



# Merchant Network Upgrade Proposed Solution

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## Presentation

- Background
- Four Tariff Change Areas
- Summary of Tariff Changes

## Presentation Appendix

- Redline Changes

	Customer Name	Upgrade Type	Queue Entry Form	Ownership Requirements	Final Agreements
<b>Interconnection Customers</b>	Generation Interconnection Customer	Generator	Attachment N	Yes	ISA/CSA
	Transmission Interconnection Customer	Merchant Transmission Facilities	Attachment S	Yes	ISA/CSA
	Transmission Interconnection Customer	Merchant Network Upgrade	Attachment S	No	ISA/CSA

	Customer Name	Upgrade Type	Queue Entry Form	Ownership Requirements	Final Agreements
New Service Customers	Generation Interconnection Customer	Generator	Attachment N	Yes	ISA/CSA
	Transmission Interconnection Customer	Merchant Transmission Facilities	Attachment S	Yes	ISA/CSA
	Transmission Interconnection Customer	Merchant Network Upgrade	Attachment S	No	UCSA
	Eligible Customer	Long Term Firm Transmission Service	Attachment FF	No	UCSA
	Upgrade Customer	IARR	Attachment EE	No	UCSA
	developer of an Affected System facility	PJM System Impact	External Queue – Study Notification	No	UCSA

- **Definitions:** Customer-Funded Upgrade, Upgrade Request, Merchant Network Upgrade, Transmission Interconnection Customer, and Upgrade Construction Service Agreement.
- **Queue Entry:** FERC defined a Merchant Network Upgrade as being proposed by a Transmission Interconnection Customer. Tariff lacks path from Part IV to Part VI that parallels Upgrade Requests.
- **Agreements:** Attachment O, O-1, P, S, EE and GG
- **RPM:** Incremental Capacity Transfer Rights need to include Part VI requests

## 1.7A.01 Customer-Funded Upgrade:

Any Network Upgrade, Local Upgrade, or Merchant Network Upgrade for which cost responsibility (i) is imposed on an Interconnection Customer or an Eligible Customer pursuant to Section 217 of the Tariff, or (ii) is voluntarily undertaken by a **New Service Customer**~~market participant~~ in **fulfillment**~~fulfilment~~ of an Upgrade Request ~~pursuant to Section 7.8 of Schedule 1 of the Operating Agreement~~. No Network Upgrade, Local Upgrade or Merchant Network Upgrade or other transmission expansion or enhancement shall be a Customer-Funded Upgrade if and to the extent that the costs thereof are included in the rate base of a public utility on which a regulated return is earned.

## 1.18D Merchant Network Upgrades:

**Additions**~~Merchant A.C. Transmission Facilities that are additions~~ to, or modifications or replacements of, physical facilities of the Interconnected Transmission Owner that, on the date of the pertinent Transmission Interconnection Customer's **Upgrade**~~Interconnection~~ Request, are part of the Transmission System or are included in the Regional Transmission Expansion Plan.

## 1.45B Transmission Interconnection Customer:

An entity that submits an Interconnection Request to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region **or an entity that submits an Upgrade Request for Merchant Network Upgrades (including accelerating the construction of any transmission enhancement or expansion, other than Merchant Transmission Facilities, that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement).**



## 1.49A.01 Upgrade Construction Service Agreement:

That agreement entered into by an **Eligible Customer, Upgrade Customer or Interconnection Customer proposing other than an Interconnection Customer whose project includes generation capability or Merchant Transmission Facilities other than Merchant Network Upgrades**), a Transmission Owner, and the Transmission Provider, pursuant to Subpart B of Part VI of the Tariff, and in the form set forth in Attachment GG of the Tariff.

## **1.49A.02 Upgrade Customer:**

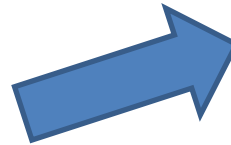
A customer that submits an Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.

## **1.49A.04 Upgrade Request:**

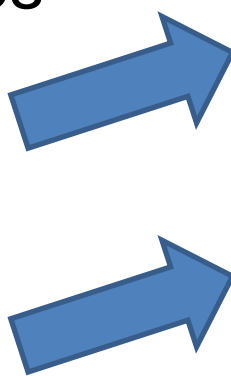
A request ~~pursuant to Section 7.8 of Schedule 1 of the Operating Agreement,~~ submitted in the form prescribed in Attachment EE of the Tariff, for evaluation by the Transmission Provider of the feasibility and estimated costs of, (a) a **Merchant Network** ~~particular-proposed-Customer-Funded~~ Upgrade or (b) the Customer-Funded Upgrades that would be needed to provide the **Incremental**~~Incremented~~ Auction Revenue Rights specified in ~~a~~**the** request **pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.**

- Part IV
  - Add queue entry path for Transmission Interconnection Customer to request Merchant Network Upgrades, §36.1.03A.
  - Direct those customers to §204.2 to submit an Upgrade Requests
- Part VI
  - Create two Upgrade Request types: existing OA 7.8 IARR requests or Merchant Network Upgrades.
  - Copy provisions from Part IV applicable to Transmission Interconnection Customers: e.g. scoping meetings, modifications, entitlement to base case data.

- Attachment S
- Form of Transmission Interconnection Request
  - Removed ability to request/study Merchant Network Upgrades
  - Corrected study timeline to align with section 36 requirements.



- Attachment EE
- Upgrade Request
  - Added ability to request Merchant Network Upgrades
  - Changed signature block from Upgrade Customer to New Service Customer

- Attachment O
  - Interconnection Service Agreement
    - Removed all references to Merchant Network Upgrades
    - Copy Negotiated Contract Option into UCSA
    - Copy applicable Charge provisions to UCSA and parallel ISA SCHEDULE E process.
  - Attachment GG
  - Upgrade Construction Service Agreement
    - Incorporated Negotiated Contract Option from ISA
    - Incorporated Charges for Operations and Maintenance for Merchant Network Upgrades and paralleled ISA SCHEDULE E process.
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- Two blue arrows pointing from the Interconnection Service Agreement list to the Upgrade Construction Service Agreement list. The top arrow points from the 'Copy Negotiated Contract Option into UCSA' item to the 'Incorporated Negotiated Contract Option from ISA' item. The bottom arrow points from the 'Copy applicable Charge provisions to UCSA and parallel ISA SCHEDULE E process.' item to the 'Incorporated Charges for Operations and Maintenance for Merchant Network Upgrades and paralleled ISA SCHEDULE E process.' item.

- Attachment O-1
- Interim Interconnection Service Agreement
  - Removed all references to Merchant Network Upgrades
- Attachment P
- Construction Service Agreement
  - Removed all references to Merchant Network Upgrades

- Attachment DD
  - Clarify qualifications for Incremental Capacity Transfer Rights
    - Current language identifies New Service Customers, but limits source of requests to Part IV;
    - Upgrade Customers and Eligible Customers are New Service Customer that originate in Part VI; and
    - Upgrade Construction Service Agreement states New Service Customers are entitled to all rights created.



## Tariff Redline Changes

## 1.7A.01 Customer-Funded Upgrade:

Any Network Upgrade, Local Upgrade, or Merchant Network Upgrade for which cost responsibility (i) is imposed on an Interconnection Customer or an Eligible Customer pursuant to Section 217 of the Tariff, or (ii) is voluntarily undertaken by a **New Service Customer**~~market participant~~ in **fulfillment**~~fulfilment~~ of an Upgrade Request ~~pursuant to Section 7.8 of Schedule 1 of the Operating Agreement~~. No Network Upgrade, Local Upgrade or Merchant Network Upgrade or other transmission expansion or enhancement shall be a Customer-Funded Upgrade if and to the extent that the costs thereof are included in the rate base of a public utility on which a regulated return is earned.

## 1.18D Merchant Network Upgrades:

**Additions**~~Merchant A.C. Transmission Facilities that are additions~~ to, or modifications or replacements of, physical facilities of the Interconnected Transmission Owner that, on the date of the pertinent Transmission Interconnection Customer's **Upgrade**~~Interconnection~~ Request, are part of the Transmission System or are included in the Regional Transmission Expansion Plan.

## 1.45B Transmission Interconnection Customer:

An entity that submits an Interconnection Request to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region **or an entity that submits an Upgrade Request for Merchant Network Upgrades (including accelerating the construction of any transmission enhancement or expansion, other than Merchant Transmission Facilities, that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement).**

## 1.49A.01 Upgrade Construction Service Agreement:

That agreement entered into by an **Eligible Customer, Upgrade Customer or Interconnection Customer proposing other than an Interconnection Customer whose project includes generation capability or Merchant Transmission Facilities other than Merchant Network Upgrades**), a Transmission Owner, and the Transmission Provider, pursuant to Subpart B of Part VI of the Tariff, and in the form set forth in Attachment GG of the Tariff.

## **1.49A.02 Upgrade Customer:**

A customer that submits an Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.

## **1.49A.04 Upgrade Request:**

A request ~~pursuant to Section 7.8 of Schedule 1 of the Operating Agreement~~, submitted in the form prescribed in Attachment EE of the Tariff, for evaluation by the Transmission Provider of the feasibility and estimated costs of, (a) a **Merchant Network** ~~particular proposed Customer-Funded~~ Upgrade or (b) the Customer-Funded Upgrades that would be needed to provide the **Incremental**~~Incremented~~ Auction Revenue Rights specified in ~~a~~**the request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.**

## 36.1.03 Transmission Interconnection Request:

An Interconnection Customer that seeks to interconnect or add Merchant Transmission Facilities to the Transmission System, or to increase the capacity of existing Merchant Transmission Facilities interconnected with the Transmission System, ~~or to advance the construction of any transmission enhancement or expansion other than Merchant Transmission Facilities that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement~~, shall submit to the Transmission Provider a Transmission Interconnection Request. A Transmission Interconnection Request shall include: (i) the location of the proposed Merchant Transmission Facilities and of the substation(s) or other location(s) where the Transmission Interconnection Customer proposes to interconnect or add its Merchant Transmission Facilities to the Transmission System; (ii) a description of the proposed Merchant Transmission Facilities; (iii) the nominal capability or increase in capability (in megawatts) of the proposed Merchant Transmission Facilities ~~or planned increase in the capability of the existing facilities on which any proposed Merchant Network Upgrades would be installed~~; (iv) the planned date the proposed Merchant Transmission Facilities will be in ...

The base and initial deposit will be credited toward the amount of the Transmission Interconnection Customer's cost responsibility for the Transmission Interconnection Feasibility Study and other studies conducted under Part IV or Part VI of the Tariff. The Transmission Provider shall maintain on the Transmission Provider's [OASIS website](#) a list of all Transmission Interconnection Requests that identifies (A) in megawatts the potential nominal capability or increase in capability; (B) the location of the Merchant Transmission Facilities by county and state; (C) the station or transmission line or lines where the interconnection will be made; (D) the facility's projected date of Initial Operation; (E) the status of the Transmission Interconnection Request, including its Queue Position; (F) the availability of any studies related to the Interconnection Request; (G) the date of the Transmission Interconnection Request; (H) the type of Merchant Transmission Facilities to be constructed; and (I) for each Transmission Interconnection Request that has not resulted in a completed interconnection, an explanation of why it was not completed. This list will not disclose the identity of the Transmission Interconnection Customer, except as otherwise provided in Part IV or Part VI of the Tariff. The list and the priority of Transmission Interconnection Requests shall be included on the [OASIS website](#) as a part of the New Services Queue.



## 36.1.03A Transmission Interconnection Customers Requesting Merchant Network Upgrades

Notwithstanding 36.1.03, an Interconnection Customer that proposes Merchant Network Upgrades (including advancing pursuant to Section 220 or accelerating the construction of any transmission enhancement or expansion, other than Merchant Transmission Facilities, that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement) shall submit an Upgrade Request, with the required information and the required deposit for a System Impact Study, as set forth in Attachment EE.

## 204.1 Completed Applications:

After completing an Initial 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 Initial 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 return it to 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 Interconnection~~ 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 Section 17.3 shall be returned, with interest.

## 204.2 Upgrade Requests:

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

After receiving an Upgrade Request pursuant to section 7.8 of Schedule 1 of the Operating Agreement, the Transmission Provider shall determine on a non-discriminatory basis whether a System Impact Study is required to evaluate the request. If the Transmission Provider determines that a System Impact Study is necessary, it shall so inform the Upgrade Customer as soon as practicable. In such cases, the Transmission Provider shall, within thirty (30) days of receipt of a valid and complete Upgrade Request, tender a System Impact Study Agreement pursuant to which the Upgrade Customer shall agree to reimburse the Transmission Provider for the required System Impact Study. For an Upgrade Request to retain its Queue Position, the Upgrade Customer (i) shall execute the System Impact Study Agreement and return it to the Transmission Provider within thirty (30) days, and (ii) ~~shall pay~~ the Transmission Provider **shall apply the a** \$50,000 deposit **supplied with the Upgrade Request towards the Upgrade** ~~which will be applied to the Interconnection~~ Customer's study cost responsibility. If the Upgrade Customer elects not to execute the System Impact Study Agreement, its Upgrade Request shall be deemed terminated and withdrawn.

## 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 section 204.2.2.1. 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 Part VI of the Tariff. The list and the priority of Upgrade Requests shall be included on the website as a 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 request and shall attach a copy of the received Upgrade Request to the acknowledgement.

### 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 Part IV or 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 so notify the Interconnection Customer (electronically when available to all parties, otherwise written) within five (5) business days of receipt of the initial Upgrade Request. 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 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 Section 201 as of the date that 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 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.

## 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 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, 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 amongst 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 or 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 to be terminated and 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

Section 36.1.6 shall apply to Upgrade Requests for Merchant Network Upgrades.



## 204.2.2.5 Base Case Data

**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 Section 204.2.2 and if required, completing a scoping meeting per Section 204.2.2.3, Transmission Provider shall tender a System Impact Study Agreement. For an 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 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 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 section 36.2A.2.

## 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, and/or Network Upgrades 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. Each System Impact Study shall identify the system constraints, identified with specificity by transmission element or flowgate, 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, and/or Network Upgrades necessary to accommodate such request. The System Impact Study shall refine and more . . .

## 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~~ ~~With respect to Interconnection Requests, the~~ Transmission Provider shall use Reasonable Efforts to complete the Facilities Study and issue it to an New Service ~~Interconnection~~ 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 ~~Interconnection~~ 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 ~~Interconnection~~ 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 Section 217 of the Tariff, (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; and (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. 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.

## 212.4 Retaining Priority and Security:

(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 ~~Merchant~~ 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 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 ...

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

A New Service Customer that (a) pursuant to 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 ~~Interconnection Service Agreement or an Upgrade Construction Service Agreement for the interconnection of Merchant~~ **Network Upgrades Transmission Facilities with the Transmission System** shall be entitled to receive the Incremental Auction Revenue Rights ~~associated with such Merchant Transmission Facilities~~ as determined in accordance with this Section 231, ~~provided, however, that~~ 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 Section 36.1.03 of Part IV of the Tariff, 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.

10.1. Cost Responsibility. Interconnection Customer shall be responsible for and shall pay upon demand all Costs associated with the interconnection of the Customer Facility as specified in the Tariff. These Costs may include, but are not limited to, an Attachment Facilities charge, a Local Upgrades charge, a Network Upgrades charge and other charges. ~~as well as Costs of any Merchant Network Upgrades constructed on behalf of Interconnection Customer.~~ A description of the facilities required and an estimate of the Costs of these facilities are included in Sections 3.0 and 4.0 of the Specifications to this ISA.



## 3.0 Construction Responsibility and Ownership of Interconnection Facilities

(2) In the event that, in accordance with the Interconnection Construction Service Agreement, Interconnection Customer has exercised the Option to Build, it is hereby permitted to build in accordance with and subject to the conditions and limitations set forth in that Section, the following portions ~~(1)~~ of the Transmission Owner Interconnection Facilities ~~and/or (2) of any Merchant Network Upgrades~~ which constitute or are part of the Customer Facility:

10.4 In the event that the Interconnection Customer elects to construct some or all of the Transmission Owner Interconnection Facilities ~~and/or of any Merchant Network Upgrades~~ under the Option to Build of the Interconnection Construction Service Agreement, billing and payment for the Costs associated with the facilities contemplated by this ISA shall relate only to such portion of the Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ as the Interconnected Transmission Owner is responsible for building.

~~4.54.5~~ ~~Cost of Merchant Network Upgrades: \$ \_\_\_\_\_~~

~~[Optional: Provide Breakdown of Charge Based on Interconnected Transmission Owner responsibilities]~~

~~4.6~~ Cost breakdown:

- \$ Direct Labor
- \$ Direct Material
- \$ Indirect Labor
- \$ Indirect Material

**[Additional items for breakdown as necessary]**

\$ Total

## 4.67 Security Amount Breakdown:

\$ \_\_\_\_\_ Estimated Cost of Non-Direct Connection Local Upgrades and/or Non-Direct Connection Network Upgrades

~~plus \$ \_\_\_\_\_ Estimated Cost of any Merchant Network Upgrades that Interconnected Transmission Owner is responsible for building~~

plus \$ \_\_\_\_\_ Estimated cost of the work (for the first three months) on the required Attachment Facilities, Direct Connection Local Upgrades, and Direct Connection Network Upgrades

plus \$ \_\_\_\_\_ Option to Build Security for Attachment Facilities, Direct Connection Local Upgrades, and Direct Connection Network Upgrades (including Cancellation Costs)

less \$ \_\_\_\_\_ Costs already paid by Interconnection Customer

\$ \_\_\_\_\_ Total Security required with ISA

**1.4.2** The Interconnected Transmission Owner has accepted any Interconnection Facilities ~~and/or Merchant Network Upgrades~~ constructed by Interconnection Customer pursuant to the Interconnection Construction Service Agreement;

**1.4.4** The Interconnected Transmission Owner has received all applicable documentation for the Interconnection Facilities ~~and/or Merchant Network Upgrades~~ built by the Interconnection Customer, certified as correct, including, but not limited to, access to the field copy of marked-up drawings reflecting the as-built condition, pre-operation test reports, and instruction books; and

## ~~4.2 — Operation of Merchant Network Upgrades:~~

~~Unless otherwise provided in the Interconnection Service Agreement, the Interconnected Transmission Owner that owns Transmission System facilities to which any Merchant Network Upgrades are connected shall operate such Merchant Network Upgrades (a) on behalf and at the expense of the Interconnection Customer that constructed or caused construction of the pertinent Merchant Network Upgrades and (b) in accordance with this Appendix 2 and with an agreement between the Interconnected Transmission Owner and the Interconnection Customer regarding such operation.~~

## 4.2 [Reserved.]

## ~~5.2 Maintenance of Merchant Network Upgrades:~~

~~Unless otherwise provided in the Interconnection Service Agreement, the Interconnected Transmission Owner that owns Transmission System facilities to which any Merchant Network Upgrades are connected shall maintain such Merchant Network Upgrades (a) on behalf and at the expense of the Interconnection Customer that constructed or caused construction of the pertinent Merchant Network Upgrades and (b) in accordance with this Appendix 2 and with an agreement between the Interconnected Transmission Owner and the Interconnection Customer regarding such maintenance.~~

5.2 [Reserved.]

## 5.5 Right to Observe Testing:

Each Interconnected Entity shall notify the other Interconnected Entity in advance of its performance of tests of its portion of the Interconnection Facilities. ~~or of any Merchant Network Upgrades.~~ The other Interconnected Entity shall, at its own expense, have the right to observe such testing.

## 11.2.2 Invoice:

The Interconnected Transmission Owner shall provide Transmission Provider a quarterly statement of the Interconnected Transmission Owner's scheduled expenditures during the next three months for, as applicable (a) the design, engineering and construction of, and/or for other charges related to, construction of the Interconnection Facilities ~~and/or Merchant Network Upgrades~~ for which the Interconnected Transmission Owner is responsible under the Interconnection Service Agreement and the Interconnection Construction Service Agreement, or (b) in the event that the Interconnection Customer exercises the Option ...



## 11.2.3 Final Invoice:

Within 120 days after the Interconnected Transmission Owner completes construction and installation of the Interconnection Facilities ~~and/or Merchant Network Upgrades~~ for which the Interconnected Transmission Owner is responsible under the Interconnection Service Agreement and the Interconnection Construction Service Agreement, Transmission Provider shall provide Interconnection Customer with an accounting of, and the appropriate Construction Party shall make any payment to the other that is necessary to resolve, any difference between (a) Interconnection Customer's responsibility under the Tariff for the actual Cost of such facilities, and (b) Interconnection Customer's previous aggregate payments to Transmission Provider for the Costs of such facilities. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment to either the Interconnection Customer or the Interconnected Transmission Owner that the preceding sentence requires it to make unless and until the Transmission Provider has received the payment that it is required to refund from the Construction Party owing the payment.

## 16.2.2 Network Facilities:

At the time of termination, the Transmission Provider and the Interconnected Entities shall keep in place any portion of the Interconnection Facilities ~~and/or of any Merchant Network Upgrades~~ that the Transmission Provider deems necessary for the safety, integrity and/or reliability of the Transmission System. Otherwise, Transmission Provider may, in its discretion, within 30 days following termination of Interconnection Service, require the removal of all or any part of the Interconnection Facilities or of any Merchant Network Upgrades.

**16.2.2.1** In the event that (i) the Interconnection Service Agreement and Interconnection Service under this Appendix 2 are terminated and (ii) Transmission Provider determines that some or all of the Interconnection Facilities ~~or of any Merchant Network Upgrades~~ that are owned by the Interconnection Customer are necessary for the safety, integrity and/or reliability of the Transmission System, Interconnection Customer, subject to Applicable Laws and Regulations, shall transfer to the Interconnected Transmission Owner title to the Interconnection Facilities or Merchant Network Upgrades that Transmission Provider has determined to be necessary for the safety, integrity and/or reliability of the Transmission System.

## 16.2.3 Request for Disposition Determination:

Interconnection Customer may request a determination from the Transmission Provider whether any Interconnection Facilities ~~or any Merchant Network Upgrades~~ will be removed in the event of any termination of Interconnection Service to the Customer Facility within the following year. Transmission Provider shall respond to that request no later than sixty (60) days after receipt.

## 24.2 Tax Indemnity:

Interconnection Customer shall indemnify the Interconnected Transmission Owner for any costs that Interconnected Transmission Owner incurs in the event that the IRS and/or a state department of revenue (State) determines that the property, including money, transferred by Interconnection Customer to the Interconnected Transmission Owner with respect to the construction of the Transmission Owner Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ is taxable income to the Interconnected Transmission Owner. Interconnection Customer shall pay to the Interconnected Transmission Owner, on ...

## SCHEDULE G

### INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS

{Include the appropriate language from the alternatives below:}

{Include the following language if not required:}

Not Required.

[OR]

{Include the following language if applicable to Interconnection Customer:}

As provided in Section 24.1 of Appendix 2 to this ISA and subject to the requirements thereof, Interconnection Customer represents that it meets all qualifications and requirements as set forth in Section 118(a) and 118(b) of the Internal Revenue Code of 1986, as amended and interpreted by Notice 88-129, 1988-2 C.B. 541, and as amplified and modified in Notices 90-60, 1990-2 C.B. 345, and 2001-82, 2001-2 C.B. 619 (the "IRS Notices"). Interconnection Customer agrees to conform with all requirements of the safe harbor provisions specified in the IRS Notices, as they may be amended, as required to confer non-taxable status on some or all of the transfer of property, including money, by Interconnection Customer to Interconnected Transmission Owner with respect to the payment of the Costs of construction and installation of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ specified in this ISA.

Nothing in Interconnection Customer's agreement pursuant to this Schedule G shall change Interconnection Customer's indemnification obligations under Section 24.2 of Appendix 2 to this ISA.

## 20.1.2 Tax Indemnity:

Interconnection Customer shall indemnify the Interconnected Transmission Owner for any costs that Interconnected Transmission Owner incurs in the event that the IRS and/or a state department of revenue (State) determines that the property, including money, transferred by Interconnection Customer to the Interconnected Transmission Owner with respect to the construction of the Transmission Owner Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ is taxable income to the Interconnected Transmission Owner. Interconnection Customer shall pay to the Interconnected Transmission Owner, on demand, the amount of any income taxes that the IRS or a State assesses to the Interconnected Transmission Owner in connection with such transfer of property and/or money, plus any applicable interest and/or penalty charged to the Interconnected Transmission Owner. In the event that the Interconnected Transmission Owner chooses to contest such assessment, either at the request of Interconnection Customer or on its own behalf, and prevails in reducing or eliminating the tax, interest and/or penalty assessed against it, the Interconnected Transmission Owner shall refund to Interconnection Customer the excess of its demand payment made to the Interconnected Transmission Owner over the amount of the tax, interest and penalty for which the Interconnected Transmission Owner is finally determined to be liable. Interconnection Customer's tax indemnification obligation under this section shall survive any termination of the Interim Interconnection Service Agreement or Interconnection Construction Service Agreement.



# Tariff Attachment O-1 (Interim ISA) Changes

## SCHEDULE A

### INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS

{Include the appropriate language from the alternatives below.}

{Include the following language if not required.}

Not Required.

[OR]

{Include the following language if applicable to Interconnection Customer.}

As provided in Section 20.1 of this Interim ISA and subject to the requirements thereof, Interconnection Customer represents that it meets all qualifications and requirements as set forth in Section 118(a) and 118(b) of the Internal Revenue Code of 1986, as amended and interpreted by Notice 88-129, 1988-2 C.B. 541, and as amplified and modified in Notices 90-60, 1990-2 C.B. 345, and 2001-82, 2001-2 C.B. 619 (the "IRS Notices"). Interconnection Customer agrees to conform with all requirements of the safe harbor provisions specified in the IRS Notices, as they may be amended, as required to confer non-taxable status on some or all of the transfer of property, including money, by Interconnection Customer to Interconnected Transmission Owner with respect to the payment of the Costs of construction and installation of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ specified in this Interim ISA.

Nothing in Interconnection Customer's agreement pursuant to this Schedule A shall change Interconnection Customer's indemnification obligations under Section 20.1 of this Interim ISA.

~~[include c. below only if applicable to a Merchant Transmission interconnection:]~~

~~\_\_\_\_\_ c. \_\_\_\_\_ Construction of Merchant Network Upgrades.~~

~~1. \_\_\_\_\_ The Merchant Network Upgrades regarding which Interconnected Transmission Owner shall be the Constructing Entity are described on the attached Schedule E to this CSA.~~

~~Specify below whether the Constructing Entities have mutually agreed to construction of the Merchant Network Upgrades that will be built by the Interconnected Transmission Owner pursuant to the Standard Option or the Negotiated Contract Option. (See Section 3.2 of Appendix 2 to this CSA.)~~

~~If the parties have mutually agreed to use the Negotiated Contract Option, the permitted, negotiated terms on which they have agreed and which are not already set forth as part of the Scope of Work and/or Schedule of Work attached to this CSA as Schedules I and J, respectively, shall be as set forth in Schedule H attached to this CSA.~~

- **SCHEDULE E - [reserved] ~~MERCHANT NETWORK UPGRADES TO BE BUILT BY INTERCONNECTED TRANSMISSION OWNER~~**
- **SCHEDULE F - [reserved]**
- ~~**SCHEDULE F - MERCHANT NETWORK UPGRADES TO BE BUILT BY INTERCONNECTION CUSTOMER PURSUANT TO OPTION TO BUILD**~~



Remove reference(s) to Merchant Network Upgrades from the following sections:

CSA Sections Requiring Merchant Network Upgrade Reference Removal							
2.2	3.1	3.2.3.3	3.5	3.8.3	3.9.3	6.1	14.3.1.2
2.2.1	3.2.1	3.2.3.7	3.6	3.8.4.1	3.9.5	6.2	14.3.2
2.2.3	3.2.2	3.2.3.5	3.7	3.8.4.2	3.10	9.2	Schedule L
2.2.4	3.2.3.1	3.2.3.9	3.8.2	3.8.5	4.1	9.3	
2.4.2	3.2.3.2	3.4	3.8.2.1	3.9	5.5	14.1.1	

## PURPOSE OF THE FEASIBILITY STUDY

4. Consistent with Section 36.2 of the PJM Tariff, the Transmission Provider shall conduct a Transmission Interconnection Feasibility Study to provide the Interconnection Customer with preliminary determinations of: (i) the type and scope of the Attachment Facilities, Local Upgrades, ~~Network Upgrades~~ and/or ~~Merchant~~ Network Upgrades that will be necessary to accommodate the Interconnection Customer's Interconnection Request; (ii) the time that will be required to construct such facilities and upgrades; and (iii) the Interconnection Customer's cost responsibility for the necessary facilities and upgrades. In the event that the Transmission Provider is unable to complete the Transmission Interconnection Feasibility Study within ~~30 days of the Interconnection Customer's submission of its Interconnection Request and execution of this Transmission Interconnection Feasibility Study Agreement~~ **the time period set forth in Tariff Section 36.2**, the Transmission Provider shall notify the Interconnection Customer and explain the reasons for the delay.

## 5.16 Incremental Capacity Transfer Rights

(a) The Office of the Interconnection shall allocate Incremental Capacity Transfer Rights to a New Service Customer ~~(or, for facilities or upgrades in a PJM queue prior to March 1, 2007, to an Interconnection Customer)~~ obligated to fund a transmission facility or upgrade through a rate or charge specific to such facility or upgrade, to the extent such upgrade or facility increases the Import Capability into a Locational Deliverability Area, with respect to any such transmission facility ~~or upgrade~~ interconnected to **or an upgrade of** the Transmission System pursuant to Part IV **and or Part VI** of this Tariff, including transmission facilities ~~or upgrades~~ interconnected to **or upgrades of** the Transmission System pursuant to Part IV **and or Part VI** prior to the effective date of this Attachment. Incremental Capacity Transfer Rights shall be available for a facility or upgrade for a Delivery Year only if the Office of the Interconnection certifies the quantity of Import Capability provided by such facility or upgrade at least 45 days prior to the Base Residual Auction for such Delivery Year. The megawatt quantity of Incremental Capacity Transfer Rights allocated to such a New Service Customer ~~(or Interconnection Customer)~~ shall equal the megawatt quantity of the increase in Import Capability across a locational constraint resulting from such upgrade or facility, provided that the total Incremental Capacity Transfer Rights awarded as to an LDA (including those allocated pursuant to Schedule 12A of the Tariff) may not exceed the total Capacity Transfer Rights determined as to such LDA. A Capacity Market Seller that offers and clears a Qualifying Transmission Upgrade in the Base Residual Auction for a Delivery Year shall not receive Incremental Capacity Transfer Rights with respect to such upgrade for such Delivery Year. Terms and conditions for the allocation of Incremental Capacity Transfer Rights to New Service Customers shall be as further set forth in Part VI of this Tariff, and those for the allocation of Incremental Capacity Transfer Rights to Responsible Customers shall be as further set forth in Schedule 12A of this Tariff.



# Tariff Attachment EE (Upgrade Request) Changes

~~1. The undersigned Upgrade Customer submits this Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement and Part VI of the PJM Tariff.~~

~~2. This Upgrade Request is for Incremental Auction Revenue Rights in accordance with the specifications:~~

~~Source location: \_\_\_\_\_~~

~~Sink location: \_\_\_\_\_~~

~~MW: \_\_\_\_\_~~

~~Desired Commencement Date: \_\_\_\_\_~~



# Tariff Attachment EE (Upgrade Request) Changes

## To be completed by Upgrade Customers:

1. The undersigned Upgrade Customer submits this Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement and Part VI of the PJM Tariff.
2. This Upgrade Request is for Incremental Auction Revenue Rights in accordance with the specifications:

Source location: \_\_\_\_\_

Sink location: \_\_\_\_\_

MW: \_\_\_\_\_

Desired Commencement Date: \_\_\_\_\_

## To be completed by Interconnection Customer requesting Merchant Network Upgrades:

1. The undersigned Interconnection Customer submits this Upgrade Request for Merchant Network Upgrades pursuant to Parts IV and VI of the PJM Tariff.
2. This request is for the required Merchant Network Upgrades to increase the

\_\_normal\_\_ emergency rating

of the \_\_\_\_\_ circuit (or other Transmission System element) by \_\_\_\_\_ MVA or \_\_\_\_\_ MW.

Desired In-Service Date: \_\_\_\_\_

OR

This request is to advance construction of Regional Transmission Expansion Plan project number \_\_\_\_\_ from \_\_\_\_\_ (planned date) to \_\_\_\_\_ (requested date).



# Tariff Attachment EE (Upgrade Request) Changes

3. The Upgrade **Customer or Interconnection** Customer shall provide a deposit in the amount of \$50,000 to Transmission Provider with this Upgrade Request, which deposit shall be applied against the ~~Upgrade~~-**New Service** Customer's cost responsibility for a System Impact Study including this Upgrade Request.

4. Representative of ~~Upgrade~~-**New Service** Customer to contact:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. This Upgrade Request is submitted by:

Name of **New Service**~~Upgrade~~ Customer: \_\_\_\_\_

By (signature): \_\_\_\_\_

Name (type or print): \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

(PJM Queue Position # [redacted])

## UPGRADE CONSTRUCTION SERVICE AGREEMENT

By and Among

PJM Interconnection, L.L.C.,

[redacted] ~~Service Customer (other than an~~ [Eligible Customers, Upgrade Customers, and ~~Customer whose~~  
~~project includes generation capability or Merchant Transmission Facilities other than~~  
Merchant Network Upgrades],) and

[redacted] [Transmission Owner]



**UPGRADE CONSTRUCTION SERVICE AGREEMENT**

**By and Among**

**PJM Interconnection, L.L.C.,**

**~~\_\_\_\_\_ [Eligible Customers, Upgrade Customers, and New Service Customer (other than an Interconnection Customer whose project includes generation capability or Merchant Transmission Facilities other than Merchant Network Upgrades),]~~**  
**\_\_\_\_\_ [Transmission Owner]**

(PJM Queue Position # )



## **D. Construction of Direct Assignment Facilities or Customer Funded Upgrades**

**[include 1 through 3 below only for Upgrade Customers or Interconnection Customers]**

**1. The Customer Funded Upgrades regarding which Transmission Owner shall be the Constructing Entity are described on the attached Appendix I Section A to this Upgrade CSA.**

## **2.4 Charges.**

**In accordance with Sections 9, 24, and 25 of Appendix III to this Upgrade CSA, the Interconnection Customer shall pay to the Transmission Provider the charges applicable after Initial Operation of the Merchant Network Upgrade, as set forth in SCHEDULE B to this Upgrade CSA. Promptly after receipt of such payments, the Transmission Provider shall forward such payments to the appropriate Transmission Owner.**

## **2.5 Transmission Owner Responsibilities.**

If the New Service Customer satisfies all requirements of this Article 2 and applicable requirements set forth in the PJM Tariff, Transmission Owner shall use Reasonable Efforts to construct or cause to be constructed the Direct Assignment Facilities and/or Customer-Funded...

## **D. Construction of Direct Assignment Facilities or Customer Funded Upgrades**

**[include 1 through 3 below only for Upgrade Customers or Interconnection Customers]**

**1. The Customer Funded Upgrades regarding which Transmission Owner shall be the Constructing Entity are described in the above Section A.**

**2. Election of Construction Option. Specify below whether the Constructing Entities have mutually agreed to construction of the Customer Funded Upgrades that will be built by the Transmission Owner pursuant to the Standard Option or the Negotiated Contract Option. (See Section 6.1.1 of Appendix III to this Upgrade CSA.)**

**\_\_\_\_\_Standard Option.**

**\_\_\_\_\_Negotiated Contract Option.**

**If the Parties have mutually agreed to use the Negotiated Contract Option, the permitted, negotiated terms on which they have agreed and which are not already set forth as part of the Scope of Work and/or Schedule of Work attached to this Upgrade CSA, respectively, shall be as set forth in Schedule A attached to this Upgrade CSA.**



# Tariff Attachment GG(Upgrade CSA) Changes

3. Specify whether New Service Customer has exercised the Option to Build in accordance with Section 6.2 of Appendix III to this Upgrade CSA with respect to some or all of the ~~Direct Attachment Facilities or~~ Customer-Funded Upgrades:

\_\_\_\_\_ Yes

\_\_\_\_\_ No

If Yes is indicated, New Service Customer shall build, in accordance with and subject to the conditions and limitations set forth in section 6.2.3 of Appendix III to this Upgrade CSA, those portions of the **Customer-Funded Upgrades described below:**

**[The following section applies only to Eligible Customers]**

**Specify whether New Service Customer has exercised the Option to Build in accordance with Section 6.2 of Appendix III to this Upgrade CSA with respect to some or all of the Direct Assignment Facilities:**

\_\_\_\_\_ Yes

\_\_\_\_\_ No

If Yes is indicated, New Service Customer shall build, in accordance with and subject to the conditions and limitations set forth in section 6.2.3 of Appendix III to this Upgrade CSA, those portions of the Direct Assignment Facilities ~~or Customer-Funded Upgrades~~ described below:

## 1.12 “Costs”

Costs shall mean all of the actual costs and expenses incurred by the Transmission Owner to complete its obligations under Section 2.54 of this Upgrade CSA, including, but not limited to, capital expenditures, overhead, return, and the costs of financing, equipment, labor, services, taxes, income tax gross-ups and any Incidental Expenses.

## 6.1.1 Negotiated Contract Option.

As an alternative to the Standard Option set forth in Section 6.1 of this Appendix III, the Transmission Owner and the New Service Customer may mutually agree to a Negotiated Contract Option for the Transmission Owner's design, procurement, construction and installation of the Customer-Funded Upgrades. Under the Negotiated Contract Option, the Upgrade Customer and the Transmission Owner may agree to terms different from those included in the Standard Option of Section 6.1 above and the corresponding standard terms set forth in the applicable provisions of Part VI of the Tariff and this Appendix III. Under the Negotiated Contract Option, negotiated terms may include the work schedule applicable to the Transmission Owner's construction activities and changes to same; payment provisions, including the schedule of payments; incentives, penalties and/or liquidated damages related to timely completion of construction; use of third party contractors; and responsibility for Costs, but only as between the Upgrade Customer and the Transmission Owner that are parties to this Upgrade CSA; no other New Service Customer's responsibility for Costs may be affected (Section 217 of the Tariff). No other terms of the Tariff or this Appendix III shall be subject to modification under the Negotiated Contract Option. The terms and conditions of the Tariff that may be negotiated pursuant to the Negotiated Contract Option shall not be affected by use of the Negotiated Contract Option except as and to the extent that they are modified by the parties' agreement pursuant to such option. All terms agreed upon pursuant to the Negotiated Contract Option shall be stated in full in an appendix to this Upgrade CSA.

## 9.1 Recurring Charges Pursuant to Section 26:

The following provisions shall apply with respect to recurring charges applicable to a Merchant Network Upgrade pursuant to Section 26 of this Appendix III.

### 9.1.1 General:

Except as, and to the extent, otherwise provided in this Upgrade CSA, billing and payment of any recurring charges applicable to the Merchant Network Upgrade pursuant to Section 26 of this Appendix III shall be in accordance with Section 7 of the Tariff. The Transmission Owner shall provide Transmission Provider with all necessary information and supporting data that Transmission Provider may reasonably require to administer billing for and payment of applicable charges under this Appendix III. Transmission Provider shall remit to the Transmission Owner revenues received in payment of Transmission Owner's charges to Interconnection Customer under this Appendix III upon Transmission Provider's receipt of such revenues. At Transmission Provider's reasonable discretion, charges to Interconnection Customer and remittances to Transmission Owner under this Appendix III may be netted against other amounts owed by or to such parties under the Tariff.



**9.29.1 Adjustments to Security.**

**9.32 Invoice.**

**9.43 Final Invoice.**

**9.54 Disputes.**

**9.65 Interest.**

**9.76 No Waiver.**

## **24 Operation and Maintenance of Merchant Network Upgrades:**

**Unless otherwise provided in this Upgrade CSA, the Transmission Owner that owns Merchant Network Upgrades constructed on behalf of and at the expense of the Interconnection Customer shall operate and maintain such Merchant Network Upgrades at the expense of the Interconnection Customer. The charge for operation and maintenance of such Merchant Network Upgrade charges is set forth in SCHEDULE B of this Upgrade CSA.**

## **25 Charges**

### **25.1 Specified Charges:**

**If and to the extent required by the Transmission Owner, after the Initial Operation of the Merchant Network Upgrade, Interconnection Customer shall pay one or more of the types of recurring charges described in this section to compensate the Transmission Owner for costs incurred in performing certain of its obligations under this Appendix III. All such charges shall be stated in SCHEDULE B of the Upgrade CSA. Transmission Owner shall provide Transmission Provider and Interconnection Customer with appropriate cost data, schedules and/or written testimony in support of any charges under this section in such manner and at such time as to allow Transmission Provider to include such materials in its filing of the Upgrade CSA with the FERC. Transmission Provider will deliver a copy of such filing to Interconnection Customer. Permissible charges under this section may include:**

**(a) Administration Charge — Any such charge may recover only the costs and expenses incurred by the Transmission Owner in connection with administrative obligations such as the preparation of bills. An Administration Charge shall not be permitted to the extent that the Transmission Owner's other charges to the Interconnection Customer under the same Upgrade CSA include an allocation of Transmission Owner's administrative and general expenses and/or other corporate overhead costs.**

**(b) Merchant Network Upgrade Operations and Maintenance Charge — Any such charge may recover only the Transmission Owner's costs and expenses associated with operation and maintenance charges related to the Interconnection Customer's Merchant Network Upgrade owned by the Transmission Owner.**

**(c) Other Charges — Any other charges applicable to the Interconnection Customer, as mutually agreed upon by the Interconnection Customer and the Transmission Owner and as accepted by the FERC as part of an Upgrade CSA.**

## **25.2 FERC Filings:**

**To the extent required by law or regulation, each Party shall seek FERC acceptance or approval of its respective charges or the methodology for the calculation of such charges.**

**SCHEDULE A  
NEGOTIATED CONTRACT OPTIONS**

**SCHEDULE B  
OPERATION AND MAINTENANCE CHARGES FOR MERCHANT  
NETWORK UPGRADES**