

**VI. ADMINISTRATION AND STUDY OF NEW SERVICE REQUESTS; RIGHTS
ASSOCIATED WITH CUSTOMER-FUNDED UPGRADES**

References to section numbers in this Part VI refer to sections of this Part VI, unless otherwise specified.

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Preamble

This Part VI shall apply to apply to: (a) any New Service Request received prior to April 1, 2018; and (b) any New Service Request for which, as of the Transition Date (defined in Tariff, Part VII), the Interconnection Customer has received for execution an Interconnection Service Agreement or wholesale market participation agreement or has directed the Transmission Provider to file an Interconnection Service Agreement or wholesale market participation agreement unexecuted. New Service Requests received on or after April 1, 2018 for which Interconnection Customers have not received for execution or directed to be filed unexecuted an Interconnection Service Agreement or wholesale market participation agreement will be subject to the Generation Interconnection Procedures set forth in Tariff, Part VII or Tariff, Part VIII, as applicable.

Tariff, Part VI sets forth the procedures and other terms governing the Transmission Provider's administration of the New Services Queue; procedures and other terms regarding studies and other processing of New Service Requests; the nature and timing of the agreements required in connection with studies and construction of required facilities; and terms and conditions relating to the rights available to New Service Customers in consideration of their payments for Customer-Funded Upgrades.

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200 Applicability:

Tariff, Part VI applies (a) to an Interconnection Request, upon the Transmission Provider's determination in an Interconnection Feasibility Study that a System Impact Study is needed to evaluate the facilities required to accommodate the requested interconnection; (b) to a Completed Application for new transmission service, upon the Transmission Provider's determination in an Firm Transmission Feasibility Study that a System Impact Study is needed to evaluate the facilities required to provide the requested service; and (c) to Upgrade Requests, upon the Transmission Provider's receipt of a completed request containing all applicable information in the form required by Tariff, Attachment EE in which a customer is seeking to propose a Merchant Network Upgrade or to advance construction of Regional Transmission Expansion Plan project; and (d) to Upgrade Requests seeking Incremental Auction Revenue Rights, upon the Transmission Provider's determination in an Upgrade Feasibility Study that a System Impact Study is needed to evaluate the facilities required to accommodate the Upgrade Request. Notwithstanding the foregoing sentence, however, the provisions of Tariff, Part IV, Subpart G shall govern with respect to Generation Interconnection Requests that involve (i) proposed new generation resources having capability of 20 MW or less, or (ii) increases of 20 MW or less to the capability of existing generation resources, except where, and only to the extent, otherwise expressly provided herein.

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201 Queue Position:

Each New Service Request shall be assigned a priority, or Queue Position, based on the date and time all required information and requisite deposits are received, i.e., Queue Positions will be assigned on a first-come, first-served basis. The Queue Position of each Interconnection Request and each Completed Application shall be assigned in accordance with the applicable terms of Tariff, Part II, Tariff, Part III, or Tariff, Part IV. The Queue Position of each Upgrade Request shall be the date of Transmission Provider's receipt of all applicable information required by Tariff, Attachment EE. Subject to the applicable terms of the Tariff, all New Service Requests shall be processed as part of a single New Services Queue, except where such projects have been assigned to a subsequent queue pursuant to Tariff, Part IV, Subpart A, sections 36.1.01, 36.1.03, 36.2A.1.2, or 36.2A.2, or Tariff, Part IV, Subpart G, sections 110, 111, 112, or 112A, in which case such projects will be studied as part of a single New Services Queue with such subsequent queue. With the exception of Interconnection Requests pursuant to Tariff, Part IV, section 112, the Transmission Provider shall publish the New Services Queue on its website identifying each pending New Service Request and its status as and to the extent consistent with applicable terms of the Tariff. For the purpose of determining the amount of a New Service Customer's cost responsibility for the construction of necessary facilities or upgrades to accommodate its New Service Request, a New Service Request that is deemed terminated and withdrawn under this Part VI or other applicable terms of the Tariff shall concurrently lose its Queue Position and will not be included in any further studies. Nothing in this section 201, however, precludes an entity from later submitting another New Service Request or resubmitting a withdrawn or terminated New Service Request and receiving a new Queue Position in accordance with the applicable Tariff, Part IV, Subpart A, sections 36.1.01, 36.1.03, 36.2A.1.2, or 36.2A.2, or Tariff, Part IV, Subpart G, sections 110, 111, 112, or 112A.

201.1 Transferability of Queue Position:

A New Service Customer may transfer its Queue Position to another entity only if, (a) in the case of a transfer by an Interconnection Customer, the other entity acquires the rights to the same Point(s) of Interconnection identified in the Interconnection Request, or, (b) in the case of a transfer by any other New Service Customer, the acquiring entity accepts, as applicable, the same receipt and delivery points or the same source and sink as stated in the transferor's New Service Request.

**Subpart A – System Impact Studies and Facilities Studies
for New Service Requests**

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202 Coordination with Affected Systems:

The Transmission Provider will coordinate with Affected System Operators the conduct of any studies required to determine the impact of a New Service Request on any Affected System and, if possible, will include those results in the System Impact Study or the Facilities Study. The Transmission Provider will invite such Affected System Operators to participate in all meetings held with the Interconnection Customer as required by Tariff, Part VI. The Interconnection Customer will cooperate with the Transmission Provider in all matters related to the conduct of studies by Affected System Operators and the determination of modifications to Affected Systems needed to accommodate the Interconnection Request. Transmission Provider shall contact any potential Affected System and shall provide information regarding each relevant New Service Request as required for the Affected System Operator's studies of the effects of such request. A provider of transmission services on a system that may be an Affected System shall cooperate with the Transmission Provider in all matters related to the conduct of studies and the determination of modifications to Affected Systems related to New Service Requests under the Tariff. To the extent Affected System results are included in the System Impact Study or Facilities Study, an Interconnection Customer shall be provided the opportunity to review such study results consistent with Tariff, Part VI, section 206.2 and Tariff, Part VI, section 212.4(a), as applicable. All New Service Requests will be modeled and studied consistent with the criteria and methodology set forth in PJM Manual 14B, section 2.3 and further supplemented by requirements in PJM Manual 14A, section 4.2. These sections detail the processes and modeling used by the Transmission Provider for all its planning analyses, including Affected System studies.

203 System Impact Study Agreement:

Transmission Provider shall conduct System Impact Studies pursuant to a System Impact Study Agreement with each affected New Service Customer. The form of the System Impact Study Agreement is included in Tariff, Attachment N-1. Pursuant to the System Impact Study Agreement, the New Service Customer shall agree to reimburse the Transmission Provider for the cost of a System Impact Study.

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203.1 Cost Responsibility:

The System Impact Study Agreement tendered by the Transmission Provider will clearly specify the Transmission Provider's estimate (determined in coordination with the affected Transmission Owner(s)) of the cost and time required for completion of the study in which the New Service Request is being evaluated and the New Service Customer's cost responsibility for that study. The charges to all affected New Service Customers shall not exceed the actual cost of the System Impact Study. In performing the System Impact Study, the Transmission Provider shall rely, to the extent reasonably practicable, on existing transmission planning studies. New Service Customers will not be assessed a charge for such existing studies; however, a New Service Customer will be responsible for charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of such customer's New Service Request. In the event more than one New Service Request is evaluated in a single System Impact Study, the cost of such study shall be allocated among the participating New Service Customers such that (i) each Interconnection Customer pays 100 percent of the study costs associated with evaluating the Attachment Facilities necessary to accommodate its Interconnection Request; (ii) each Eligible Customer pays 100 percent of the study costs associated with evaluating the Direct Assignment Facilities necessary to accommodate its Completed Application for new transmission service; and (iii) each New Service Customer pays the study costs associated with evaluating the Local Upgrades and/or Network Upgrades necessary to accommodate its New Service Request in proportion to its projected cost responsibility (as determined in the Interconnection Feasibility Study or the Firm Transmission Feasibility Study) for such upgrades. In the event that a New Service Customer's responsibility for the actual cost of the System Impact Study under this section is less than the deposit provided with its executed System Impact Study Agreement, the unexpended balance of its deposit shall be refunded, with interest determined at the applicable rate under the Commission's regulations.

203.1.1 Transmission Owners:

For System Impact Studies that the Transmission Provider conducts on behalf of a Transmission Owner, the Transmission Owner shall record the cost of the System Impact Studies pursuant to Tariff, Part I, section 8.

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204.1 Completed Applications:

After completing a *Firm Transmission Feasibility* Study regarding a Completed Application for new transmission service, the Transmission Provider shall determine on a non-discriminatory basis whether a System Impact Study is required to accommodate the requested transmission service. If the Transmission Provider determines that a System Impact Study is necessary to accommodate the requested service, it shall so inform the Eligible Customer as soon as practicable. In such cases, the Transmission Provider shall, upon completion of the *Firm Transmission Feasibility* Study, tender a System Impact Study Agreement pursuant to which the Eligible Customer shall agree to reimburse the Transmission Provider for the required System Impact Study. For a Completed Application to retain its Queue Position, the Eligible Customer (i) shall execute the System Impact Study Agreement and it must be received by the Transmission Provider within thirty (30) days, and (ii) shall pay the Transmission Provider a \$50,000 deposit which will be applied to the Eligible Customer's study cost responsibility. If the Eligible Customer elects not to execute the System Impact Study Agreement, its Completed Application shall be deemed terminated and withdrawn, and its deposit provided pursuant to Tariff, Part II, section 17.3 shall be returned, with interest.

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204.2 Upgrade Requests:

204.2.1 Upgrade Requests pursuant to Section 7.8 of Schedule 1 of the Operating Agreement

Upon completion of the Upgrade Feasibility Study, the Transmission Provider shall tender to the affected Upgrade Customer a System Impact Study Agreement. For an Upgrade Request to retain its assigned Queue Position pursuant to Tariff, Part VI, Preamble, section 201, within 30 days of receiving the tendered System Impact Study Agreement, the Upgrade Customer (i) shall execute the System Impact Study Agreement and return it to the Transmission Provider, (ii) shall remit to Transmission Provider all past due amounts of the actual Upgrade Feasibility Study costs exceeding the Upgrade Feasibility Study deposit fee contained in Tariff, Part IV, Subpart A, section 36.3, if any, and (iii) shall pay the Transmission Provider a deposit of \$50,000. If a terminated and withdrawn Upgrade Request was to be included in a System Impact Study evaluating more than one New Service Request, then the costs of the System Impact Study shall be redetermined and reallocated among the remaining participating New Service Customers as specified in this section 204.

204.2.2 Upgrade Requests for Merchant Network Upgrades

After receiving an Upgrade Request for a Merchant Network Upgrade, the Transmission Provider shall acknowledge receipt of the Upgrade Request, pursuant to Tariff, Part VI, Subpart A, section 204.2.2.1. The Transmission Provider shall determine whether the Upgrade Request includes: (i) the substation or transmission line or lines where the upgrade(s) will be made; (ii) the nominal capability or increase in capability (in MW or MVA) of the proposed Merchant Network Upgrade; and (iii) the planned date the proposed Merchant Network Upgrade will be in service, such date to be no more than seven (7) years from the date the request is received by the Transmission Provider, unless the Interconnection Customer demonstrates that engineering, permitting, and construction of the Merchant Network Upgrade will take more than seven (7) years.

The Transmission Provider shall maintain on the Transmission Provider's website a list of all Upgrade Requests that identifies (A) in megawatts the potential nominal capability or increase in capability; (B) the station or transmission line or lines where the upgrade(s) will be made; (C) the proposed in-service date; (D) the status of the Upgrade Request, including its Queue Position; (E) the availability of any studies related to the Upgrade Request; (F) the date of the Upgrade Request; and (G) for each Upgrade Request that has not resulted in a completed upgrade, an explanation of why it was not completed. This list will not disclose the identity of the Interconnection Customer, except as otherwise provided in Tariff, Part VI. The list and the priority of Upgrade Requests shall be included on the website as part of the New Services Queue.

204.2.2.1 Acknowledgement of Upgrade Request for Merchant Network Upgrades

The Transmission Provider shall acknowledge receipt (electronically when available to all parties, otherwise written) of the Upgrade Request within five (5) Business Days after receipt of the Upgrade Request.

204.2.2.2 Deficiencies in Upgrade Request for Merchant Network Upgrades

An Upgrade Request will not be considered a valid request if Interconnection Customer has failed to pay any outstanding invoices related to prior Queue Requests submitted pursuant to Tariff, Part IV or Tariff, Part VI by the Interconnection Customer and until all information required under Attachment EE is able to be studied by the Transmission Provider. If an Upgrade Request fails to meet the requirements, except as provided below regarding the deposit, or is in arrears as described above, the Transmission Provider shall use Reasonable Efforts consistent with the volume of the New Services Queue to notify the Interconnection Customer (electronically when available to all parties, otherwise written) within fifteen (15) Business Days of receipt of the initial Upgrade Request. If Transmission Provider is unable to provide a deficiency review within fifteen Business Days from receipt of the initial Upgrade Request, Transmission Provider shall use Reasonable Efforts to complete and issue the deficiency review to the Interconnection Customer as soon thereafter as practicable, but, in no event shall the Transmission Provider's response herein serve as a basis to delaying Transmission Provider's compliance with the Interconnection Feasibility Study provisions of the Tariff, Part IV, Subpart A, section 36.2, or the Upgrade Feasibility Study provisions of the Tariff, Part IV, Subpart A, section 36.3. Such notice shall explain that the Upgrade Request does not constitute a valid request and the reasons for such failure to meet the applicable requirements. Interconnection Customer shall provide the additional information that the Transmission Provider's notice identifies as needed to constitute a valid request and shall make any payments on any outstanding invoices within ten (10) Business Days after receipt of such notice. Upon timely correction of the deficiency, the Upgrade Request shall be assigned a Queue Position under Tariff, Part VI, Preamble, section 201 as of the date that the Transmission Provider first received the request. In the event the Interconnection Customer fails to provide the further information and make payments on any outstanding invoices required by the Transmission Provider's deficiency notice under this section 204.2.2.2, its Upgrade Request shall be deemed to be terminated and withdrawn. Notwithstanding the above, the Interconnection Customer must submit its deposit at the time it submits its Upgrade Request. Failure to do so will result in rejection of the Upgrade Request.

The Interconnection Customer must submit a complete and fully executed Upgrade Request (Tariff, Attachment EE) to the Transmission Provider by March 10 for the New Services Queue ending March 31, and by September 10 for the New Services Queue ending September 30. No Upgrade Requests shall be accepted for the relevant New Services Queue after such dates.

204.2.2.3 Scoping Meeting

Transmission Provider shall provide each Interconnection Customer proposing Merchant Network Upgrades with an opportunity for a scoping meeting among the Transmission Provider, the prospective Interconnected Transmission Owner(s) and the Interconnection Customer. The purpose of the scoping meeting will be to confirm all parties' understanding of the proposed

Upgrade Request and confirm the expectation for project completion or, if for acceleration of a Regional Transmission Expansion Plan Network Upgrade, the feasibility of the acceleration. After receipt of a valid Upgrade Request proposing Merchant Network Upgrades, the Transmission Provider shall offer to arrange for the scoping meeting, and shall provide a minimum of three (3) suggested meeting dates and times for the scoping meeting. The scoping meeting shall be held, or waived by mutual agreement of the parties within forty-five (45) days after receipt of a valid Upgrade Request, if the Upgrade Request is received in the first four calendar months of the current New Services Queue; or within thirty (30) days if the Upgrade Request is received within the fifth calendar month of the current New Services Queue; or within twenty (20) days if the Upgrade Request is received in the sixth calendar month of the date of the beginning of the current New Services Queue. The Interconnection Customer may choose to divide the scoping meeting into two sessions, one between the Transmission Provider and Interconnection Customer and one among the Transmission Provider, the Interconnection Customer and the prospective Interconnected Transmission Owner. Such meetings may be held consecutively on the same day. Scoping meetings may be held in person, by telephone or video conference. In the event the Interconnection Customer fails to waive or complete the scoping meeting requirement, its Upgrade Request shall be deemed terminated or withdrawn. Interconnection Customer may reduce its Upgrade Request within ten (10) Business Days after the scoping meeting. Any reduction made within this ten (10) Business Day period shall not be a Material Modification; however, the reduction may not result in the project's MW capability being equal to or less than zero.

204.2.2.4 Coordination with Affected Systems

Tariff, Part IV, Subpart A, section 36.1.6 shall apply to Upgrade Requests for Merchant Network Upgrades.

204.2.2.5 Base Case Data

Tariff, Part IV, Subpart A, section 36.1.7 shall apply to Upgrade Requests for Merchant Network Upgrades.

204.2.2.6 System Impact Study Agreement

Upon the Transmission Provider assigning the Upgrade Request a Queue Position per Tariff, Part VI, Subpart A, section 204.2.2, for Upgrade Requests proposing Merchant Network Upgrades, and, if required, completing a scoping meeting per Tariff, Part VI, Subpart A, section 204.2.2.3, Transmission Provider shall tender a System Impact Study Agreement. For an Upgrade Request associated with a Merchant Network Upgrade request to retain its Queue Position, the Interconnection Customer (i) shall execute the System Impact Study Agreement and return it to the Transmission Provider within thirty (30) days, and (ii) the \$50,000 deposit provided with Tariff, Attachment EE will be applied to the Interconnection Customer's study cost responsibility. If the Interconnection Customer elects not to execute the System Impact Study Agreement, its Upgrade Request shall be deemed terminated and withdrawn. Any remaining Tariff, Attachment EE deposit will be refunded.

204.2.2.7 Modifications of Upgrade Requests for Merchant Network Upgrades After the System Impact Study Agreement, but Prior to Executing an Upgrade Construction Service Agreement

After the System Impact Study Agreement is executed and prior to execution of the Upgrade Construction Service Agreement, an Interconnection Customer proposing Merchant Network Upgrades may modify its project to reduce the size of the project as provided in Tariff, Part IV, Subpart A, section 36.2A.2.

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204.3 Interconnection Requests:

Upon completion of the Interconnection Feasibility Study, the Transmission Provider shall tender to the affected Interconnection Customer a System Impact Study Agreement. For an Interconnection Request to retain its assigned Queue Position pursuant to Tariff, Part VI, Preamble, section 201, within 30 days of receiving the tendered System Impact Study Agreement, the Interconnection Customer (i) shall execute the System Impact Study Agreement and it must be received by the Transmission Provider, (ii) shall remit to Transmission Provider all past due amounts of the actual Feasibility Study costs exceeding the Feasibility Study deposit fee contained in Tariff, Part IV, Subpart A, sections 36.1.02, and 36.1.03, and Tariff, Part IV, Subpart G, sections 110.1, 111.1, and 112.1 of the Tariff, if any, (iii) shall pay the Transmission Provider a deposit as provided in section 204.3A below, (iv) shall identify the Point(s) of Interconnection, and (v) in the case of a Generation Interconnection Customer, shall (A) demonstrate that it has made an initial application for the necessary air emission permits, if any, for its proposed generation, (B) specify whether it desires to interconnect its generation to the Transmission System as a Capacity Resource or an Energy Resource, (C) provide required machine modeling data as specified in the PJM Manuals, (D) in the case of a wind generation facility, provide a detailed electrical design specification and other data (including system layout data) as required by the Transmission Provider for completion of the System Impact Study, and (E) notify the Transmission Provider if it seeks to use Capacity Interconnection Rights in accordance with Tariff, Part VI, Subpart C, section 230.3.3; or, (vi) in the case of a Transmission Interconnection Customer, shall (A) provide Transmission Provider with evidence of an ownership interest in, or right to acquire or control, the site(s) where major equipment (e.g., a new transformer or D.C. converter stations) would be installed, such as a deed, option agreement, lease, or other similar document acceptable to the Transmission Provider; (B) demonstrate in a manner acceptable to Transmission Provider that it holds rights to use (or an option to obtain such rights) any existing facilities of the Transmission System that are necessary for construction of the proposed Merchant Transmission Facilities; and (C) provide required modeling data as specified in the PJM Manuals. If an Interconnection Customer fails to comply with any of the applicable listed requirements, its Interconnection Request shall be deemed terminated and withdrawn, however in the event that the information required per (v)(C), (v)(D), or (vi)(C) above is provided and deemed to be deficient by the Transmission Provider, Interconnection Customer may provide additional information acceptable to the Transmission Provider within 10 Business Days. Failure of the Interconnection Customer to provide information identified as being deficient within 10 Business Days shall result in the Interconnection Request being terminated and withdrawn. If a terminated and withdrawn Interconnection Request was to be included in a System Impact Study evaluating more than one New Service Request, then the costs of the System Impact Study shall be redetermined and reallocated among the remaining participating New Service Customers as specified in this section 204.

204.3A Deposits for Interconnection Customers

1. Provided that the maximum total deposit amount for a System Impact Study shall be \$300,000 regardless of the size of the proposed Customer Facility, a System Impact Study deposit shall be submitted to Transmission Provider, as follows:

- a. For a proposed Customer Facility that is 20 MW or greater, a deposit of \$500 for each MW requested; or
 - b. For a proposed Customer Facility that is 2 MW or greater, but less than 20 MW, a deposit of \$10,000; or
 - c. For a proposed Customer Facility that is less than 2 MW, a deposit of \$5,000.
2. 10% of each total System Impact Study deposit amount is non-refundable. Any unused non-refundable deposit monies shall be returned to the Interconnection Customer upon Initial Operation. However, if, before reaching Initial Operation, the Interconnection Customer withdraws its Interconnection Request or the Interconnection Request is otherwise deemed rejected or terminated and withdrawn, any unused portion of the non-refundable deposit monies shall be used to fund:
- a. Any outstanding monies owed by the Interconnection Customer in connection with outstanding invoices due to Transmission Provider, Interconnected Transmission Owner(s) and/or third party contractors, as applicable, as a result of any failure of the Interconnection Customer to pay actual costs for the Interconnection Request and/or associated Queue Position; and/or
 - b. Any restudies required as a result of the rejection, termination and/or withdrawal of such Interconnection Request; and/or
 - c. Any outstanding monies owed by the Interconnection Customer in connection with outstanding invoices related to prior Interconnection Requests by the Interconnection Customer.
3. 90% of each total System Impact Study deposit amount is refundable, and the Transmission Provider shall utilize, in no particular order, the refundable portion of each total System Impact Study deposit amount to cover the following:
- a. The cost of the System Impact Study acceptance review; and
 - b. The dollar amount of the Interconnection Customer's cost responsibility for the System Impact Study; and
 - c. If the System Impact Study Request is deemed to be modified (pursuant to Tariff, Part IV, Subpart A, section 36.2A), rejected, terminated and/or withdrawn during the deficiency review and/or deficiency response period, as described further below, or during the System Impact Study period, the refundable deposit money shall be applied to cover all of the

costs incurred by the Transmission Provider up to the point of such request being modified, rejected, terminated and/or withdrawn, and any remaining refundable deposit monies shall be applied to cover:

- i. The costs of any restudies required as a result of the modification, rejection, termination and/or withdrawal of such request; and/or
 - ii. Any outstanding monies owed by the Interconnection Customer in connection with outstanding invoices due to Transmission Provider, Interconnected Transmission Owner(s) and/or third party contractors, as applicable, as a result of any failure of the Interconnection Customer to pay actual costs for the System Impact Study Request and/or associated Queue Position; and/or
 - iii. Any outstanding monies owed by the Interconnection Customer in connection with outstanding invoices related to prior New Service Requests and/or Interconnection Requests by such customer.
 - iv. If any refundable deposit monies remain after all costs and outstanding monies owed, as described in this section, are covered, such remaining refundable deposit monies shall be returned to the customer in accordance with the PJM Manuals.
4. Upon completion of the System Impact Study, the Transmission Provider shall apply any remaining refundable deposit monies toward:
- a. The cost responsibility of the Interconnection Customer for any other studies conducted for the Interconnection Request; and/or
 - b. Any outstanding monies owed by the Interconnection Customer in connection with outstanding invoices related to prior New Service Requests and/or Interconnection Requests by such Interconnection Customer.
5. If any refundable deposit monies remain after the System Impact Study is complete and any outstanding monies owed by the Interconnection Customer in connection with outstanding invoices related to prior New Service Requests and/or Interconnection Requests by such Interconnection Customer have been paid, such remaining deposit monies shall be returned to the Interconnection Customer.
6. The Interconnection Customer must submit the total required deposit amount with the System Impact Study Request. If the Interconnection Customer fails to submit the total required deposit amount with the System Impact Study Request, the System Impact Study Request shall be deemed to be terminated and withdrawn.

7. Deposit monies are non-transferrable. Under no circumstances may refundable or non-refundable deposit monies for a specific Interconnection Request, Upgrade Request or Queue Position be applied in whole or in part to a different New Service Request, Interconnection Request or Queue Position.

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205.1 Coordination:

The Transmission Provider shall coordinate, to the extent practical, all System Impact Studies conducted pursuant to this section 205 for New Service Customers. Such coordination may involve, at the Transmission Provider's sole discretion, combining System Impact Studies for multiple New Service Requests into one study. Transmission Provider shall describe in the PJM Manuals the process by which it will coordinate System Impact Studies and Facilities Studies pertaining to different types of New Service Requests.

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205.2 Scope of Studies:

The System Impact Study is a comprehensive regional analysis of the effect of adding to the Transmission System the new facilities and services contemporaneously proposed by New Service Customers and an evaluation of their impact on deliverability to the aggregate of PJM Network Load. The System Impact Study identifies the system constraints, identified with specificity by transmission element or flowgate, relating to each proposed new project and service included therein and the Attachment Facilities, Merchant Network Upgrades, Direct Assignment Facilities, Local Upgrades, Network Upgrades, and/or Contingent Facilities required to accommodate such projects. The System Impact Study provides refined and comprehensive estimates of cost responsibility and construction lead times for new facilities and system upgrades. The Transmission Provider, in its sole discretion, may determine to evaluate in the same System Impact Study two or more New Service Requests relating to interconnections, Upgrade Requests, or proposed new transmission services where the associated increases in service or capability are in electrical proximity to each other. The scope of the System Impact Study may include (a) an assessment of sub-area import deliverability, (b) an assessment of sub-area export deliverability, (c) an assessment of project related short circuit duty issues, (d) a contingency analysis consistent with NERC's and each Applicable Regional Entity's reliability criteria, (e) an assessment of regional transmission upgrades that most effectively meet identified needs, and (f) an analysis to determine cost allocation responsibility for required facilities and upgrades. In addition, each System Impact Study shall identify the system constraints, identified with specificity by transmission element or flowgate in accordance with the distribution factor effect, megawatt contribution or fault duty contribution, relating to the New Service Requests being evaluated in the study and, as applicable to each included request, the redispatch options, additional Direct Assignment Facilities, necessary Merchant Network Upgrades, Attachment Facilities, Local Upgrades, Network Upgrades and/or Contingent Facilities necessary to accommodate such request. For purposes of determining necessary Interconnection Facilities and Network Upgrades, the System Impact Study shall consider the level of Interconnection Service requested by the Interconnection Customer unless otherwise required to study the full electrical generating capability of the Generating Facility due to safety or reliability concerns. The System Impact Study report shall include the list and facility loading of all newly-identified reliability criteria violations or contributions to a previously-identified reliability criteria violation specific to the New Service Request. The System Impact Study shall refine and more comprehensively estimate each New Service Customer's cost responsibility (determined in accordance with Tariff, Part VI, Subpart B, section 217) for necessary facilities and upgrades than the estimates provided in the Interconnection Feasibility Study or the Firm Transmission Feasibility Study, if applicable. In the event that more than one New Service Request is evaluated in a study, the Transmission Provider may provide a series of estimates to each participating New Service Customer to reflect the customer's estimated cost responsibility based on varying assumptions regarding the number of New Service Customers that decide to continue their New Service Requests after completion of the System Impact Study. A description of the Transmission Provider's methodology for completing a System Impact Study for Completed Applications is provided in Tariff, Attachment D. If applicable, the System Impact Study for a Transmission Interconnection Customer shall also include a preliminary estimate of the Incremental Deliverability Rights associated with the customer's proposed Merchant Transmission Facilities.

205.2.1 Contingent Facilities

Transmission Provider shall identify the Contingent Facilities to be provided to Interconnection Customer in the System Impact Study by reviewing unbuilt Interconnection Facilities and/or Network Upgrades (including those still subject to cost allocation in accordance with the PJM Manuals) associated with another Interconnection Customer with a higher queue priority upon which the Interconnection Customer's cost, timing and study findings are dependent and, if delayed or not built, could cause a need for interconnection restudies of the Interconnection Request or reassessment of the unbuilt Interconnection Facilities and/or Network Upgrades. The method for identifying Contingent Facilities shall be sufficiently transparent to determine why a specific Contingent Facility was identified and how it relates to the Interconnection Request. Transmission Provider shall include the list of the Contingent Facilities in the System Impact Study, Facilities Study, if applicable, and Interconnection Service Agreement, including why a specific Contingent Facility was identified and how it relates to the Interconnection Request. Transmission Provider shall also provide, upon request of the Interconnection Customer, the estimated Interconnection Facility and/or Network Upgrade costs and estimated in-service completion time of each identified Contingent Facility when this information is readily available and non-commercially sensitive.

205.2.2 Minimum Thresholds to Identify Contingent Facilities

205.2.2.1 Load Flow Violations

Load flow violations will be identified based on the following criteria: (i) the first New Service Request to load a facility to over 100 percent of the rating in the applicable model; and (ii) an impact on a previously identified overload of at least 5 percent distribution factor (DFAX) or contributing at least 5 percent of the facility rating in the applicable model.

205.2.2.2 Short Circuit Violations

Short circuit violations will be identified based on the following criteria: (i) the first New Service Request to load any facility to over 100 percent of the rating in the applicable model; and (ii) any contribution to a previously overloaded facility where the New Service Request increases the fault current impact by 3 percent or greater of the rating in the applicable model.

205.2.2.3 Stability and Dynamic Criteria Violations

Stability and dynamic criteria violations will be identified based on the following criteria: (i) the first New Service Request to cause a new stability violation; and (ii) any contribution to a previously identified stability violation.

205.3 Timing of Studies:

The following provision shall apply to all New Service Requests submitted on May 1, 2012 through and including October 31, 2016:

The Transmission Provider shall conduct System Impact Studies each year commencing on (i) June 1, for New Service Requests received between May 1 and October 31 of the previous year, (ii) December 1, for New Service Requests received between November 1 of the previous year, and April 30 of the same year. The Transmission Provider shall use due diligence to complete the System Impact Studies within 120 days of the date the study commences. In the event that the Transmission Provider is unable to complete a System Impact Study within the applicable indicated time period, it shall so notify the affected New Service Customers and the affected Transmission Owner(s) and provide an estimated completion date, along with an explanation of the reasons why additional time is needed to complete the study. The Transmission Provider shall use the same due diligence in completing the System Impact Study for a New Service Customer as it uses when completing studies for a Transmission Owner.

The following provision shall apply to all New Service Requests submitted on November 1, 2016 through and including March 31, 2017:

The Transmission Provider shall conduct System Impact Studies commencing on November 1, for New Service Requests received between October 1 of the previous year, and March 31 of the same year. The Transmission Provider shall use due diligence to complete the System Impact Studies within 120 days of the date the study commences. In the event that the Transmission Provider is unable to complete a System Impact Study within the applicable indicated time period, it shall so notify the affected New Service Customers and the affected Transmission Owner(s) and provide an estimated completion date, along with an explanation of the reasons why additional time is needed to complete the study. The Transmission Provider shall use the same due diligence in completing the System Impact Study for a New Service Customer as it uses when completing studies for a Transmission Owner.

The following provision shall apply to all New Service Requests submitted on or after April 1, 2017:

The Transmission Provider shall conduct System Impact Studies each year commencing on (i) May 1, for New Service Requests received between April 1 and September 30 of the previous year, (ii) November 1, for New Service Requests received between October 1 of the previous year, and March 31 of the same year. The Transmission Provider shall use due diligence to complete the System Impact Studies within 120 days of the date the study commences. In the event that the Transmission Provider is unable to complete a System Impact Study within the applicable indicated time period, it shall so notify the affected New Service Customers and the affected Transmission Owner(s) and provide an estimated completion date, along with an explanation of the reasons why additional time is needed to complete the study. The Transmission Provider shall use the same due diligence in completing the System Impact Study for a New Service Customer as it uses when completing studies for a Transmission Owner.

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205.4 Completion of Studies:

205.4.1 Notice to Eligible Customers:

The Transmission Provider shall notify each Eligible Customer whose Completed Application for new transmission service was included in the System Impact Study upon completion of the System Impact Study whether the Transmission System will be adequate to accommodate all or part of the request for service. In the event that the System Impact Study indicates that no new transmission facilities or upgrades are needed to accommodate the requested service, in order for the Completed Application to retain its Queue Position, within sixty (60) days of completion of the System Impact Study, the Eligible Customer must execute a Service Agreement or request the filing of an unexecuted Service Agreement pursuant to Tariff, Part II, section 15.3 or Tariff, Part III, section 32.4, as applicable, or the Completed Application shall be deemed terminated and withdrawn.

205.4.2 Materials for Customers:

The Transmission Provider shall provide a copy of the System Impact Study and, to the extent consistent with the Office of the Interconnection's confidentiality obligations in Operating Agreement, section 18.17 of the, related work papers to all New Service Customers that had New Service Requests evaluated in the study and to the affected Transmission Owner(s).

205.4.3 Availability of Information:

Upon completion of the System Impact Study, the Transmission Provider shall post on the Transmission Provider's OASIS (i) the existence of the study, (ii) the New Service Customers that had New Service Requests evaluated in the study, (iii) the location and size in megawatts of each New Service Customer's project or requested rights, as applicable, and (iv) each New Service Customer's Queue Position. The Transmission Provider also shall, to the extent required by the Commission's regulations, make the completed System Impact Study publicly available upon request.

205.4.4 Meeting with Transmission Provider:

At the New Service Customer's request, Transmission Provider, the affected Transmission Owner(s) and the New Service Customer shall meet to discuss the results of the System Impact Study. Such meeting may occur in person or by telephone or video conference.

205.5 Re-Study:

If a re-study of the System Impact Study is required due to a higher queued New Service Request dropping out of the queue, a modification of a higher queued New Service Request subject to Tariff, Part IV, Subpart A, section 36.2A, or re-designation of the Point of Interconnection of an Interconnection Request pursuant to Tariff, Part IV, Subpart A, sections 36.2.1 or 36.2A, the Transmission Provider shall notify the affected New Service Customer(s) in writing explaining the reason for the re-study. Transmission Provider shall use due diligence to complete such re-study within sixty (60) calendar days from the date of the notice. Any cost of re-study shall be borne by the New Service Customer(s) being restudied.

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206 Facilities Study Agreement:

Upon completion of the System Impact Study, the Transmission Provider, if it determines that a Facilities Study is required, shall tender to the affected New Service Customer(s) a Facilities Study Agreement in the form included in Tariff, Attachment N-2. Transmission Provider, in its sole discretion, may determine to evaluate multiple New Service Requests in the same Facilities Study.

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206.1 Study Agreement:

Pursuant to the Facilities Study Agreement, the New Service Customer shall agree to reimburse the Transmission Provider for the cost of a Facilities Study. The Transmission Provider shall provide the New Service Customer with an estimate of the time needed to complete the Facilities Study, the cost of the study, and, if more than one New Service Request is being evaluated in the study, the New Service Customer's allocated share of the costs. The Facilities Study Agreement also may contain reasonable milestone dates that an Interconnection Customer's project must meet for the customer's Interconnection Request to retain its assigned Queue Position pursuant to Tariff, Part VI, Preamble, section 201 while the Transmission Provider is completing the Facilities Study.

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206.2 Retaining Queue Position:

For a New Service Request to retain its assigned Queue Position pursuant to Tariff, Part VI, Preamble, section 201, within 30 days of issuing the System Impact Study, the Transmission Provider must be in receipt of (i) all past due amounts of the actual System Impact Study costs exceeding the System Impact Study deposits contained in Tariff, Part VI, Subpart A, section 204.3A, if any, (ii) the executed Facilities Study Agreement and, (iii) the deposit required under this section 206. If a participating New Service Customer fails to remit past due amounts, execute the Facilities Study Agreement or to pay the deposit required under this section 206, its New Service Request shall be deemed terminated and withdrawn.

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206.3 Deposit:

At the time the New Service Customer executes the Facilities Study Agreement, the New Service Customer shall pay a refundable deposit in the amount of \$100,000 or the estimated amount of its Facilities Study cost responsibility for the first three months of work on the study, whichever is greater. Notwithstanding the foregoing, for an Interconnection Customer with a proposed Customer Facility that is: (a) equal to or less than 20 MW but greater than 2 MW shall pay a refundable deposit in the amount of \$50,000; or (b) equal to or less than 2 MW shall pay a refundable deposit in the amount of \$15,000. Transmission Provider shall retain the deposit until settlement of the final invoice for the Facilities Study, provided, however, in the event that the total estimated cost of the Facilities Study does not exceed the amount of the deposit required under this section, then the deposit may be applied for payment of invoices for the cost of the study. Notwithstanding the preceding sentence, in the event and to the extent that the sum of (i) the aggregate amount timely paid by the New Service Customer pursuant to invoices for the cost of the Facilities Study, and (ii) the amount of the deposit provided by the customer, exceeds 125% of the New Service Customer's total estimated cost responsibility for such study, the customer's deposit shall be applied for payment of invoices for the cost of the study. Application of the New Service Customer's deposit in this manner shall not reduce or otherwise affect its liability for the full cost of the Facilities Study or its full allocated share thereof. Remaining deposit monies, if any, will be returned at the completion of the study or upon withdrawal of the Interconnection Request.

206.4 Allocation of Costs:

In the event more than one New Service Request is being evaluated in a single Facilities Study, the cost of such study shall be allocated among the participating New Service Customers such that (i) each Interconnection Customer pays 100 percent of the study costs associated with evaluating the Attachment Facilities necessary to accommodate its Interconnection Request; (ii) each Eligible Customer pays 100 percent of the study costs associated with evaluating the Direct Assignment Facilities necessary to accommodate its Completed Application for new transmission service; and (iii) each New Service Customer pays the study costs associated with evaluating the Local Upgrades and/or Network Upgrades necessary to accommodate its New Service Request in proportion to its projected cost responsibility (as determined in the System Impact Study) for such upgrades. Each New Service Customer's cost responsibility shall equal its estimated cost responsibility for the work on the Facilities Study scheduled to be completed during each three-month period after such work commences. Transmission Provider's estimates of the required quarterly payments will be stated in the Facilities Study Agreement. If a terminated and withdrawn New Service Request was to be included in a Facilities Study evaluating more than one request, then the costs of the Facilities Study shall be redetermined and reallocated among the remaining participating New Service Customers.

206.4.1 Invoices and Payment:

Except in instances when the total estimated cost of the Facilities Study does not exceed the amount of the deposit required under Tariff, Part VI, Subpart A, section 206.3, Transmission Provider shall invoice New Service Customer on a quarterly basis for work to be conducted on the Facilities Study during the subsequent three months. The initial invoice shall be delivered prior to the start of work and shall be for the cost of work scheduled to be completed during the first three months after work commences. New Service Customer shall pay invoiced amounts within twenty (20) days of receipt of the invoice. Transmission Provider shall continue to hold the amounts on deposit until settlement of the final invoice.

206.4.1.1 Reconciliation of Costs:

New Service Customer may request in writing, prior to or at the time of execution of the Facilities Study Agreement that the Transmission Provider provide a quarterly cost reconciliation provision in the Facilities Study Agreement. Such quarterly cost reconciliation will have a one-quarter lag, e.g., reconciliation of costs for the first calendar quarter of work will be provided at the start of the third calendar quarter of work, provided, however, that Section 12.B of the Facilities Study Agreement shall govern the timing of the final cost reconciliation upon completion of the study.

206.4.1.2 Failure to Pay:

In the event that a New Service Customer fails to make timely payment of any invoice for work on the Facilities Study, its New Service Request shall be deemed to be terminated and withdrawn as of the date when payment was due.

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206.5 Estimates of Certain Upgrade-Related Rights:

206.5.1 Incremental Available Transfer Capability Revenue Rights:

The New Service Customer may request Transmission Provider to provide a non-binding estimate in the Facilities Study of the Incremental Available Transfer Capability Revenue Rights associated with the required facilities or upgrades for which the New Service Customer has cost responsibility. The ultimate assignment of Incremental Available Transfer Capability Revenue Rights associated with the required facilities or upgrades for which the New Service Customer has cost responsibility will be made pursuant to the process set forth in Tariff, Part VI, Subpart C, section 233.

206.5.2 Incremental Auction Revenue Rights:

The New Service Customer may request Transmission Provider to provide a non-binding estimate in the Facilities Study of the Incremental Auction Revenue Rights associated with the required facilities or upgrades for which the New Service Customer has cost responsibility on up to three (3) pairs of point-to-point combinations. The ultimate assignment of Incremental Auction Revenue Rights associated with the required facilities or upgrades for which the New Service Customer has cost responsibility will be made pursuant to the allocation process set forth in Tariff, Part VI, Subpart C, section 231 and may depend upon the point-to-point combination requests and cost responsibilities of other New Service Customers.

206.5.3 Transmission Injection Rights and Transmission Withdrawal Rights:

The assignment of Transmission Injection Rights and Transmission Withdrawal Rights associated with new Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities will be made in accordance with Tariff, Part VI, Subpart C, section 232 and may depend upon the capabilities of facilities and upgrades necessary to accommodate other New Service Requests.

207 Facilities Study Procedures:

The Transmission Provider will conduct Facilities Studies relating to the New Service Requests that were evaluated in the corresponding System Impact Studies, to the extent such New Service Requests have not been terminated and withdrawn. The Transmission Provider shall use Reasonable Efforts to complete the Facilities Study and issue it to a New Service Customer within 180 days after receipt of an executed Facilities Study Agreement. If Transmission Provider determines that it will not meet the 180 day time frame for completing the Facilities Study, Transmission Provider shall notify New Service Customer as to the scheduled status of the Facilities Study. If Transmission Provider is unable to complete the Facilities Study and issue a Facilities Study within 180 days, it shall notify New Service Customer and provide an estimated completion date and an explanation of the reasons why additional time is required. When completed, the Facilities Studies will include, commensurate with the degree of engineering specificity on which the New Service Customer and Transmission Provider mutually agree as provided in the Facilities Study Agreement, good faith estimates of the cost, determined in accordance with Tariff, Part VI, Subpart B, section 217, (a) to be charged to each affected New Service Customer for the (i) Attachment Facilities, Merchant Network Upgrades or Direct Assignment Facilities, and (ii) the Local Upgrades and/or Network Upgrades that are necessary to accommodate each New Service Request evaluated in the study; (b) the time required to complete detailed design and construction of the facilities and upgrades; (c) a description of any site-specific environmental issues or requirements that could reasonably be anticipated to affect the cost or time required to complete construction of such facilities and upgrades; and (d) an assessment of project related system stability issues, if necessary. The Facilities Study will document the engineering design work necessary to begin construction of any required transmission facilities, including estimating the costs of the equipment, engineering, procurement and construction work needed to implement the conclusions of the System Impact Study in accordance with Good Utility Practice and, when applicable, identifying the electrical switching configuration of the connection equipment, including without limitation: the transformer, switchgear, meters, and other station equipment; and the nature and estimated costs of Attachment Facilities, Merchant Network Upgrades, Direct Assignment Facilities, Local Upgrades and/or Network Upgrades necessary to accommodate the New Service Request. For purposes of determining necessary Interconnection Facilities and Network Upgrades, the Facilities Study shall consider the level of Interconnection Service requested by the Interconnection Customer unless otherwise required to study the full electrical power generating capability of the Generating Facility due to safety or reliability concerns. The Facilities Study will also identify any potential control equipment for requests for Interconnection Service that are lower than the full electrical generating capability of the Generating Facility.

207.1 Meeting with Transmission Provider:

At New Service Customer's request, Transmission Provider, the affected Transmission Owner(s) and New Service Customer shall meet to discuss the results of the Facilities Study. Such meeting may occur in person or by telephone or video conference.

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207.2 Re-Study:

If re-study of the Facilities Study is required due to a higher queued New Service Request dropping out of the queue or a modification of a higher queued New Service Request subject to Tariff, Part IV, Subpart A, section 36.2A, the Transmission Provider shall notify the New Service Customer in writing explaining the reason for the re-study. Transmission Provider shall use due diligence to complete such re-study within sixty (60) calendar days from the date of the notice. Any cost of re-study shall be borne by the New Service Customer being restudied.

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207.3 Facilities Study Modifications:

Any change in design arising from inability to site or construct facilities as proposed will require development of a revised good faith estimate. New good faith estimates also will be required in the event of new statutory or regulatory requirements that are effective before the completion of construction or other circumstances beyond the control of the Transmission Provider or the affected Transmission Owners that significantly affect the final cost of new facilities or upgrades to be charged to the New Service Customer pursuant to the applicable provisions of the Tariff.

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208 Expedited Procedures for Part II Requests:

In lieu of the procedures set forth above, an Eligible Customer pursuing a Completed Application under Tariff, Part II shall have the option to expedite the process by requesting the Transmission Provider to tender at one time, together with the results of required studies, an “Expedited Service Agreement” pursuant to which the Eligible Customer would agree to compensate the Transmission Provider or the affected Transmission Owner(s) for all costs incurred pursuant to the terms of the Tariff for purposes of accommodating such customer’s Completed Application. In order to exercise this option, the Eligible Customer shall request in writing an expedited Service Agreement covering all of the above-specified items within thirty (30) days of receiving the results of the System Impact Study identifying needed facility additions or upgrades or costs to be incurred in providing the requested service. While the Transmission Provider agrees to provide the Eligible Customer with its best estimate (determined in coordination with the affected Transmission Owner(s)) of the new facility costs and other charges that may be incurred, such estimate shall not be binding and the Eligible Customer must agree in writing to compensate the Transmission Provider and the affected Transmission Owner(s) for all costs incurred pursuant to the provisions of the Tariff. The Eligible Customer shall execute and return such an Expedited Service Agreement within fifteen (15) days of its receipt or the Eligible Customer’s request for service will cease to be a Completed Application and will be deemed terminated and withdrawn.

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209 Optional Interconnection Studies:

Transmission Provider will undertake Optional Interconnection Studies for Interconnection Customers in accordance with the provisions of this section.

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209.1 Optional Interconnection Study Agreement:

Within 30 days from the date when the Interconnection Customer receives the results of the System Impact Study, the Interconnection Customer may request, and upon such request, the Transmission Provider shall perform, up to two Optional Interconnection Studies. A request for such a study shall describe the assumptions that the Interconnection Customer wishes the Transmission Provider to study within the scope described in Tariff, Part VI, Subpart A, section 209.2. Within ten (10) Business Days after receipt of a request for an Optional Interconnection Study, the Transmission Provider shall provide to the Interconnection Customer an Optional Interconnection Study Agreement in the form included in Tariff, Attachment N-3.

209.1.1

The Optional Interconnection Study Agreement shall: (i) specify the technical data that the Interconnection Customer must provide for each phase of the Optional Interconnection Study, (ii) specify Interconnection Customer's assumptions regarding any Interconnection Requests with earlier Queue Positions that will be excluded from the Optional Interconnection Study case and assumptions as to the type of interconnection service for Interconnection Requests remaining in the Optional Interconnection Study case, and (iii) the Transmission Provider's estimate of the cost of the Optional Interconnection Study. To the extent known by the Transmission Provider, such estimate shall include any costs expected to be incurred by an Affected System whose participation is necessary to complete the Optional Interconnection Study. Notwithstanding the above, the Transmission Provider shall not be required as a result of a request for an Optional Interconnection Study to conduct any additional New Service Studies with respect to any other New Service Request.

209.1.2

The Interconnection Customer shall execute and deliver the Optional Interconnection Study Agreement, along with the required technical data, and the greater of a \$10,000 deposit or the estimated study cost to the Transmission Provider within ten (10) Business Days of the Interconnection Customer's receipt of such agreement.

209.2 Scope of Optional Interconnection Study:

The Optional Interconnection Study will consist of a sensitivity analysis based on the assumptions specified by the Interconnection Customer in the Optional Interconnection Study Agreement. The Optional Interconnection Study will identify the Network Upgrades and Local Upgrades and the estimated cost thereof, that may be required to provide Interconnection Service, based upon the results of the Optional Interconnection Study. The Optional Interconnection Study shall be performed solely for informational purposes. The Transmission Provider shall use Reasonable Efforts to coordinate the study with any Affected Systems that may be affected by the types of Interconnection Service that are being studied. The Transmission Provider shall utilize existing studies to the extent practicable in conducting the Optional Interconnection Study.

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209.3 Optional Interconnection Study Procedures:

The Transmission Provider shall use Reasonable Efforts to complete the Optional Interconnection Study within a mutually agreed upon time period specified in the Optional Interconnection Study Agreement. If the Transmission Provider is unable to complete the Optional Interconnection Study within such time period, it shall notify the Interconnection Customer and provide an estimated completion date and an explanation of the reasons why additional time is required. Any difference between the initial deposit and the actual cost of the study shall be paid to the Transmission Provider or refunded to the Interconnection Customer, as appropriate. Upon request, the Transmission Provider shall provide the Interconnection Customer supporting documentation and workpapers and databases or data developed in the preparation of the Optional Interconnection Study, subject to confidentiality arrangements consistent with Tariff, Part VI, Subpart B, section 222.

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210 Responsibilities of the Transmission Provider and Transmission Owners:

The Transmission Provider shall be responsible for the preparation of all studies of New Service Requests required by the Tariff. The Transmission Provider may contract with consultants, including the affected Transmission Owner(s), to obtain services or expertise with respect to any such study, including but not limited to the need for Attachment Facilities, Direct Assignment Facilities, and Local Upgrades, estimates of costs and construction times required by Interconnection Feasibility Studies, System Impact Studies, and Facilities Studies, and for information regarding distribution facilities. The Transmission Owners shall supply such information and data reasonably required by the Transmission Provider to perform its obligations under this Tariff, Part VI.

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**Subpart B – Agreements and Cost Responsibility
for Customer-Funded Upgrades**

DRAFT

211 Interim Interconnection Service Agreement:

Under certain circumstances, an Interconnection Customer may wish to initiate construction activities relating to Attachment Facilities, Local Upgrades, or Network Upgrades on an expedited basis prior to completion of the Facilities Study. One example of such a circumstance is to request that orders be placed for equipment or materials that have a long lead time for delivery. To initiate such an advance of procurement and/or construction activities, the Interconnection Customer may request execution of an Interim Interconnection Service Agreement (in the form included in Tariff, Attachment O-1) for the activities being advanced. The Interim Interconnection Service Agreement will bind the Interconnection Customer for all costs incurred for the activities being advanced pursuant to the terms of the Tariff. While the Transmission Provider agrees to provide the Interconnection Customer with the best estimate (determined in coordination with affected Transmission Owner(s)) of the new facility costs and other charges that may be incurred for the work being advanced, such estimate shall not be binding and the Interconnection Customer must agree through execution of the Interim Interconnection Service Agreement to compensate the Transmission Provider and the affected Transmission Owner(s) for all costs incurred due to those activities that were advanced. The Transmission Provider shall not be obligated to offer an Interim Interconnection Service Agreement if the Interconnection Customer is in Dispute Resolution as a result of an allegation that Interconnection Customer has failed to meet any milestones or comply with any prerequisites specified in Tariff, Part IV or other parts of this Tariff, Part VI. The Interim Interconnection Service Agreement is an optional procedure and it will not alter the Interconnection Customer's Queue Position or date of Initial Operation. The Interim Interconnection Service Agreement shall provide for the Interconnection Customer to pay the cost of all activities authorized by the Interconnection Customer and to make advance payments or provide other satisfactory security, such as a letter of credit or other reasonable form of security acceptable to the Transmission Provider that names the Transmission Provider as beneficiary and is in an amount equivalent to Transmission Provider's estimate of the costs of the procurement and/or construction activities to be advanced pursuant to the Interim Interconnection Service Agreement, consistent with commercial practices as established by the Uniform Commercial Code. Notwithstanding the foregoing, for projects that are estimated to require three months or less to construct, the sum of such security and the payment for the first quarterly invoice for the project shall not exceed an amount equal to 125% of the total estimated cost of the procurement and/or construction activities to be advanced. The Transmission Provider shall provide the affected Transmission Owner(s) with a copy of the letter of credit or other form of security. The Transmission Provider shall provide the affected Transmission Owner with a copy of the Interim Interconnection Service Agreement when this agreement is provided to the Interconnection Customer for execution.

211.1 Payment of Costs on Cancellation:

In the event that, after execution of an Interim Interconnection Service Agreement, the Interconnection Customer determines not to complete its interconnection, it shall immediately so notify Transmission Provider. The Interconnection Customer shall be liable for all Cancellation Costs related to the acquisition, design, construction and/or installation of facilities under the Interim Interconnection Service Agreement. Upon receipt of the Interconnection Customer's notice under this section, Transmission Provider, after consulting with the affected Transmission Owner, may, at the sole cost and expense of the Interconnection Customer, authorize the Transmission Owner to (a) cancel supplier and contractor orders and agreements entered into by the Transmission Owner to acquire and/or design, construct, and install the facilities identified in the Interim Interconnection Service Agreement, provided, however, that the Interconnection Customer shall have the right to choose to take delivery of any equipment ordered by the Transmission Owner for which Transmission Provider otherwise would authorize cancellation of the purchase order; or (b) remove any facilities built by the Transmission Owner or (c) partially or entirely complete construction or installation of such facilities as necessary to preserve the integrity or reliability of the Transmission System, provided that the Interconnection Customer shall be entitled to receive any rights associated with such facilities and upgrades as determined in accordance with Tariff, Part VI, Subpart C; or (d) undo any of the changes to the Transmission System that were made pursuant to the Interim Interconnection Service Agreement. To the extent that the Interconnection Customer has fully paid for equipment that is unused upon cancellation or which is removed pursuant to clause (b) above, the Interconnection Customer shall have the right to take back title to such equipment; alternatively, in the event that the Interconnection Customer does not wish to take back title, the Transmission Owner may elect to pay the Interconnection Customer a mutually agreed amount to acquire and own such equipment.

212 Interconnection Service Agreement:

Notwithstanding any other provision of the Tariff, this section 212 shall apply only to Interconnection Customers, excluding those that are proposing Merchant Network Upgrades only for which Tariff, Part VI, Subpart B, section 213 shall apply. Upon completion of the Facilities Study (or, if no Facilities Study was required, upon completion of the System Impact Study), the Transmission Provider shall tender to each Interconnection Customer an Interconnection Service Agreement (in the form included in Tariff, Attachment O) to be executed by the Interconnection Customer, the Interconnected Transmission Owner and the Transmission Provider. The Transmission Provider shall provide the Interconnected Transmission Owner with a copy of the Interconnection Service Agreement when this agreement is provided to the Interconnection Customer for execution. In order to exercise Option to Build, as set forth in Interconnection Construction Service Agreement, Tariff, Attachment P, Appendix 2, section 3.2.3.1, Interconnection Customer must provide Transmission Provider and the Interconnected Transmission Owner with written notice of its election to exercise the option no later than thirty (30) days from the date the Interconnection Customer receives the results of the Facilities Study (or, if no Facilities Study was required, completion of the System Impact Study). Interconnection Customer may not elect Option to Build after such date.

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212.1 Cost Reimbursement:

Pursuant to the Interconnection Service Agreement, an Interconnection Customer shall agree to reimburse the Transmission Provider (for the benefit of the affected Transmission Owners) for the Costs, determined in accordance with Tariff, Part VI, Subpart B, section 217, of (i) constructing Attachment Facilities, Local Upgrades, and Network Upgrades necessary to accommodate its Interconnection Request to the extent that the Transmission Owner, as Interconnected Transmission Owner, is responsible for building such facilities pursuant to the applicable Interconnection Construction Service Agreement, or (ii) in the event that the Interconnection Customer exercises the Option to Build pursuant to Interconnection Construction Service Agreement, Tariff, Attachment P, Appendix 2, section 3.2.3.1 , Interconnected Transmission Owner's oversight costs (i.e., costs incurred by the Interconnected Transmission Owner when engaging in oversight activities to satisfy itself that the Interconnection Customer is complying with the Transmission Owner's standards and specifications for the construction of facilities) associated with the Interconnection Customer building Transmission Owner Attachment Facilities and Direct Connection Network Upgrades, including tie-in work and Cancellation Costs. Interconnected Transmission Owner oversight costs shall be consistent with Tariff, Attachment P, Appendix 2, section 3.2.3.2(a)(12). Interconnection Customer and the affected Transmission Owner shall inform the Transmission Provider of the rate agreed upon and such rate shall be specified in the Interconnection Service Agreement, Specifications section. In addition , the Interconnection Construction Service Agreement shall obligate the Interconnection Customer to reimburse the Transmission Provider (for the benefit of the affected Transmission Owner(s)) as the Transmission Owner's expenditures for the design, engineering, and construction of the facilities that Interconnected Transmission Owner is responsible for building pursuant to the Interconnection Construction Service Agreement are made. The Transmission Provider shall distribute the revenues received under this section 212.1 to the affected Transmission Owner(s).

212.2 Upgrade-Related Rights:

The Interconnection Service Agreement shall specify the Upgrade-Related Rights that the Interconnection Customer shall receive pursuant to Tariff, Part VI, Subpart C, except to the extent the applicable terms of Tariff, Part VI, Subpart C provide otherwise.

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212.3 Specification of Transmission Owners Responsible for Facilities and Upgrades:

The Facilities Study shall specify the Transmission Owner(s) that will be responsible, subject to the terms of the applicable Interconnection Construction Service Agreement(s), for the construction of facilities and upgrades, determined in a manner consistent with Operating Agreement, Schedule 6.

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212.4 Retaining Priority and Security:

(a) Retaining Priority: To retain the assigned Queue Position of its Interconnection Request pursuant to Tariff, Part VI, Preamble, section 201, within sixty (60) days after receipt of the Facilities Study (or, if no Facilities Study was required, after receipt of the System Impact Study or, if a Surplus Interconnection Service Request, after receipt of the Feasibility Study), the Interconnection Customer must have executed the tendered Interconnection Service Agreement and it must be in the possession of the Transmission Provider or, alternatively, request (i) dispute resolution under Tariff, Part I, section 12 or, if concerning the Regional Transmission Expansion Plan, consistent with Operating Agreement, Schedule 5, or (ii) that the Interconnection Service Agreement be filed unexecuted with the Commission. In addition, to retain the assigned priority, within sixty (60) days after receipt of the Facilities Study (or, if no Facilities Study was required, after receipt of the System Impact Study or, if a Surplus Interconnection Service Request, after receipt of the Feasibility Study), the Interconnection Customer must have met the milestones specified in Tariff, Part VI, Subpart B, section 212.5.

(b) Security: (1) At the time the Interconnection Customer executes and returns to the Transmission Provider the Interconnection Service Agreement (or requests dispute resolution or that it be filed unexecuted), the Interconnection Customer also shall, unless otherwise deferred as set forth in subsection (c) below, provide the Transmission Provider (for the benefit of the affected Transmission Owner(s)) with a letter of credit or other reasonable form of security acceptable to the Transmission Provider that names the Transmission Provider as beneficiary and is in an amount equivalent to the sum of the estimated costs determined by the Transmission Provider of (i) the required Non-Direct Connection Local Upgrades and Non-Direct Connection Network Upgrades, (ii) any Network Upgrades that the Interconnected Transmission Owner will be responsible for constructing (including with respect to both items (i) and (ii) required upgrades for which another Interconnection Customer also has cost responsibility pursuant to Tariff, Part VI, Subpart B, section 217), and either (iii) the estimated cost of the work that the Transmission Owner will be responsible for performing on the required Attachment Facilities, Direct Connection Local Upgrades, and Direct Connection Network Upgrades that are scheduled to be completed during the first three months after such work commences in earnest, or (iv) in the event that the Interconnection Customer exercises the Option to Build pursuant to Interconnection Construction Service Agreement, Tariff, Attachment P, Appendix 2, section 3.2.3.1, all Cancellation Costs and the first three months of estimated Transmission Owner's oversight costs (i.e., costs incurred by the Transmission Owner when engaging in oversight activities to satisfy itself that the Interconnection Customer is complying with the Transmission Owner's standards and specifications for the construction of facilities) associated with Interconnection Customer building Transmission Owner Attachment Facilities and Direct Connection Network Upgrades, including but not limited to Costs for tie-in work, consistent with commercial practices as established by the Uniform Commercial Code. Interconnected Transmission Owner oversight costs shall be consistent with Tariff, Attachment P, Appendix 2, section 3.2.3.2(a)(12). Notwithstanding the foregoing, for projects that are estimated to require three months or less to construct, the sum of such security and the payment for the first quarterly invoice for the project shall not exceed an amount equal to 125% of the total estimated cost of construction. The Transmission Provider shall provide the affected Transmission Owner(s) with a copy of the letter of credit or other form of security. After execution of the Interconnection

Service Agreement, the amount of security required may be adjusted from time to time in accordance with the Interconnection Service Agreement, Tariff, Attachment O, Appendix 2, section 11.2.1

(2) Transmission Provider shall invoice Interconnection Customer for work by the Interconnected Transmission Owner and Transmission Provider on a quarterly basis for the costs to be expended in the subsequent three months. Interconnection Customer shall pay invoiced amounts within twenty (20) days of receipt of the invoice. Interconnection Customer may request in the Interconnection Service Agreement that the Transmission Provider provide a quarterly cost reconciliation. Such a quarterly cost reconciliation will have a one-quarter lag, e.g., reconciliation of costs for the first calendar quarter of work will be provided at the start of the third calendar quarter of work, provided, however, that Tariff, Attachment O, Appendix 2, section 11.2.3, Interconnection Service Agreement shall govern the timing of the final cost reconciliation upon completion of the work.

(3) Transmission Provider shall hold the security related to construction until as-built drawings are received and settlement of the final invoice; security related to construction may be reduced as construction progresses.

(c) **Deferred Security:** Interconnection Customer may request to defer providing security under subsection (b) of this section 212.4 until no later than 120 days after Interconnection Customer executes the Interconnection Service Agreement. Upon Interconnection Customer's request to defer security, PJM shall determine if any other queued New Service Customer with a completed System Impact Study would require any Local Upgrade(s) and/or Network Upgrade(s) for which Interconnection Customer has cost responsibility under the Interconnection Service Agreement. Interconnection Customer may defer security only for Local Upgrade(s) and/or Network Upgrade(s) for which no other such queued New Service Customer may require, provided Interconnection Customer shall pay a deposit of at least \$200,000 or 125% of the estimated costs that will be incurred during the 120-day period, whichever is greater, to fund continued design work and/or procurement activities on such non-shared Local Upgrade(s) and/or Network Upgrade(s), with \$100,000 of such deposit being non-refundable. If the Interconnection Customer terminates the Interconnection Service Agreement or is otherwise withdrawn, any unused portion of the non-refundable deposit will be used to fund re-studies due to such termination or withdrawal. Any remaining deposit monies, refundable or non-refundable, will be returned to an Interconnection Customer upon Initial Operation.

(d) **Withdrawal:** If an Interconnection Customer fails to timely execute the Interconnection Service Agreement (or request dispute resolution or that the agreement be filed unexecuted), meet the milestones (unless extended) set forth in Tariff, Part VI, Subpart B, section 212.5, or provide the security prescribed in this section 212.4, its Interconnection Request shall be deemed terminated and withdrawn. In the event that a terminated and withdrawn Interconnection Request was included in a Facilities Study that evaluated more than one New Service Request, or in the event that a New Service Customer's participation in and cost responsibility for a Network Upgrade or Local Upgrade is terminated in accordance with Tariff, Part VI, Subpart C, the Transmission Provider shall reevaluate the need for the facilities and upgrades indicated by the Facilities Study, shall re-determine the cost responsibility of each remaining New Service

Customer for the necessary facilities and upgrades based on its assigned priority pursuant to Tariff, Part VI, Preamble, section 201, and shall enter into an amended Interconnection Service Agreement with each remaining Interconnection Customer setting forth its revised cost obligation. In such event, if the amount of an Interconnection Customer's cost responsibility increases, the Interconnection Customer shall provide additional security pursuant to this section 212.4.

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212.5 Milestones:

In order to proceed with an Interconnection Service Agreement, within 60 days after receipt of the Facilities Study (or, if no Facilities Study was required, after receipt of the System Impact Study), (a) a Generation Interconnection Customer must demonstrate that it has (i) entered a fuel delivery agreement and water agreement, if necessary, and that it controls any necessary rights-of-way for fuel and water interconnections, (ii) obtained any necessary local, county, and state site permits, and (iii) signed a memorandum of understanding for the acquisition of major equipment, and (b) a Transmission Interconnection Customer must demonstrate that it has (i) obtained any necessary local, county, and state siting permits or other required approvals for the construction of its proposed Merchant D.C. Transmission Facilities or Merchant Controllable A.C. Transmission Facilities, and (ii) signed a memorandum of understanding for the acquisition of major equipment. The Transmission Provider also may include other reasonable milestone dates in the Interconnection Service Agreement for the construction of the Interconnection Customer's generation project that, if not met, shall relieve the Transmission Provider and the Transmission Owners from the requirement to construct the necessary facilities and upgrades and be deemed a termination and withdrawal of the Interconnection Request. Such milestones may include site acquisition, permitting, regulatory certifications (if required), acquisition of any necessary third-party financial commitments, commercial operation, and similar events. The Transmission Provider may reasonably extend any such milestone dates (including those required in order to proceed with an Interconnection Service Agreement) in the event of delays not caused by the Interconnection Customer, such as unforeseen regulatory or construction delays that could not be remedied by the Interconnection Customer through the exercise of due diligence. Milestone dates stated in the Interconnection Service Agreement shall be deemed to be extended coextensively with any suspension of work initiated by Interconnection Customer in accordance with the Interconnection Construction Service Agreement. Termination and withdrawal of an Interconnection Request for failure to meet a milestone shall not relieve the Interconnection Customer from reimbursing the Transmission Provider (for the benefit of the affected Transmission Owner(s)) for the costs incurred prior to such termination and withdrawal.

212.6 Interconnection Construction Service Agreement and Commencement of Construction:

For all interconnections within the scope of this section 212 for which construction of facilities is required, Transmission Provider shall tender to the Interconnection Customer an Interconnection Construction Service Agreement relating to such facilities within 45 days after receipt of the executed Interconnection Service Agreement. In the event that construction of facilities by more than one Transmission Owner is required, the Transmission Provider will tender a separate Interconnection Construction Service Agreement for each such Transmission Owner and the facilities to be constructed on its transmission system. The Transmission Provider shall provide the Transmission Owner(s) with a copy of the Interconnection Construction Service Agreement when this agreement is provided to the Interconnection Customer for execution. Within ninety (90) calendar days of receipt thereof, unless otherwise specified in the project specific milestones of the Interconnection Service Agreement, Interconnection Customer either shall have executed the tendered Interconnection Construction Service Agreement and it must be in possession of the Transmission Provider, or, alternatively, shall request dispute resolution under Tariff, Part I, section 12 or, if concerning the Regional Transmission Expansion Plan, consistent with Operating Agreement, Schedule 5, or that the Interconnection Construction Service Agreement be filed unexecuted with the Commission. In the event that the Interconnection Customer has requested dispute resolution or that the Interconnection Service Agreement be filed unexecuted, construction of facilities and upgrades shall be deferred until any disputes are resolved, unless otherwise agreed by the Interconnection Customer, the Interconnected Transmission Owner and the Transmission Provider.

213 Upgrade Construction Service Agreement:

Notwithstanding any other provision of the Tariff, this section 213 shall apply only with respect to (a) Interconnection Customers that are proposing Merchant Network Upgrades only, and (b) all other New Service Customers that are not Interconnection Customers. For all New Service Requests of New Service Customers subject to this section and for which construction of facilities is required, upon completion of the Facilities Study (or, if no Facilities Study was required, upon completion of the System Impact Study), the Transmission Provider shall tender to the New Service Customer an Upgrade Construction Service Agreement (in Tariff, Attachment GG), to be executed by the New Service Customer, the Transmission Owner whose facilities are affected by such construction, and the Transmission Provider. In the event that construction of facilities by more than one Transmission Owner is required, the Transmission Provider will tender a separate Upgrade Construction Service Agreement for each such Transmission Owner and the facilities to be constructed on its transmission system. The Transmission Provider shall provide the Transmission Owner(s) with a copy of the Upgrade Construction Service Agreement when this agreement is provide to the New Service Customer for execution. In order to exercise Option to Build, as set forth in Upgrade Construction Service Agreement, Tariff, Attachment GG, Appendix III, section 6.2.1, New Service Customer must provide Transmission Provider and the Interconnected Transmission Owner with written notice of its election to exercise the option no later than thirty (30) days from the date the New Service Customer receives the results of the Facilities Study (or, if no Facilities Study was required, completion of the System Impact Study). New Service Customer may not elect Option to Build after such date.

213.1 Cost Reimbursement:

Pursuant to the Upgrade Construction Service Agreement, a New Service Customer shall agree to reimburse the Transmission Provider (for the benefit of the affected Transmission Owners) for the Costs, determined in accordance with Tariff, Part VI, Subpart B, section 217, of (i) constructing Direct Assignment Facilities, Local Upgrades, and/or Network Upgrades necessary to accommodate its New Service Request to the extent that the Interconnected Transmission Owner is responsible for building such facilities pursuant to Tariff, Part VI and the applicable Upgrade Construction Service Agreement, or (ii) in the event that the New Service Customer exercises the Option to Build pursuant to the Upgrade Construction Service Agreement, Tariff, Attachment GG, Appendix III, section 6.2.1, Interconnected Transmission Owner's oversight costs (i.e., costs incurred by the Interconnected Transmission Owner when engaging in oversight activities to satisfy itself that the New Service Customer is complying with the Interconnected Transmission Owner's standards and specifications for the construction of facilities) associated with the New Service Customer's building Direct Assignment Facilities, and/or Customer-Funded Upgrades that are Direct Connection Network Upgrades, including Costs for tie-in work and Cancellation Costs. Interconnected Transmission Owner's oversight costs shall be consistent with Attachment GG, Appendix III, section 6.2.2(a)(12). New Service Customer and the affected Transmission Owner shall inform the Transmission Provider of the rate agreed upon and such rate shall be specified in the Upgrade Construction Service Agreement, Appendix I. The Upgrade Construction Service Agreement shall obligate the New Service Customer to reimburse the Transmission Provider (for the benefit of the affected Transmission Owner(s)) as the Transmission Owner's expenditures for the design, engineering, and construction of the facilities that it is responsible for building pursuant to the Upgrade Construction Service Agreement are made. The Transmission Provider shall distribute the revenues received under this section 213.1 to the affected Transmission Owner(s).

213.2 Upgrade-Related Rights:

The Upgrade Construction Service Agreement shall specify the Upgrade-Related Rights to which the New Service Customer is entitled pursuant to Tariff, Part VI, Subpart C, except to the extent the applicable terms of Tariff, Part VI, Subpart C provide otherwise.

213.3 Specification of Transmission Owners Responsible for Facilities and Upgrades:

The Facilities Study shall specify the Transmission Owner(s) that will be responsible, subject to the terms of the applicable Upgrade Construction Service Agreement, for the construction of facilities and upgrades, determined in a manner consistent with Operating Agreement, Schedule 6.

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213.4 Retaining Priority and Security:

(a) Retaining Priority: To retain the assigned Queue Position of its New Service Request pursuant to Tariff, Part VI, Preamble, section 201, within sixty (60) days after receipt of the Facilities Study (or, if no Facilities Study was required, after receipt of the System Impact Study), the New Service Customer either shall have executed the tendered Upgrade Construction Service Agreement and it must be in possession of the Transmission Provider or, alternatively, request (i) dispute resolution under Tariff, Part I, section 12 or, if concerning the Regional Transmission Expansion Plan, consistent with Operating Agreement, Schedule 5, or (ii) that the Upgrade Construction Service Agreement be filed unexecuted with the Commission.

(b) Security: (1) At the time the New Service Customer executes and returns to the Transmission Provider the Upgrade Construction Service Agreement (or requests dispute resolution or that it be filed unexecuted), the New Service Customer also shall, unless otherwise deferred as set forth in subsection (c) below, provide the Transmission Provider (for the benefit of the affected Transmission Owner(s)) with a letter of credit or other reasonable form of security acceptable to the Transmission Provider that names the Transmission Provider as beneficiary and is in an amount equivalent to the sum of the estimated costs determined by the Transmission Provider of (i) the required Direct Assignment Facilities, Non-Direct Connection Local Upgrades and/or Non-Direct Connection Network Upgrades (including required upgrades for which another New Service Customer also has cost responsibility pursuant to Tariff, Part VI, Subpart B, section 217), (ii) the estimated cost of work that the New Service Customer will be responsible for performing on the required Direct Assignment Facilities, Direct Connection Local Upgrades, and/or Direct Connection Network Upgrades that are scheduled to be completed during the first three months after such work commences in earnest, and (iii) in the event that the New Service Customer exercised the Option to Build pursuant to Upgrade Construction Service Agreement, Tariff, Attachment GG, Appendix III, section 6.2.1, all Cancellation Costs and the first three months of estimated Transmission Owner's oversight costs associated with the New Service Customer's building Direct Assignment Facilities and/or Direct Connection Network Upgrades, including but not limited to Costs for inspections, testing, and tie-in work, consistent with commercial practices as established by the Uniform Commercial Code. Interconnected Transmission Owner oversight costs shall be consistent with Tariff, Attachment GG, Appendix III, section 6.2.2(a)(12). Notwithstanding the foregoing, for projects that are estimated to require three months or less to construct, the sum of such security and the payment for the first quarterly invoice for the project shall not exceed an amount equal to 125% of the total estimated cost of construction.

The Transmission Provider shall provide the affected Transmission Owner(s) with a copy of the letter of credit or other form of security. After execution of the Upgrade Construction Service Agreement, the amount of Security required may be adjusted from time to time in accordance with Tariff, Attachment GG, Appendix III, section 9.1 of the Upgrade Construction Service Agreement.

(2) Transmission Provider shall invoice New Service Customer for work by the Transmission Owner on a quarterly basis for the costs to be expended in the subsequent three months. Customer shall pay invoiced amounts within twenty (20) days of receipt of the invoice. New

Service Customer may request in the Upgrade Construction Service Agreement that the Transmission Provider provide a quarterly cost reconciliation. Such a quarterly cost reconciliation will have a one-quarter lag, e.g., reconciliation of costs for the first calendar quarter of work will be provided at the start of the third calendar quarter of work, provided, however, that Tariff, Attachment GG, Appendix III, section 9.3 of the Upgrade Construction Service Agreement shall govern the timing of the final cost reconciliation upon completion of the work.

(3) Security related to construction of Local Upgrades and/or Network Upgrades may be reduced as construction progresses.

(c) Deferred Security: New Service Customer may request to defer providing security under subsection (b) of this section 213.4 until no later than 120 days after New Service Customer executes the Upgrade Construction Service Agreement. Upon New Service Customer's request to defer security, PJM shall determine if any other queued New Service Customer with a completed System Impact Study would require any Local Upgrade(s) and/or Network Upgrade(s) for which New Service Customer has cost responsibility under the Upgrade Construction Service Agreement. New Service Customer may defer security only for Local Upgrade(s) and/or Network Upgrade(s) for which no other such queued New Service Customer may require, provided New Service Customer shall pay a deposit of at least \$200,000 or 125% of the estimated costs that will be incurred during the 120-day period, whichever is greater, to fund continued design work and/or procurement activities on such non-shared Local Upgrade(s) and/or Network Upgrade(s), with \$100,000 of such deposit being non-refundable. If the New Service Customer terminates the Upgrade Construction Service Agreement or is otherwise withdrawn, any unused portion of the non-refundable deposit will be used to fund re-studies due to such termination or withdrawal. Any remaining deposit monies, refundable or non-refundable, will be returned to a New Service Customer upon Stage Two Energization of Completed Facilities.

(d) Withdrawal: If a New Service Customer fails to timely execute the Upgrade Construction Service Agreement (or request dispute resolution or that the agreement be filed unexecuted), or to provide the security prescribed in this Section, its New Service Request shall be deemed terminated and withdrawn. In the event that a terminated and withdrawn New Service Request was included in a Facilities Study that evaluated more than one New Service Request, or in the event that a New Service Customer's participation in and cost responsibility for a Network Upgrade or Local Upgrade is terminated in accordance with the Upgrade Construction Service Agreement, the Transmission Provider shall reevaluate the need for the facilities and upgrades indicated by the Facilities Study, shall redetermine the cost responsibility of each remaining New Service Customer for the necessary facilities and upgrades based on its assigned Queue Position pursuant to Tariff, Part VI, Preamble, section 201, and shall enter into an amended Interconnection Service Agreement or Upgrade Construction Service Agreement, as applicable, with each remaining New Service Customer setting forth its revised cost obligation. In such event, if the amount of a New Service Customer's cost responsibility increases, the New Service Customer shall provide additional security pursuant to this section.

213.5 Commencement of Construction:

In the event that the New Service Customer has requested dispute resolution or that the Upgrade Construction Service Agreement be filed unexecuted, construction of facilities and upgrades shall be deferred until any disputes are resolved, unless otherwise agreed by the New Service Customer, the Transmission Owner and the Transmission Provider.

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213.6 Procedures if The Affected Transmission Owners are Unable to Complete New Transmission Facilities for Firm Point-To-Point Transmission Service:

213.6.1 Delays in Construction of New Facilities:

If any event occurs that will materially affect the time for completion of new facilities or the ability to complete new facilities required to accommodate a Completed Application for new Firm Point-To-Point Transmission Service, the Transmission Provider shall promptly notify the Transmission Customer. In such circumstances, the Transmission Provider shall within thirty (30) days of notifying the Transmission Customer of such delays, convene a technical meeting with the Transmission Customer to evaluate the alternatives available to the Transmission Customer. The Transmission Provider also shall make available to the Transmission Customer studies and work papers related to the delay, including all information that is in the possession of the Transmission Provider that is reasonably needed by the Transmission Customer to evaluate any alternatives.

213.6.2 Alternatives to the Original Facility Additions:

When the review process of section 213.6.1 above determines that one or more alternatives exist to the originally planned construction project, the Transmission Provider shall present such alternatives for consideration by the Transmission Customer. If, upon review of any alternatives, the Transmission Customer desires to maintain its Completed Application subject to construction of the alternative facilities, it may request the Transmission Provider to submit, as applicable, a revised Service Agreement for Firm Point-To-Point Transmission Service and/or a revised Upgrade Construction Service Agreement. If the alternative approach solely involves Non-Firm Point-To-Point Transmission Service, the Transmission Provider shall promptly tender a Service Agreement for Non-Firm Point-To-Point Transmission Service providing for the service. In the event the Transmission Provider concludes that no reasonable alternative exists and the Transmission Customer disagrees, the Transmission Customer may seek relief under the dispute resolution procedures pursuant to Tariff, Part I, section 12 or it may refer the dispute to the Commission for resolution.

213.6.3 Refund Obligation for Unfinished Facility Additions:

If the Transmission Provider and the Transmission Customer mutually agree that no other reasonable alternatives exist and the requested service cannot be provided out of existing capability under the conditions of Tariff, Part II, the obligation to provide the requested Firm Point-To-Point Transmission Service shall terminate and any deposit made by the Transmission Customer shall be returned with interest pursuant to the Commission's regulations at 18 C.F.R. § 35.19a(a)(2)(iii)..

However, the Transmission Customer shall be responsible for all prudently incurred costs by the Transmission Provider or any Transmission Owner through the time construction was suspended

213.6.4 Supply of Data:

The Transmission Owners shall supply such information and data reasonably required by the Transmission Provider to perform its obligations under this section 213.6.

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213.7 Due Diligence in Completing New Facilities:

Each Transmission Owner shall use due diligence to add necessary facilities or upgrade the Transmission System within a reasonable time. A Transmission Owner will not upgrade the existing or planned Transmission System in order to provide requested Firm Point-To-Point Transmission Service if doing so would impair system reliability or otherwise impair or degrade existing firm service.

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214 Filing/Reporting of Agreements:

Transmission Provider shall file or report each Interconnection Service Agreement, Interconnection Construction Service Agreement and Upgrade Construction Service Agreement in compliance with applicable Commission regulations.

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215 Transmission Service Agreements:

Upon completion of the Facilities Study (or, if no Facilities Study was required, the System Impact Study), the Transmission Provider shall tender to each Eligible Customer whose Completed Application for new transmission service was included in the study a Service Agreement (in the form included in Tariff, Attachment A, Tariff, Attachment F, or Tariff, Attachment F-1, as applicable). To retain the assigned Queue Position of its Completed Application pursuant to Tariff, Part VI, Preamble, section 201, within sixty (60) days after receipt of the Facilities Study (or, if no Facilities Study was required, after receipt of the System Impact Study), each Eligible Customer must execute and return the tendered Service Agreement to the Transmission Provider or, alternatively, request dispute resolution under Tariff, Part I, section 12, or that the Service Agreement be filed unexecuted with the Commission. Should the Eligible Customer fail to execute and return the Service Agreement or to request dispute resolution or filing unexecuted within the prescribed time, its Completed Application shall be deemed to be terminated and withdrawn. Other terms and procedures for these Service Agreements are set forth in Tariff, Part II and Tariff, Part III.

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216 Interconnection Requests Designated as Market Solutions:

The provisions of this section shall apply to any Interconnection Request related to a project that Transmission Provider determines, in accordance with Operating Agreement, Schedule 6, section 1.5.7(h) could relieve a transmission constraint and which, in the judgment of the Transmission Provider, is economically justified (hereafter, a “market solution”).

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216.1 Notification And Acceptance Of Market Solution Designation:

Upon determining that an Interconnection Request is a market solution, Transmission Provider shall so notify the affected Interconnection Customer and shall offer the customer formal designation as a “market solution.” With such notification, Transmission Provider also shall tender to the Interconnection Customer a Development Agreement, as described in section 216.2 below. To accept the designation of its project as a market solution, the Interconnection Customer must execute and return the Development Agreement to Transmission Provider within 15 days after its receipt thereof. The Interconnection Customer may decline the proffered designation as a market solution without prejudice to the Queue Position or processing of its Interconnection Request. An election to decline designation as a market solution may be made by not executing the Development Agreement within the time provided or by otherwise so notifying Transmission Provider. In the event the Interconnection Customer declines designation as a market solution, the remaining provisions of this section 216 shall not apply to the Interconnection Customer’s Interconnection Request.

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216.2 Development Agreement:

216.2.1 Disclosure:

The Development Agreement shall provide that, within 30 days after execution of the agreement, the Interconnection Customer shall disclose fully to Transmission Provider and shall promptly report any material changes in: (a) the Interconnection Customer's affiliate relationships with other Market Participants; (b) the Financial Transmission Rights and Auction Revenue Rights positions of the Interconnection Customer and its Affiliates in any portion of the PJM system that affects or is affected by the transmission constraint for which the Interconnection Customer's project has been designated as a market solution; and (c) the Interconnection Customer's and its affiliates' bilateral transactions and other material contractual relationships (as specified in the Development Agreement) with any Market Participant that is affected by the transmission constraint for which the Interconnection Customer's project is designated as a market solution. Transmission Provider shall treat all information disclosed pursuant to the Development Agreement on a confidential basis in accordance with Operating Agreement, section 18.17.

216.2.2 Milestones:

In addition to the milestones required pursuant to Tariff, Part VI, Subpart A, sections 204.3 and/or Tariff, Part VI, Subpart A, section 206.1, the Development Agreement may set forth additional milestones for the development of the project designated as a market solution that the Transmission Provider determines to be reasonable and appropriate to ensure diligent pursuit of the project from the time of execution of the Development Agreement until the time for execution of the Interconnection Service Agreement under Tariff, Part VI, Subpart B, section 212. Transmission Provider may extend any of the additional milestones set forth in the Development Agreement if the Interconnection Customer demonstrates that its inability to meet the milestone(s) is due to delays not caused by the Interconnection Customer that could not be avoided or remedied by the exercise of due diligence. In the event that any milestone set forth in the Development Agreement is not timely met and is not extended by Transmission Provider in accordance with the preceding sentence, Interconnection Customer's project shall lose its designation as a market solution and Transmission Provider shall terminate the Development Agreement. Upon termination of the Development Agreement, Interconnection Customer may retain its priority in the applicable Interconnection Queue in accordance with Tariff, Part VI, Preamble, section 201, if the Interconnection Customer affirmatively so requests in writing delivered to Transmission Provider within 15 days after termination of the Development Agreement. In the event such a project stays in the Interconnection Queue, the expedited study procedures described in section 216.3 below will not apply, and any studies of the Interconnection Customer's Interconnection Request that are yet to be completed shall be completed on the schedules otherwise applicable under Tariff, Part IV or Tariff, Part VI for other Interconnection Requests in the same Interconnection Queue.

216.2.3 Expedited Studies:

Transmission Provider shall conduct Feasibility Studies, System Impact Studies, and Facilities Studies associated with projects that have accepted designation as market solutions pursuant to this Tariff, Part VI, Subpart B, section 216 on an expedited and, where feasible, project-specific basis, notwithstanding the schedule for completion of such studies for the applicable Interconnection Queue under other provisions of Tariff, Part IV or Tariff, Part VI.

216.2.4 Interconnection Service Agreements For Market Solutions:

216.2.4.1 Additional Milestones:

In addition to the milestones specified in or pursuant to Tariff, Part VI, Subpart B, section 212.5, the Interconnection Service Agreement executed by an Interconnection Customer with respect to a project for which the customer has accepted designation as a market solution shall include the following additional milestones: (a) within 60 days after execution of the Interconnection Service Agreement, the Interconnection Customer must reasonably demonstrate to Transmission Provider that the Interconnection Customer is likely to be able to obtain sufficient financing for the project; (b) within 180 days after execution of the Interconnection Service Agreement, the Interconnection Customer must demonstrate to Transmission Provider that the Interconnection Customer has arranged sufficient financing to complete the project; and (c) other reasonable milestones that the Transmission Provider determines are necessary to ensure that the Interconnection Customer continues diligently to pursue development of the project.

216.2.4.2 Additional Security:

216.2.4.2.1 Amount:

Notwithstanding any other provisions of this Tariff, in the event that no Network Upgrades, Local Upgrades, or Attachment Facilities are required to accommodate the Interconnection Request of a project that has accepted designation as a market solution, at the time of execution of the Interconnection Service Agreement for such project, the Interconnection Customer must provide security in an amount equal to the lesser of 10% of Transmission Provider's reasonable estimate of the fixed cost of the project or \$250,000.

216.2.4.2.2 Forfeiture of Additional Security:

In the event that Transmission Provider reasonably determines (a) that the Interconnection Customer's failure to meet such milestone(s) reasonably could have been avoided by the exercise of due diligence, and (b) based on the Interconnection Customer's disclosures pursuant to the Development Agreement and other available information, that the Interconnection Customer or one or more of its Affiliates or customers will profit from the transmission constraint for which the Interconnection Customer's project was designated as a market solution, upon termination of the Interconnection Service Agreement, Transmission Provider shall retain the additional security provided by the Interconnection Customer pursuant to section 216.2.4.2.1 above. In all other instances of failure to meet such a milestone, the additional security shall be refunded to the Interconnection Customer.

216.2.4.2.3 Disposition of Forfeited Additional Security:

Transmission Provider shall utilize any funds that it retains pursuant to section 216.2.4.2.2 above to offset the cost to load affected by the transmission constraint that the project to be built under the relevant terminated Interconnection Service Agreement would have relieved. Such relief shall be applied with regard to congestion caused by the transmission constraint that occurs after termination of the applicable Interconnection Service Agreement. Transmission Provider shall establish in the PJM Manuals procedures for allocating and applying such relief to congestion costs incurred by affected load.

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217.1 Attachment Facilities:

An Interconnection Customer shall be obligated to pay for 100 percent of the costs of the Attachment Facilities necessary to accommodate its Interconnection Request.

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217.2 Direct Assignment Facilities:

An Eligible Customer shall be obligated to pay for 100 percent of the costs of the Direct Assignment Facilities necessary to accommodate its Completed Application for new transmission service.

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217.3 Local and Network Upgrades:

(a) General: Each New Service Customer shall be obligated to pay for 100 percent of the costs of the minimum amount of Local Upgrades and Network Upgrades necessary to accommodate its New Service Request and that would not have been incurred under the Regional Transmission Expansion Plan but for such New Service Request, net of benefits resulting from the construction of the upgrades, such costs not to be less than zero. Such costs and benefits shall include costs and benefits such as those associated with accelerating, deferring, or eliminating the construction of Local Upgrades and Network Upgrades included in the Regional Transmission Expansion Plan either for reliability, or to relieve one or more transmission constraints and which, in the judgment of the Transmission Provider, are economically justified; the construction of Local Upgrades and Network Upgrades resulting from modifications to the Regional Transmission Expansion Plan to accommodate the New Service Request; or the construction of Supplemental Projects.

(b) Cost Responsibility for Accelerating Local and Network Upgrades included in the Regional Transmission Expansion Plan: Where the New Service Request calls for accelerating the construction of a Local Upgrade or Network Upgrade that is included in the Regional Transmission Expansion Plan and provided that the party(ies) with responsibility for such construction can accomplish such an acceleration, the New Service Customer shall pay all costs that would not have been incurred under the Regional Transmission Expansion Plan but for the acceleration of the construction of the upgrade. The Responsible Customer(s) designated pursuant to Tariff, Schedule 12 as having cost responsibility for such Local Upgrade or Network Upgrade shall be responsible for payment of only those costs that the Responsible Customer(s) would have incurred under the Regional Transmission Expansion Plan in the absence of the New Service Request to accelerate the construction of the Local Upgrade or Network Upgrade.

217.3a The Transmission Provider shall determine the minimum amount of required Local Upgrades and Network Upgrades required to resolve each reliability criteria violation in each New Services Queue, by studying the impact of the queued projects in their entirety, and not incrementally.

Local Upgrades and Network Upgrades shall be studied in their entirety and according to the following process:

(i) The Transmission Provider shall identify the first New Service Request in the queue contributing to the need for the required Local Upgrades and Network Upgrades within the New Services Queue. The initial New Service Request to cause the need for Local Upgrades or Network Upgrades will always receive a cost allocation. Costs for the minimum amount of Local Upgrades and Network Upgrades shall be further allocated to subsequent projects in the New Services Queue, pursuant to queue order, and pursuant to the New Service Request's megawatt contribution to the need for the Local Upgrades and Network Upgrades.

(ii) In the event a subsequent New Service Request in the queue causes the need for additional Local Upgrades or additional Network Upgrades, only this New Service Request and

the New Service Requests in the queue, which follow such subsequent New Service Request in the queue, shall be allocated the costs for these additional required Local Upgrades or Network Upgrades. The allocation shall be pursuant to queue order, and pursuant to the New Service Request's megawatt contribution to the need for the Local Upgrades and Network Upgrades.

Where a Local Upgrade or Network Upgrade included in the Regional Transmission Expansion Plan is classified as both a reliability-based and market efficiency project, a New Service Request cannot eliminate or defer such upgrade unless the request eliminates or defers both the reliability need and the market efficiency need identified in the Regional Transmission Expansion Plan.

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217.4 Additional Upgrades:

In the event that, in the context of the Regional Transmission Expansion Plan, it is determined that, to accommodate a New Service Request, it is more economical or beneficial to the Transmission System to construct upgrades in addition to the minimum necessary to accommodate the New Service Request, a New Service Customer shall be obligated to pay only the costs of the minimum upgrades necessary to accommodate its New Service Request. The New Service Customer shall have the right of first refusal to pay for any or all of the upgrades in addition to the minimum, and to hold all rights associated with the additional upgrades for which it agrees to pay, in accordance with Tariff, Part VI, Subpart C. The remaining costs shall be borne by the Transmission Owners in accordance with Schedule 6 of the Operating Agreement and, subject to FERC approval, may be included in the revenue requirements of the Transmission Owners. If, based upon the date of the submission of a subsequent New Service Request, the Transmission Provider determines that a New Service Customer will make use of additional economic capacity that exists or will exist as a result of facilities and upgrades constructed as a result of an earlier New Service Request, then the Transmission Provider may require the subsequent New Service Customer to pay an appropriate portion of the cost of the facilities and upgrades that produced the additional economic capacity.

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217.5 Specification of Costs in Agreement:

The cost responsibility of a New Service Customer shall be specified, (a) in the case of an Interconnection Customer that proposes facilities other than Merchant Network Upgrades, in the Interconnection Service Agreement, and (b) in the case of all other New Service Customers, in the Upgrade Construction Service Agreement. If a New Service Customer does not agree with the Transmission Provider's determination of such cost responsibility, it may request that the matter be submitted to Dispute Resolution under Tariff, Part I, section 12 or, if concerning the Regional Transmission Expansion Plan, consistent with Operating Agreement, Schedule 5, or request that an unexecuted Interconnection Service Agreement or Upgrade Construction Service Agreement, as applicable, be filed with the Commission in accordance with the Tariff.

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217.6 Effect of IDR Transfer Agreement:

A New Service Customer may modify its cost responsibility for Network Upgrades and/or Local Upgrades as determined under this section 217 by submitting an IDR Transfer Agreement in accordance with Tariff, Part VI, Subpart C, section 237 that transfers to the New Service Customer Incremental Deliverability Rights associated with Merchant Transmission Facilities. As provided in Tariff, Part VI, Subpart C, section 237, the New Service Customer's cost responsibility shall be modified only if it elects to terminate, and Transmission Provider confirms termination of, its participation in and cost responsibility for any Network Upgrade or Local Upgrade.

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217.7 Regional Transmission Expansion Plan:

217.7.1

Any Attachment Facilities, Direct Assignment Facilities, Local Upgrades, or Network Upgrades constructed to accommodate a New Service Request or an Affected System facility (as defined in section 218 below) shall be included in the Regional Transmission Expansion Plan upon their identification in an executed Interconnection Service Agreement or Upgrade Construction Service Agreement filed with or reported to the Commission pursuant to Tariff, Part VI, Subpart B, section 214.

217.7.2

In the event that termination of a New Service Customer's participation in a previously identified Network Upgrade or Local Upgrade pursuant to Tariff, Part VI, Subpart C, section 237 eliminates the need for such upgrade, Transmission Provider shall offer all New Service Customers whose New Service Requests preceded the IDR Transfer Agreement that facilitated such termination an opportunity to pursue and pay for (in whole or in part) such upgrade. Each New Service Customer shall have the right to hold all Upgrade-Related Rights associated with the additional upgrades (or portions thereof) for which it agrees to pay in accordance with Tariff, Part VI, Subpart C.

217.7.3

Transmission Provider shall remove from the Regional Transmission Expansion Plan any Network Upgrade or Local Upgrade in the event that the need for such upgrade is eliminated due to termination of a New Service Customer's participation in such upgrade and other New Service Customers do not pursue and pay for the upgrade pursuant to section 217.7.2 above.

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218.1 Local Upgrades and Network Upgrades on Affected Systems:

In the event that transmission facilities or upgrades on an Affected System are required to accommodate a New Service Request, the New Service Customer shall be responsible for the costs of such facilities to the same extent that the Affected System Operator's FERC electric tariff would allocate responsibility for such costs to a customer funding upgrades on the Affected System. Transmission Provider, the Affected System Operator and the New Service Customer shall enter into an Upgrade Construction Service Agreement, a similar agreement in a form provided in the Affected System Operator's FERC electric tariff, or another, mutually acceptable agreement for the construction of such upgrades on the Affected System, provided, however, that neither the Transmission Provider nor the Transmission Owners shall be responsible for making arrangements for any necessary engineering, permitting, and construction of transmission or distribution facilities on any Affected System or for obtaining any regulatory approval for such facilities. The Transmission Provider and the affected Transmission Owners will undertake reasonable efforts to assist the New Service Customer in obtaining such arrangements, including without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice. Provided that the Affected System Operator's FERC electric tariff provides for, or the Affected System Operator otherwise agrees to provide, similar services for Transmission Provider in similar circumstances, Transmission Provider will administer billing and payment for all charges of the Affected System Operator related to upgrades on the Affected System in the manner provided in the Interconnection Service Agreement and/or Construction Service Agreement. For purposes of applying the terms of the Interconnection Service Agreement and/or Construction Service Agreement to charges for upgrades on an Affected System, (a) the Affected System Operator shall be deemed to be, as applicable, the Transmission Owner or the Interconnected Transmission Owner, and (b) should the parties enter into an agreement for construction of the Affected System upgrades that is not a Construction Service Agreement, references to the Construction Service Agreement shall be deemed to refer to the terms of that other agreement. In no event shall the need for upgrades to an Affected System delay Initial Operation of an Interconnection Customer's Customer Facility.

218.2 Generation and Transmission Interconnecting with Affected Systems:

In the event that interconnection of a new or expanded generation or transmission facility with an Affected System (“Affected System facility”) requires Local Upgrades or Network Upgrades to the Transmission System, such Affected System facility shall be responsible for the costs of such upgrades in accordance with Tariff, Part VI, Subpart B, section 217. Transmission Provider and the developer of the Affected System facility shall enter into an Upgrade Construction Service Agreement for the construction of the upgrades with each Transmission Owner responsible for constructing such upgrades. For purposes of applying the Upgrade Construction Service Agreement to the construction of such upgrades, the developer of the Affected System facility shall be deemed to be the New Service Customer.

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218.3 Coordination of Third-Party System Additions:

In circumstances where the need for transmission facilities or upgrades is identified pursuant to this Tariff, Part VI, and if such upgrades further require the addition of transmission facilities on one or more Affected Systems, the affected Transmission Owner(s), in coordination with the Transmission Provider, shall have the right to coordinate construction on their own systems with the construction required by the Affected System(s). The Transmission Provider, together with the affected Transmission Owner(s), after consultation with the Transmission Customer and representatives of the Affected System(s), may defer construction of an affected Transmission Owner's new transmission facilities, if the new transmission facilities on an Affected System cannot be completed in a timely manner. The Transmission Provider shall notify the affected New Service Customer in writing of the basis for any decision to defer construction and the specific problems which must be resolved before construction of new facilities will be initiated or resumed. Within sixty (60) days of receiving written notification by the Transmission Provider of the intent to defer construction pursuant to this section, the New Service Customer may challenge the decision in accordance with the dispute resolution procedures pursuant to Tariff, Part I, section 12 or it may refer the dispute to the Commission for resolution.

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218.4 Upgrade-Related Rights:

218.4.1 Facilities on Affected System:

A New Service Customer that pays the costs of any transmission facilities or upgrades on an Affected System as provided in section 218.1 above shall be entitled to any Upgrade-Related Rights that may be created in the Transmission System due to the construction of such facilities or upgrades on the Affected System, as determined in accordance with Tariff, Part VI, Subpart C. The Upgrade-Related Rights (if any) to which the New Service Customer is entitled pursuant to Tariff, Part VI, Subpart C shall be stated in the Upgrade Construction Service Agreement or other agreement executed by such customer as provided in section 218.1 above, except to the extent the applicable terms of Tariff, Part VI, Subpart C provide otherwise.

218.4.2 Facilities on Transmission System:

To the same extent as a New Service Customer under the Tariff, the developer of an Affected System facility that pays the costs of any Local Upgrades or Network Upgrades as provided in section 218.2 above shall be entitled to any Upgrade-Related Rights associated with those facilities in accordance with Tariff, Part VI, Subpart C. The Upgrade-Related Rights (if any) to which the developer of an Affected System facility is entitled pursuant to Tariff, Part VI, Subpart C shall be stated in the Upgrade Construction Service Agreement executed by such developer, except to the extent the applicable terms of Tariff, Part VI, Subpart C provide otherwise.

219 Inter-queue Allocation of Costs of Transmission Upgrades:

In the event that Transmission Provider determines that accommodating a New Service Customer's New Service Request would require, in whole or in part, any Local Upgrade or Network Upgrade that was previously determined to be necessary to accommodate, a New Service Request that was part of a previous New Services Queue, such New Service Customer may be responsible, subject to the terms of Tariff, Part VI, Subpart C, sections 231.4, 233.5, and 234.5 below and in accordance with criteria prescribed by Transmission Provider in the PJM Manuals, for additional costs up to an amount equal to a proportional share of the costs of such previously-constructed facility or upgrade.

Cost responsibility under this section 219 may be assigned with respect to any facility or upgrade:

- (a) the completed cost of which was \$5,000,000 or more, for a period of time not to exceed five years from the execution date of the Interconnection Service Agreement for the project that initially necessitated the requirement for the Local Upgrade or Network Upgrade.

For purposes of applying this section, Transmission Provider may aggregate the costs of related facilities or upgrades, e.g., multiple replacements of or new circuit breakers at a single substation, that are, or are anticipated to be, constructed contemporaneously. In each Interconnection Service Agreement and Upgrade Construction Service Agreement executed after the date on which this section 219 first becomes effective, Transmission Provider shall identify any of the facilities or upgrades included in the Specifications to such Interconnection Service Agreement or Upgrade Construction Service Agreement the costs of which Transmission Provider will aggregate for purposes of application of this section.

220 Advance Construction of Certain Network Upgrades:

An Interconnection Customer that has executed an Interconnection Service Agreement or an Upgrade Construction Service Agreement, as applicable, in order to ensure the availability of, in the case of a Generation Interconnection Customer, all of its Capacity Interconnection Rights, or, in the case of a Transmission Interconnection Customer, all of its Transmission Injection Rights and Transmission Withdrawal Rights, upon Initial Operation of its Customer Facility, may request that the Transmission Provider cause the affected Transmission Owner to advance to the extent necessary the completion of Network Upgrades that: (i) were assumed in the Interconnection Studies for such Interconnection Customer; (ii) are necessary to support, (A) in the case of a Generation Interconnection Customer, such Interconnection Customer's full Capacity Interconnection Rights, or (B) in the case of a Transmission Interconnection Customer, are necessary to support such Transmission Interconnection Customer's full Transmission Injection Rights and Transmission Withdrawal Rights; (iii) are the cost responsibility of an entity other than the Interconnection Customer making the request for advance construction; and (iv) would otherwise not be completed on behalf of such other entity in time to support the full Capacity Interconnection Rights or the full Transmission Injection Rights and Transmission Withdrawal Rights, as applicable, of the requesting Interconnection Customer upon Initial Operation of its Customer Facility. Upon such request, Transmission Provider will use Reasonable Efforts to cause the affected Transmission Owner to advance the construction of such Network Upgrades to accommodate such request; provided that the Interconnection Customer commits to pay Transmission Provider, on behalf of such Transmission Owner: (a) any associated expediting costs and (b) the cost of such Network Upgrades. The Interconnection Customer shall be entitled to a refund of the cost of the Network Upgrades after the date on which the entity bearing cost responsibility for such upgrades has completed payment of the costs thereof. Payment by that entity shall be due on the date that it would have been due had there been no request for advance construction. The Transmission Provider shall forward to the Interconnection Customer the amount paid by the entity with cost responsibility for the Network Upgrades as payment in full for the outstanding balance owed to the Interconnection Customer, provided, however, that if the Network Upgrades were built and paid for by a Transmission Owner, such Transmission Owner shall refund to the Interconnection Customer the cost of such upgrades in accordance with the terms of this section. An Interconnection Customer that pays for advance construction of Network Upgrades pursuant to this section 220 shall be entitled to any Incremental Auction Revenue Rights, Incremental Capacity Transfer Rights, and/or any Incremental Available Transfer Capability Revenue Rights associated with such facilities for the period from the date of completion of the advanced Network Upgrades to the date on which the cost of such upgrades is refunded to the Interconnection Customer.

221 Transmission Owner Construction Obligation for Necessary Facilities and Upgrades:

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221.1 Construction Obligation:

The determination of the Transmission Owners' obligations to build the necessary facilities and upgrades to accommodate New Service Requests, or interconnections with Affected Systems in accordance with Tariff, Part VI, Subpart B, section 218.2, shall be made in the same manner as such responsibilities are determined under Operating Agreement, Schedule 6. Except to the extent otherwise provided in a Construction Service Agreement entered into pursuant to this Tariff, Part VI, the Transmission Owners shall own all Attachment Facilities, Direct Assignment Facilities, Local Upgrades, and Network Upgrades constructed to accommodate New Service Requests.

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221.2 Alternative Facilities and Upgrades:

Upon completion of the studies of a New Service Request prescribed in the Tariff, the Transmission Provider shall recommend the necessary facilities and upgrades to accommodate the New Service Request and the Transmission Owner's construction obligation to build such facilities and upgrades. The Transmission Owner(s) or the New Service Customer may offer alternatives to the Transmission Provider's recommendation. If, based upon its review of the relative costs and benefits, the ability of the alternative(s) to accommodate the New Service Request, and the alternative's(s') impact on the reliability of the Transmission System, the Transmission Provider does not adopt such alternative(s), the Transmission Owner(s) or the New Service Customer may require that the alternative(s) be submitted to Dispute Resolution in accordance with Tariff, Part I, section 12 or, if concerning the Regional Transmission Expansion Plan, consistent with Operating Agreement, Schedule 5. The affected New Service Customer may participate in any such Dispute Resolution process.

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222 Confidentiality:

Except as otherwise provided in this section, all information provided to Transmission Provider by New Service Customers relating to any study of a New Service Request required under the Tariff shall be deemed Confidential Information under Tariff, Part VI, Subpart B, section 223. Upon completion of each study, the study will be listed on the Transmission Provider's OASIS and, to the extent required by Commission regulations, will be made publicly available upon request, except that, in the case of Interconnection Feasibility Studies, the identity of the Interconnection Customer shall remain confidential. To the extent that the Transmission Provider contracts with consultants or with one or more Transmission Owner(s) for services or expertise in the preparation of any of the studies required under the Tariff, the consultants and/or Transmission Owner(s) shall keep all information provided by New Service Customers confidential and shall use such information solely for the purpose of the study for which it was provided and no other purpose.

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223 Confidential Information:

For purposes of this section 223, the term “party” refers to the New Service Customer, the Transmission Provider, or an affected Transmission Owner, as applicable, and the term “parties” refers to all of such entities collectively or to any two or more of them, as the context indicates. Information is Confidential Information only if it is clearly designated or marked in writing as confidential on the face of the document, or, if the information is conveyed orally or by inspection, if the party providing the information orally informs the party receiving the information that the information is confidential. If requested by any party, the disclosing party shall provide in writing the basis for asserting that the information referred to in this section warrants confidential treatment, and the requesting party may disclose such writing to an appropriate Governmental Authority. Any party shall be responsible for the costs associated with affording confidential treatment to its information.

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223.1 Term:

During the longest of the terms of (as and to the extent applicable) the Interconnection Service Agreement, the Service Agreement, and the Upgrade Construction Service Agreement, and for a period of three (3) years after the expiration or termination thereof, and except as otherwise provided in this section 223, each party shall hold in confidence, and shall not disclose to any person, Confidential Information provided to it by any other party.

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223.2 Scope:

Confidential Information shall not include information that the receiving party can demonstrate: (i) is generally available to the public other than as a result of a disclosure by the receiving party; (ii) was in the lawful possession of the receiving party on a non-confidential basis before receiving it from the disclosing party; (iii) was supplied to the receiving party without restriction by a third party, who, to the knowledge of the receiving party, after due inquiry, was under no obligation to the disclosing party to keep such information confidential; (iv) was independently developed by the receiving party without reference to Confidential Information of the disclosing party; (v) is, or becomes, publicly known, through no wrongful act or omission of the receiving party or breach of the requirements of this section 223; or (vi) is required, in accordance with section 223.7 below, to be disclosed to any Governmental Authority or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations under this Subpart or any agreement entered into pursuant thereto. Information designated as Confidential Information shall no longer be deemed confidential if the party that designated the information as confidential notifies the other parties that it no longer is confidential.

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223.3 Release of Confidential Information:

No party shall disclose Confidential Information to any other person, except to its Affiliates (limited by the Commission's Standards of Conduct requirements), subcontractors, employees, consultants or to parties who may be, or may be considering, providing financing to or equity participation in the New Service Customer or to potential purchasers or assignees of the New Service Customer, on a need-to-know basis in connection with the Interconnection Service Agreement, Service Agreement, and/or Construction Service Agreement, unless such person has first been advised of the confidentiality provisions of this section 223 and has agreed to comply with such provisions. Notwithstanding the foregoing, a party providing Confidential Information to any person shall remain primarily responsible for any release of Confidential Information in contravention of this section 223.

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223.4 Rights:

Each party retains all rights, title, and interest in the Confidential Information that it discloses to any other party. A party's disclosure to another party of Confidential Information shall not be deemed a waiver by any party or any other person or entity of the right to protect the Confidential Information from public disclosure.

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223.5 No Warranties:

By providing Confidential Information, no party makes any warranties or representations as to its accuracy or completeness. In addition, by supplying Confidential Information, no party obligates itself to provide any particular information or Confidential Information to any other party nor to enter into any further agreements or proceed with any other relationship or joint venture.

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223.6 Standard of Care:

Each party shall use at least the same standard of care to protect Confidential Information it receives as the party uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination. Each party may use Confidential Information solely to fulfill its obligations to the other parties under this Tariff, Part VI or any agreement entered into pursuant to this Tariff, Part VI.

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223.7 Order of Disclosure:

If a Governmental Authority with the right, power, and apparent authority to do so requests or requires a party, by subpoena, oral deposition, interrogatories, requests for production of documents, administrative order, or otherwise, to disclose Confidential Information, that party shall provide the party that provided the information with prompt prior notice of such request(s) or requirement(s) so that the providing party may seek an appropriate protective order or waive compliance with the terms of this Tariff, Part VI or any applicable agreement entered into pursuant to this Tariff, Part VI. Notwithstanding the absence of a protective order or agreement, or waiver, the party that is subjected to the request or order may disclose such Confidential Information which, in the opinion of its counsel, the party is legally compelled to disclose. Each party shall use Reasonable Efforts to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.

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223.8 Termination of Agreement(s):

Upon termination of any agreement entered into pursuant to this Tariff, Part VI, Subpart B for any reason, each party shall, within ten (10) calendar days of receipt of a written request from another party, use Reasonable Efforts to destroy, erase, or delete (with such destruction, erasure and deletion certified in writing to the requesting party) or to return to the other party, without retaining copies thereof, any and all written or electronic Confidential Information received from the requesting party.

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223.9 Disclosure to FERC or its Staff:

Notwithstanding anything in this section 223 to the contrary, and pursuant to 18 C.F.R. § 1b.20, if FERC or its staff, during the course of an investigation or otherwise, requests information from one of the parties that is otherwise required to be maintained in confidence pursuant to this Tariff, Part VI or any agreement entered into pursuant to such Tariff, Part VI, the party receiving such request shall provide the requested information to FERC or its staff, within the time provided for in the request for information.

In providing the information to FERC or its staff, the party must, consistent with 18 C.F.R. § 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. Parties are prohibited from notifying the other parties prior to the release of the Confidential Information to the Commission or its staff. A party shall notify the other party(ies) to any agreement entered into pursuant to this Tariff, Part VI when it is notified by FERC or its staff that a request to release Confidential Information has been received by FERC, at which time any of the parties may respond before such information would be made public, pursuant to 18 C.F.R. § 388.112.

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223.10 Other Disclosures:

Subject to the exception in section 223.9 above, no party shall disclose Confidential Information of another party to any person not employed or retained by the disclosing party, except to the extent disclosure is (i) required by law; (ii) reasonably deemed by the disclosing party to be required in connection with a dispute between or among the parties, or the defense of litigation or dispute; (iii) otherwise permitted by consent of the party that provided such Confidential Information, such consent not to be unreasonably withheld; or (iv) necessary to fulfill its obligations under this Tariff, Part VI or any agreement entered into pursuant to this Tariff, Part VI, or as a transmission service provider or a Control Area operator including disclosing the Confidential Information to an RTO or ISO or to a regional or national reliability organization. Prior to any disclosures of another party's Confidential Information under this section 223.10, the disclosing party shall promptly notify the other parties in writing and shall assert confidentiality and cooperate with the other parties in seeking to protect the Confidential Information from public disclosure by confidentiality agreement, protective order or other reasonable measures.

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223.11 Information in Public Domain:

This provision shall not apply to any information that was or is hereafter in the public domain (except as a result of a breach of this provision).

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223.12 Return or Destruction of Confidential Information:

If a party provides any Confidential Information to another party in the course of an audit or inspection, the providing party may request the other party to return or destroy such Confidential Information after the termination of the audit period and the resolution of all matters relating to that audit. Each party shall make Reasonable Efforts to comply with any such requests for return or destruction within ten days of receiving the request and shall certify in writing to the other party that it has complied with such request.

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Subpart C – Rights Related to Customer-Funded Upgrades

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230.1 Purpose:

Capacity Interconnection Rights shall entitle the holder to deliver the output of a Generation Capacity Resource at the bus where the Generation Capacity Resource interconnects to the Transmission System. The Transmission Provider shall plan the enhancement and expansion of the Transmission System in accordance with Operating Agreement, Schedule 6 such that the holder of Capacity Interconnection Rights can integrate its Capacity Resources in a manner comparable to that in which each Transmission Owner integrates its Capacity Resources to serve its Native Load Customers.

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230.2 Receipt of Capacity Interconnection Rights:

Generation accredited under the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region as a Generation Capacity Resource prior to the original effective date of Tariff, Part IV shall have Capacity Interconnection Rights commensurate with the size in megawatts of the accredited generation. When a Generation Interconnection Customer's generation is accredited as deliverable through the applicable procedures in Tariff, Part VI and Tariff, Part VI, the Generation Interconnection Customer also shall receive Capacity Interconnection Rights commensurate with the size in megawatts of the generation as identified in the Interconnection Service Agreement. Any Generation Owner of an Intermittent Resource or Environmentally Limited Resource which has been accredited as deliverable for additional Capacity Interconnection Rights for the winter period (defined as November through April of a Delivery Year) under the Tariff, Preamble, Part IV, shall receive such Capacity Interconnection Rights as further documented in section 2.0 of the Specifications of the Interconnection Service Agreement of such Generation Owner for the year specified. Pursuant to applicable terms of RAA, Schedule 10, a Transmission Interconnection Customer may combine Incremental Deliverability Rights associated with Merchant Transmission Facilities with generation capacity that is not otherwise accredited as a Generation Capacity Resource for the purposes of obtaining accreditation of such generation as a Generation Capacity Resource and associated Capacity Interconnection Rights.

230.3 Loss of Capacity Interconnection Rights:

230.3.1 Operational Standards:

To retain Capacity Interconnection Rights, the Generation Capacity Resource associated with the rights must operate or be capable of operating at the capacity level associated with the rights. Operational capability shall be established consistent with RAA, Schedule 9 and the PJM Manuals. Generation Capacity Resources that meet these operational standards shall retain their Capacity Interconnection Rights regardless of whether they are available as a Generation Capacity Resource or are making sales outside the PJM Region.

230.3.2 Failure to Meet Operational Standards:

This section 230.3.2 shall apply only in circumstances other than Deactivation of a Generation Capacity Resource. In the event a Generation Capacity Resource fails to meet the operational standards set forth in Tariff, Part VI, section 230.3.1 for any consecutive three-year period (with the first such period commencing on the date the Interconnection Customer must demonstrate commercial operation of the generating unit(s) as specified in the Interconnection Service Agreement), the holder of the Capacity Interconnection Rights associated with such Generation Capacity Resource will lose its Capacity Interconnection Rights in an amount commensurate with the loss of generating capability. Any period during which the Generation Capacity Resource fails to meet the standards set forth in section 230.3.1 above as a result of an event that meets the standards of a force majeure event as defined in Tariff, Attachment O, Appendix 2, section 9.4 shall be excluded from such consecutive three-year period, provided that the holder of the Capacity Interconnection Rights exercises due diligence to remedy the event. A Generation Capacity Resource that loses Capacity Interconnection Rights pursuant to this section may continue Interconnection Service, to the extent of such lost rights, as an Energy Resource in accordance with (and for the remaining term of) its Interconnection Service Agreement and/or applicable terms of the Tariff.

230.3.3 Replacement of Generation:

In the event of the Deactivation of a Generation Capacity Resource (in accordance with Tariff, Part V and any Applicable Standards), or removal of Capacity Resource status (in accordance with Tariff, Attachment DD, section 6.6 or Tariff, Attachment DD, section 6.6A), any Capacity Interconnection Rights associated with such facility shall terminate one year from the Deactivation Date, or one year from the date the Capacity Resource status change takes effect, unless the holder of such rights (including any holder that acquired the rights after Deactivation or removal of Capacity Resource status) has submitted a new Generation Interconnection Request up to one year after the Deactivation Date, or up to one year from the date the Capacity Resource status changes take effect, which contemplates use of the same Capacity Interconnection Rights. The Interconnection Customer must provide written notification to the Transmission Provider that it intends to utilize such Capacity Interconnection Rights on or before the date the Interconnection Customer executes the System Impact Study Agreement associated with the Generation Interconnection Request for which it intends to utilize such Capacity Interconnection Rights. Notwithstanding the previous sentence, Interconnection Customers in

the New Services Queue prior to May 1, 2012 must provide written notice of intent to utilize such Capacity Interconnection Rights when it executes its Facilities Study Agreement or, if it has already executed its Facilities Study Agreement, then by November 1, 2012. Such notification of transfer of Capacity Interconnection Rights shall be posted on Transmission Provider's public website. Such new Generation Interconnection Request may include a request to increase Capacity Interconnection Rights in addition to the replacement of the previously deactivated amount, or amount removed from Capacity Resource status, as a single Generation Interconnection Request. Transmission Provider may perform thermal, short circuit, and/or stability studies, as necessary and in accordance with its manuals, due to any changes in the electrical characteristics of any newly proposed equipment, or where there is a change in Point of Interconnection, which may result in the loss of a portion or all of the Capacity Interconnection Rights as determined by such studies.

Upon execution of an Interconnection Service Agreement reflecting its new Interconnection Request, the holder of the Capacity Interconnection Rights will retain only such rights that are commensurate with the size in megawatts of the replacement generation, not to exceed the amount of the holder's Capacity Interconnection Rights associated with the facility upon Deactivation or removal of Capacity Resource status. Any desired increase in Capacity Interconnection Rights must be requested in the new Generation Interconnection Request and be accredited through the applicable procedures in Tariff, Part IV and Tariff, Part VI. In the event the new Interconnection Request to which this section refers is or is deemed to be terminated and/or withdrawn for any reason at any time, the pertinent Capacity Interconnection Rights shall not terminate until the end of the one year period from the Deactivation Date, or the end of the one year period from the date the Capacity Resource status change takes effect.

230.4 Transfer of Capacity Interconnection Rights:

Capacity Interconnection Rights may be sold or otherwise transferred subject to compliance with such procedures as may be established by the Transmission Provider regarding such transfer and notice to the Transmission Provider of any generation facilities that will use the Capacity Interconnection Rights after the transfer. The transfer of Capacity Interconnection Rights shall not itself extend the periods set forth in section 230.3 above regarding loss of Capacity Interconnection Rights.

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231.1 Right of New Service Customer to Incremental Auction Revenue Rights:

A New Service Customer that (a) pursuant to Tariff, Part VI, Subpart B, section 212.1, reimburses the Transmission Provider for the costs of, or (b) pursuant to its Construction Service Agreement undertakes responsibility for, constructing or completing Network Upgrades and/or Local Upgrades required to accommodate its New Service Request shall be entitled to receive the Incremental Auction Revenue Rights associated with such facilities and upgrades as determined in accordance with this section 231. In addition, an Interconnection Customer that executes an Upgrade Construction Service Agreement for Merchant Network Upgrades shall be entitled to receive the Incremental Auction Revenue Rights as determined in accordance with this section 231. However, a Transmission Interconnection Customer that interconnects Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities with the Transmission System shall be entitled to Incremental Auction Revenue Rights associated with such Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities only if the Interconnection Customer has elected, pursuant to Tariff, Part IV, section 36.1.03, to receive Incremental Auction Revenue Rights, Incremental Deliverability Rights, Incremental Capacity Transfer Rights, and Incremental Available Transfer Capability Revenue Rights in lieu of Transmission Injection Rights and/or Transmission Withdrawal Rights.

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231.2 Procedures for Assigning Incremental Auction Revenue Rights:

No less than forty-five (45) days prior to the in-service date, as determined by the Office of the Interconnection, of the applicable Customer Facility or of a transmission facility or upgrade related to a New Service Request, the Office of the Interconnection shall notify the New Service Customer(s) which have responsibility to reimburse the costs of, or responsibility for, constructing or completing the facility or upgrade, that initial requests for Incremental Auction Revenue Rights associated with the facility or upgrade must be submitted to the Office of the Interconnection within a time period specified by the Office of the Interconnection in the notification. The Office of the Interconnection then shall commence a three-round allocation process. In round one, one-third of the Incremental Auction Revenue Rights available for each point-to-point combination requested in that round will be assigned to the requesters of the specific combinations in accordance with section 231.3 below.

In round two, two-thirds of the Incremental Auction Revenue Rights available for each requested point-to-point combination in that round will be assigned in accordance with section 231.3 below. In round three, all available Incremental Auction Revenue Rights will be assigned for the requested point-to-point combinations in that round in accordance with section 231.3 below. In each round, a requester may request the same point-to-point combination as in the previous rounds or submit a different combination. In rounds one and two, requesters may accept the assignment of Incremental Auction Revenue Rights or refuse them. Acceptance of the assignment in rounds one and two will remove the assigned Incremental Auction Revenue Rights from availability in the next rounds. Refusal of an Incremental Auction Revenue Rights assignment in rounds one and two will result in the Incremental Auction Revenue Rights being available for the next round. The Incremental Auction Revenue Rights assignments made in round three will be final and binding. The final and binding Incremental Auction Revenue Right assignment for a requested point-to-point combination in each round shall in no event be less than one third of 80% and no greater than one-third of 100% of the non-binding estimate of Incremental Auction Revenue Rights for that point-to-point combination that was provided to the New Service Customer under Tariff, Part VI, Subpart A, section 206.5.2. For each round, a request for Incremental Auction Revenue Rights shall specify a single point-to-point combination for which the New Service Customer desires Incremental Auction Revenue Rights and shall be in a form specified by the Office of the Interconnection and in accordance with procedures set forth in the PJM Manuals. The Office of the Interconnection shall specify the deadlines for submission of requests in each round of the allocation process and shall complete the allocation process before the in-service date of the facility or upgrade.

231.3 Determination of Incremental Auction Revenue Rights to be Provided to New Service Customer:

The Office of the Interconnection shall determine the Incremental Auction Revenue Rights to be provided to New Service Customers associated with a particular transmission facility or upgrade pursuant to section 231.2 above using the tools described in Tariff, Attachment K, including an assessment of the simultaneous feasibility of any Incremental Auction Revenue Rights and all other outstanding Auction Revenue Rights. For each requested point-to-point combination, the Office of the Interconnection shall determine, simultaneously with all other requested point-to-point combinations, the base system Auction Revenue Right capability, excluding the impact of any new transmission facilities or upgrades necessary to accommodate New Service Requests. The Office of the Interconnection then shall similarly determine, for each requested point-to-point combination, the Auction Revenue Rights capability, including the impact of any new facilities and upgrades. For each point-to-point combination, the Incremental Auction Revenue Right capability shall be the difference between the Auction Revenue Right capability in the base system analysis and the Auction Revenue Right capability in the analysis including the impact of the new facilities and upgrades. When multiple New Service Customers have cost responsibility for the same new transmission facility or upgrade, Incremental Auction Revenue Rights shall be assigned to each New Service Customer in proportion to the New Service Customers' relative cost responsibilities for the facility and in inverse proportion to the relative flow impact on constrained facilities or interfaces of the point-to-point combinations selected by the New Service Customers.

231.4 Reallocation of Incremental Auction Revenue Rights:

(1) This section shall apply in the event that

(a) the Office of the Interconnection determines that accommodating a New Service Customer's New Service Request would require, in whole or in part, any Local Upgrade and/or Network Upgrade that the Office of the Interconnection determined to be required to accommodate a New Service Request that was part of an earlier New Services Queue, provided that such previously-constructed facility or upgrade meets the criteria stated in Tariff, Part VI, Subpart B, section 219, and

(b) such New Service Customer (hereafter in this section, the "Current Customer") executes, as applicable, an Interconnection Service Agreement or an Upgrade Construction Service Agreement.

Upon determining that this section applies, the Office of the Interconnection shall:

(c) notify each New Service Customer that paid or incurred a portion of the costs of a pertinent, previously-constructed facility or upgrade (hereafter in this section, a "Preceding Customer") of the portion of the costs of such facility or upgrade for which the Current Customer is determined to be responsible, and

(d) afford each such Preceding Customer, subject to the terms of this section 231.4, an opportunity to obtain, in exchange for a proportional share (as determined in accordance with section 231.3 above) of the Incremental Auction Revenue Rights associated with such facility or upgrade that the Preceding Customer holds, reimbursement for a share of the cost of the facility or upgrade that the Preceding Customer paid or incurred that is proportional to the cost responsibility of the Current Customer for such facility or upgrade.

(2) A Preceding Customer shall have no obligation to exchange Incremental Auction Revenue Rights for cost reimbursement pursuant to this section. In the event, however, that a Preceding Customer chooses not to relinquish Incremental Auction Revenue Rights associated with a previously-constructed facility or upgrade, the Current Customer shall have no cost responsibility with respect to the portion of such facility or upgrade for which that Preceding Customer bore cost responsibility.

(3) In the event that a Preceding Customer elects to exchange Incremental Auction Revenue Rights for cost reimbursement pursuant to this section, (a) the Preceding Customer shall relinquish the Incremental Auction Revenue Rights that it elects to exchange in writing, in a form and at a time reasonably satisfactory to the Office of the Interconnection; (b) the Current Customer shall pay Transmission Provider, upon presentation of Transmission Provider's invoice therefor, an amount equal to the portion of such customer's cost responsibility for the relevant, previously-constructed facility or upgrade that is proportional to the Incremental Auction Revenue Rights that the Preceding Customer agreed to exchange; and (c) the Office of the Interconnection shall assign Incremental Auction Revenue Rights associated with the

previously-constructed facility or upgrade to the Current Customer in accordance with the following:

(i) in the event that more than one Current Customer is contemporaneously eligible for a reallocation of Incremental Auction Revenue Rights associated with a facility or upgrade, the Office of the Interconnection shall use the procedures of section 231.2 above to reallocate the Incremental Auction Revenue Rights made feasible by retirement of the Incremental Auction Revenue Rights relinquished by the Preceding Customer;

(ii) in all other instances, the Current Customer shall be entitled to assignment of either (A) the Incremental Auction Revenue Rights associated with the pertinent facility or upgrade that the Preceding Customer relinquished pursuant to this section, or (B) any new Incremental Auction Revenue Rights that are made feasible by retirement of the Incremental Auction Revenue Rights relinquished by the Preceding Customer, provided, however,

(iii) that if it is not feasible to assign Incremental Auction Revenue Rights associated with the pertinent facility or upgrade to the Current Customer in proportion to such customer's cost responsibility for that facility or upgrade, then (A) the Current Customer's cost responsibility for the pertinent facility or upgrade shall be reduced to an amount proportional to the Incremental Auction Revenue Rights that can be feasibly assigned to it, and (B) the Preceding Customer's Incremental Auction Revenue Rights associated with the pertinent facility or upgrade shall be reduced only by a quantity proportional to the Current Customer's final cost responsibility. In the event of a reduction in the Current Customer's cost responsibility for a previously-constructed facility or upgrade pursuant to this subsection (3)(c)(iii), Transmission Provider shall refund to the Current Customer the difference between the amount such customer paid pursuant to subsection (3)(b) of this section and the amount of its final cost responsibility for the pertinent facility or upgrade. Upon completion of the reallocation process, Transmission Provider shall pay to the Preceding Customer an amount that is proportional to the Current Customer's final cost responsibility for the pertinent facility or upgrade and to the Incremental Auction Revenue Rights relinquished by the Preceding Customer.

(4) A Preceding Customer that elects to exchange rights for cost reimbursement pursuant to this section must exchange all Incremental Auction Revenue Rights and all other Upgrade-Related Rights associated with the same Local Upgrade and/or Network Upgrade.

(5) The Office of the Interconnection shall specify deadlines for the procedural steps in reallocating Incremental Auction Revenue Rights pursuant to this section and shall complete the reallocation process before the date of, as applicable, commencement of Interconnection Service, Transmission Service or Network Service for the Current Customer, or completion of the Customer-Funded Upgrade that precipitated the reallocation of such rights.

231.5 Duration of Incremental Auction Revenue Rights:

Incremental Auction Revenue Rights received by a New Service Customer pursuant to this section shall be available as of the first day of the first month that the Network Upgrades and/or Local Upgrades required to accommodate its New Service Request that are associated with the Incremental Auction Revenue Rights are included in the transmission system model for the monthly FTR auction and shall continue to be available for thirty (30) years or for the life of the associated facility or upgrade, whichever is less, subject to any subsequent pro-rata reductions of all Auction Revenue Rights (including Incremental Auction Revenue Rights) in accordance with the Tariff, Attachment K-Appendix. At any time during this thirty-year period (or the life of the facility or upgrade, whichever is less), in lieu of continuing this thirty-year Auction Revenue Right, the New Service Customer shall have a one-time choice to switch to an optional mechanism, whereby, on an annual basis, the customer has the choice to request an Auction Revenue Right during the annual Auction Revenue Rights allocation process (pursuant to Tariff, Attachment K-Appendix, section 7.4.2) between the same source and sink, provided the Auction Revenue Right is simultaneously feasible, pursuant to Tariff, Attachment K-Appendix, section 7.5. A New Service Customer may return Incremental Auction Revenue Rights that it no longer desires at any time, provided that the Office of the Interconnection determines that it can simultaneously accommodate all remaining outstanding Auction Revenue Rights following the return of such Auction Revenue Rights. In the event a New Service Customer returns Incremental Auction Revenue Rights, the New Service Customer shall have no further rights regarding such Incremental Auction Revenue Rights.

231.5A Value of Incremental Auction Revenue Rights:

The value of Incremental Auction Revenue Rights to be provided to a New Service Customer associated with a particular transmission facility or upgrade pursuant to section 231.2 above that become effective at the beginning of a Planning Period shall be determined in the same manner as annually allocated Auction Revenue Rights based on the nodal prices resulting from the annual Financial Transmission Rights auction. The value of such Incremental Auction Revenue Rights that become effective after the commencement of a Planning Period shall be determined on a monthly basis for each month in the Planning Period beginning with the month the Incremental Auction Revenue Right(s) becomes effective. The value of such Incremental Auction Revenue Right shall be equal to the megawatt amount of the Incremental Auction Revenue Rights multiplied by the LMP differential between the source and sink nodes of the corresponding FTR obligations in each prompt-month FTR auction that occurs from the effective date of the Incremental Auction Revenue Rights through the end of the relevant Planning Period. For each Planning Period thereafter, the value of such Incremental Auction Revenue Rights shall be determined in the same manner as Incremental Auction Revenue Rights that became effective at the beginning of a Planning Period.

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231.6 Rate-based Facilities:

No Incremental Auction Revenue Rights shall be received by a New Service Customer with respect to transmission investment that is included in the rate base of a public utility and on which a regulated return is earned.

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232.1 Purpose:

Transmission Injection Rights shall entitle the holder, as provided in this section 232, to schedule energy transmitted on the associated Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities for injection into the Transmission System at a Point of Interconnection of the Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities with the Transmission System. Transmission Withdrawal Rights shall entitle the holder, as provided in this section 232, to schedule for transmission on the associated Merchant Transmission Facilities energy to be withdrawn from the Transmission System at a Point of Interconnection of the Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities with the Transmission System.

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232.2 Right of Interconnection Customer to Transmission Injection Rights and Transmission Withdrawal Rights:

Provided that such customer elects pursuant to Tariff, Part IV, Subpart A, section 36.1.03 of the Tariff to receive Transmission Injection Rights and/or Transmission Withdrawal Rights in lieu of Incremental Deliverability Rights, Incremental Auction Revenue Rights, Incremental Capacity Transfer Rights, and Incremental Available Transfer Capability Revenue Rights, and subject to the terms of this section 232, a Transmission Interconnection Customer that constructs Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that interconnect with the Transmission System and with another control area outside the PJM Region shall be entitled to receive Transmission Injection Rights and/or Transmission Withdrawal Rights at each terminal where such customer's Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities interconnect with the Transmission System. A Transmission Interconnection Customer that is granted Firm Transmission Withdrawal Rights and/or transmission customers that have a Point of Delivery at the Border of PJM where the Transmission System interconnects with the Merchant D.C. Transmission Facilities may be responsible for a reasonable allocation of transmission upgrade costs added to the Regional Transmission Expansion Plan after such Transmission Interconnection Customer's Queue Position is established, in accordance with Tariff, Part I, section 3E and Tariff, Schedule 12. Notwithstanding the foregoing, any Transmission Injection Rights and Transmission Withdrawal Rights awarded to an Interconnection Customer that interconnects Controllable A.C. Merchant Transmission Facilities shall be, throughout the duration of the Interconnection Service Agreement applicable to such interconnection, conditioned on such customer's continuous operation of its Controllable A.C. Merchant Transmission Facilities in a controllable manner, i.e., in a manner effectively the same as operation of D.C. transmission facilities.

232.2.1 Total Capability:

A Transmission Interconnection Customer or other party may hold Transmission Injection Rights and Transmission Withdrawal Rights simultaneously at the same terminal on the Transmission System. However, neither the aggregate Transmission Injection Rights nor the aggregate Transmission Withdrawal Rights held at a terminal may exceed the Nominal Rated Capability of the interconnected Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities, as stated in the associated Interconnection Service Agreement.

232.3 Determination of Transmission Injection Rights and Transmission Withdrawal Rights to be Provided to Interconnection Customer:

The Office of the Interconnection shall determine the Transmission Injection Rights and the Transmission Withdrawal Rights associated with Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities to be provided to eligible Transmission Interconnection Customer(s) pursuant to the procedures specified in the PJM Manuals. The Office of the Interconnection shall state in the System Impact Study the Transmission Injection Rights and Transmission Withdrawal Rights (including the quantity of each type of such rights) to be made available to the Transmission Interconnection Customer at the terminal(s) where the pertinent Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities interconnect with the Transmission System. Such rights shall become available to the Transmission Interconnection Customer pursuant to the Interconnection Service Agreement and upon commencement of Interconnection Service thereunder.

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232.4 Duration of Transmission Injection Rights and Transmission Withdrawal Rights:

Subject to the terms of section 232.7 below, Transmission Injection Rights and/or Transmission Withdrawal Rights received by a Transmission Interconnection Customer shall be effective for the life of the associated Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities.

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232.5 Rate-based Facilities:

No Transmission Injection Rights or Transmission Withdrawal Rights shall be received by a Transmission Interconnection Customer with respect to transmission investment that is included in the rate base of a public utility and on which a regulated return is earned.

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232.6 Transfer of Transmission Injection Rights and Transmission Withdrawal Rights:

Transmission Injection Rights and/or Transmission Withdrawal Rights may be sold or otherwise transferred subject to compliance with such procedures as Transmission Provider may establish (by publication in the PJM Manuals) regarding such transfer and required notice to the Transmission Provider of use of such rights after the transfer. The transfer of Transmission Injection Rights or of Transmission Withdrawal Rights shall not itself extend the periods set forth in section 232.7 below regarding loss of such rights.

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232.7 Loss of Transmission Injection Rights and Transmission Withdrawal Rights:

232.7.1 Operational Standards:

To retain Transmission Injection Rights and Transmission Withdrawal Rights, the associated Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities must operate or be capable of operating at the capacity level associated with the rights. Operational capability shall be established consistent with applicable criteria stated in the PJM Manuals. Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that meet these operational standards shall retain their Transmission Injection Rights and Transmission Withdrawal Rights regardless of whether they are used to transmit energy within or to points outside the PJM Region.

232.7.2 Failure To Meet Operational Standards:

In the event that any Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities fail to meet the operational standards set forth in section 232.7.1 above for any consecutive three-year period, the holder(s) of the associated Transmission Injection Rights and Transmission Withdrawal Rights will lose such rights in an amount reflecting the loss of first contingency transfer capability. Any period during which the transmission facility fails to meet the standards set forth in section 232.7.1 above as a result of an event that meets the standards of a force majeure event as defined in Tariff, Attachment O, Appendix 2, section 9.4 shall be excluded from such consecutive three-year period, provided that the owner of the Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities exercises due diligence to remedy the event.

233 Incremental Available Transfer Capability Revenue Rights:

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233.1 Right of Transmission Interconnection Customer to Incremental Available Transfer Capability Revenue Rights:

An Interconnection Customer that interconnects a Customer Facility with the Transmission System shall be entitled to receive any Incremental Available Transfer Capability Revenue Rights that are associated with the interconnection of such facility as determined in accordance with this section. In addition, a New Service Customer that (a) reimburses the Transmission Provider for the costs of, or (b) pursuant to its Construction Service Agreement undertakes responsibility for, constructing or completing required Customer-Funded Upgrades to accommodate its New Service Request shall be entitled to receive any Incremental Available Transfer Capability Revenue Rights associated with such required facilities and upgrades as determined in accordance with this section.

233.1.1 Certain Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities:

An Interconnection Customer (a) that interconnects Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities with the Transmission System, one terminus of which is located outside the PJM Region and the other terminus of which is located within the PJM Region, and (b) that will be a Merchant Transmission Provider, shall not receive any Incremental Available Transfer Capability Revenue Rights with respect to its Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities. Transmission Provider shall not include available transfer capability at the interface(s) associated with such Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities in its calculations of Available Transfer Capability under Tariff, Attachment C.

233.2 Procedures for Assigning Incremental Available Transfer Capability Revenue Rights:

No less than forty-five (45) days prior to the in-service date of a Customer Facility or a Customer-Funded Upgrade, as determined by the Office of the Interconnection, the Office of the Interconnection shall determine the incremental available transfer capability resulting from the interconnection or addition of such facilities or upgrades. The Office of the Interconnection shall allocate the Incremental Available Transfer Capability Revenue Rights associated with a Customer Facility to the Interconnection Customer that is interconnecting such facility. The Office of the Interconnection shall allocate the Incremental Available Transfer Capability Revenue Rights associated with a Customer-Funded Upgrade to the New Service Customer(s) bearing cost responsibility for such facility or upgrade in proportion to each New Service Customer's cost responsibility for the facility or upgrade.

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233.3 Determination of Incremental Available Transfer Capability Revenue Rights to be Provided to New Service Customer:

The Office of the Interconnection shall determine the Incremental Available Transfer Capability Revenue Rights to be provided to New Service Customers pursuant to the procedures specified in the PJM Manuals.

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233.4 Duration of Incremental Available Transfer Capability Revenue Rights:

Incremental Available Transfer Capability Revenue Rights received by a New Service Customer shall be effective for thirty (30) years from commencement of, as and to the extent applicable, Interconnection Service, Transmission Service, or Network Service for such customer or the life of the pertinent facility or upgrade, whichever is shorter, subject to any subsequent pro-rata reallocations of all Available Transfer Capability Revenue Rights (including Incremental Available Transfer Capability Revenue Rights) in accordance with the PJM Manuals.

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233.5 Reallocation of Incremental Available Transfer Capability Revenue Rights:

(1) This section shall apply in the event that

(a) the Office of the Interconnection determines that accommodating a New Service Customer's New Service Request would require, in whole or in part, any Local Upgrade and/or Network Upgrade that the Office of the Interconnection determined to be required to accommodate a New Service Request that was part of an earlier New Services Queue, provided that such previously-constructed facility or upgrade meets the criteria stated in Tariff, Part VI, Subpart B, section 219, and

(b) such New Service Customer (hereafter in this section, the "Current Customer") executes, as applicable, an Interconnection Service Agreement or Upgrade Construction Service Agreement.

Upon determining that this section applies, the Office of the Interconnection:

(c) shall notify each New Service Customer that paid or incurred a portion of the costs of a pertinent, previously-constructed facility or upgrade (hereafter in this section, a "Preceding Customer") of the portion of the costs of such facility or upgrade for which the Current Customer is determined to be responsible, and (d) shall afford each such Preceding Customer, subject to the terms of this section 233.5, an opportunity to obtain, in exchange for a proportional share (as determined in accordance with section 233.2 above) of the Incremental Available Transfer Capability Revenue Rights associated with such facility or upgrade that the Preceding Customer holds, reimbursement for a share of the cost of the facility or upgrade that the Preceding Customer paid or incurred that is proportional to the cost responsibility of the Current Customer for such facility or upgrade.

(2) A Preceding Customer shall have no obligation to exchange Incremental Available Transfer Capability Revenue Rights for cost reimbursement pursuant to this section, provided, however, that in the event that a Preceding Customer chooses not to relinquish Incremental Available Transfer Capability Revenue Rights associated with a previously-constructed facility or upgrade, the Current Customer shall have no cost responsibility with respect to the portion of such facility or upgrade for which that Preceding Customer bore cost responsibility.

(3) In the event that a Preceding Customer elects to exchange Incremental Available Transfer Capability Revenue Rights for cost reimbursement pursuant to this section, (a) the Preceding Customer shall relinquish the Incremental Available Transfer Capability Revenue Rights that it elects to exchange in writing, in a form and at a time reasonably satisfactory to the Office of the Interconnection; (b) the Current Customer shall pay Transmission Provider, upon presentation of Transmission Provider's invoice therefor, an amount equal to the portion of such customer's cost responsibility for the relevant, previously-constructed facility or upgrade that is proportional to the Incremental Available Transfer Capability Revenue Rights that the Preceding Customer agreed to exchange; and (c) the Office of the Interconnection shall assign Incremental Available

Transfer Capability Revenue Rights associated with the previously-constructed facility or upgrade to the Current Customer in accordance with the following:

(i) in the event that more than one Current Customer is contemporaneously eligible for a reallocation of Incremental Available Transfer Capability Revenue Rights associated with a facility or upgrade, the Office of the Interconnection shall use the procedures of section 233.2 above to reallocate the Incremental Available Transfer Capability Revenue Rights made feasible by retirement of the Incremental Available Transfer Capability Revenue Rights relinquished by the Preceding Customer;

(ii) in all other instances, the Current Customer shall be entitled to assignment of either (A) the Incremental Available Transfer Capability Revenue Rights associated with the pertinent facility or upgrade that the Preceding Customer relinquished pursuant to this section, or (B) any new Incremental Available Transfer Capability Revenue Rights that are made feasible by retirement of the Incremental Available Transfer Capability Revenue Rights relinquished by the Preceding Customer, provided, however,

(iii) that if it is not feasible to assign Incremental Available Transfer Capability Revenue Rights associated with the pertinent facility or upgrade to the Current Customer in proportion to such customer's cost responsibility for that facility or upgrade, then (A) the Current Customer's cost responsibility for the pertinent facility or upgrade shall be reduced to an amount proportional to the Incremental Available Transfer Capability Revenue Rights that can be feasibly assigned to it, and (B) the Preceding Customer's Incremental Available Transfer Capability Revenue Rights associated with the pertinent facility or upgrade shall be reduced only by a quantity proportional to the Current Customer's final cost responsibility. In the event of a reduction in the Current Customer's cost responsibility for a previously-constructed facility or upgrade pursuant to this subsection (3)(c)(iii), Transmission Provider shall refund to the Current Customer the difference between the amount such customer paid pursuant to subsection (3)(b) of this section and the amount of its final cost responsibility for the pertinent facility or upgrade. Upon completion of the reallocation process, Transmission Provider shall pay to the Preceding Customer an amount that is proportional to the Current Customer's final cost responsibility for the pertinent facility or upgrade and to the Incremental Available Transfer Capability Revenue Rights relinquished by the Preceding Customer.

(4) A Preceding Customer that elects to exchange rights for cost reimbursement pursuant to this section must exchange all Incremental Auction Revenue Rights and all other Upgrade-Related Rights associated with the same Local Upgrade and/or Network Upgrade.

(5) The Office of the Interconnection shall specify deadlines for the procedural steps in reallocating Incremental Available Transfer Capability Revenue Rights pursuant to this section and shall complete the reallocation process before the date of, as applicable, commencement of Interconnection Service, Transmission Service, or Network Service for the Current Customer, or completion of the Customer-Funded Upgrade that precipitated the reallocation of such rights.

233.6 Rate-based Facilities:

No Incremental Available Transfer Capability Revenue Rights shall be received by an Interconnection Customer with respect to transmission investment that is included in the rate base of a public utility and on which a regulated return is earned.

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233.7 Compensation for Utilization of Incremental Available Transfer Capability Revenue Rights:

At any time during the effective life, as specified in section 233.4 above, of Incremental Available Transfer Capability Revenue Rights held by an Interconnection Customer that such rights are utilized to accommodate a subsequent Interconnection Request, the Interconnection Customer holding such rights will be compensated to the extent such rights are utilized according to the PJM Manuals.

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234.1 Right of New Service Customers to Incremental Capacity Transfer Rights:

A Transmission Interconnection Customer that interconnects Merchant Transmission Facilities with the Transmission System shall be entitled to receive any Incremental Capacity Transfer Rights that are associated with the interconnection of such Merchant Transmission Facilities as determined in accordance with this section. In addition, a New Service Customer that (a) reimburses the Transmission Provider for the costs of, or (b) pursuant to its Construction Service Agreement, undertakes responsibility for, constructing or completing Customer-Funded Upgrades shall be entitled to receive any Incremental Capacity Transfer Rights associated with such required facilities and upgrades as determined in accordance with this section.

234.1.1 Certain Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities:

An Interconnection Customer (a) that interconnects Merchant D.C. transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities with the Transmission System, one terminus of which is located outside the PJM Region and the other terminus of which is located within the PJM Region, and (b) that will be a Merchant Transmission Provider, shall not receive any Incremental Capacity Transfer Rights with respect to its Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities. Transmission Provider shall not include available transfer capability at the interface(s) associated with such Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities in its calculations of Available Transfer Capability under Tariff, Attachment C.

234.2 Procedures for Assigning Incremental Capacity Transfer Rights:

After execution of a Facilities Study Agreement but prior to the issuance of an Interconnection Service Agreement or Upgrade Construction Service Agreement, a New Service Customer may request the Office of the Interconnection to determine the Incremental Capacity Transfer Rights as measured by the increase in Capacity Emergency Transfer Limit resulting from the interconnection or addition of Merchant Transmission Facilities or a Customer-Funded Upgrade identified in the System Impact Study for the related New Service Request. At the time of such request, the New Service Customer must also specify no more than three Locational Deliverability Areas in which to determine the Incremental Capacity Transfer Rights. In addition, a Transmission Interconnection Customer submitting an Upgrade Request may request the Office of the Interconnection to determine the Incremental Capacity Transfer Rights during the System Impact Study, as detailed in the PJM Manuals. Subject to the limitation of Tariff, Part VI, section 234.1.1, the Office of the Interconnection shall allocate the Incremental Capacity Transfer Rights associated with Merchant Transmission Facilities to the New Service Customer that is interconnecting such facilities. The Office of the Interconnection shall allocate the Incremental Capacity Transfer Rights associated with a Customer-Funded Upgrade to the New Service Customer(s) bearing cost responsibility for such facility or upgrade in proportion to each New Service Customer's cost responsibility for the facility or upgrade.

234.3 Determination of Incremental Capacity Transfer Rights to be Provided to New Service Customer:

The Office of the Interconnection shall determine the Incremental Capacity Transfer Rights to be provided to New Service Customers in accordance with the applicable terms of Tariff, Attachment DD and pursuant to the procedures specified in the PJM Manuals.

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234.4 Duration of Incremental Capacity Transfer Rights:

Incremental Capacity Transfer Rights received by a New Service Customer shall be effective for thirty (30) years from, as applicable, commencement of Interconnection Service, Transmission Service, or Network Service for the affected New Service Customer or the life of the pertinent facility or upgrade, whichever is shorter, subject to any subsequent pro-rata reallocations of all Capacity Transfer Rights (including Incremental Capacity Transfer Rights) in accordance with the PJM Manuals.

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234.5 Reallocation of Incremental Capacity Transfer Rights:

(1) This section shall apply in the event that

(a) the Office of the Interconnection determines that accommodating an New Service Customer's New Service Request would require, in whole or in part, any Local Upgrade and/or Network Upgrade that the Office of the Interconnection determined to be required to accommodate an New Service Request that was part of an earlier New Services Queue, provided that such previously-constructed facility or upgrade meets the criteria stated in Tariff, Part VI, Subpart B, section 219, and

(b) such New Service Customer (hereafter in this section, the "Current Customer") executes an Interconnection Service Agreement or Upgrade Construction Service Agreement, as applicable.

Upon determining that this section applies, the Office of the Interconnection:

(c) shall notify each New Service Customer that paid or incurred a portion of the costs of a pertinent, previously-constructed facility or upgrade (hereafter in this section, a "Preceding Customer") of the portion of the costs of such facility or upgrade for which the Current Customer is determined to be responsible, and

(d) shall afford each such Preceding Customer, subject to the terms of this section 234.5, an opportunity to obtain, in exchange for a proportional share (as determined in accordance with section 234.2 above) of the Incremental Capacity Transfer Rights associated with such facility or upgrade that the Preceding Customer holds, reimbursement for a share of the cost of the facility or upgrade that the Preceding Customer paid or incurred that is proportional to the cost responsibility of the Current Customer for such facility or upgrade.

(2) A Preceding Customer shall have no obligation to exchange Incremental Capacity Transfer Rights for cost reimbursement pursuant to this section, provided, however, that in the event that a Preceding Customer chooses not to relinquish Incremental Capacity Transfer Rights associated with a previously-constructed facility or upgrade, the Current Customer shall have no cost responsibility with respect to the portion of such facility or upgrade for which that Preceding Customer bore cost responsibility.

(3) In the event that a Preceding Customer elects to exchange Incremental Capacity Transfer Rights for cost reimbursement pursuant to this section, (a) the Preceding Customer shall relinquish the Incremental Capacity Transfer Rights that it elects to exchange in writing, in a form and at a time reasonably satisfactory to the Office of the Interconnection; (b) the Current Customer shall pay Transmission Provider, upon presentation of Transmission Provider's invoice therefor, an amount equal to the portion of such customer's cost responsibility for the relevant, previously-constructed facility or upgrade that is proportional to the Incremental Capacity Transfer Rights that the Preceding Customer agreed to exchange; and (c) the Office of the Interconnection shall assign Incremental Capacity Transfer Rights associated with the

previously-constructed facility or upgrade to the Current Customer in accordance with the following:

(i) in the event that more than one Current Customer is contemporaneously eligible for a reallocation of Incremental Capacity Transfer Rights associated with a facility or upgrade, the Office of the Interconnection shall use the procedures of section 234.2 above to reallocate the Incremental Capacity Transfer Rights made feasible by retirement of the Incremental Capacity Transfer Rights relinquished by the Preceding Customer;

(ii) in all other instances, the Current Customer shall be entitled to assignment of either (A) the Incremental Capacity Transfer Rights associated with the pertinent facility or upgrade that the Preceding Customer relinquished pursuant to this section, or (B) any new Incremental Capacity Transfer Rights that are made feasible by retirement of the Incremental Capacity Transfer Rights relinquished by the Preceding Customer, provided, however,

(iii) that if it is not feasible to assign Incremental Capacity Transfer Rights associated with the pertinent facility or upgrade to the Current Customer in proportion to such customer's cost responsibility for that facility or upgrade, then (A) the Current Customer's cost responsibility for the pertinent facility or upgrade shall be reduced to an amount proportional to the Incremental Capacity Transfer Rights that can be feasibly assigned to it, and (B) the Preceding Customer's Incremental Capacity Transfer Rights associated with the pertinent facility or upgrade shall be reduced only by a quantity proportional to the Current Customer's final cost responsibility. In the event of a reduction in the Current Customer's cost responsibility for a previously-constructed facility or upgrade pursuant to this subsection (3)(c)(iii), Transmission Provider shall refund to the Current Customer the difference between the amount such customer paid pursuant to subsection (3)(b) of this section and the amount of its final cost responsibility for the pertinent facility or upgrade. Upon completion of the reallocation process, Transmission Provider shall pay to the Preceding Customer an amount that is proportional to the Current Customer's final cost responsibility for the pertinent facility or upgrade and to the Incremental Capacity Transfer Rights relinquished by the Preceding Customer.

(4) A Preceding Customer that elects to exchange rights for cost reimbursement pursuant to this section must exchange all Incremental Capacity Transfer Rights and all other Upgrade-Related Rights associated with the same Local Upgrade and/or Network Upgrade.

(5) The Office of the Interconnection shall specify deadlines for the procedural steps in reallocating Incremental Capacity Transfer Rights pursuant to this section and shall complete the reallocation process before the date of, as applicable, commencement of Interconnection Service, Network Service or Transmission Service for the Current Customer, or completion of the Customer-Funded Upgrade that precipitated the reallocation of such rights.

234.6 Rate-based Facilities:

No Incremental Capacity Transfer Rights shall be received by a New Service Customer with respect to transmission investment that is included in the rate base of a public utility and on which a regulated return is earned.

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235.1 Right of Transmission Interconnection Customer to Incremental Deliverability Rights:

A Transmission Interconnection Customer shall be entitled to receive the Incremental Deliverability Rights associated with its Merchant Transmission Facilities as determined in accordance with this section, provided, however, that a Transmission Interconnection Customer that proposes to interconnect Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that connect the Transmission System with another control area shall be entitled to Incremental Deliverability Rights associated with such Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities only if the Interconnection Customer has elected, pursuant to Tariff, Part IV, Subpart A, section 36.1.03, to receive Incremental Deliverability Rights, Incremental Auction Revenue Rights, Incremental Capacity Transfer Rights, and Incremental Available Transfer Capability Revenue Rights in lieu of Transmission Injection Rights and/or Transmission Withdrawal Rights.

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235.2 Procedures for Assigning Incremental Deliverability Rights:

Transmission Provider shall include in the System Impact Study a determination of the Incremental Deliverability Rights associated with the Transmission Interconnection Customer's Merchant Transmission Facilities. Transmission Provider shall post on its OASIS the Incremental Deliverability Rights that it assigns to the Transmission Interconnection Customer under this section.

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235.3 Determination of Incremental Deliverability Rights to be Provided to Interconnection Customer:

Transmission Provider shall determine the Incremental Deliverability Rights to be provided to a Transmission Interconnection Customer associated with proposed Merchant Transmission Facilities under section 235.2 above pursuant to procedures specified in the PJM Manuals.

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235.4 Duration of Incremental Deliverability Rights:

Incremental Deliverability Rights assigned to a Transmission Interconnection Customer shall be effective until the earlier of the date that is one year after the commencement of Interconnection Service for such customer or the date that such Transmission Interconnection Customer's Transmission Interconnection Request is withdrawn and terminated, or deemed to be so, in accordance with Tariff, Part IV or Tariff, Part VI. Notwithstanding the preceding sentence, however, Incremental Deliverability Rights that are transferred pursuant to an IDR Transfer Agreement under Tariff, Part VI, Subpart C, section 237, shall be deemed to be Capacity Interconnection Rights of the generator that acquires them under such agreement upon commencement of Interconnection Service related to the generator's generation facility and shall remain effective for the life of such generation facility, or for the life of the Merchant Transmission Facilities associated with the transferred IDRs, whichever is shorter. The deemed conversion of IDRs to Capacity Interconnection Rights under this section 235.4 shall not affect application to such IDRs of the other provisions of this section 235. A Transmission Interconnection Customer may return Incremental Deliverability Rights that it no longer desires at any time. In the event that a Transmission Interconnection Customer returns Incremental Deliverability Rights, it shall have no further rights regarding such Incremental Deliverability Rights.

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235.5 Transfer of Incremental Deliverability Rights:

Incremental Deliverability Rights may be sold or otherwise transferred at any time after they are assigned pursuant to section 235.2 above, subject to execution and submission of an IDR Transfer Agreement in accordance with Tariff, Part VI, Subpart C, section 237. The transfer of Incremental Deliverability Rights shall not itself extend the periods set forth in Tariff, Part VI, Subpart C, section 235.7 regarding loss of Incremental Deliverability Rights.

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235.6 Effectiveness of Incremental Deliverability Rights:

Incremental Deliverability Rights shall not entitle the holder thereof to use the capability associated with such rights unless and until Transmission Provider commences Interconnection Service related to the Merchant Transmission Facilities associated with such rights.

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235.7 Loss of Incremental Deliverability Rights:

Incremental Deliverability Rights shall be extinguished (a) in the event that the Transmission Interconnection Request of the Transmission Interconnection Customer to which the rights were assigned is withdrawn and terminated, or deemed to be so, as provided in Tariff, Part IV or Tariff, Part VI, without regard for whether the rights have been transferred pursuant to an IDR Transfer Agreement, or (b) such rights are not transferred pursuant to an IDR Transfer Agreement on or before the date that is one year after the commencement of Interconnection Service related to the Merchant Transmission Facilities with which the rights are associated.

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235.8 Rate-based Facilities:

No Incremental Deliverability Rights shall be received by a Transmission Interconnection Customer with respect to transmission investment that is included in the rate base of a public utility and on which a regulated return is earned.

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236.1 Qualification to Receive Certain Rights:

In order to obtain the rights associated with Merchant Transmission Facilities (other than Merchant Network Upgrades) provided under this Tariff, Part VI, Subpart C, prior to the commencement of Interconnection Service associated with such facilities, a Transmission Interconnection Customer that interconnects or adds Merchant Transmission Facilities (other than Merchant Network Upgrades) to the Transmission System must become and remain a signatory to the Consolidated Transmission Owners Agreement.

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236.2 Upgrades to Merchant Transmission Facilities:

In the event that Transmission Provider determines in accordance with the Regional Transmission Expansion Planning Protocol of Operating Agreement, Schedule 6 that an addition or upgrade to Merchant A.C. Transmission Facilities is necessary, the owner of such Merchant A.C. Transmission Facilities shall undertake such addition or upgrade and shall operate and maintain all facilities so constructed or installed in accordance with Good Utility Practice and with applicable terms of the Operating Agreement and the Consolidated Transmission Owners Agreement, as applicable. Cost responsibility for each such addition or upgrade shall be assigned in accordance with Operating Agreement, Schedule 6. Each Transmission Owner to whom cost responsibility for such an upgrade is assigned shall further be responsible for all costs of operating and maintaining the addition or upgrade in proportion to its respective assigned cost responsibilities.

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236.3 Limited Duration of Rights in Certain Cases:

Notwithstanding any other provision of this Subpart C, in the case of any Merchant Transmission Facilities interconnected pursuant to Tariff, Part VI that solely involves advancing the construction of a transmission enhancement or expansion other than a Merchant Transmission Facility that is included in the Regional Transmission Expansion Plan, any rights available to such facility under this Tariff, Part VI, Subpart C shall be limited in duration to the period from the inception of Interconnection Service for the affected Merchant Transmission Facility until the time when the Regional Transmission Expansion Plan originally provided for the pertinent transmission enhancement or expansion to be completed.

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237.1 Purpose:

An Interconnection Customer (hereafter in this section 237 the “Buyer Customer”) may acquire Incremental Deliverability Rights assigned to another Interconnection Customer (hereafter in this section 237, the “Seller Customer”) by entering into an IDR Transfer Agreement with the Seller Customer. Subject to the terms of this section 237, the Buyer Customer may rely upon such Incremental Deliverability Rights to satisfy, in whole or in part, its responsibility for Network Upgrades and/or Local Upgrades otherwise necessary to accommodate the Buyer Customer’s Interconnection Request.

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237.2 Requirements:

A Buyer Customer may rely upon Incremental Deliverability Rights to satisfy, in whole or in part, the deliverability requirements applicable to its Interconnection Request only if it submits to Transmission Provider an IDR Transfer Agreement executed by both the Buyer Customer and the Seller Customer and only if such agreement meets all of the following requirements:

237.2.1 Required Elements:

Any IDR Transfer Agreement submitted to Transmission Provider under this section:

- (a) shall identify the Buyer Customer and the Seller Customer by full legal name, including the name of a contact person, with address and telephone number, for each party;
- (b) shall identify the System Impact Study in which the Transmission Provider determined and assigned the Incremental Deliverability Rights transferred under the agreement;
- (c) if the Seller Customer acquired the Incremental Deliverability Rights to be transferred under the proffered agreement from another party, shall describe the chain of title of such Incremental Deliverability Rights from their original holder to the Seller Customer;
- (d) shall provide for the unconditional and irrevocable transfer of the subject Incremental Deliverability Rights to the Buyer Customer;
- (e) shall include a warranty of the Seller Customer to the Buyer Customer and to the Transmission Provider that the Seller Customer holds, or has a legal right to acquire, the Incremental Deliverability Rights to be transferred under the proffered agreement;
- (f) shall identify the location and shall state unequivocally the quantity of Incremental Deliverability Rights transferred under the agreement, provided that the transferred quantity may not exceed the total quantity of Incremental Deliverability Rights that the Seller Customer holds or has legal rights to acquire at the relevant location; and
- (g) shall identify any IDR Transfer Agreement under which the Seller Customer previously transferred any Incremental Deliverability Rights associated with the same location.

237.2.2 Optional Election:

When it submits the IDR Transfer Agreement to Transmission Provider, the Buyer Customer also (a) may identify any Network Upgrade or Local Upgrade for which the Buyer Customer has been assigned cost responsibility in association with a then-pending Interconnection Request submitted by it and for which it believes the Incremental Deliverability Rights transferred to it under the proffered IDR Transfer Agreement would satisfy the deliverability requirement applicable to such Interconnection Request; and (b) shall state whether it chooses to terminate its participation in (and cost responsibility for) any such Network Upgrade or Local Upgrade.

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237.3 Subsequent Election:

A Buyer Customer that has submitted a valid IDR Transfer Agreement may elect to terminate its participation in any Network Upgrade or Local Upgrade for which it has not previously made such an election, at any time prior to its execution of an Interconnection Service Agreement related to the Interconnection Request with respect to which it was assigned responsibility for the affected facility or upgrade. The Buyer Customer must notify Transmission Provider in writing of such an election and its election shall be subject to Transmission Provider's determination and confirmation under section 237.4 below.

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237.4 Confirmation by Transmission Provider:

237.4.1

Transmission Provider shall determine whether and to what extent the Incremental Deliverability Rights transferred under an IDR Transfer Agreement would satisfy the deliverability requirements applicable to the Buyer Customer's Interconnection Request. Transmission Provider shall notify the parties to the IDR Transfer Agreement of its determination within 30 days after receipt of the agreement. If the Transmission Provider determines that the IDRs transferred under the proffered agreement would not satisfy, in whole or in part, the deliverability requirement applicable to the Buyer Customer's Interconnection Request, its notice to the parties shall explain the reasons for its determination and, to the extent of Transmission Provider's negative determination, the parties' IDR Transfer Agreement shall not be queued as an Interconnection Request pursuant to section 237.6 below. Any dispute regarding Transmission Provider's determination may be submitted to dispute resolution under Tariff, Part I, section 12 of the Tariff or, if concerning the Regional Transmission Expansion Plan, consistent with Operating Agreement, Schedule 5.

237.4.2

To the extent that an election of the Buyer Customer under section 237.2.2(b) above or section 237.3 above to terminate participation in any Network Upgrade or Local Upgrade is consistent with Transmission Provider's determination, Transmission Provider shall confirm Buyer's termination election and shall recalculate accordingly the Buyer Customer's cost responsibility under Tariff, Part VI, Subpart B, section 217 of the Tariff, as applicable. Transmission Provider shall provide its confirmation, along with any recalculation of cost responsibility, under this section in writing to the Buyer Customer within 30 days after receipt of notice of the Buyer Customer's election to terminate participation.

237.5 Effect of Election On Interconnection Request:

In the event that the Buyer Customer, pursuant to a confirmed election under this section 237, terminates its participation in any Network Upgrade or Local Upgrade and the Interconnection Request underlying the Incremental Deliverability Rights acquired by the Buyer Customer under its IDR Transfer Agreement subsequently is terminated and withdrawn, or deemed to be so, under the terms of Tariff, Part IV or Tariff, Part VI, then the Buyer Customer's Interconnection Request also shall be deemed to be concurrently terminated and withdrawn.

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237.6 Effect On Interconnection Studies:

Each IDR Transfer Agreement shall be deemed to be an Interconnection Request and shall be queued, and shall be reflected as appropriate in subsequent Interconnection Studies, with other New Service Requests received under the Tariff. The Buyer Customer shall be the Interconnection Customer for purposes of application of the provisions of Part IV and Part VI, including, in the event that Transmission Provider determines that further analysis of the relevant IDRs is necessary, provisions relating to responsibility for the costs of Interconnection Studies.

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