant to Section 1.10.1B of Schedule 1 of the Operating Agreement.~~

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~~1.3.1E.04 Demand Resource:~~

~~“Demand Resource” shall mean a resource with the capability to provide a reduction in demand.~~

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~~1.3.1F Dispatch Rate:~~

~~“Dispatch Rate” shall mean the control signal, expressed in dollars per megawatt-hour, calculated and transmitted continuously and dynamically to direct the output level of all generation resources dispatched by the Office of the Interconnection in accordance with the Offer Data.~~

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~~1.3.1F.01 Emergency Load Response Program~~

~~The Emergency Load Response Program is the program by which Curtailment Service Providers may be compensated by PJM for Demand Resources that will reduce load when dispatched by~~

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PJM during emergency conditions, and is described in Section 8 of Schedule 1 of the Operating Agreement and the parallel provisions of Section 8 of Attachment K Appendix of the Tariff.

~~1.3.1G Energy Storage Resource.~~

~~“Energy Storage Resource” shall mean flywheel or battery storage facility solely used for short term storage and injection of energy at a later time to participate in the PJM energy and/or Ancillary Services markets as a Market Seller.~~

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~~1.3.2 Equivalent Load.~~

~~“Equivalent Load” shall mean the sum of a Market Participant’s net system requirements to serve its customer load in the PJM Region, if any, plus its net bilateral transactions.~~

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~~1.3.2A Economic Load Response Participant.~~

~~“Economic Load Response Participant” shall mean a Member or Special Member that qualifies under Section 1.5A of this Schedule to participate in the PJM Interchange Energy Market and/or Ancillary Services markets through reductions in demand.~~

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~~1.3.2A.01 Economic Minimum.~~

~~“Economic Minimum” shall mean the lowest incremental MW output level, submitted to PJM market systems by a Market Participant, that a unit can achieve while following economic dispatch.~~

~~1.3.2A.02 Economic Maximum.~~

~~“Economic Maximum” shall mean the highest incremental MW output level, submitted to PJM market systems by a Market Participant, that a unit can achieve while following economic dispatch.~~

~~1.3.2B Energy Market Opportunity Cost.~~

~~“Energy Market Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of available run hours due to limitations imposed on the unit by Applicable Laws and Regulations (as defined in PJM Tariff), and (b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Energy Market Opportunity Cost therefore is the value associated with a specific generating unit’s lost opportunity to produce energy during a higher valued period of time occurring within the same compliance period, which compliance period is determined by the applicable regulatory authority and is reflected in the rules set forth in PJM Manual 15. Energy Market Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.~~

~~1.3.2B.01 Extended Primary Reserve Requirement~~

~~“Extended Primary Reserve Requirement” shall equal the Primary Reserve Requirement in a Reserve Zone or Reserve Sub zone, plus additional reserves scheduled under emergency conditions necessary to address operational uncertainty. The Extended Primary Reserve Requirement is calculated in accordance with the PJM Manuals.~~

~~1.3.2B.02 Extended Synchronized Reserve Requirement~~

~~“Extended Synchronized Reserve Requirement” shall equal the Synchronized Reserve Requirement in a Reserve Zone or Reserve Sub zone, plus additional reserves scheduled under emergency conditions necessary to address operational uncertainty. The Extended Synchronized Reserve Requirement is calculated in accordance with the PJM Manuals.~~

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~~1.3.3 External Market Buyer.~~

~~“External Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for consumption by end users outside the PJM Region, or for load in the PJM Region that is not served by Network Transmission Service.~~

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~~1.3.4 External Resource.~~

~~“External Resource” shall mean a generation resource located outside the metered boundaries of the PJM Region.~~

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~~1.3.4A Final Offer.~~

~~“Final Offer” shall mean the offer on which a resource was dispatched by the Office of the Interconnection for a particular clock hour for the Operating Day.~~

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~~1.3.5 Financial Transmission Right.~~

~~“Financial Transmission Right” or “FTR” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2 of this Schedule.~~

~~1.3.5A Financial Transmission Right Obligation.~~

~~“Financial Transmission Right Obligation” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(b) of this Schedule.~~

~~1.3.5B Financial Transmission Right Option.~~

~~“Financial Transmission Right Option” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(c) of this Schedule.~~

~~1.3.6 Generating Market Buyer.~~

~~“Generating Market Buyer” shall mean an Internal Market Buyer that is a Load Serving Entity that owns or has contractual rights to the output of generation resources capable of serving the Market Buyer’s load in the PJM Region, or of selling energy or related services in the PJM Interchange Energy Market or elsewhere.~~

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~~**1.3.6A Generation Resource Maximum Output:**~~

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~~“Generation Resource Maximum Output” shall mean, for Customer Facilities identified in an Interconnection Service Agreement or Wholesale Market Participation Agreement, the Generation Resource Maximum Output for a generating unit shall equal the unit’s pro rata share of the Maximum Facility Output, determined by the Economic Maximum values for the available units at the Customer Facility. For generating units not identified in an Interconnection Service Agreement or Wholesale Market Participation Agreement, the Generation Resource Maximum Output shall equal the generating unit’s Economic Maximum.~~

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~~**1.3.7 Generator Forced Outage.**~~

~~“Generator Forced Outage” shall mean an immediate reduction in output or capacity or removal from service, in whole or in part, of a generating unit by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the facility, as specified in the relevant portions of the PJM Manuals. A reduction in output or removal from service of a generating unit in response to changes in market conditions shall not constitute a Generator Forced Outage.~~

~~**1.3.8 Generator Maintenance Outage.**~~

~~“Generator Maintenance Outage” shall mean the scheduled removal from service, in whole or in part, of a generating unit in order to perform necessary repairs on specific components of the facility, if removal of the facility meets the guidelines specified in the PJM Manuals.~~

~~**1.3.9 Generator Planned Outage.**~~

~~“Generator Planned Outage” shall mean the scheduled removal from service, in whole or in part, of a generating unit for inspection, maintenance or repair with the approval of the Office of the Interconnection in accordance with the PJM Manuals.~~

~~**1.3.9.01 Hot Weather Alert.**~~

~~“Hot Weather Alert” shall mean the notice provided by PJM to PJM Members, Transmission Owners, resource owners and operators, customers, and regulators to prepare personnel and facilities for extreme hot and/or humid weather conditions which may cause capacity requirements and/or unit unavailability to be substantially higher than forecast are expected to persist for an extended period.~~

~~1.3.9A Increment Offer.~~

~~“Increment Offer” shall mean a type of Virtual Transaction that is an offer to sell energy at a specified location in the Day ahead Energy Market. A cleared Increment Offer results in scheduled generation at the specified location in the Day ahead Energy Market.~~

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~~1.3.9B Interface Pricing Point.~~

~~“Interface Pricing Point” shall have the meaning specified in section 2.6A.~~

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~~1.3.10 Internal Market Buyer.~~

~~“Internal Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for ultimate consumption by end users inside the PJM Region that are served by Network Transmission Service.~~

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~~1.3.11 Inadvertent Interchange.~~

~~“Inadvertent Interchange” shall mean the difference between net actual energy flow and net scheduled energy flow into or out of the individual Control Areas operated by PJM.~~

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~~1.3.11.01 Load Management.~~

~~“Load Management” shall mean a Demand Resource (“DR”) as defined in the Reliability Assurance Agreement.~~

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~~1.3.11.02 Load Management Event~~

~~“Load Management Event” shall mean a) a single temporally contiguous dispatch of Demand Resources in a Compliance Aggregation Area during an Operating Day, or b) multiple dispatches of Demand Resources in a Compliance Aggregation Area during an Operating Day that are temporally contiguous.~~

~~1.3.11A Load Reduction Event.~~

~~“Load Reduction Event” shall mean a reduction in demand by a Member or Special Member for the purpose of participating in the PJM Interchange Energy Market.~~

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~~1.3.11A.01 Location.~~

~~“Location” as used in the Economic Load Response rules shall mean an end use customer site as defined by the relevant electric distribution company account number.~~

~~1.3.11A.02 LOC Deviation.~~

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~~“LOC Deviation” shall mean, for units other than wind units, the LOC Deviation shall equal the desired megawatt amount for the resource determined according to the point on the Final Offer corresponding to the hourly integrated real time Locational Marginal Price at the resource’s bus and adjusted for any Regulation or Tier 2 Synchronized Reserve assignments and limited to the lesser of the unit’s Economic Maximum or the unit’s Generation Resource Maximum Output, minus the actual hourly integrated output of the unit. For wind units, the LOC Deviation shall be the deviation of the generating unit’s output equal to the lesser of the PJM forecasted output for the unit or the desired megawatt amount for the resource determined according to the point on the Final Offer corresponding to the hourly integrated real time Locational Marginal Price at the resource’s bus, and shall be limited to the lesser of the unit’s Economic Maximum or the unit’s Generation Resource Maximum Output, minus the actual hourly integrated output of the unit.~~

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~~1.3.11B Loss Price.~~

~~“Loss Price” shall mean the loss component of the Locational Marginal Price, which is the effect on transmission loss costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource based on the effect of increased generation from or consumption by the resource on transmission losses, calculated as specified in Section 2 of Schedule 1 of this Agreement.~~

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~~1.3.12 Market Operations Center.~~

~~“Market Operations Center” shall mean the equipment, facilities and personnel used by or on behalf of a Market Participant to communicate and coordinate with the Office of the Interconnection in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.~~

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~~1.3.12A Maximum Emergency.~~

~~“Maximum Emergency” shall mean the designation of all or part of the output of a generating unit for which the designated output levels may require extraordinary procedures and therefore are available to the Office of the Interconnection only when the Office of the Interconnection declares a Maximum Generation Emergency and requests generation designated as Maximum Emergency to run. The Office of the Interconnection shall post on the PJM website the aggregate amount of megawatts that are classified as Maximum Emergency.~~

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~~1.3.13 Maximum Generation Emergency.~~

~~“Maximum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection to address either a generation or transmission emergency in which the Office of the Interconnection anticipates requesting one or more Generation Capacity Resources, or Non-Retail Behind The Meter Generation resources to operate at its maximum net or gross electrical power output, subject to the equipment stress limits for such Generation Capacity Resource or Non-Retail Behind The Meter resource in order to manage, alleviate, or end the Emergency.~~

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~~**1.3.13A Maximum Generation Emergency Alert.**~~

~~“Maximum Generation Emergency Alert” shall mean an alert issued by the Office of the Interconnection to notify PJM Members, Transmission Owners, resource owners and operators, customers, and regulators that a Maximum Generation Emergency may be declared, for any Operating Day in either, as applicable, the Day-ahead Energy Market or the Real-time Energy Market, for all or any part of such Operating Day.~~

~~**1.3.14 Minimum Generation Emergency.**~~

~~“Minimum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection in which the Office of the Interconnection anticipates requesting one or more generating resources to operate at or below Normal Minimum Generation, in order to manage, alleviate, or end the Emergency.~~

~~**1.3.14A NERC Interchange Distribution Calculator.**~~

~~“NERC Interchange Distribution Calculator” shall mean the NERC mechanism that is in effect and being used to calculate the distribution of energy, over specific transmission interfaces, from energy transactions.~~

~~**1.3.14B Net Benefits Test.**~~

~~“Net Benefits Test” shall mean a calculation to determine whether the benefits of a reduction in price resulting from the dispatch of Economic Load Response exceeds the cost to other loads resulting from the billing unit effects of the load reduction, as specified in Section 3.3A.4 of this Schedule.~~

~~**1.3.15 Network Resource.**~~

~~“Network Resource” shall have the meaning specified in the PJM Tariff.~~

~~**1.3.16 Network Service User.**~~

~~“Network Service User” shall mean an entity using Network Transmission Service.~~

~~**1.3.17 Network Transmission Service.**~~

~~“Network Transmission Service” shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Part III of the PJM Tariff, or transmission service comparable to such service that is provided to a Load-Serving Entity that is also a Transmission Owner.~~

~~**1.3.17A Non-Regulatory Opportunity Cost.**~~

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~~“Non-Regulatory Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of starts or available run hours resulting from (i) the physical equipment limitations of the unit, for up to one year, due to original equipment manufacturer recommendations or insurance carrier restrictions, (ii) a fuel supply limitation, for up to one year, resulting from an event of Catastrophic Force Majeure; and, (b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Non-Regulatory Opportunity Cost therefore is the value associated with a specific generating unit’s lost opportunity to produce energy during a higher valued period of time occurring within the same period of time in which the unit is bound by the referenced restrictions, and is reflected in the rules set forth in PJM Manual 15. Non-Regulatory Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.~~

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~~1.3.17B Non-Synchronized Reserve:~~

~~“Non-Synchronized Reserve” shall mean the reserve capability of non-emergency generation resources that can be converted fully into energy within ten minutes of a request from the Office of the Interconnection dispatcher, and is provided by equipment that is not electrically synchronized to the Transmission System.~~

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~~1.3.17C Non-Synchronized Reserve Event.~~

~~“Non-Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources able and assigned to provide Non-Synchronized Reserve in one or more specified Reserve Zones or Reserve Sub-zones, within ten minutes to increase the energy output by the amount of assigned Non-Synchronized Reserve capability.~~

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~~1.3.17D Non-Variable Loads.~~

~~“Non-Variable Loads” shall have the meaning specified in section 1.5A.6 of this Schedule.~~

~~1.3.18 Normal Maximum Generation.~~

~~“Normal Maximum Generation” shall mean the highest output level of a generating resource under normal operating conditions.~~

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~~1.3.19 Normal Minimum Generation.~~

~~“Normal Minimum Generation” shall mean the lowest output level of a generating resource under normal operating conditions.~~

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~~1.3.20 Offer Data.~~

~~“Offer Data” shall mean the scheduling, operations planning, dispatch, new resource, and other data and information necessary to schedule and dispatch generation resources and Demand Resource(s) for the provision of energy and other services and the maintenance of the reliability~~

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and security of the transmission system in the PJM Region, and specified for submission to the PJM Interchange Energy Market for such purposes by the Office of the Interconnection.

1.3.21 Office of the Interconnection Control Center.

“Office of the Interconnection Control Center” shall mean the equipment, facilities and personnel used by the Office of the Interconnection to coordinate and direct the operation of the PJM Region and to administer the PJM Interchange Energy Market, including facilities and equipment used to communicate and coordinate with the Market Participants in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

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1.3.21A On Site Generators.

“On Site Generators” shall mean generation facilities (including Behind The Meter Generation) that (i) are not Capacity Resources, (ii) are not injecting into the grid, (iii) are either synchronized or non-synchronized to the Transmission System, and (iv) can be used to reduce demand for the purpose of participating in the PJM Interchange Energy Market.

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1.3.22 Operating Day.

“Operating Day” shall mean the daily 24 hour period beginning at midnight for which transactions on the PJM Interchange Energy Market are scheduled.

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1.3.23 Operating Margin.

“Operating Margin” shall mean the incremental adjustments, measured in megawatts, required in PJM Region operations in order to accommodate, on a first contingency basis, an operating contingency in the PJM Region resulting from operations in an interconnected Control Area. Such adjustments may result in constraints causing Transmission Congestion Charges, or may result in Ancillary Services charges pursuant to the PJM Tariff.

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1.3.24 Operating Margin Customer.

“Operating Margin Customer” shall mean a Control Area purchasing Operating Margin pursuant to an agreement between such other Control Area and the LLC.

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1.3.24A Pre-Emergency Load Response Program

The Pre-Emergency Load Response Program is the program by which Curtailment Service Providers may be compensated by PJM for Demand Resources that will reduce load when dispatched by PJM during pre-emergency conditions, and is described in Section 8 of Schedule 1 of the Operating Agreement and the parallel provisions of Section 8 of Attachment K Appendix of the Tariff.

1.3.25 PJM Interchange.

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~~“PJM Interchange” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds, or is exceeded by, the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller; or (e) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (f) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.~~

~~1.3.26 PJM Interchange Export.~~

~~“PJM Interchange Export” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load is exceeded by the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup sales; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller.~~

~~1.3.27 PJM Interchange Import.~~

~~“PJM Interchange Import” shall mean the following, as determined in accordance with the Schedules to this Agreement: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup purchases; or (c) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (d) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.~~

~~1.3.28 PJM Open Access Same-time Information System.~~

~~“PJM Open Access Same-time Information System” shall mean the electronic communication system for the collection and dissemination of information about transmission services in the PJM Region, established and operated by the Office of the Interconnection in accordance with FERC standards and requirements.~~

~~1.3.28A Planning Period Quarter.~~

~~“Planning Period Quarter” shall mean any of the following three month periods in the Planning Period: June, July and August; September, October and November; December, January and February; or March, April and May.~~

~~1.3.28B Planning Period Balance.~~

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~~“Planning Period Balance” shall mean the entire period of time remaining in the Planning Period following the month that a monthly auction is conducted.~~

~~**1.3.29 Point-to-Point Transmission Service.**~~

~~“Point-to-Point Transmission Service” shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Part II of the PJM Tariff.~~

~~**1.3.29A PRD Curve.**~~

~~PRD Curve shall have the meaning provided in the Reliability Assurance Agreement.~~

~~**1.3.29B PRD Provider.**~~

~~PRD Provider shall have the meaning provided in the Reliability Assurance Agreement.~~

~~**1.3.29C PRD Reservation Price.**~~

~~PRD Reservation Price shall have the meaning provided in the Reliability Assurance Agreement.~~

~~**1.3.29D PRD Substation.**~~

~~PRD Substation shall have the meaning provided in the Reliability Assurance Agreement.~~

~~**1.3.29E Price Responsive Demand.**~~

~~Price Responsive Demand shall have the meaning provided in the Reliability Assurance Agreement.~~

~~**1.3.29F Primary Reserve.**~~

~~“Primary Reserve” shall mean the total reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes of a request from the Office of the Interconnection dispatcher, and is comprised of both Synchronized Reserve and Non-Synchronized Reserve.~~

~~**1.3.29G Primary Reserve Requirement**~~

~~“Primary Reserve Requirement” shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Primary Reserve, absent any increase to account for additional reserves scheduled to address operational uncertainty. The Primary Reserve Requirement is calculated in accordance with the PJM Manuals.~~

~~**1.3.30 Ramping Capability.**~~

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~~“Ramping Capability” shall mean the sustained rate of change of generator output, in megawatts per minute.~~

~~**1.3.30.01 Real-time Congestion Price.**~~

~~“Real-time Congestion Price” shall mean the Congestion Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.~~

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~~**1.3.30.02 Real-time Loss Price.**~~

~~“Real-time Loss Price” shall mean the Loss Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.~~

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~~**1.3.30.03 Real-time Offer**~~

~~“Real-time Offer” shall mean a new offer or an update to a Market Seller’s existing cost-based or market-based offer for a clock hour, submitted after the close of the Day-ahead Energy Market.~~

~~**1.3.30A Real-time Prices.**~~

~~“Real-time Prices” shall mean the Locational Marginal Prices resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.~~

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~~**1.3.30B Real-time Energy Market.**~~

~~“Real-time Energy Market” shall mean the purchase or sale of energy and payment of Transmission Congestion Charges for quantity deviations from the Day-ahead Energy Market in the Operating Day.~~

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~~**1.3.30B.01 Real-time System Energy Price.**~~

~~“Real-time System Energy Price” shall mean the System Energy Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.~~

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~~**1.3.31 Regulation.**~~

~~“Regulation” shall mean the capability of a specific generation resource or Demand Resource with appropriate telecommunications, control and response capability to increase or decrease its output or adjust load in response to a regulating control signal, in accordance with the specifications in the PJM Manuals.~~

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~~**1.3.31.001 Reserve Penalty Factor.**~~

~~“Reserve Penalty Factor” shall mean the cost, in \$/MWh, associated with being unable to meet a specific reserve requirement in a Reserve Zone or Reserve Sub-zone. A Reserve Penalty Factor will be defined for each reserve requirement in a Reserve Zone or Reserve Sub-zone.~~

~~**1.3.31.01 Residual Auction Revenue Rights:**~~

~~“Residual Auction Revenue Rights” shall mean incremental stage 1 Auction Revenue Rights created within a Planning Period by an increase in transmission system capability, including the return to service of existing transmission capability, that was not modeled pursuant to section 7.5 of Schedule 1 of this Agreement in compliance with section 7.4.2(h) of Schedule 1 of this Agreement, and, if modeled, would have increased the amount of stage 1 Auction Revenue Rights allocated pursuant to section 7.4.2 of Schedule 1 of this Agreement; provided that, the foregoing notwithstanding, Residual Auction Revenue Rights shall exclude: 1) Incremental Auction Revenue Rights allocated pursuant to Part VI of the Tariff; and 2) Auction Revenue Rights allocated to entities that are assigned cost responsibility pursuant to Schedule 6 of this Agreement for transmission upgrades that create such rights.~~

~~**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.~~

~~**1.3.31.01B Segment**~~

~~“Segment” shall have the same meaning as described in section 3.2.3(e) of Schedule 1 of this Agreement.~~

~~**1.3.31.02 Special Member:**~~

~~“Special Member” shall mean an entity that satisfies the requirements of Section 1.5A.02 of this Schedule or the special membership provisions established under the Emergency Load Response and Pre-Emergency Load Response Programs.~~

~~**1.3.32 Spot Market Backup:**~~

~~“Spot Market Backup” shall mean the purchase of energy from, or the delivery of energy to, the PJM Interchange Energy Market in quantities sufficient to complete the delivery or receipt obligations of a bilateral contract that has been curtailed or interrupted for any reason.~~

~~**1.3.33 Spot Market Energy:**~~

~~“Spot Market Energy” shall mean energy bought or sold by Market Participants through the PJM Interchange Energy Market at System Energy Prices determined as specified in Section 2 of this Schedule.~~

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1.3.33A State Estimator.

~~“State Estimator” shall mean the computer model of power flows specified in Section 2.3 of this Schedule.~~

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1.3.33B Station Power.

~~“Station Power” shall mean energy used for operating the electric equipment on the site of a generation facility located in the PJM Region or for the heating, lighting, air conditioning and office equipment needs of buildings on the site of such a generation facility that are used in the operation, maintenance, or repair of the facility. Station Power does not include any energy (i) used to power synchronous condensers; (ii) used for pumping at a pumped storage facility; (iii) used for compressors at a compressed air energy storage facility; (iv) used for charging an Energy Storage Resource; or (v) used in association with restoration or black start service.~~

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1.3.33B.001 Sub-meter.

~~“Sub-meter” shall mean a metering point for electricity consumption that does not include all electricity consumption for the end use customer as defined by the electric distribution company account number. PJM shall only accept sub-meter load data from end use customers for measurement and verification of Regulation service as set forth in the Economic Load Response rules and PJM Manuals.~~

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1.3.33B.01 Synchronized Reserve.

~~“Synchronized Reserve” shall mean the reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes from the request of the Office of the Interconnection dispatcher, and is provided by equipment that is electrically synchronized to the Transmission System.~~

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1.3.33B.02 Synchronized Reserve Event.

~~“Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources and/or Demand Resources able, assigned or self-scheduled to provide Synchronized Reserve in one or more specified Reserve Zones or Reserve Sub-zones, within ten minutes, to increase the energy output or reduce load by the amount of assigned or self-scheduled Synchronized Reserve capability.~~

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1.3.33B.02A Synchronized Reserve Requirement

~~“Synchronized Reserve Requirement” shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Synchronized Reserve, absent any increase to account for additional reserves scheduled to address operational uncertainty. The Synchronized Reserve Requirement is calculated in accordance with the PJM Manuals.~~

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1.3.33B.03 System Energy Price.

~~“System Energy Price” shall mean the energy component of the Locational Marginal Price, which is the price at which the Market Seller has offered to supply an additional increment of energy from a resource, calculated as specified in Section 2 of Schedule 1 of this Agreement.~~

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~~1.3.33C Target Allocation:~~

~~“Target Allocation” shall mean the allocation of Transmission Congestion Credits as set forth in Section 5.2.3 of this Schedule or the allocation of Auction Revenue Rights Credits as set forth in Section 7.4.3 of this Schedule.~~

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~~1.3.33D Total Lost Opportunity Offer:~~

~~“Total Lost Opportunity Offer” is the applicable offer used to calculate lost opportunity credits. For pool scheduled generating units specified in section 3.2.3(f 1) of this Schedule, the Total Lost Opportunity Offer shall equal the hourly offer integrated under the applicable offer curve for the LOC Deviation, as determined by the greater of the Committed Offer or last Real Time Offer submitted for the offer on which the resource was committed in the Day Ahead Energy Market for each hour in an Operating Day. For all other pool scheduled generating units, the Total Lost Opportunity Offer shall equal the hourly offer integrated under the applicable offer curve for the LOC Deviation, as determined by the offer curve associated with the greater of the Committed Offer or Final Offer for each hour in an Operating Day. For self-scheduled generating units, the Total Lost Opportunity Offer shall equal the hourly offer integrated under the applicable offer curve for the LOC Deviation, as determined by the either the cost-based offer on which the resource was dispatched or the offer curve associated with the highest available offer submitted by the Market Seller for each hour in an Operating Day.~~

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~~1.3.33E Total Operating Reserve Offer:~~

~~“Total Operating Reserve Offer” is the applicable offer used to calculate Operating Reserve credits. The Total Operating Reserve Offer shall equal the sum of all individual hourly energy offers, inclusive of start up costs (shut down costs for Demand Resources) and no load costs, for every hour in a Segment, integrated under the applicable offer curve up to the applicable megawatt output as further described in the PJM Manuals. The applicable offer curve shall be the lesser of the Committed Offer or Final Offer for each hour in an Operating Day.~~

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~~1.3.34 Transmission Congestion Charge:~~

~~“Transmission Congestion Charge” shall mean a charge attributable to the increased cost of energy delivered at a given load bus when the transmission system serving that load bus is operating under constrained conditions, or as necessary to provide energy for third party transmission losses in accordance with Section 9.3, which shall be calculated and allocated as specified in Section 5.1 of this Schedule.~~

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~~1.3.35 Transmission Congestion Credit:~~

~~“Transmission Congestion Credit” shall mean the allocated share of total Transmission Congestion Charges credited to each holder of Financial Transmission Rights, calculated and allocated as specified in Section 5.2 of this Schedule.~~

~~**1.3.36 Transmission Customer.**~~

~~“Transmission Customer” shall mean an entity using Point to Point Transmission Service.~~

~~**1.3.37 Transmission Forced Outage.**~~

~~“Transmission Forced Outage” shall mean an immediate removal from service of a transmission facility by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the transmission facility, as specified in the relevant portions of the PJM Manuals. A removal from service of a transmission facility at the request of the Office of the Interconnection to improve transmission capability shall not constitute a Forced Transmission Outage.~~

~~**1.3.37A Transmission Loading Relief.**~~

~~“Transmission Loading Relief” shall mean NERC’s procedures for preventing operating security limit violations, as implemented by PJM as the security coordinator responsible for maintaining transmission security for the PJM Region.~~

~~**1.3.37B Transmission Loading Relief Customer.**~~

~~“Transmission Loading Relief Customer” shall mean an entity that, in accordance with Section 1.10.6A, has elected to pay Transmission Congestion Charges during Transmission Loading Relief in order to continue energy schedules over contract paths outside the PJM Region that are increasing the cost of energy in the PJM Region.~~

~~**1.3.37C Transmission Loss Charge.**~~

~~“Transmission Loss Charge” shall mean the charges to each Market Participant, Network Customer, or Transmission Customer for the cost of energy lost in the transmission of electricity from a generation resource to load as specified in Section 5 of this Schedule.~~

~~**1.3.38 Transmission Planned Outage.**~~

~~“Transmission Planned Outage” shall mean any transmission outage scheduled in advance for a pre-determined duration and which meets the notification requirements for such outages specified in this Agreement or the PJM Manuals.~~

~~**1.3.38.01 Up-to-Congestion Transaction.**~~

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~~“Up to Congestion Transaction” shall have the meaning specified in Section 1.10.1A of this Schedule.~~

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~~**1.3.38A Variable Loads.**~~

~~“Variable Loads” shall have the meaning specified in section 1.5A.6 of this Schedule.~~

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~~**1.3.38B Virtual Transaction.**~~

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

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~~**1.3.39 Zonal Base Load.**~~

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~~“Zonal Base Load” shall mean the lowest daily zonal peak load from the twelve month period ending October 21 of the calendar year immediately preceding the calendar year in which an annual Auction Revenue Right allocation is conducted, increased by the projected load growth rate for the relevant Zone, when non extraordinary conditions exist for the applicable twelve month period, as determined by PJM. If the lowest daily zonal peak load from the applicable twelve month period is abnormally low due to extraordinary conditions, as determined by PJM, Zonal Base Load shall mean the next lowest daily zonal peak load that was not affected by extraordinary conditions during the applicable twelve month period, increased by the projected load growth rate for the relevant Zone. For the purposes of this definition, extraordinary conditions shall mean a significant event, or combination of events, that affect the operation of the bulk power system in an atypical manner and results in an abnormal reduction in the consumption of energy within a Zone.~~

Schedule 10, section 1.2

1.2 ~~Definitions:~~[Reserved for Future Use]

~~All defined terms in this Schedule shall have the meaning given to them in the Operating Agreement unless otherwise stated below.~~

~~**Compliance Monitoring and Enforcement Program**—The program to be used by the NERC and the Regional Entities to monitor, assess and enforce compliance with the NERC Reliability Standards. As part of a Compliance Monitoring and Enforcement Program, NERC and the Regional Entities may, among other things, conduct investigations, determine fault and assess monetary penalties.~~

~~**NERC Functional Model**—Defines the set of functions that must be performed to ensure the reliability of the electric bulk power system. The NERC Reliability Standards establish the requirements of the responsible entities that perform the functions defined in the Functional Model.~~

~~**NERC Reliability Standards**—Those standards that have been developed by NERC and approved by FERC to ensure the reliability of the electric bulk power system.~~

~~**NERC Rules of Procedure**—The rules and procedures developed by NERC and approved by the FERC. These rules include the process by which a responsible entity, who is to perform a set of functions to ensure the reliability of the electric bulk power system, must register as the Registered Entity.~~

~~**PJM Governing Agreements**—The PJM Open Access Transmission Tariff, the Operating Agreement, the Consolidated Transmission Owners Agreement, the Reliability Assurance Agreement, or any other applicable agreement approved by the FERC and intended to govern the relationship by and among PJM and any of its Members.~~

~~**Registered Entity**—The entity registered under the NERC Functional Model and NERC Rules of Procedures for the purpose of compliance with NERC Reliability Standards and responsible for carrying out the tasks within a NERC function without regard to whether a task or tasks are performed by another entity pursuant to the terms of the PJM Governing Agreements.~~

~~**Regional Entity**—An entity to whom NERC has delegated Electric Reliability Organization (ERO) functions in a particular geographic region. Within PJM the applicable Regional Entities are ReliabilityFirst Corporation or SERC Reliability Corporation.~~

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