

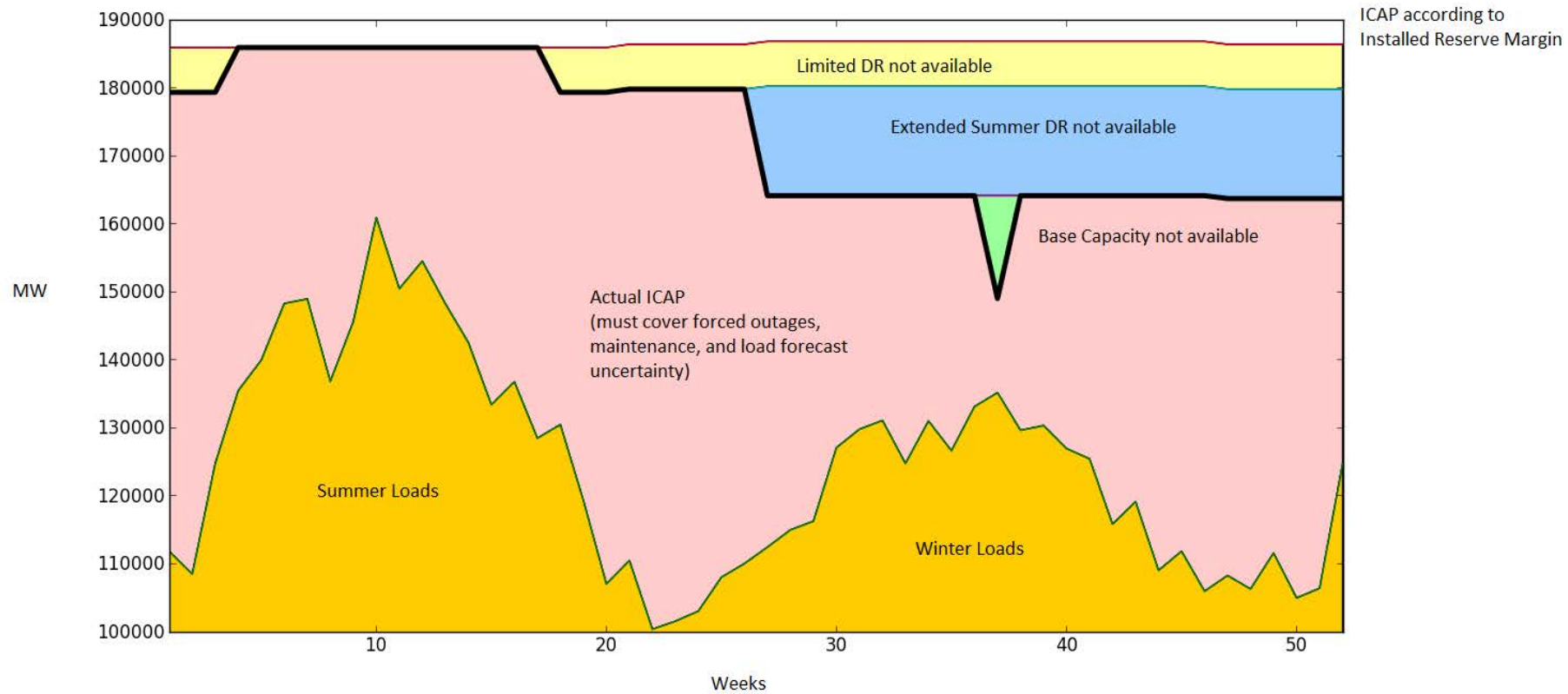


Capacity Performance Proposal

September 24, 2014

- Capacity Products
 - Capacity Performance Product
 - Base Capacity Product
 - Extended Summer Product
 - Limited DR
 - Storage Resources
 - Qualifying Transmission Upgrades
 - Resource Coupling
 - Limited Resource, Sub-Annual and Base Capacity Constraints
 - Auction Clearing Mechanism

- Methodology for Establishing Maximum Product Quantities



Guiding Principles

- LOLE not greater than 0.11 days/years (same criterion currently used to calculate the Extended Summer DR Reliability Target)
- Allow for the possibility of price separation between the three limited products

- Product Availabilities
 - Base: Available 51 weeks (unavailable on peak week of winter)
 - Extended Summer (ES): Available 26 weeks (June – October, May)
 - Limited (LIM): Available 17 weeks in summer (June 1 - September 30)
 - Additional availability limitations of Limited DR (6 hours, 10 interruptions) will continue to be evaluated using the current tests. The lowest cap determined by the Limited DR tests will be used in the RPM auction.

Three Constraints

$$\text{LIM} \leq X$$

$$\text{LIM} + \text{ES} \leq Y$$

$$\text{LIM} + \text{ES} + \text{BASE} \leq Z$$

If the 3 constraints bind, PJM's LOLE will be 0.11 days/year. Any other outcome will result in an LOLE less than 0.11 days/year.

- **Unforced Capacity Calculations and Installed Reserve Margin**
 - ICAP vs. UCAP and Calculation of Unforced capacity
 - Energy Efficiency
 - Implications of PJM Proposal on Installed Reserve Margin

- Capacity Performance Availability and Flexibility Requirements

- Changes to Base Capacity Requirements
 - Flexibility
 - Storage Resource Eligibility

- Peak Period Performance Assurance
 - Proposed Performance Requirement
 - Non-Performance Penalty Calculation
 - Capacity Performance DR and EE Resources
 - Penalty Cap
 - Credit Requirement

- Product Offer Requirements

- Cost Allocation
 - Option 1 – Extension of Existing Method
 - Option 2 – Winter Peak Allocation

- Previously Proposed RPM Changes

- Transition Auction Mechanism for Delivery Years 2015/16, 2016/17, 2017/18

- PJM posts draft whitepaper part 1 (background material) – 8/1/14 – Complete
- Education and dialogue sessions – 8/12/14 and 8/18/14 – Complete
- PJM posts draft whitepaper part 2 – 8/20/14 – Complete
- Stakeholder meeting to present the draft whitepaper – 8/22/14
- Stakeholder meeting to discuss the draft whitepaper – 9/11/14
- Stakeholders submit written comments – 9/17/14
- Stakeholder meeting for PJM to receive comments and get clarification – 9/24/14

- PJM issues whitepaper – 10/7/14
- Stakeholders form coalitions by 10/21/14
- Coalition briefing papers submitted and posted by 10/28/14
- Enhanced LC meeting with the Board – 11/4/14