

## **RAA Definitions**

**Annual Energy Efficiency Resource:** “Annual Energy Efficiency Resource” shall mean a project that is implemented because the EE Provider will receive wholesale capacity revenues, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, meeting the requirements of Reliability Assurance Agreement, Schedule 6 and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during the summer and winter periods described in such Schedule 6 and the PJM Manuals) reduction in electric energy consumption that is not reflected in the peak load forecast prepared for the Delivery Year for which the Energy Efficiency Resource is proposed, and that is fully implemented at all times during such Delivery Year, without any requirement of notice, dispatch, or operator intervention.

**Capacity Resources:** “Capacity Resources” shall mean megawatts of (i) net capacity from Existing Generation Capacity Resources or Planned Generation Capacity Resources meeting the requirements of the Reliability Assurance Agreement, Schedules 9 and Reliability Assurance Agreement, Schedule 10 that are or will be owned by or contracted to a Party and that are or will be committed to satisfy that Party's obligations under the Reliability Assurance Agreement, or to satisfy the reliability requirements of the PJM Region, for a Delivery Year; (ii) net capacity from Existing Generation Capacity Resources or Planned Generation Capacity Resources not owned or contracted for by a Party which are accredited to the PJM Region pursuant to the procedures set forth in such Schedules 9 and 10; or (iii) load reduction capability provided by Demand Resources or Energy Efficiency Resources that are accredited to the PJM Region pursuant to the procedures set forth in the Reliability Assurance Agreement, Schedule 6.

**Energy Efficiency Resource:** “Energy Efficiency Resource” shall mean a project that is implemented because the EE Provider will receive wholesale capacity revenues, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, meeting the requirements of RAA, Schedule 6 and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during the periods described in Reliability Assurance Agreement, Schedule 6 and the PJM Manuals) reduction in electric energy consumption that is not reflected in the peak load forecast prepared for the Delivery Year for which the Energy Efficiency Resource is proposed, and that is fully implemented at all times during such Delivery Year, without any requirement of notice, dispatch, or operator intervention. Annual Energy Efficiency Resources, Base Capacity Energy Efficiency Resources and Summer-Period Energy Efficiency Resources are types of Energy Efficiency Resources.

**Summer-Period Energy Efficiency Resource:** Summer-Period Energy Efficiency Resource shall mean, for the 2020/2021 Delivery Year and subsequent Delivery Years through and including the 2025/2026 Delivery Year, a project, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, meeting the

requirements of Reliability Assurance Agreement, Schedule 6 and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during the summer peak periods as described in Reliability Assurance Agreement, Schedule 6 and the PJM Manuals) reduction in electric energy consumption that is not reflected in the peak load forecast prepared for the Delivery Year for which the Summer-Period Energy Efficiency Resource is proposed, and that is fully implemented at all times during such Delivery Year, without any requirement of notice, dispatch, or operator intervention. Effective with the 2026/2027 Delivery Year and for all subsequent Delivery Years, a Summer-Period Energy Efficiency Resource does not qualify as a Summer-Period Capacity Performance Resource and is not eligible to submit a Sell Offer as a Summer-Period Capacity Performance Resource.

**RAA, SCHEDULE 6 and parallel provisions of Tariff, Attachment DD-1**

**PROCEDURES FOR DEMAND RESOURCES AND ENERGY EFFICIENCY**

**L. Energy Efficiency Resources**

1. An Energy Efficiency Resource is a project that is implemented because the EE Provider will receive wholesale capacity revenues, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during peak summer and winter periods as described herein) reduction in electric energy consumption at the end-use customer's retail site that is not reflected in the peak load forecast prepared for the Delivery Year for which the Energy Efficiency Resource is proposed, and that is fully implemented at all times during such Delivery Year, without any requirement of notice, dispatch, or operator intervention.
2. An Energy Efficiency Resource may be offered as a Capacity Resource in the Base Residual or Incremental Auctions for any Delivery Year beginning on or after June 1, 2011 through and including the 2025/2026 Delivery Year. Effective with the 2026/2027 Delivery Year and for subsequent Delivery Years, an Energy Efficiency Resource may not be offered as a Capacity Resource in Incremental Auctions. No later than 30 days prior to the auction in which the resource is to be offered through the 2026/2027 Base Residual Auction and no later than 50 days prior to the Base Residual Auction in which the resource is offered beginning with the Base Residual Auction associated with the 2027/2028 Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection a notice of intent to offer the resource into such auction and a measurement and verification plan. The notice of intent shall include all pertinent project design data, including but not limited to the peak-load contribution of affected customers, a full description of the equipment, device, system or process intended to achieve the load reduction, the load reduction pattern, the project location, the project development

timeline, and any other relevant data. Such notice also shall state the seller's proposed Nominated Energy Efficiency Value. Effective with the 2027/2028 Delivery Year and subsequent Delivery Years, the Office of the Interconnection shall review the measurement and verification plan and either accept or reject such plan within 25 days prior to the conduct of the relevant Base Residual Auction. If the M&V Plan is denied, the Office of the Interconnection shall provide a list of areas that were not adequate in the plan and the Capacity Market Seller may correct and resubmit their plan no later than 15 days prior to the conduct of the Base Residual Auction.

- For the 2018/2019 Delivery Year and subsequent Delivery Years and for any Annual Energy Efficiency Resource committed as a Capacity Performance Resource, the seller's proposed Nominated Energy Efficiency Value for any Annual Energy Efficiency Resources, shall be the expected average load reduction, for all days from June 1 through August 31, inclusive, of such Delivery Year that is not a weekend or federal holiday, between the hour ending 15:00 EPT and the hour ending 18:00 EPT. In addition, the expected average load reduction for all days from January 1 through February 28, inclusive, of such Delivery Year that is not a weekend or federal holiday, between the hour ending 8:00 EPT and the hour ending 9:00 EPT and between the hour ending 19:00 EPT and the hour ending 20:00 EPT shall not be less than the Nominated Energy Efficiency Value; and
- ~~For the 2020/2021 Delivery Year and subsequent Delivery Years~~ Through and including the 2025/2026 Delivery Year, the seller's proposed Nominated Energy Efficiency Value for any Summer-Period Energy Efficiency Resource shall be the expected average load reduction between the hour ending 15:00 EPT and the hour ending 18:00 EPT during all days from June 1 through August 31, inclusive, of such Delivery Year that is not a weekend or federal holiday.

The measurement and verification plan shall describe the methods and procedures, consistent with the PJM Manuals, for determining the amount of the load reduction and confirming that such reduction is achieved. The Office of the Interconnection shall determine, upon review of such notice, the Nominated Energy Efficiency Value that may be offered in the Reliability Pricing Model Auction. Effective with the 2026/2027 Delivery Year and for all subsequent Delivery Years, the measurement and verification plan supporting an Energy Efficiency Resource to be offered into a Base Residual Auction shall, in accordance with the PJM Manuals, describe the methods and procedures the Capacity Market Seller intends to use for determining the amount of the load reduction achieved because the EE Provider will receive wholesale capacity market revenue. The Office of the Interconnection shall determine, upon review

of such notice, the Nominated Energy Efficiency Value that may be offered in the Reliability Pricing Model Auction.

3. An Energy Efficiency Resource may be offered with a price offer or as Self-Supply. If an Energy Efficiency Resource clears the auction, it shall receive the applicable Capacity Resource Clearing Price, subject to section 5 below. A Capacity Market Seller offering an Energy Efficiency Resource must comply with all applicable credit requirements as set forth in Tariff, Attachment Q. The Unforced Capacity value of an Energy Efficiency Resource offered into an RPM Auction or committed in a FRR Capacity Plan shall be the Nominated Energy Efficiency Value times the Forecast Pool Requirement.

4. ~~(i) Through and including the 2025/2026 Delivery Year, a~~ An Energy Efficiency Resource that clears an auction for a Delivery Year may be offered in auctions for up to three additional consecutive Delivery Years, but shall not be assured of clearing in any such auction; provided, however, an Energy Efficiency Resource may not be offered for any Delivery Year in which any part of the peak season is beyond the expected life of the equipment, device, system, or process providing the expected load reduction; ~~and provided further that a Capacity Market Seller that offers and clears an Energy Efficiency Resource in a BRA may elect a New Entry Price Adjustment on the same terms as set forth in Tariff, Attachment DD, section 5.14(e).~~

(ii) Effective with the 2026/2027 Delivery Year and for subsequent Delivery Years, an Energy Efficiency Resource may only be offered into a single Base Residual Auction. The eligible installation period shall be the Delivery Year immediately prior to Delivery Year that is associated with the relevant Base Residual Auction.

5. ~~Through and including the 2025/2026 Delivery Year, F~~for every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than 30 days prior to each Auction an updated project status and measurement and verification plan subject to the criteria set forth in the PJM Manuals.

6. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than 30 days prior to the start of such Delivery Year, an ~~updated project status and~~ detailed post installation measurement and verification ~~report~~data meeting the standards for precision and accuracy set forth in the PJM Manuals. The final value of the Energy Efficiency Resource during such Delivery Year shall be as determined by the Office of the Interconnection based on the submitted data. Effective with the 2026/2027 Delivery Year and for all subsequent Delivery Years, the post installation measurement and verification report shall, in accordance with the standards set forth in the PJM Manuals:  
(i) the methods and procedures approved by PJM in the measurement and verification

plan that the Capacity Market Seller used to determine the amount of the load reduction, (ii) demonstrate that that such reduction has been achieved, (iii) demonstrate that the claimed energy efficiency project is installed at an end-use customer site, and (iv) demonstrate that the Capacity Market Seller has obtained exclusive capacity rights from each end-use customer that installed the Energy Efficiency Resource such that no other energy efficiency provider can claim such Energy Efficiency Resource. The Capacity Market Seller must submit an officer certification, in accordance with the PJM Manuals, attesting to the accuracy of the post installation measurement and verification report. Based on the post installation measurement and verification report, the Office of the Interconnection shall determine the final capacity value of Energy Efficiency Resource, which may be a value different than the Nominated EE Value supported by the measurement and verification plan submitted in accordance with RAA, Schedule 6, section L.2.

7. The Office of the Interconnection may audit, at the Capacity Market Seller's expense, any Energy Efficiency Resource committed to the PJM Region. The audit may be conducted any time including the Performance Hours of the Delivery Year.

8. For RPM Auctions for the 2021/2022 Delivery Year and subsequent Delivery Years, if a Relevant Electric Retail Regulatory Authority receives FERC authorization to qualify or prohibit Energy Efficiency Resource participation in a specific area(s) of the PJM Region, the following process applies:

(a) The Office of the Interconnection will publicly post a reference to the FERC authorization of a Relevant Electric Retail Regulatory Authority order, ordinance or resolution that qualifies or prohibits Energy Efficiency Resource participation, the applicable electric distribution company(ies), and the applicable auction(s) and/or Delivery Year(s).

(b) A Capacity Market Seller that intends to offer or certify Energy Efficiency Resources must identify and itemize all resources that are located in the jurisdiction of a Relevant Electric Retail Regulatory Authority authorized by FERC to qualify or prohibit Energy Efficiency Resource participation within the Zone or LDA, as required, and those outside of the area but within the Zone or LDA, as required.

(c) A Capacity Market Seller that intends to offer or certify Energy Efficiency Resources must identify and itemize all Energy Efficiency Resources to be offered as part of its Energy Efficiency measurement and verification plan and certified post-installation measurement and verification report. The Office of Interconnection will provide a list to the relevant electric distribution company for

the specific area(s) to review for compliance with the Relevant Electric Retail Regulatory Authority of Capacity Market Sellers that are:

(i) offering Energy Efficiency Resources in an RPM Auction within two (2) Business Days after the deadline for submitting an energy efficiency measurement and verification plan for such RPM Auction; and

(ii) certifying Energy Efficiency Resources with a Delivery Year post-installation measurement and verification report, within two (2) Business Days of receipt of such Delivery Year post-installation measurement and verification report. The relevant electric distribution company for the specific area(s) shall review for compliance with rules from a Relevant Electric Retail Regulatory Authority authorized by FERC to qualify or prohibit Energy Efficiency Resource.

(d) The relevant electric distribution company for the specific area(s) shall review for compliance with rules from a Relevant Electric Retail Regulatory Authority authorized by FERC to qualify or prohibit Energy Efficiency Resource participation and provide a response to the Office of the Interconnection within five (5) Business Days after receiving the list of Capacity Market Sellers offering Energy Efficiency Resources. The Office of the Interconnection will not allow a Capacity Market Seller to offer or certify Energy Efficiency Resources if an electric distribution company denies such Capacity Market Seller to deliver Energy Efficiency Resources in compliance with rules of a Relevant Electric Retail Regulatory Authority authorized by FERC to qualify or prohibit Energy Efficiency Resource participation.

(9.) For RPM Auctions for the 2021/2022 Delivery Year and subsequent Delivery Years, a Capacity Market Seller of Energy Efficiency Resources that cannot satisfy its RPM obligations in any Delivery Year due to the prohibition of participation by a Relevant Electric Retail Regulatory Authority authorized by FERC to prohibit participation of such resources may be relieved of its Capacity Resource Deficiency Charge by notifying the Office of the Interconnection by no later than seven (7) calendar days prior to the posting of the planning parameters for the Third Incremental Auction of that Delivery Year. After providing such notice, the affected Capacity Market Seller may elect to be relieved of its RPM commitment, and shall not be required to obtain replacement capacity for the resource, and no charges shall be assessed by the Office of the Interconnection for the Capacity Market Seller's deficiency in satisfying its RPM obligation for the resource for such Delivery Year. In such case, however, the Capacity Market Seller shall not be entitled to, nor be paid, any RPM revenues for such resource for that Delivery Year. The Office of the Interconnection will apply corresponding adjustments to the quantity of Buy



Bids or Sell Offers in the Incremental Auctions for such Delivery Years in accordance with Tariff, Attachment DD, sections 5.12(b)(ii) and 5.12(b)(iii).

10. An Energy Efficiency Resource may be the subject of a bilateral capacity transaction, pursuant to Tariff, Attachment DD, section 4.6(a) (“Section 4.6(a) Bilateral”), but only to the extent the subject Energy Efficiency Resource is replacing another Energy Efficiency Resource. An Energy Efficiency Resource may not be the subject of a bilateral transaction under Tariff, Attachment DD, section 4.6(c).

### **Schedule 8.1 Section D FRR Capacity Plans**

4. Capacity Resources identified and committed in an FRR Capacity Plan shall meet all requirements under this Agreement, the PJM Tariff, and the PJM Operating Agreement applicable to Capacity Resources, including, as applicable, requirements and milestones for Planned Generation Capacity Resources and Planned Demand Resources. A Capacity Resource submitted in an FRR Capacity Plan must be on a unit-specific basis, and may not include “slice of system” or similar agreements that are not unit specific. An FRR Capacity Plan may include bilateral transactions that commit capacity for less than a full Delivery Year only if the resources included in such plan in the aggregate satisfy all obligations for all Delivery Years. All demand response, load management, energy efficiency, or similar programs on which such FRR Entity intends to rely for a Delivery Year must be included in the FRR Capacity Plan, subject to applicable demand resource constraints for the relevant Delivery Year, submitted three years in advance of such Delivery Year and must satisfy all requirements applicable to Demand Resources or Energy Efficiency Resources, as applicable, including, without limitation, those set forth in Schedule 6 to this Agreement and the PJM Manuals; provided, however, that previously uncommitted Unforced Capacity from such programs may be used to satisfy any increased capacity obligation for such FRR Entity resulting from a Final Zonal Peak Load Forecast applicable to such FRR Entity. For the 2026/2027 Delivery Year and all subsequent Delivery Years, Energy Efficiency Resources may not be included in an FRR Capacity Plan. Without limiting the generality of the foregoing, the FRR Entity must submit a Demand Resource Sell Offer Plan 15 business days before the deadline for submitting an FRR Capacity Plan as to any Demand Resources it intends to include in such FRR Capacity Plan and may only include in such FRR Capacity Plan Demand Resources that are approved by PJM following review of such Demand Resource Sell Offer Plan. The requirements, standards, and procedures for a Demand Resource Sell Offer Plan shall be as set forth in Schedule 6 of this Agreement, provided that all references (including deadlines) in Schedule 6, section A-1 to submission or clearing of a Demand Resource offer in an RPM Auction shall be understood for purposes of FRR Entities as referring to inclusion of a Demand Resource in an FRR Capacity Plan, and a distinct Demand

Resource Officer Certification Form shall be applicable to FRR Entities, as shown in the PJM Manuals and provided on the PJM website.

## **OATT Definitions**

**Nominated Energy Efficiency Value:** “Nominated Energy Efficiency Value” shall mean the amount of load reduction that an Energy Efficiency Resource commits to provide through installation of more efficient devices or equipment or implementation of more efficient processes or systems.

## **OATT - Attachment DD**

### **5.5 Eligibility for Participation in RPM Auctions**

A Capacity Market Seller may submit a Sell Offer for a Capacity Resource in a Base Residual Auction or Incremental Auction only if such seller owns or has the contractual authority to control the output or load reduction capability of such resource and has not transferred such authority to another entity prior to submitting such Sell Offer. Capacity Resources must satisfy the capability and deliverability requirements of RAA, Schedule 9 and RAA, Schedule 10, the requirements for Demand Resources or Energy Efficiency Resources in Tariff, Attachment DD-1 and RAA, Schedule 6, as applicable, and, the criteria in Tariff, Attachment DD, section 5.5A. Effective with the 2025/2026 Delivery Year and subsequent Delivery Years, a Planned Generation Capacity Resource may be included in a Sell Offer for an RPM Auction only if the Capacity Market Seller of such resource provides a binding notice of intent, as further detailed in the PJM Manuals, to submit a Sell Offer in such auction to the Office of the Interconnection no later than (a) the immediately preceding December 1 for a Base Residual Auction (except that for the 2025/2026 Delivery Year, such notice shall be submitted by December 12, 2023, and except that for the 2026/2027 and 2028/2029 Delivery Years, such notice shall be submitted by 180 days prior to the commencement of the offer period), or (b) ninety (90) days prior to the commencement of the offer period for an Incremental Auction. Effective with the 2026/2027 Delivery Year and subsequent Delivery Years, a Capacity Market Seller may submit a Sell Offer for an Energy Efficiency Resource only into a Base Residual Auction but may not submit a Sell Offer for an Energy Efficiency Resource into an Incremental Auction.

### **5.5A Capacity Resource Types**

(a) Capacity Performance Resources



Capacity Performance Resources are Capacity Resources which, to the extent such resources cleared in a Reliability Pricing Model Auction or are otherwise committed as a Capacity Resource, are obligated to deliver energy during the relevant Delivery Year as scheduled and/or dispatched by the Office of Interconnection during the Performance Assessment Intervals. As further detailed in Tariff, Attachment DD, section 10A, Capacity Performance Resources that fail to meet this obligation will be subject to a Non-Performance Charge, unless excused pursuant to Tariff, Attachment DD, section 10A(d). Subject to 5.5A(a)(i), the following types of Capacity Resources are eligible to submit a Sell Offer as a Capacity Performance Resource: internal or external Generation Capacity Resources; Annual Demand Resources; Capacity Storage Resources; Annual Energy Efficiency Resources; and Qualifying Transmission Upgrades. To the extent the underlying Capacity Resource is an external Generation Capacity Resource, such resource must meet, to the extent subsection (b) or (c) of this section is applicable to offers from such resource, meet the applicable requirements of such subsection, and if neither subsection (b) or (c) is applicable, then offers from such resource must meet the criteria for obtaining an exception to the Capacity Import Limit as contained in RAA, Article 1.

(e) Seasonal Capacity Performance Resource

For the 2020/2021 Delivery Year and subsequent Delivery Years, a Seasonal Capacity Performance Resource shall mean a Summer-Period Capacity Performance Resource or Winter-Period Capacity Performance Resource, as defined below.

i) Summer-Period Capacity Performance Resource

For the 2020/2021 Delivery Year and subsequent Delivery Years, the following types of Capacity Resources are eligible to submit a Sell Offer as a Summer-Period Capacity Performance Resource: Summer Period Demand Resource, Summer-Period Energy Efficiency Resource through and including the 2025/2026 Delivery Year (effective with the 2026/2027 Delivery Year and for all subsequent Delivery Years, a Summer-Period Energy Efficiency Resource is not eligible to submit a Sell Offer as a Summer-Period Capacity Performance Resource), and Capacity Storage Resource, Intermittent Resource, or Environmentally-Limited Resource that has an average expected energy output during summer peak-hour periods consistently and measurably greater than its average expected energy output during winter peak-hour periods. To the extent such resource clears an RPM Auction or is otherwise committed as a Summer-Period Capacity Performance Resource, it is obligated to deliver energy as scheduled and/or dispatched by the Office of Interconnection during Performance Assessment Intervals occurring in the calendar months of June through October and the following May of the Delivery Year, and must satisfy the requirements of a

Capacity Performance Resource for such period of time. As further detailed in Tariff, Attachment DD, section 10A, Summer-Period Capacity Performance Resources that fail to meet this obligation will be subject to a Non-Performance Charge, unless excused pursuant to Tariff, Attachment DD, section 10A(d).

ii) Winter-Period Capacity Performance Resource

For the 2020/2021 Delivery Year and subsequent Delivery Years, the following types of Capacity Resources are eligible to submit a Sell Offer as a Winter-Period Capacity Performance Resource: Capacity Storage Resource, Intermittent Resource, and Environmentally-Limited Resource that has an average expected energy output during winter peak-hour periods consistently and measurably greater than its average expected energy output during summer peak-hour periods. To the extent such resource clears an RPM Auction or is otherwise committed as a Winter-Period Capacity Performance Resource, it is obligated to deliver energy as scheduled and/or dispatched by the Office of Interconnection during Performance Assessment Intervals occurring in the calendar months of November through April of the Delivery Year, and must satisfy the requirements of a Capacity Performance Resource for such period of time. As further detailed in Tariff, Attachment DD, section 10A, Winter-Period Capacity Performance Resources that fail to meet this obligation will be subject to a Non-Performance Charge, unless excused pursuant to Tariff, Attachment DD, section 10A(d).

## 5.6 Sell Offers

Sell Offers shall be submitted or withdrawn via the internet site designated by the Office of the Interconnection, under the procedures and time schedule set forth in the PJM Manuals.

### 5.6.1 Specifications

(g) A Capacity Market Seller that owns or controls one or more Capacity Storage Resources, Intermittent Resources, Demand Resources, or Energy Efficiency Resources may submit a Sell Offer as a Capacity Performance Resource in a MW quantity consistent with their average expected output during peak-hour periods, not to exceed the Accredited UCAP of such resource, as applicable. Alternatively, a Capacity Market Seller that owns or controls one or more Capacity Storage Resources, Intermittent Resources, Demand Resources, ~~Energy Efficiency Resources~~, or Environmentally-Limited Resources may submit a Sell Offer which represents the aggregated Unforced Capacity value of such resources, where such Sell Offer shall be considered to be located in the smallest modeled LDA common to the aggregated resources. Such aggregated resources shall be owned by or under contract to the Capacity Market Seller, including all such resources obtained through bilateral contract and reported to the Office of the Interconnection in accordance with the Office of the Interconnection's rules related to its

Capacity Exchange tools. If any of the commercially aggregated resources in such Sell Offer are subject to the Minimum Floor Offer Price pursuant to Tariff, Attachment DD, section 5.14 (h-2), the Capacity Market Seller that owns or controls such resources may submit a Sell Offer with a Minimum Floor Offer Price of no lower than the time and MW-weighted average of the applicable MOPR Floor Offer Prices (zero if not applicable) of the aggregated resources in such Sell Offer. Effective with the 2026/2027 Delivery Year and all subsequent Delivery Years, Energy Efficiency Resources are not eligible to be included as part of a commercially aggregated resource.

## **10A. CHARGES FOR NON-PERFORMANCE AND CREDITS FOR PERFORMANCE**

(a) For the 2018/2019 Delivery Year and any subsequent Delivery Year (and for certain purposes for the 2016/2017 and 2017/2018 Delivery Years as provided in subsections (h) and (i) hereof), each Capacity Market Seller that commits a Capacity Resource for a Delivery Year (whether through an RPM Auction, a bilateral transaction, or as Locational UCAP), each Locational UCAP Seller that sells Locational UCAP from a Capacity Resource for a Delivery Year, and for the 2022/2023 Delivery Year and subsequent Delivery Years each PRD Provider that commits Price Responsive Demand for a Delivery Year, shall be charged to the extent the performance of each of its committed Capacity Resources or Price Responsive Demand during all or any part of a clock-hour when an Emergency Action is in effect falls short of the expected performance of such resources (as determined herein) and the revenue from such charges shall be provided to Market Participants with generation, demand response resources, or Price Responsive Demand that perform during such hour in excess of the level expected based on commitments (if any) of such resources. Effective with the 2026/2027 Delivery Year, Energy Efficiency Resources are not subject to any of the provisions of Section 10:A.

(b) Performance shall be measured for purposes of this assessment during each Performance Assessment Interval.

(c) For each Performance Assessment Interval, the Office of the Interconnection shall determine whether, and the extent to which, the actual performance of each Capacity Resource and Locational UCAP has fallen short of the performance expected of such committed Capacity Resource, and the magnitude of any such shortfall, based on the following formula:

Performance Shortfall = Expected Performance - Actual Performance

Where the result of such formula is a positive number and where:

Expected Performance =

for Generation Capacity Resources (including external Generation Capacity Resources for any Performance Assessment Interval for which performance by such external

resource would have helped resolve a declared Emergency Action; provided, however, that for any Delivery Year up to and including the 2019/2020 Delivery Year, performance of external Generation Capacity Resources shall be assessed only during Performance Assessment Hours for Emergency Actions declared for the entire PJM Region) and Capacity Storage Resources: [(Resource Committed Capacity \* the Balancing Ratio)];

where

Resource Committed Capacity = the total megawatts of Unforced Capacity of the Capacity Resource committed by such Capacity Market Seller or Locational UCAP Seller; and

The Balancing Ratio = (All Actual Generation Performance, Storage Resource Performance, Net Energy Imports, Price Responsive Demand Bonus Performance effective with the 2022/2023 Delivery Year, and Demand Response Bonus Performance) / (All Committed Generation and Storage Capacity); provided, however, that Net Energy Imports shall be included in the calculation of the Balancing Ratio only for any Performance Assessment Interval for which performance by any external Generation Capacity Resource would have helped resolve the Emergency Action that was the subject to the Performance Assessment Hour; and provided further that for any Delivery Year up to and including the 2019/2020 Delivery Year, Net Energy Imports shall be included in the calculation of the Balancing Ratio only for any Performance Assessment Hour for which the Emergency Action was declared for the entire PJM Region; and provided further that the Balancing Ratio shall not exceed a value of 1.0.

for purposes of which

All Committed Generation and Storage Capacity = the total megawatts of Unforced Capacity of all Generation Capacity Resources (including external Generation Capacity Resources for any Performance Assessment Interval for which performance by such external resource would have helped resolve the declared Emergency Action that was the subject to the Performance Assessment Hour; provided, however, that for any Delivery Year up to and including the 2019/2020 Delivery Year, performance of external Generation Capacity Resources shall be assessed only during Performance Assessment Hours for Emergency Actions declared for the entire PJM Region) and all Capacity Storage Resources committed by all Capacity Market Sellers, FRR Entities, Locational UCAP Sellers;

All Actual Generation Performance and Storage Resource Performance = the total amount of Actual Performance for all generation resources (including external Generation Capacity Resources for any Performance Assessment Interval for which performance by such external resource would have helped resolve the declared

Emergency Action that was the subject to the Performance Assessment Hour; provided, however, that for any Delivery Year up to and including the 2019/2020 Delivery Year, performance of external Generation Capacity Resources shall be assessed only during Performance Assessment Hours for Emergency Actions declared for the entire PJM Region) and storage resources during the interval;

Net Energy Imports = the sum of interchange transactions importing energy into PJM (not including those associated with external Generation Capacity Resources and therefore included in All Actual Generation Performance) minus the sum of interchange transactions exporting energy out of PJM, but not less than zero;

Demand Response Bonus Performance = the sum of Bonus performance provided by Demand Response resources as calculated in (g) below;

Price Responsive Demand Bonus Performance = the sum of Bonus performance provided by Price Responsive Demand as calculated in (g) below;

and for Demand Resources, Energy Efficiency Resources, and Qualifying Transmission Upgrades: Resource Committed Capacity;

where

Resource Committed Capacity = the total megawatts of capacity committed from such Capacity Resource committed capacity without making any adjustment for the Forecast Pool Requirement

and for PRD Provider: Price Responsive Demand Committed

where

Price Responsive Demand Committed = the Nominal PRD Value committed by the PRD Provider in the area defined by the Performance Assessment Interval, adjusted to account for any PRD registrations in such area that were not subject to compliance measurement.

and

Actual Performance =

for each generation resource, the metered output of energy delivered to PJM by such resource plus the resource's real-time reserve or regulation assignment, if any, during the Performance Assessment Interval;

for each storage resource, the metered output of energy delivered to PJM by such resource plus the resource's real-time reserve or regulation assignment, if any, during the Performance Assessment Interval;

for each Demand Resource, the demand response provided to PJM by such resource, plus such resource's real-time reserve or regulation assignment, if any, during the Performance Assessment Interval, as established through the PJM demand response settlement procedure consistent with the standards specified in RAA, Schedule 6;

for each PRD Provider, the actual load reduction provided by the PRD Provider during a Performance Assessment Interval, determined in accordance with RAA, Schedule 6.1.N and the PJM Manuals;

for each Energy Efficiency Resource, the load reduction quantity approved by PJM subsequent to the pre-delivery year submittal of a post-installation measurement and verification report; and

for each Qualified Transmission Upgrade, the megawatt quantity cleared by such Qualified Transmission Upgrade if it is in service during the Performance Assessment Interval, and zero if it is not in service during such Performance Assessment Interval.

Such calculation shall encompass all resources and Price Responsive Demand located in the area defined by the Emergency Action; provided, however, that Performance Shortfall shall be calculated for external Generation Capacity Resources for any Performance Assessment Interval for which performance by such external resource would have helped resolve the declared Emergency Action that was the subject to the Performance Assessment Hour; provided, however, that for any Delivery Year up to and including the 2019/2020 Delivery Year, Performance Shortfall shall be calculated for external Generation Capacity Resources only during Performance Assessment Hours which the Emergency Action was declared for the entire PJM Region. At the start of the Delivery Year, PJM will inform the Capacity Market Seller of an external resource as to which Locational Deliverability Area it has been assigned. For purposes of this provision, Qualifying Transmission Upgrades shall be deemed to be located in the Locational Deliverability Area into which such upgrade increased the Capacity Emergency Transfer Limit, and a Qualifying Transmission Upgrade shall be included in calculations of Expected Performance and Actual Performance only if, and to the extent that, the declared Emergency Action encompasses the Locational Deliverability Area into which such upgrade increased the Capacity Emergency Transfer Limit. The Performance Shortfall shall be calculated for each Performance Assessment Interval, and any committed Capacity Resource for which the above calculation produces a negative number for a Performance Assessment Interval shall not have a Performance Shortfall for such Performance Assessment Interval. For any resource that is partially committed as a Capacity Performance Resource and partially committed as a Base Capacity Resource, the performance of such resource during a Performance Assessment Interval shall first be attributed to the resource's Capacity Performance Resource obligation; any performance by such resource in excess of the Capacity Performance Resource's Expected Performance shall be attributed to the resource's Base Capacity Resource obligation.



(d) Notwithstanding subsection (c) above, a Capacity Resource or Locational UCAP of a Capacity Market Seller or Locational UCAP Seller shall not be considered in the calculation of a Performance Shortfall for a Performance Assessment Interval to the extent such Capacity Resource or Locational UCAP was unavailable during such Performance Assessment Interval solely because the resource on which such Capacity Resource or Locational UCAP is based was on a Generator Planned Outage or Generator Maintenance Outage approved by the Office of the Interconnection, or was not scheduled to operate by the Office of the Interconnection, or was online but was scheduled down, by the Office of the Interconnection, based on a determination by the Office of the Interconnection that such scheduling action was appropriate to the security-constrained economic dispatch of the PJM Region. Such a resource shall be considered in the calculation of a Performance Shortfall if it otherwise was needed and would have been scheduled by the Office of the Interconnection to perform, but was not scheduled to operate, or was scheduled down, solely due to: (i) any operating parameter limitations submitted in the resource's offer, or (ii) the seller's submission of a market-based offer higher than its cost-based. In addition, notwithstanding subsection (c) above, a Price Responsive Demand registration shall not be considered in the calculation of a Performance Shortfall or Bonus Performance for a Performance Assessment Interval when the PRD Curve associated with such registration in the PJM Real-time Energy Market indicates a price point where no demand reduction is expected at the real-time LMP recorded during the Performance Assessment Interval.

(e) Subject to the Non-Performance Charge Limit specified in subsection (f) hereof, each Capacity Market Seller and Locational UCAP Seller shall be assessed a Non-Performance Charge for each of its Capacity Resources or Locational UCAP that has a Performance Shortfall for a Performance Assessment Interval based on the following formula, applied to each such resource:

$$\text{Non-Performance Charge} = \text{Performance Shortfall} * \text{Non-Performance Charge Rate}$$

Where

For Capacity Performance Resources and Seasonal Capacity Performance Resources, the Non-Performance Charge Rate = (Net Cost of New Entry (stated in terms of installed capacity) for the LDA and Delivery Year for which such calculation is performed \* (the number of days in the Delivery Year / 30) / (the number of Real-Time Settlement Intervals in an hour). and

for Base Capacity Resources the Non-Performance Charge Rate = (Weighted Average Resource Clearing Price applicable to the resource \* (the number of days in the Delivery Year / 30) (the number of Real-Time Settlement Intervals in an hour)

(f) The Non-Performance Charges for each Capacity Performance Resource (including Locational UCAP from such a resource) and each PRD Provider for a Delivery Year shall not exceed a Non-Performance Charge Limit equal to 1.5 times the Net Cost of New Entry times the

megawatts of Unforced Capacity committed by such resource or such PRD Provider times the number of days in the Delivery Year. All references to Net Cost of New Entry in this section 10A shall be to the Net Cost of New Entry for the LDA and Delivery Year for which the calculation is performed. The total Non-Performance Charges for each Base Capacity Resource (including Locational UCAP from such a resource) for a Delivery Year shall not exceed a Non-Performance Charge Limit equal to the total payments due such Capacity Resource or Locational UCAP under Tariff, Attachment DD, section 5.14 for such Delivery Year. The Non-Performance Charges for each Seasonal Capacity Performance Resource for a Delivery Year shall not exceed a Non-Performance Charge Limit equal to 1.5 times the Net Cost of New Entry times the megawatts of Unforced Capacity committed by such resource times the number of days in the season applicable to such resource.

(f-1) Effective with the 2025/2026 Delivery Year and subsequent Delivery Years, the Non-Performance Charges for each Capacity Performance Resource (including Locational UCAP from such a resource) and each PRD Provider for a Delivery Year shall not exceed a Non-Performance Charge Limit equal to 1.5 times the RPM Base Residual Auction clearing price times the number of days in the Delivery Year for the applicable Delivery Year and for the LDA where the resource resides, times the megawatts of Unforced Capacity committed by such resource or such PRD Provider, where such megawatts shall be based on the maximum Unforced Capacity committed up through the end of the month in which the PAI occurs, times the number of days in the Delivery Year. The Non-Performance Charges for each Seasonal Capacity Performance Resource for a Delivery Year shall not exceed a Non-Performance Charge Limit equal to 1.5 times the RPM Base Residual Auction clearing price times the number of days in the Delivery Year for the applicable Delivery Year and for the LDA where the resource resides, times the megawatts of Unforced Capacity committed by such resource, where such megawatts shall be based on maximum Unforced Capacity committed up through the end of the month in which the Performance Assessment Interval occurs, times the number of days in the season applicable to such resource.

(g) Revenues collected from assessment of Non-Performance Charges for a Performance Assessment Interval shall be distributed to each Market Participant, whether or not such Market Participant committed a Capacity Resource or Locational UCAP for a Performance Assessment Interval, that provided energy or load reductions above the levels expected for such resource during such interval. For purposes of this provision, the performance expected of a resource, and the revenue distribution payment, if any, for a resource, shall be determined in accordance with the following formulae:

Formula 1: Market Participant Bonus Performance = Actual Performance – Expected Performance

and

Formula 2: Performance Payment = (Market Participant Bonus Performance / All Market Participants Bonus Performance) \* Non-Performance Charge Revenues.

Where the result of Formula 1 is a positive number and where:

Actual Performance is as defined in subsection (c), provided, however, that Actual Performance for purposes of this calculation shall not exceed the megawatt level at which such resource was scheduled by the Office of the Interconnection during the Performance Assessment Intervals; and provided further that Actual Performance for a Market Participant that imports energy into the PJM Region during such Performance Assessment Interval shall be the net import, if any, from all interchange transactions scheduled by such Market Participant during such Performance Assessment Interval;

Expected Performance is as defined in subsection (c), provided, however, that for purposes of this calculation, Expected Performance shall be zero for any resource that is not a Capacity Resource or Locational UCAP, or that is a Capacity Resource or Locational UCAP, but for which the Performance Assessment Interval occurs outside the resource's capacity obligation period, including, without limitation, a Base Capacity Demand Resource providing demand response during non-summer months; and

All Market Participants Bonus Performance is the sum of the results of calculating Formula 1 of this subsection (g) for all Market Participants that have Bonus Performance during such Performance Assessment Interval.

(h) The provisions of this section 10A shall apply during the 2016/2017 Delivery Year, provided that:

(i) Non-Performance Charges shall be determined solely for and assessed solely on, Capacity Performance Resources committed for such Delivery Year;

(ii) The Non-Performance Charge shall be 0.5 times the Non-Performance Charge calculated under subsection (e) hereof; and

(iii) The Non-Performance Charge Limit for a Delivery Year shall be 0.75 times Net Cost of New Entry times the megawatts of Unforced Capacity committed by such resource times 365.

(i) The provisions of this section 10A shall apply during the 2017/2018 Delivery Year, provided that:

(i) Non-Performance Charges shall be determined solely for, and assessed solely on, Capacity Performance Resources committed for such Delivery Year;

(ii) The Non-Performance Charge shall be 0.6 times the Non-Performance Charge calculated under subsection (e) hereof; and

(iii) The Non-Performance Charge Limit for a Delivery Year shall be 0.9 times Net Cost of New Entry times the megawatts of Unforced Capacity committed by such resource times 365.

(j) The Office of the Interconnection shall bill charges and credits for performance during Performance Assessment Intervals within three calendar months after the calendar month that included such Performance Assessment Intervals, provided, for any Non-Performance Charge, the amount shall be divided by the number of months remaining in the Delivery Year for which no invoice has been issued, and the resulting amount shall be invoiced each such remaining month in the Delivery Year. Notwithstanding, if there are less than six months remaining in the current Delivery Year for which no invoice has been issued, the Office of the Interconnection may, with prior notice to PJM Members, allocate in equal amounts any Non-Performance Charge in the remaining monthly bills for the current Delivery Year plus up to six monthly bills into the following Delivery Year for all Capacity Market Sellers that incur such a Non-Performance Charge (but in no event shall the total Non-Performance Charge be divided in more than nine monthly bills). Provided, for any Non-Performance Charges associated with Performance Assessment Intervals from December 23, 2022 and December 24, 2022, a Capacity Market Seller may elect, by providing notice to the Office of Interconnection by March 17, 2023, to divide the total amount of Non-Performance Charges by either (i) the number of remaining monthly bills in the current Delivery Year (i.e., 3 bills) or (ii) the number of remaining monthly bills in the current Delivery Year plus six additional monthly bills into the following Delivery Year (i.e., 9 bills); provided further, however, that for an election under subsection (ii) above, the monthly Non-Performance Charge shall be levelized to include interest for the six month period following the current Delivery Year, such interest amount being determined at the electric interest rate established by the Federal Energy Regulatory Commission at the time of such election. All interest collected in accordance with this provision shall be allocated to the total pool of bonus performance payments and distributed in accordance with Tariff, Attachment DD, section 10A(g).

