



PJM Conceptual Proposal for CTR Allocation to External Historic Resources

As a result of the issue brought forth by a PJM member regarding delivery of its historic, external resources to its load in potentially constrained zone, and in recognition of the information that member has provided regarding the investment in those resources and the associated Firm transmission service, PJM suggests the following conceptual framework for allocating Capacity Transfer Rights to resources external to the PJM Region but that have been utilized as historic resources to serve the Capacity needs of PJM Network Load.

PJM would propose to allocate Capacity Transfer Rights (CTRs) to Capacity Market Sellers with an equivalent mechanism for FRR Entities that can demonstrate that their external resources were utilized as Capacity Resources serving the capacity needs of their internal Network Load as of an historic reference year. The maximum MW quantity of such rights would be the quantity of capacity that was provided by the external resources during the reference year, and therefore also limited by the quantity of historically reserved firm transmission service. The source point(s) of the CTRs would be the location at which the external resource(s) are modeled in the Reliability Pricing Model (RPM) Auction and the sink point would be the Locational Deliverability Area (LDA) (typically a transmission zone, although could also be a sub-zone LDA) in which the Network Load to which these resources were dedicated and to which the firm transmission service was delivered in the reference year is located.

The effect of an allocated CTR would be a financial credit to the holder that would be calculated as the Capacity Resource Clearing Price (including any locational price adders) in the LDA in which the Network Load is located, minus the Capacity Resource Clearing Price in the location where the resource is located, multiplied times the MW quantity of the CTR. Therefore, if the load was required to pay a higher Final Zonal Capacity Price than the Capacity Resource Clearing Price at which this historic resource cleared, the Capacity Market Seller responsible for the load would receive a financial credit that would essentially make up the difference.

PJM would propose to apply the CTR concept to FRR Entities by reducing the Percentage Internal Resources Required for a modeled LDA in an RPM auction by the MW quantity of the CTR. In other words, there would be no financial credit to an FRR Entity, but the FRR Entity would be eligible to include a greater amount of external resource MW in its FRR Capacity Plan, specifically from the sources identified as the historic Capacity Resources, in its FRR Capacity Plan.

PJM would propose to use 2007/2008 as the reference year used to determine historic source points, which is one year after the initial implementation of RPM, in order to accommodate any changes to historic resources that may have been made as a result of RPM's implementation.

The below table contains PJM's current estimate of the quantity of MW that would qualify for a CTR allocation under this proposal by transmission zone. Market participants would need to approach PJM and request to be identified as eligible for such an allocation, and PJM would determine whether the criteria for such an allocation was met. PJM would post the final quantity of qualified MW by zone once all are identified.

| Zone | MW |
|-------------|-----------|
| DOM | 122 |
| COMED | 533 |
| AEP | 261 |
| DAY | 121 |