

Transition to New PJM Interconnection Process

Introduction

On November 29, 2022, the Federal Regulatory Commission (or "FERC") conditionally accepted PJM's filing (Docket No. ER22-2110) to modify its Open Access Transmission Tariff ("Tariff") to incorporate a comprehensive reform of the PJM interconnection process designed to more efficiently and timely process New Service Requests by transitioning from a serial "first-come, first-served" queue approach to a "first-ready, first-served" Cycle approach. In addition to the new rules outlined in the filing, the filing also outlined the procedures and rules for the transition from the existing interconnection process to the proposed new process ("Transition Period Rules") set forth in PJM Tariff, Part VII. The Transition Period Rules, to which this Transition Document applies, became effective January 3, 2023.

PJM requested in the filing that the Transition Date to the new process will be the later of:

1. The effective date of the Transition Period Rules
2. The date by which all AD2 and prior projects' Interconnection Service Agreements ("ISA"), Wholesale Market Participation Agreements ("WMPA") or Upgrade Construction Service Agreement ("UCSA") have been executed or filed unexecuted.

Given that the Transition Period Rules effective date of January 3, 2023 has passed, the Transition Date will be the No. 2 date above.

This document summarizes the Transition Period Rules, which will apply to projects in the AE1 through AH1 queues that have not been tendered or executed an ISA, WMPA or UCSA as of the Transition Date.

Tariff, Part VII outlines in full detail, the procedures and other terms governing PJM's administration of the transition to the new Cycle process, including:

- (1) procedures and other terms regarding studies and other processing of New Service Requests during the Transition Period;
- (2) the nature and timing of the agreements required within a Transition Cycle in connection with the studies and construction of required facilities; and
- (3) the terms and conditions relating to the rights available to Project Developers (Interconnection Customers), Eligible Customers and Upgrade Customers under the Transition Period Rules.

In the event that there is a conflict between the contents of this document and the Tariff, the Tariff shall govern.

Capitalized terms not defined herein have the meaning set forth in Tariff, Part VII.

Applicability

This document applies to any project for which the Project Developer, Eligible Customer or Upgrade Customer has submitted a New Service Request between April 1, 2018 and September 30, 2021 (AE1- AH1 New Service Requests), and for which, as of the Transition Date, PJM has not tendered for execution an ISA, WMPA or UCSA.

The following chart shows the timeframes of the various queue periods:

QUEUE WINDOW TIME PERIODS

Queue Window	Time Period
AD2 and before	Prior to March 31, 2018
AE1	April 1, 2018 through September 30, 2018
AE2	October 1, 2018 through March 31, 2019
AF1	April 1, 2019 through September 30, 2019
AF2	October 1, 2019 through March 31, 2020
AG1	April 1, 2020 through September 30, 2020
AG2	October 1, 2020 through March 31, 2021
AH1	April 1, 2021 through September 30, 2021

Transition Cycle Overview

Prior to the Transition Date, PJM will process all existing AD2 and prior queue projects under the Tariff, Parts IV and VI. Following the Transition Date, PJM will adopt a sorting mechanism whereby projects that require minimal Network Upgrades will be subject to PJM's expedited process, while placing other projects in Transition Cycle #1, Transition Cycle #2 or the new Cycles. Priority for projects in the Transition Cycle process is determined by the specific Transition Cycle in which a project's valid New Service Request was placed.

As of the Transition Date, valid AE1-AG1 projects, other than Upgrade Requests, that have not been tendered, or have not executed a final ISA or WMPA will have to satisfy the eligibility and readiness requirements specified in the Tariff and set forth below. Such projects that have demonstrated readiness and met additional eligibility requirements may be able to advance using the expedited process ("fast lane"). Pending AE1-AG1 projects that do not meet the eligibility requirements for expedited processing will be processed in Transition Cycle #1.

Note: Upgrade Requests will not be subject to the eligibility and readiness requirements. Upgrade Requests in AE1-AG1 will automatically move into the expedited process.

Transition Cycle #1 will include re-prioritized AE1, AE2, AF1, AF2 and AG1 projects and will have the following: Phase I, Decision Point I, Phase II, Decision Point II, Phase III, Decision Point III, and the Final Agreement Negotiation Phase.

Transition Cycle #2 will include re-prioritized AG2 and AH1 projects and will include the following: the Application Phase, Phase I, Decision Point I, Phase II, Decision Point II,

Phase III, Decision Point III, and the Final Agreement Negotiation Phase. It will also include Upgrade Customers with Valid Upgrade Requests submitted during those queue windows.

The following diagram is an overview of the Transition Process, which is further detailed in the sections below. See Appendix A for a full size version of the diagram.

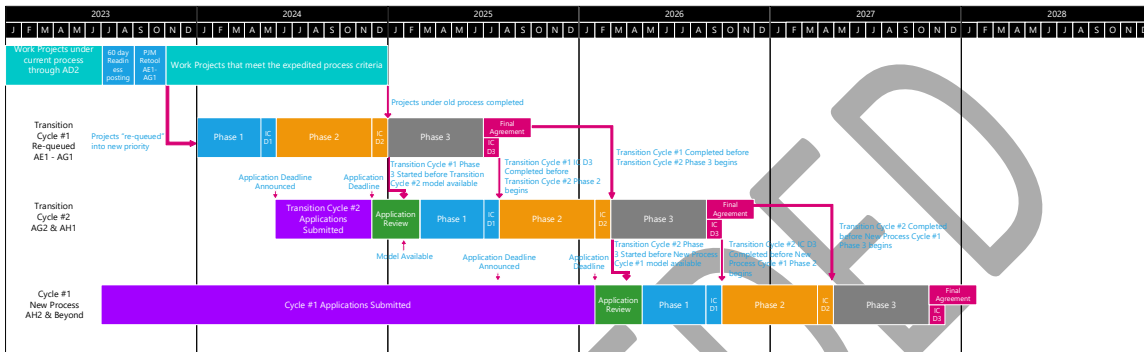


Figure 1: Transition Process Overview Diagram

No Block-Out Periods under the Transition Period or New Rules

During the implementation of the Transition Period Rules, there are no block-out periods i.e., no periods in which applications will not be accepted. When PJM provides notice that it will begin accepting applications for the first wholly new Cycle, applicants will need to ensure any New Service Requests meet the requirements of Tariff Part VIII.

Transition Period Rules

Transition Eligibility

PJM will announce the projected Transition Date via the PJM website at least 5 Business Days after PJM tenders the last AD2 and prior agreement so that Project Developers can prepare to meet the post Transition Date readiness requirements.

Within 60 calendar days after the Transition Date, a Project Developer or Eligible Customer that submitted a valid Interconnection Request to PJM during the period April 1, 2018 through September 30, 2020 (the AE1 through AG1 New Services Queues) and that has not been tendered an ISA or WMPA, and whose New Service Request has not been withdrawn will have to demonstrate readiness by:

1. Providing a Readiness Deposit of \$4,000 per MW:
 - The payment can be either by wire transfer or posting of a letter of credit.
 - Any Readiness Deposit provided, in whatever form, must include the Project Identifier (queue number), conspicuously marked.

Note: If a Project Developer intends to provide the readiness deposit using a Letter of Credit, a draft Letter of Credit (not executed) must be submitted within 30 days of the

Transition Date, in order for PJM to approve the language prior to the Project Developer formally submitting the Letter of Credit (LOC). The draft LOC must be completed using the template language available on the PJM website.

2. Demonstrating Site Control over the Site for the purpose of constructing a Generating Facility or Merchant Transmission Facility:
 - Site Control evidence may be through a (1) deed; (2) lease; (3) option to lease or purchase; or (4) as deemed acceptable by the Transmission Provider, any other contractual or legal right to possess, occupy and control the Site. Site control must be for 100 percent of the Generation Facility Site including the location of the high-voltage side of the Generating Facility's main power transformer(s) for at least a one-year term beginning from the Transition Date.
 - Site Control evidence must comply with requirements in Tariff, Part VII, Subpart A, section 302.

Site control must meet the acreage requirements in the table below.

Fuel Type	Requirement
Solar	5 acres per MW
Wind	30 acres per MW
Battery Storage	0.1 acres per MW
Synchronous Generator	10 acres per facility

Note: If PJM finds the acreage deficient, a Professional Engineer (PE) stamped site plan drawing (licensed in the state of the facility location) that depicts the proposed generation arrangement and specified the Maximum Facility Output for that arrangement will be accepted.

Note: There are no project reduction Tariff provisions available during the period site control will be reviewed by PJM. In the event that site control evidence does not meet the acreage requirements specified above or is unable to provide a PE stamped drawing, the project will be terminated and withdrawn.

The readiness requirements must be submitted via the queue point tool available on the PJM website.

If a Project Developer fails to satisfy the requirements above, its New Service Request will be terminated and withdrawn.

Readiness Submittals Review

For Project Developers that submit the readiness requirements, PJM will review the submittals beginning the first Business Day following the end of the 60 day submittal window. PJM may request additional information on the Site Control or Readiness Deposit submittals. In the event that PJM requests additional information, the Project Developer must provide a response within 5 Business Days of PJM sending such request. If a Project Developer fails to provide a satisfactory response to PJM's request

for additional information within 5 Business Days, its New Service Request will be terminated and withdrawn.

The New Service Request of a Project Developer that provides a satisfactory response to PJM's request for additional information will continue forward in the process.

Expedited Process Eligibility

After PJM completes the readiness submittal review, Project Developers who have met the readiness requirements specified above will be notified that they will be re-studied to determine shared Network Upgrades impacts.

PJM will use Reasonable Efforts to communicate the estimated timeframe to complete these re-studies within 90 days of the Transition Date. These projects will be studied on an updated base case model that was used for their System Impact Study analysis prior to the effective date of Tariff Part VII.

A New Service Request is not eligible for the expedited process if it has cost allocation eligibility for, or is identified as the first to cause, as determined according to Tariff, Part VI, section 217.3, a Network Upgrade that has a total estimated cost of greater than \$5,000,000. The cost estimate for each Network Upgrade will be based on PJM's most recently available data.

New Service Requests in queue windows AE1 through AG1 under the following category will be processed pursuant to the Transition Period Rules' expedited process:

1. Have not been tendered, or have not executed, a final ISA or WMPA; and
2. Have met the requirements for the restudy analysis; and
3. The restudy analysis has identified no Network Upgrade requirements or no cost allocation for shared Network Upgrade(s) whose total cost is greater than \$5 million.

New Service Requests submitted in the AE1 through AG1 queue windows that do not meet the expedited process eligibility criteria will be reprioritized to Transition Cycle #1.

The cost associated with the following factors are not considered as part of the analysis to determine expedited process eligibility:

- a. Costs associated with Interconnection Facilities required to interconnect the Project Developer's New Service Request;
- b. Costs associated with approved baseline or supplemental projects as determined in accordance with the Regional Transmission Expansion Plan.
- c. Costs associated with Affected System impacts.

After the re-study is completed, PJM will notify Project Developer and will provide instructions on how to access the results. More details will be made available through the stakeholder process.

Expedited Process Rules

Projects that are eligible for the expedited process will be subject to the following rules:

1. No additional Readiness Deposits or other readiness requirements will apply to expedited process projects. Readiness Deposit provided during the readiness posting period will not be at risk for any project that remains in the expedited process.
2. If a project is an uprate (project relies on the Interconnection Facilities of a prior project) the base project must also qualify for the expedited process in order for the uprate to be included in the expedited process.
3. If a short circuit, stability analysis or a sag study is completed during the expedited process, and it is determined that a reinforcement project is required that has an estimated Network Upgrade cost greater than \$5,000,000, the project will be removed from the expedited process and shifted to Transition Cycle #1.
4. If it is determined during the Facilities Study that the cost of a Network Upgrade is now estimated to be greater than \$5,000,000, the project will be removed from the expedited process and shifted to Transition Cycle #1.
5. Projects in the expedited process will have their Facilities Studies completed, and will be tendered an interconnection-related service agreement pursuant to Tariff, Part IX.

AE1-AG1 Transition Cycle #1

AE1-AG1 projects that have met the readiness requirements but were not eligible for expedited processing will be processed in Transition Cycle #1.

An overview of Transition Cycle #1 is provided in the diagram below.

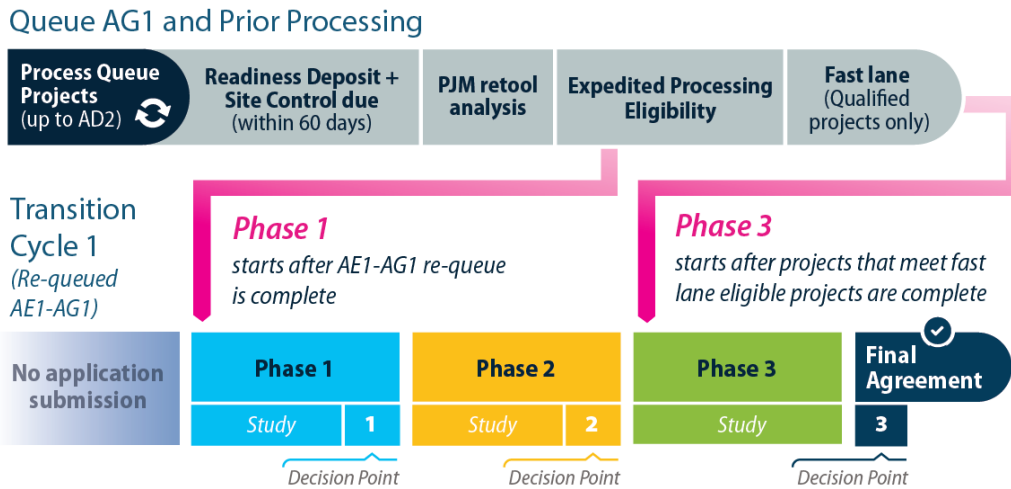


Figure 2: Transition Cycle #1 Diagram

Timing of Transition Cycle #1

Phase I of Transition Cycle #1 will start after PJM completes the expedited process vs. TC1 sort and no later than one year from the Transition Date. Transition Cycle #1 will run concurrently with the expedited process.

Phase III of Transition Cycle #1 will not start until after all valid projects in the expedited process have executed their relevant interconnection-related agreement. The applicable forms of agreement are set forth in Tariff, Part IX.

PJM will make the Transition Cycle #1 load flow model available to Project Developers 30 days prior to the start of Phase I, subject to Critical Energy Infrastructure Information requirements.

Application Requirements

There is no requirement in Transition Cycle #1 to complete the application contained in Tariff, Part IX, and there is no Application Review Phase in Transition Cycle #1. PJM will proceed with the required studies using the latest System Impact Study data available for each New Service Request.

Deposits

Required study and readiness deposits will be as detailed in the Deposit section below.

A Study Deposit is not required with the Readiness Deposit payment within 60 days of the Transition Date. However, additional Study Deposits may be requested from the Project Developer, if remaining Study Deposits are not sufficient to cover the estimated costs of the interconnection studies. Project Developers are responsible for, and must pay, all actual study costs. If PJM sends Project Developer or notification of additional study costs, then the Project Developer must either (i) pay all additional study costs within 20 Business Days of Transmission Provider sending the notification of such additional study costs or

(ii) withdraw its New Service Request. If the Project Developer does not complete (i) or (ii), its project will be withdrawn and terminated.

Modifications

No changes or modifications to a New Service Request will be permitted after the Transition Date until Transition Cycle #1 Decision Points I and II in accordance with Tariff Part VII.

AG2-AH1 Transition Cycle # 2

Overview

Each valid New Service Request from AG2-AH1 will be assigned to Transition Cycle #2. An overview of the Transition Cycle #2 process is provided in the diagram below.

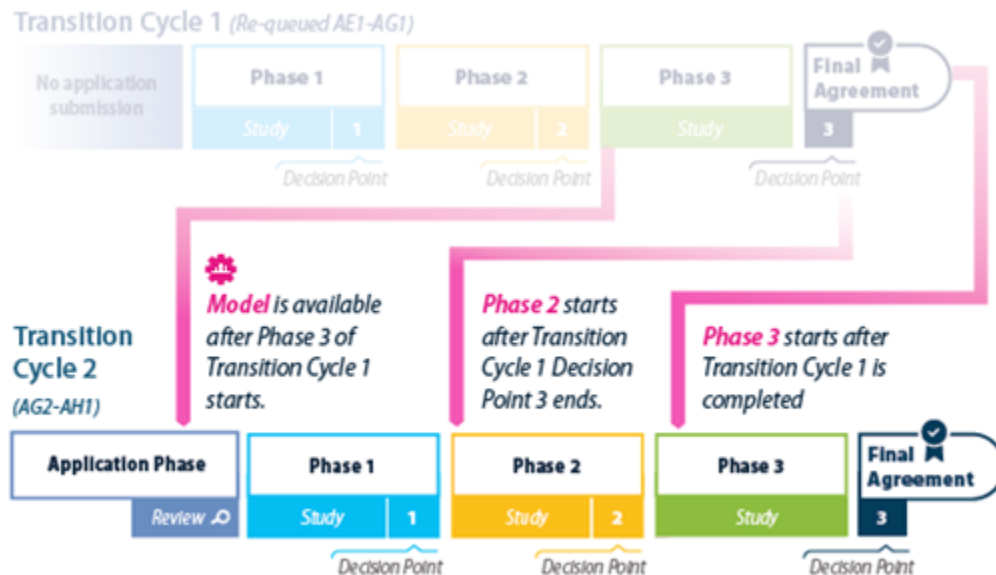


Figure 3: Transition Cycle #2 Diagram

Timing of Transition Cycle No. 2

PJM will announce the Transition Cycle #2 Application Deadline at least 180 days prior to the Application Deadline.

Phase I of Transition Cycle #2 will only start after:

- (i) all application review period activities have been completed for that Cycle; and
- (ii) the Phase I Base Case data has been made available for a 30 day review during the Application Phase of that Cycle. Phase 1 Base Case data will be available after Decision Point II of Transition Cycle #1 has concluded.

PJM will use Reasonable Efforts to complete Phase I within 120 calendar days of the start of Phase II, or on the next Business Day thereafter, if the 120th calendar day does not fall on a Business Day.

Phase II of Transition Cycle #2 will start on the first Business Day immediately following the end of the Decision Point I unless Decision Point III of Transition Cycle #1 is still open. In no event will Phase II start before the conclusion of Transition Cycle # 1 Decision Point III.

PJM will use Reasonable Efforts to complete Phase II within 180 calendar days of the start of Phase II, or on the next Business Day thereafter, if the 180th calendar day does not fall on a Business Day.

Phase III of Transition Cycle #2 will start on the first Business Day following the end of Decision Point II unless the Final Agreement Negotiation Phase of Transition Cycle #1 is still open. In no event shall Phase III commence before the Final Agreement Negotiation Phase of Transition Cycle #1 has concluded (with all New Service Requests within Transition Cycle #1 either being withdrawn or resulting in a fully executed Tariff, Part IX service agreement).

PJM will use Reasonable Efforts to complete Phase III within 180 calendar days of the start of Phase III, or on the next Business Day thereafter, if the 180th calendar day does not fall on a Business Day.

Application Requirements

The application requirements are summarized below. Application submissions will be made electronically following the guidance within the PJM application submission tool.

Application Requirements for Project Developers or Eligible Customers

To move forward in Transition Cycle #2, each Project Developer or Eligible Customer with valid projects in AG2 through AH1 must submit an application in the form provided in Tariff, Attachment IX and submit the required Study Deposit amounts and a Readiness Payment by the Application Deadline, as outlined in Tariff, Part VII, Subpart C, section 306, Application Rules.

Application Requirements for Upgrade Customers

To move forward in Transition Cycle #2, each Upgrade Customer with a valid project in AG2-AH1 must submit an Upgrade Application and Studies Agreement (UASA) with revised technical data and/or configuration information and submit the required Study Deposit amounts, as set forth in Tariff, Part VII, Subpart H, section 337, Upgrade Requests.

Each Upgrade Request from AG2-AH1 will maintain its existing priority relative to other AG2-AH1 Upgrade Requests upon successful resubmission under Tariff, Part VII,

Subpart H, section 337 Upgrade Requests. The priority for AG2 and AH1 Upgrade Requests is subsequent to valid AG1 and prior requests.

Deposits

Required study and readiness deposits will be as detailed below the Deposits section of this document.

During the Application Phase, existing unspent Study Deposits will be taken into account.

Modifications

The following modification restrictions apply to application submissions in Transition Cycle #2. No changes will be accepted prior to Transition Cycle #2 application submission.

1. the fuel type cannot change from that which was previously submitted for the valid projects in AG2 through AH1; and
2. Maximum Facility Output and/or Capacity Interconnection Rights values cannot be increased but may be reduced up to 100 percent from that which was previously submitted for the valid projects in AG2 through AH1; and
3. the Project Developer must choose between the primary or secondary Point of Interconnection as previously identified in its New Service Request from that which was previously submitted for the valid projects in AG2 through AH1; and
4. Eligible Customer transmission capacity requested for each Point of Receipt and each Point of Delivery on the Transmission System cannot increase but may be reduced up to 100 percent from that which was previously submitted for the valid projects in AG2 through AH1.

Additional modifications will only be permitted at Transition Cycle II Decision Points I and II in accordance with Tariff Part VII.

Transition Cycle Phases and Decision Points

Application Phase

This is the Cycle period that includes both the submission and review of New Service Requests. The Project Developer or Eligible Customer submits an application during this Phase and PJM validates the submission and assigns a Project Identifier as summarized in Tariff Part VII. Application Phase is only applicable to Transition Cycle #2.

Phase I, Phase II and Phase III

An overview of the activities performed in each System Impact Study phase is summarized below and further described in Tariff Part VII.

Item	Phase I	Phase II	Phase III
Duration	120 Calendar Days (Reasonable Efforts)	180 Calendar Days (Reasonable Efforts)	180 Calendar Days (Reasonable Efforts)
Analysis	Summer Peak load flow analysis Light Load load flow Analysis	Retool load flow results Short circuit study Stability analysis Initial Affected System study results (if needed) PJM will notify Project Developer or Eligible Customer of requirement to enter into an Affected System Study Agreement (if needed)	Final retool of all Phase II analyses Final Affected System study (if needed)
Transmission Owner Interconnection Facilities	Transmission Owner provides planning desk-side estimate - Scope, cost, schedule	Transmission Owner performs Facilities study and provides Scope, cost, schedule – Facilities Study level estimate	Project Developer or Eligible Customer provides target backfeed date
Network Upgrades	Transmission Owner provides Scope, cost, schedule – planning desk-side estimate PJM provides cost allocation	Transmission Owner provides Scope, cost, schedule – planning desk-side estimate PJM provides cost allocation	Transmission Owner performs Facilities study for Network Upgrades PJM provides final cost allocation
Final Agreement Related Items	For projects accelerating to final agreements: PJM will draft final agreements, calculate security as applicable and tender at the close of the phase.	For projects accelerating to final agreements: PJM will draft final agreements, calculate security as applicable and tender at the close of the phase.	PJM will draft final agreements, calculate security as applicable and tender at the close of the phase.

Figure 4: Cycle Phase I, Phase II, Phase III Overview

Study results will be provided as a single cycle format on the PJM website. Project Developers will no longer be emailed individual results and will need to obtain the results from the website.

PJM will use Reasonable Efforts to complete the phase within the duration specified above or notify the project Developer or Eligible Customer of the estimated time to complete the phase in accordance with Tariff Part VII. If the last day of the applicable phase time period does not fall on a Business Day, such last day will fall on the next Business Day.

Decision Points

During each Decision Point following PJM's posting of the System Impact Study results, a Project Developer or Eligible Customer will have a thirty calendar day window to provide any required information and deposit to proceed to the next phase, modify request as applicable or withdraw. If the thirtieth calendar day does not fall on a Business Day, the Project Developer or Eligible Customer shall have until the next Business Day to meet these requirements. All New Service Requests must comply with the Decision Point requirements outlined in Part VII, Subpart D, section 309; Subpart D, section 311; and Subpart D, section 313.

Final Agreement Negotiation Phase

During the Final Agreement Negotiation Phase, PJM will negotiate the terms of the final agreement with the parties to the agreements. The final agreement Negotiation Phase for each cycle will follow the procedures outlined in Tariff Part VII, Subpart D, section 314. PJM will use Reasonable Efforts to complete this phase within 60 days from the close of Phase III.

Site Control Requirements

Project Developers must provide evidence of Site Control at various points in a Cycle. Site Control submissions must comply with the requirements in Tariff, Part VII, Subpart A, section 302 and 303, Subpart B, section 303, Subpart C, section 306, and Subpart D, sections 309, 311, and section 313.

Site Control term requirements are summarized below:

Site Control Term	
SUBMISSION #1 – APPLICATION PHASE	
Full Site Control: <ul style="list-style-type: none"> • 100% Generating Facility: deed/lease/option (See Note 1) 	Term Requirement: <ul style="list-style-type: none"> • One Year from Application Deadline
SUBMISSION #2 – DECISION POINT I (See Note 2)	
Partial Site Control: <ul style="list-style-type: none"> • 100% Generating Facility: deed/lease/option • 50% Interconnection Facilities: deed/lease/option/Right of Way • 50% Interconnection Switchyard: deed/lease/option 	Term Requirement: <ul style="list-style-type: none"> • Additional one Year from last day of Phase I • One Year from last day of Phase I • One Year from last day of Phase I
SUBMISSION #3 – DECISION POINT III (See Note 3)	
Full Site Control: <ul style="list-style-type: none"> • 100% Generating Facility: deed/lease/option • 100% Interconnection Facilities: deed/lease/option/Right of Way • 100% Interconnection Switchyard: deed/lease/option (See Note 4) 	Term Requirement: <ul style="list-style-type: none"> • Additional one Year from last day of Phase III • Additional one Year from last day of Phase III • Additional one Year from last day of Phase III

Figure 5 Site Control Requirements

The following notes apply to the site control term requirements:

Note 1: Merchant Transmission projects need to demonstrate 100% Site Control for Transmission Substation Facility (e.g. HVDC converter station, phase angle regulator (PAR), and/or variable frequency transformer (VFT)) up front in Application Phase. (The Transmission line not included).

Note 2: Jurisdictional projects that are eligible for an accelerated process to receive their final interconnection-related agreement at DPI or DP11 will be required to provide full Site Control for an additional three year term from the last day of Phase I or Phase II, respectively.

For a non-jurisdictional project, the Project Developer must provide such evidence for a three-year term beginning from last day of the relevant Cycle Phase that extends through full execution date of the relevant state level interconnection agreement with the

applicable entity, plus three years beyond such full execution date of the relevant state level interconnection agreement with the applicable entity.

If Project Developer fails to produce all required Site Control evidence at the time it is accelerated, it must show concrete evidence acceptable to PJM that it is in negotiations to achieve 100% of all required Site Control, and PJM will add a condition precedent to the final interconnection-related agreement requiring that such Site Control be achieved within 180 days of the effective date of the interconnection-related agreement.

If 100% Site Control is not obtained within 180 days of the effective date of the final interconnection-related agreement, then the project will automatically be deemed terminated and will be withdrawn from the cycle.

Note 3:

If 100% Site Control is not obtained by Decision Point III, then Project Developer must show concrete evidence acceptable to PJM that it is in negotiations to achieve 100% of all required Site Control for a period of at least 1 year from the last day of Phase III, and PJM will add a condition precedent to the final interconnection-related agreement requiring that within 180 days of the effective date of such agreement, 100% Site Control be acquired for at least 1 year from the last day of Phase III.

If 100% Site Control is not obtained within 180 days of the effective date of the final interconnection-related agreement, then the project will automatically be deemed terminated and will be withdrawn from the cycle.

Note 4:

Project Developer will need to be in compliance with Interconnection Transmission Owner's ultimate ownership requirements for the Interconnection Switchyard.

Deposits

Study Deposits and Readiness Deposits are separate financial obligations, are non-transferrable and cannot be commingled. Under no circumstances may refundable or non-refundable Study Deposit or Readiness Deposit monies for a specific New Service Request be applied in whole or in part to a different New Service Request.

Study Deposits

As outlined in Tariff, Part VII, Subpart C, section 306(A)(5), each New Service Request must submit a Study Deposit with its Application. A Study Deposit is a one-time deposit due at the beginning of the study process. This deposit covers the study costs. The amount of the Study Deposit will be determined based on the MWs requested in the Application as summarized below:

Project Size*	Study Deposit
0-20 MW	\$75,000
>20-50 MW	\$200,000
>50-100 MW	\$250,000
>100-250 MW	\$300,000
>250-750 MW	\$350,000
>750 MW	\$400,000

Figure 6: Required Study Deposit

The Applicant must send Study Deposits by wire transfer. The wire transfer must specify the Application reference number that the Study Deposit corresponds to. The Applicant must also enter the wire number in its queue point form for each application.

Additional Study Costs

Actual study costs may exceed the amount collected. In these cases, PJM will notify the Applicant of the shortfall amount. The Applicant will have 20 Business Days to provide the additional funds or its project will be deemed terminated and withdrawn from the Cycle.

Study Deposit Refunds

10% of the Study Deposit is non-refundable and can be used by PJM to fund any restudies that are required if the Applicant withdraws the request. The non-refundable portion of the Study Deposit is refundable upon reaching commercial operation. The remaining portion is refundable at the conclusion of the required studies for the New Service Request, after all outstanding invoices related to the present or prior New Service Request have been paid by the Applicant.

Timing for Deposit Refunds is summarized below:

Category	Percentage of Deposit	Timing of Refund
Refundable	90%	Refunded at the conclusion of required studies
Non-refundable	10%	Refunded upon reaching commercial operation

Figure 7 Timing for Deposit Refunds

Readiness Deposits

Readiness Deposits are funds committed by the Project Developer or Eligible Customer based upon the MW size of the project and, where applicable, the study results. Readiness Deposits must be provided through a wire transfer or a letter of credit.

Readiness Deposit requirements are summarized in the table below:

	Applicable Phase	Readiness Deposit Required	Readiness Deposit Due
Readiness Deposit No. 1 (RD1)	Application Submission	\$4,000 x Project Size (MW) See Note 5	RD1 = \$4,000 x Project Size (MW) See Note 5
Readiness Deposit No. 2 (RD2)	Decision Point I	The greater of: (10% of cost allocation towards required Network Upgrades or RD1)	RD2 = 10% of cost allocation towards required Network Upgrades <i>minus</i> RD1 See Note 6
Readiness Deposit No. 3 (RD3)	Decision Point II	The greater of: (20% of cost allocation towards required Network Upgrades or (RD1 + RD2)) minus (RD1 + RD2)	20% of cost allocation towards required Network Upgrades <i>minus</i> (RD1 + RD2)

Figure 8 Readiness Deposit Requirements

Note 5: Project size refers to the higher of the requested Maximum Facility Output or Capacity Interconnection Rights

Note 6: Readiness Deposit No.2 and Readiness Deposit No.3 can be zero, but may not be a negative number.

Readiness Deposit Refunds:

Refunds of Readiness Deposit amounts are subject to a final determination of the Network Upgrades that are required for the applicable Cycle, and for projects that have withdrawn or been terminated, are based on the Decision Point at which they were terminated or withdrawn. Readiness Deposit amounts may also be refunded in the event of certain adverse study results. They are not to be refunded or reduced based upon later project reductions or cost allocation changes. If applicable, refunds of Readiness Deposit amounts will be issued when all Cycle New Service Requests have either:

- a. entered into final agreements and met the Decision Point III Site Control requirements or
- b. withdrawn.

Readiness Deposits are partially or wholly at risk if a project is withdrawn or deemed terminated. Upon withdrawal or termination of a New Service Request, PJM will refund the portion of the paid Readiness Deposits that are not at risk.

Readiness Deposit		Amount At Risk
Readiness No. 1	Deposit	Prior to the close of Decision Point I – 50% at risk
		At the end of Decision Point I – 100% at risk
Readiness No. 2	Deposit	Prior to the close of Decision Point II– not at risk
		After Decision Point III– 100% at risk
Readiness No. 3	Deposit	100% at risk

Figure 9 Readiness Deposit at Risk

If a Project Developer or Eligible Customer chooses to withdraw its New Service Request at Decision Point I, it will receive a refund of 50% of Readiness Deposit No. 1.

Treatment of Readiness Deposits due to Adverse Study Results

Adverse study results tests will be applied at Decision Points II and III. If a New Service Request meets the criteria below and chooses to withdraw the request, PJM will refund the cumulative Readiness Deposit amounts paid by the Project Developer at the Application Phase, at Decision Point I, and at Decision Point II if applicable.

Adverse Study Results Test Criteria:

- At Decision Point II, there is an increase in Network Upgrade costs allocated to the project of 25% or greater **and** more than \$10,000 per MW from Phase I study results.
- At Decision Point III, there is an increase in Network Upgrade costs allocated to the project of 35% or greater **and** more than \$25,000 per MW from Phase II study results.

Forfeited Readiness Deposits

Readiness Deposits from withdrawn projects that have not triggered the adverse study results test will be forfeited in accordance with Tariff, Part VII, Subpart A, section 301(A)(3)(b)(iii). **Forfeited Readiness Deposits** are pooled throughout the Cycle to be used to mitigate late-stage withdrawals. **Late-stage withdrawals** are defined as those that occur after Phase III studies are complete. Withdrawals at the end of the study process, after Phase III studies are complete, provide a small window for the remaining projects to adjust, and significant costs shifts resulting from late stage withdrawals may make the remaining projects less viable.

Once all projects in the Cycle have entered into final interconnection-related agreements and satisfied the applicable Site Control requirements, or have been withdrawn, PJM will perform a retool study, incorporating all withdrawals, to determine what system Network Upgrades remain necessary. **Underfunded Network Upgrades** will be identified, and forfeited Readiness Deposits will be used to help fund these upgrades.

It is possible that there will not be enough funds in the forfeited Readiness Deposit pool to mitigate all underfunding or there could be a surplus. If there are not enough funds to mitigate all underfunded Network Upgrades, the costs allocated to the remaining New Service Requests in the Cycle will increase accordingly. Any surplus Readiness Deposits after any underfunding is mitigated will be refunded to Project Developers and Eligible Customers on a pro-rata basis. If after the retool no underfunded Network Upgrades are identified, all Readiness Deposits will be refunded.

At the point PJM disposes of the Forfeited Readiness Deposits, a Project Developer or Eligible Customer that wishes to proceed to the Final Agreement Negotiation Phase must provide Security based on the Network Upgrades costs allocated to it pursuant to the Phase III System Impact Study results. Project Developers and Eligible Customers must provide this Security before the close of Decision Point III or their New Service Request will be deemed withdrawn.

Deposit at Risk:

Study and Readiness deposit are at risk to be forfeited at various points in a Cycle. The diagram below summarizes when each deposit is due and how much is at risk at each phase.

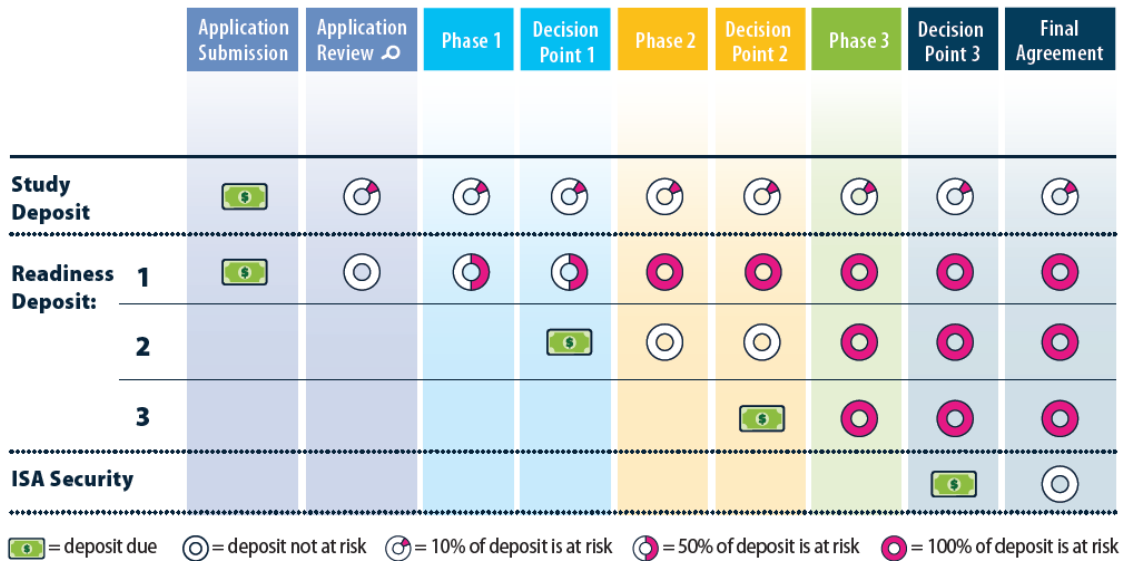


Figure 10 Study and Readiness Deposits at Risk

Separate Treatment for Deposits and Security

Study Deposits and Readiness Deposits are held separately and are non-transferrable. If a Project Developer or Eligible Customer is sending Readiness Deposit No. 1 by wire transfer, it must send a separate wire transfer for its Study Deposit.

Readiness Deposits are also held separately from Security funds. Security is to be collected in full prior to entering the Agreement Negotiation phase. Readiness Deposits are to be treated separately and available for refund in accordance with the Readiness Deposit Refunds section above once all Decision Point III Site Control requirements have been met and the final agreement is executed.

Summary of acceptable forms of payment:

Type of Payment	Acceptable Forms
Study Deposit	Wire transfer
Readiness Deposit	Wire transfer or letter of credit
Final Agreement Security	Wire transfer or letter of credit

Figure 11 Acceptable Forms of Payment

Letters of credit are subject to review and approval by PJM.. Project Developers are required to use the Letter of Credit template available on pjm.com and queue point.

Additional Information Applicable to All Request Types

Non-FERC Jurisdictional Interconnections:

If a Project Developer is proposing a Generating Facility that will physically connect to non-jurisdictional distribution or sub-transmission facilities and intends to participate in wholesale sales in the PJM markets, the Project Developer must provide additional required information and documentation associated with the non-jurisdictional arrangements, as outlined in Tariff, Part VII, Subpart D, sections 309, 311 and 313 and Tariff, Part IX, Subpart C.

Swapping New Service Requests

A Project Developer or Eligible Customer cannot combine, swap or exchange all or part of a New Service Request with any other New Service Request within the same or a different Cycle.

Assigning New Service Requests

Before entering into a final agreement from Tariff, Part IX, a Project Developer or Eligible Customer may assign its New Service Request to another entity only if the acquiring entity:

- a. as applicable, accepts and acquires the rights to the same Point of Interconnection and Point of Change of Ownership as identified in the New Service Request for the project;
- b. and/or as applicable, accepts, as applicable, the same receipt and delivery points or the same source and sink points as stated in the New Service Request for such project.

Appendix A – Transition Process Overview Diagram

