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## 2. DEFINITIONS

Definitions specific to this Attachment are set forth below. In addition, any capitalized terms used in this Attachment not defined herein shall have the meaning given to such terms elsewhere in this Tariff or in the RAA. References to section numbers in this Attachment DD refer to sections of this attachment, unless otherwise specified.

### 2.1A Annual Demand Resource

“Annual Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

### 2.1B Annual Resource

“Annual Resource” shall mean a Generation Capacity Resource, an Energy Efficiency Resource or an Annual Demand Resource.

### 2.1C Annual Resource Price Adder

“Annual Resource Price Adder” shall mean an addition to the marginal value of Unforced Capacity and the Extended Summer Resource Price Adder as necessary to reflect the price of Annual Resources required to meet the applicable Minimum Annual Resource Requirement.

### 2.1D Annual Revenue Rate

“Annual Revenue Rate” shall mean the rate employed to assess a compliance penalty charge on a Demand Resource Provider under section 11.

## 2.2 Avoidable Cost Rate

“Avoidable Cost Rate” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.

### 2.2A Backbone Transmission Conditional Incremental Auction

“Backbone Transmission Conditional Incremental Auction” shall mean an Incremental Auction conducted for a Delivery Year if and when necessary to secure commitments of additional capacity to address reliability criteria violations arising from the delay in a Backbone Transmission upgrade that was modeled in the Base Residual Auction for such Delivery Year.

### **2.3 Base Load Generation Resource**

“Base Load Generation Resource” shall mean a Generation Capacity Resource that operates at least 90 percent of the hours that it is available to operate, as determined by the Office of the Interconnection in accordance with the PJM Manuals.

### **2.4 Base Offer Segment**

“Base Offer Segment” shall mean a component of a Sell Offer based on an existing Generation Capacity Resource, equal to the Unforced Capacity of such resource, as determined in accordance with the PJM Manuals. If the Sell Offers of multiple Market Sellers are based on a single existing Generation Capacity Resource, the Base Offer Segments of such Market Sellers shall be determined pro rata based on their entitlements to Unforced Capacity from such resource.

### **2.5 Base Residual Auction**

“Base Residual Auction” shall mean the auction conducted three years prior to the start of the Delivery Year to secure commitments from Capacity Resources as necessary to satisfy any portion of the Unforced Capacity Obligation of the PJM Region not satisfied through Self-Supply.

### **2.6 Buy Bid**

“Buy Bid” shall mean a bid to buy Capacity Resources in any Incremental Auction.

### **2.7 Capacity Credit**

“Capacity Credit” shall have the meaning specified in Schedule 11 of the Operating Agreement, including Capacity Credits obtained prior to the termination of such Schedule applicable to periods after the termination of such Schedule.

### **2.8 Capacity Emergency Transfer Limit**

“Capacity Emergency Transfer Limit” or “CETL” shall have the meaning provided in the Reliability Assurance Agreement.

### **2.9 Capacity Emergency Transfer Objective**

“Capacity Emergency Transfer Objective” or “CETO” shall have the meaning provided in the Reliability Assurance Agreement.

### **2.9A Capacity Export Transmission Customer**

“Capacity Export Transmission Customer” shall mean a customer taking point to point transmission service under Part II of this Tariff to export capacity from a generation resource located in the PJM Region that is delisted from Capacity Resource status as described in section

5.6.6(d).

## **2.10 Capacity Market Buyer**

“Capacity Market Buyer” shall mean a Member that submits bids to buy Capacity Resources in any Incremental Auction.

## **2.11 Capacity Market Seller**

“Capacity Market Seller” shall mean a Member that owns, or has the contractual authority to control the output or load reduction capability of, a Capacity Resource, that has not transferred such authority to another entity, and that offers such resource in the Base Residual Auction or an Incremental Auction.

## **2.12 Capacity Resource**

“Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

## **2.13 Capacity Resource Clearing Price**

“Capacity Resource Clearing Price” shall mean the price calculated for a Capacity Resource that offered and cleared in a Base Residual Auction or Incremental Auction, in accordance with Section 5.

## **2.14 Capacity Transfer Right**

“Capacity Transfer Right” shall mean a right, allocated to LSEs serving load in a Locational Deliverability Area, to receive payments, based on the transmission import capability into such Locational Deliverability Area, that offset, in whole or in part, the charges attributable to the Locational Price Adder, if any, included in the Zonal Capacity Price calculated for a Locational Delivery Area.

## **2.14A ~~Reserved. Conditional Incremental Auction~~**

~~“Conditional Incremental Auction” shall mean an Incremental Auction conducted for a Delivery Year if and when necessary to secure commitments of additional capacity to address reliability criteria violations arising from the delay in a Backbone Transmission upgrade that was modeled in the Base Residual Auction for such Delivery Year.~~

## **2.15 CONE Area**

“CONE Area” shall mean the areas listed in section 5.10(a)(iv)(A) and any LDAs established as CONE Areas pursuant to section 5.10(a)(iv)(B).

## **2.16 Cost of New Entry**

“Cost of New Entry” or “CONE” shall mean the nominal levelized cost of a Reference Resource, as determined in accordance with section 5.

#### **2.16A Credit-Limited Offer**

“Credit-Limited Offer” shall have the meaning provided in Attachment Q to this Tariff.

#### **2.17 Daily Deficiency Rate**

“Daily Deficiency Rate” shall mean the rate employed to assess certain deficiency charges under sections 7, 8, 9, or 13.

#### **2.18 Daily Unforced Capacity Obligation**

“Daily Unforced Capacity Obligation” shall mean the capacity obligation of a Load Serving Entity during the Delivery Year, determined in accordance with Schedule 8 of the Reliability Assurance Agreement.

#### **2.19 Delivery Year**

Delivery Year shall mean the Planning Period for which a Capacity Resource is committed pursuant to the auction procedures specified in Section 5.

#### **2.20 Demand Resource**

“Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

#### **2.21 Demand Resource Factor**

“Demand Resource Factor” shall have the meaning specified in the Reliability Assurance Agreement.

#### **2.22 Demand Resource Provider**

“Demand Resource Provider” shall mean a PJM Member that has the capability to reduce load, or that aggregates customers capable of reducing load. The Demand Resource Provider shall notify the Office of the Interconnection whether such load reduction is provided by a Limited Demand Resource, Extended Summer Demand Resource or an Annual Demand Resource. A Curtailment Service Provider, as defined in the Operating Agreement, may be a Demand Resource Provider, provided it qualifies its load reduction capability as a Limited Demand Resource, Extended Summer Demand Resource, or Annual Demand Resource.

#### **2.23 EFORd**

“EFORd” shall have the meaning specified in the PJM Reliability Assurance Agreement.

## **2.24 Energy Efficiency Resource**

“Energy Efficiency Resource” shall have the meaning specified in the PJM Reliability Assurance Agreement.

### **2.24A Extended Summer Demand Resource**

“Extended Summer Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

### **2.24B Extended Summer Resource Price Adder**

“Extended Summer Resource Price Adder” shall mean an addition to the marginal value of Unforced Capacity as necessary to reflect the price of Annual Resources and Extended Summer Demand Resources required to meet the applicable Minimum Extended Summer Resource Requirement.

### **2.24C Extended Summer Demand Resource Reliability Target**

“Extended Summer Demand Resource Reliability Target” for the PJM Region or an LDA, shall mean the maximum amount of the combination of Extended Summer Demand Resources and Limited Demand Resources in Unforced Capacity determined by PJM to be consistent with the maintenance of reliability, stated in Unforced Capacity, that shall be used to calculate the Minimum Annual Resource Requirement. As more fully set forth in the PJM Manuals, PJM calculates the Extended Summer DR Reliability Target, by first determining a reference annual loss of load expectation (“LOLE”) assuming no Demand Resources. The calculation for the unconstrained portion of the PJM Region uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast and iteratively shifting the load distributions to result in the Installed Reserve Margin established for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Installed Reserve Margin study for the Delivery Year in question). The calculation for each relevant LDA uses a daily distribution of loads under a range of weather scenarios (based on the most recent load forecast for the Delivery Year in question) and a weekly capacity distribution (based on the cumulative capacity availability distributions developed for the Capacity Emergency Transfer Objective study for the Delivery Year in question). For the relevant LDA calculation, the weekly capacity distributions are adjusted to reflect the Capacity Emergency Transfer Limit for the Delivery Year in question.

For both the PJM Region and LDA analyses, PJM then models the commitment of varying amounts of DR (displacing otherwise committed generation) as interruptible from May 1 through October 31 and unavailable from November 1 through April 30 and calculates the LOLE at each DR level. The Extended Summer DR Reliability Target is the DR amount, stated as a percentage of the unrestricted peak load, that produces no more than a ten percent increase in the LOLE, compared to the reference value. The Extended Summer Demand Resource Reliability Target shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [the Forecast Pool Requirement] times [the DR Factor] times [the forecasted peak load of the PJM

Region or such LDA, reduced by the amount of load served under the FRR Alternative].

**2.25 [Reserved]**

**2.26 Final RTO Unforced Capacity Obligation**

“Final RTO Unforced Capacity Obligation” shall mean the capacity obligation for the PJM Region, determined in accordance with Schedule 8 of the Reliability Assurance Agreement.

**2.26A [Reserved]**

**2.27 First Incremental Auction**

“First Incremental Auction” shall mean, for Delivery Years through the 2016-2017 Delivery Year, an Incremental Auction conducted 20 months prior to the start of the Delivery Year to which it relates.

**2.28 Forecast Pool Requirement**

“Forecast Pool Requirement” shall have the meaning specified in the Reliability Assurance Agreement.

**2.29 [Reserved]**

**2.30 [Reserved]**

**2.31 Generation Capacity Resource**

“Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

**2.32 [Reserved]**

**2.33 [Reserved]**

**2.34 Incremental Auction**

“Incremental Auction” shall mean any of several auctions conducted for a Delivery Year after the Base Residual Auction for such Delivery Year and before the first day of such Delivery Year, including (depending on the Delivery Year), the First Incremental Auction, Second Incremental Auction, Third Incremental Auction, the First Scheduled Incremental Auction, Twenty-Month Conditional Second Incremental Auction, Third Incremental Ten-Month Conditional Auction, or Backbone Transmission Conditional Incremental Auction. Incremental Auctions (depending on the auction other than the Conditional Incremental Auction), shall be held for, among other the purposes of:

(i) allowing Market Sellers that committed Capacity Resources in the Base Residual Auction for a Delivery Year, which subsequently are determined to be unavailable to deliver the committed Unforced Capacity in such Delivery Year (due to resource retirement, resource cancellation or construction delay, resource derating, EFORD increase, a decrease in the Nominated Demand Resource Value of a Planned Demand Resource, delay or cancellation of a Qualifying Transmission Upgrade, or similar occurrences) to submit Buy Bids for replacement Capacity Resources; and

(ii) allowing the Office of the Interconnection to reduce or increase the amount of committed capacity secured in prior auctions for such Delivery Year if, as a result of changed circumstances or expectations since the prior auction(s), there is, respectively, a significant excess or significant deficit of committed capacity for such Delivery Year, for the PJM Region or for an LDA.

#### **2.34A Incremental Auction Settlement Adjustment Charge**

“Incremental Auction Settlement Adjustment Charge” shall mean a charge assessed on Capacity Market Buyers purchasing replacement Capacity Resources in an Incremental Auction under certain conditions.

#### **2.35 Incremental Capacity Transfer Right**

“Incremental Capacity Transfer Right” shall mean a Capacity Transfer Right allocated to a Generation Interconnection Customer or Transmission Interconnection Customer obligated to fund a transmission facility or upgrade, to the extent such upgrade or facility increases the transmission import capability into a Locational Deliverability Area, or a Capacity Transfer Right allocated to a Responsible Customer in accordance with Schedule 12A of the Tariff.

#### **2.36 [Reserved]**

#### **2.36A Limited Demand Resource**

“Limited Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

#### **2.36B Limited Demand Resource Reliability Target**

“Limited Demand Resource Reliability Target” for the PJM Region or an LDA, shall mean the maximum amount of Limited Demand Resources determined by PJM to be consistent with the maintenance of reliability, stated in Unforced Capacity that shall be used to calculate the Minimum Extended Summer Demand Resource Requirement for the PJM Region or such LDA. As more fully set forth in the PJM Manuals, PJM calculates the Limited Demand Resource Reliability Target by first: i) testing the effects of the ten-interruption requirement by comparing possible loads on peak days under a range of weather conditions (from the daily load forecast distributions for the Delivery Year in question) against possible generation capacity on such days under a range of conditions (using the cumulative capacity distributions employed in the Installed Reserve

Margin study for the PJM Region and in the Capacity Emergency Transfer Objective study for the relevant LDAs for such Delivery Year) and, by varying the assumed amounts of DR that is committed and displaces committed generation, determines the DR penetration level at which there is a ninety percent probability that DR will not be called (based on the applicable operating reserve margin for the PJM Region and for the relevant LDAs) more than ten times over those peak days; ii) testing the six-hour duration requirement by calculating the MW difference between the highest hourly unrestricted peak load and seventh highest hourly unrestricted peak load on certain high peak load days (e.g., the annual peak, loads above the weather normalized peak, or days where load management was called) in recent years, then dividing those loads by the forecast peak for those years and averaging the result; and (iii) *(for the 2016-2017 and subsequent Delivery Years) testing the effects of the six-hour duration requirement by comparing possible hourly loads on peak days under a range of weather conditions (from the daily load forecast distributions for the Delivery Year in question) against possible generation capacity on such days under a range of conditions (using a Monte Carlo model of hourly capacity levels that is consistent with the capacity model employed in the Installed Reserve Margin study for the PJM Region and in the Capacity Emergency Transfer Objective study for the relevant LDAs for such Delivery Year) and, by varying the assumed amounts of DR that is committed and displaces committed generation, determines the DR penetration level at which there is a ninety percent probability that DR will not be called (based on the applicable operating reserve margin for the PJM Region and for the relevant LDAs) for more than six hours over any one or more of the tested peak days.* Second, PJM adopts the lowest result from these *three* tests as the Limited Demand Resource Reliability Target. The Limited Demand Resource Reliability Target shall be expressed as a percentage of the forecasted peak load of the PJM Region or such LDA and is converted to Unforced Capacity by multiplying [the reliability target percentage] times [the Forecast Pool Requirement] times [the DR Factor] times [the forecasted peak load of the PJM Region or such LDA, reduced by the amount of load served under the FRR Alternative].

### **2.37 Load Serving Entity (LSE)**

“Load Serving Entity” or “LSE” shall have the meaning specified in the Reliability Assurance Agreement.

### **2.38 Locational Deliverability Area (LDA)**

“Locational Deliverability Area” or “LDA” shall mean a geographic area within the PJM Region that has limited transmission capability to import capacity to satisfy such area’s reliability requirement, as determined by the Office of the Interconnection in connection with preparation of the Regional Transmission Expansion Plan, and as specified in Schedule 10.1 of the Reliability Assurance Agreement.

### **2.39 Locational Deliverability Area Reliability Requirement**

“Locational Deliverability Area Reliability Requirement” shall mean the projected internal capacity in the Locational Deliverability Area plus the Capacity Emergency Transfer Objective for the Delivery Year, as determined by the Office of the Interconnection in connection with preparation of the Regional Transmission Expansion Plan, less the minimum internal resources



required for all FRR Entities in such Locational Deliverability Area, and less any necessary adjustment for Price Responsive Demand proposed in a PRD Plan or committed following an RPM Auction for the Zones comprising such Locational Deliverability Area for such Delivery Year.

#### **2.40 Locational Price Adder**

“Locational Price Adder” shall mean an addition to the marginal value of Unforced Capacity within an LDA as necessary to reflect the price of Capacity Resources required to relieve applicable binding locational constraints.

#### **2.41 Locational Reliability Charge**

“Locational Reliability Charge” shall have the meaning specified in the Reliability Assurance Agreement.

#### **2.41A Locational UCAP**

“Locational UCAP” shall mean unforced capacity that a Member with available uncommitted capacity sells in a bilateral transaction to a Member that previously committed capacity through an RPM Auction but now requires replacement capacity to fulfill its RPM Auction commitment. The Locational UCAP Seller retains responsibility for performance of the resource providing such replacement capacity.

#### **2.41B Locational UCAP Seller**

“Locational UCAP Seller” shall mean a Member that sells Locational UCAP.

#### **2.41C Market Seller Offer Cap**

“Market Seller Offer Cap” shall mean a maximum offer price applicable to certain Market Sellers under certain conditions, as determined in accordance with section 6 of Attachment DD and section I.E of Attachment M - Appendix.

#### **2.41D Minimum Annual Resource Requirement**

“Minimum Annual Resource Requirement” shall mean the minimum amount of capacity that PJM will seek to procure from Annual Resources for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for such Delivery Year. For the PJM Region, the Minimum Annual Resource Requirement shall be equal to the RTO Reliability Requirement minus [the Extended Summer Demand Resource Reliability Target for the RTO in Unforced Capacity]. For an LDA, the Minimum Annual Resource Requirement shall be equal to the LDA Reliability Requirement minus [the LDA CETL] minus [the Extended Summer Demand Resource Reliability Target for such LDA in Unforced Capacity]. The LDA CETL may be adjusted pro rata for the amount of load served under the FRR Alternative.

#### **2.41E Minimum Extended Summer Resource Requirement**

“Minimum Extended Summer Resource Requirement” shall mean the minimum amount of capacity that PJM will seek to procure from Extended Summer Demand Resources and Annual Resources for the PJM Region and for each Locational Deliverability Area for which the Office of the Interconnection is required under section 5.10(a) of this Attachment DD to establish a separate VRR Curve for such Delivery Year. For the PJM Region, the Minimum Extended Summer Resource Requirement shall be equal to the RTO Reliability Requirement minus [the Limited Demand Resource Reliability Target for the PJM Region in Unforced Capacity]. For an LDA, the Minimum Extended Summer Resource Requirement shall be equal to the LDA Reliability Requirement minus [the LDA CETL] minus [the Limited Demand Resource Reliability Target for such LDA in Unforced Capacity]. The LDA CETL may be adjusted pro rata for the amount of load served under the FRR Alternative.

#### **2.42 Net Cost of New Entry**

“Net Cost of New Entry” shall mean the Cost of New Entry minus the Net Energy and Ancillary Service Revenue Offset, as defined in Section 5.

#### **2.43 Nominated Demand Resource Value**

“Nominated Demand Resource Value” shall mean the amount of load reduction that a Demand Resource commits to provide either through direct load control, firm service level or guaranteed load drop programs. For existing Demand Resources, the maximum Nominated Demand Resource Value is limited, in accordance with the PJM Manuals, to the value appropriate for the method by which the load reduction would be accomplished, at the time the Base Residual Auction or Incremental Auction is being conducted.

#### **2.43A Nominated Energy Efficiency Value**

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

#### **2.44 [Reserved]**

#### **2.45 Opportunity Cost**

“Opportunity Cost” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.

#### **2.46 Peak-Hour Dispatch**

“Peak-Hour Dispatch” shall mean, for purposes of calculating the Energy and Ancillary Services Revenue Offset under section 5 of this Attachment, an assumption, as more fully set forth in the

PJM Manuals, that the Reference Resource is committed in the Day-Ahead Energy Market in four distinct blocks of four hours of continuous output for each block from the peak-hour period beginning with the hour ending 0800 EPT through to the hour ending 2300 EPT for any day when the average day-ahead LMP for the area for which the Net Cost of New Entry is being determined is greater than, or equal to, the cost to generate (including the cost for a complete start and shutdown cycle) for at least two hours during each four-hour block, where such blocks shall be assumed to be committed independently; provided that, if there are not at least two economic hours in any given four-hour block, then the Reference Resource shall be assumed not to be committed for such block; and to the extent not committed in any such block in the Day-Ahead Energy Market under the above conditions based on Day-Ahead LMPs, is dispatched in the Real-Time Energy Market for such block if the Real-Time LMP is greater than or equal to the cost to generate under the same conditions as described above for the Day-Ahead Energy Market.

#### **2.47 Peak Season**

“Peak Season” shall mean the weeks containing the 24th through 36th Wednesdays of the calendar year. Each such week shall begin on a Monday and end on the following Sunday, except for the week containing the 36th Wednesday, which shall end on the following Friday.

#### **2.48 Percentage Internal Resources Required**

“Percentage Internal Resources Required” shall have the meaning specified in the Reliability Assurance Agreement.

#### **2.49 Planned Demand Resource**

“Planned Demand Resource” shall have the meaning specified in the Reliability Assurance Agreement.

#### **2.50 Planned External Generation Capacity Resource**

“Planned External Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

#### **2.50A Planned Generation Capacity Resource**

“Planned Generation Capacity Resource” shall have the meaning specified in the Reliability Assurance Agreement.

#### **2.51 Planning Period**

“Planning Period” shall have the meaning specified in the Reliability Assurance Agreement.

#### **2.52 PJM Region**

“PJM Region” shall have the meaning specified in the Reliability Assurance Agreement.

### **2.53 PJM Region Installed Reserve Margin**

“PJM Region Installed Reserve Margin” shall have the meaning specified in the Reliability Assurance Agreement.

### **2.54 PJM Region Peak Load Forecast**

“PJM Region Peak Load Forecast” shall mean the peak load forecast used by the Office of the Interconnection in determining the PJM Region Reliability Requirement, and shall be determined on both a preliminary and final basis as set forth in section 5.

### **2.55 PJM Region Reliability Requirement**

“PJM Region Reliability Requirement” shall mean, for purposes of the Base Residual Auction, the Forecast Pool Requirement multiplied by the Preliminary PJM Region Peak Load Forecast, less the sum of all Preliminary Unforced Capacity Obligations of FRR Entities in the PJM Region; and, for purposes of the Incremental Auctions, the Forecast Pool Requirement multiplied by the updated PJM Region Peak Load Forecast, less the sum of all updated Unforced Capacity Obligations of FRR Entities in the PJM Region, and less any necessary adjustment for Price Responsive Demand proposed in a PRD Plan or committed following an RPM Auction (as applicable) for such Delivery Year.

### **2.56 Projected PJM Market Revenues**

“Projected PJM Market Revenues” shall mean a component of the Market Seller Offer Cap calculated in accordance with section 6.

### **2.57 Qualifying Transmission Upgrade**

“Qualifying Transmission Upgrade” shall mean a proposed enhancement or addition to the Transmission System that: (a) will increase the Capacity Emergency Transfer Limit into an LDA by a megawatt quantity certified by the Office of the Interconnection; (b) the Office of the Interconnection has determined will be in service on or before the commencement of the first Delivery Year for which such upgrade is the subject of a Sell Offer in the Base Residual Auction; (c) is the subject of a Facilities Study Agreement executed before the conduct of the Base Residual Auction for such Delivery Year and (d) a New Service Customer is obligated to fund through a rate or charge specific to such facility or upgrade.

### **2.58 Reference Resource**

“Reference Resource” shall mean a combustion turbine generating station, configured with two General Electric Frame 7FA turbines with inlet air cooling to 50 degrees, Selective Catalytic Reduction technology in CONE Areas 1, 2, 3, and 4, dual fuel capability, and a heat rate of 10.096 Mmbtu/ MWh.

## **2.59 Reliability Assurance Agreement**

“Reliability Assurance Agreement” shall mean that certain “Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region,” on file with FERC as PJM Interconnection, L.L.C. Rate Schedule FERC No.44.

## **2.60 Reliability Pricing Model Auction**

“Reliability Pricing Model Auction” or “RPM Auction” shall mean the Base Residual Auction or any Incremental Auction.

## **2.61 Resource Substitution Charge**

“Resource Substitution Charge” shall mean a charge assessed on Capacity Market Buyers in an Incremental Auction to recover the cost of replacement Capacity Resources.

### **2.61A Scheduled Incremental Auctions**

“Scheduled Incremental Auctions” shall refer to, for Delivery Years through the 2016-2017 Delivery Year, ~~to~~ the First, Second, or Third Incremental Auction, and for the 2017-2018 Delivery Year and Subsequent Delivery Years, a scheduled auction conducted three months before the Delivery Year to which it relates.

### **2.62 Second Incremental Auction**

“Second Incremental Auction” shall mean, for Delivery Years through the 2016-2017 Delivery Year, an Incremental Auction conducted ten months before the Delivery Year to which it relates.

### **2.63 Sell Offer**

“Sell Offer” shall mean an offer to sell Capacity Resources in a Base Residual Auction, Incremental Auction, or Reliability Backstop Auction.

### **2.64 [Reserved for Future Use]**

### **2.65 Self-Supply**

“Self-Supply” shall mean Capacity Resources secured by a Load-Serving Entity, by ownership or contract, outside a Reliability Pricing Model Auction, and used to meet obligations under this Attachment or the Reliability Assurance Agreement through submission in a Base Residual Auction or an Incremental Auction of a Sell Offer indicating such Market Seller’s intent that such Capacity Resource be Self-Supply. Self-Supply may be either committed regardless of clearing price or submitted as a Sell Offer with a price bid. A Load Serving Entity’s Sell Offer with a price bid for an owned or contracted Capacity Resource shall not be deemed “Self-Supply,” unless it is designated as Self-Supply and used by the LSE to meet obligations under this Attachment or the Reliability Assurance Agreement.

## 2.65A Short-Term Resource Procurement Target

“Short-Term Resource Procurement Target” shall mean:

- (a) For Delivery Years through the 2016-2017 Delivery Year, as to the PJM Region, for purposes of the Base Residual Auction, 2.5% of the PJM Region Reliability Requirement determined for such Base Residual Auction, for purposes of the First Incremental Auction, 2% of the of the PJM Region Reliability Requirement as calculated at the time of the Base Residual Auction; and, for purposes of the ~~Second~~ Incremental Auction, 1.5% of the of the PJM Region Reliability Requirement as calculated at the time of the Base Residual Auction; and, as to any Zone, an allocation of the PJM Region Short-Term Resource Procurement Target based on the Preliminary Zonal Forecast Peak Load, reduced by the amount of load served under the FRR Alternative. For any LDA, the LDA Short-Term Resource Procurement Target shall be the sum of the Short-Term Resource Procurement Targets of all Zones in the LDA.
- (b) For the 2017-2018 Delivery Year and subsequent Delivery Years, as to the PJM Region, for purposes of the Base Residual Auction, 2.5% of the PJM Region Reliability Requirement determined for such Base Residual Auction, for purposes of the Twenty-Month Conditional Auction (if held), 2% of the PJM Region Reliability Requirement as calculated at the time of the Base Residual Auction; and, for purposes of the Ten-Month Conditional Auction (if held), 1.5% of the PJM Region Reliability Requirement if a Twenty-Month Conditional Auction was conducted, and 2% of the PJM Region Reliability Requirement if a Twenty-Month Conditional Auction was not conducted, in both cases as calculated at the time of the Base Residual Auction; and, as to any Zone, an allocation of the PJM Region Short-Term Resource Procurement Target based on the Preliminary Zonal Forecast Peak Load, reduced by the amount of load served under the FRR Alternative. For any LDA, the LDA Short-Term Resource Procurement Target shall be the sum of the Short-Term Resource Procurement Targets of all Zones in the LDA.

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## 2.65B Short-Term Resource Procurement Target Applicable Share

“Short-Term Resource Procurement Target Applicable Share” shall mean:

- (a) For Delivery Years through the 2016-2017 Delivery Year, (i) for the PJM Region, as to the First and Second Incremental Auctions, 0.2 times the Short-Term Resource Procurement Target used in the Base Residual Auction and, as to the Third Incremental Auction for the PJM Region, 0.6 times such target; and (ii) for an LDA, as to the First and Second Incremental Auctions, 0.2 times the Short-Term Resource Procurement Target used in the Base Residual Auction for such LDA and, as to the Third Incremental Auction, 0.6 times such target.
- (b) For the 2017-2018 Delivery Year and subsequent Delivery Years, (i) for the PJM Region, as to the Twenty-Month Conditional Auction (if held), 0.2 times the Short-Term Resource Procurement Target used in the Base Residual Auction; as to the Ten-Month Conditional Auction (if held) 0.2 times such target if the Twenty-Month Conditional Auction was

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held and 0.4 times such target if the Twenty-Month Conditional Auction was not held; and, as to the Scheduled Incremental Auction for the PJM Region, the Short Term Resource Procurement Target used in the Base Residual Auction minus the sum of the Short Term Resource Procurement Target Applicable Shares employed in all prior RPM Auctions for such Delivery Year; and (ii) for an LDA, as to the Twenty-Month Conditional Auction (if held), 0.2 times the Short-Term Resource Procurement Target used in the Base Residual Auction for such LDA; as to the Ten-Month Conditional Auction (if held) 0.2 times such target if the Twenty-Month Conditional Auction was held and 0.4 times such target if the Twenty-Month Conditional Auction was not held; and, as to the Scheduled Incremental Auction for the PJM Region, the Short Term Resource Procurement Target used in the Base Residual Auction for such LDA minus the sum of the Short Term Resource Procurement Target Applicable Shares employed in all prior RPM Auctions for such LDA for such Delivery Year.

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#### **2.65C Supplemental Procurement Conditional Auction**

“Supplemental Procurement Conditional Auction” shall mean, for the 2017-2018 Delivery Year and Subsequent Delivery Years, a conditional RPM Auction conducted, when required under certain conditions, as specified in section 5.4 of this Attachment DD, to procure additional capacity, twenty months and/or ten months before the Delivery Year to which it relates.

#### **2.66 Third Incremental Auction**

“Third Incremental Auction” shall mean, for Delivery Years through the 2016-2017 Delivery Year, an Incremental Auction conducted three months before the Delivery Year to which it relates.

#### **2.66A Ten-Month Conditional Auction**

“Ten-Month Conditional Auction” shall mean, for the 2017-2018 Delivery Year and Subsequent Delivery Years, a conditional RPM Auction conducted, when required under certain conditions, as specified in section 5.4 of this Attachment DD, to procure additional capacity, ten months before the Delivery Year to which it relates.

#### **2.67 ~~Reserved for Future Use~~ Twenty-Month Conditional Auction**

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“Twenty-Month Conditional Auction” shall mean, for the 2017-2018 Delivery Year and Subsequent Delivery Years, a conditional RPM Auction conducted, when required under certain conditions, as specified in section 5.4 of this Attachment DD, to procure additional capacity, 20 months prior to the start of the Delivery Year to which it relates.

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#### **2.68 Unconstrained LDA Group**

“Unconstrained LDA Group” shall mean a combined group of LDAs that form an electrically contiguous area and for which a separate Variable Resource Requirement Curve has not been established under Section 5.10 of Attachment DD. Any LDA for which a separate Variable Resource Requirement Curve has not been established under Section 5.10 of Attachment DD shall

be combined with all other such LDAs that form an electrically contiguous area.

## **2.69 Unforced Capacity**

“Unforced Capacity” shall have the meaning specified in the Reliability Assurance Agreement.

### **2.69A Updated VRR Curve**

“Updated VRR Curve” shall mean the Variable Resource Requirement Curve as defined in section 5.10(a) of this Attachment for use in the Base Residual Auction of the relevant Delivery Year, updated to reflect the Short-term Resource Procurement Target applicable to the relevant Incremental Auction and any change in the Reliability Requirement from the Base Residual Auction to such Incremental Auction.

### **2.69B Updated VRR Curve Increment**

“Updated VRR Curve Increment” shall mean the portion of the Updated VRR Curve to the right of a vertical line at the level of Unforced Capacity on the x-axis of such curve equal to the net Unforced Capacity committed to the PJM Region as a result of all prior auctions conducted for such Delivery Year.

### **2.69C Updated VRR Curve Decrement**

“Updated VRR Curve Decrement” shall mean the portion of the Updated VRR Curve to the left of a vertical line at the level of Unforced Capacity on the x-axis of such curve equal to the net Unforced Capacity committed to the PJM Region as a result of all prior auctions conducted for such Delivery Year.

## **2.70 Variable Resource Requirement Curve**

“Variable Resource Requirement Curve” shall mean a series of maximum prices that can be cleared in a Base Residual Auction for Unforced Capacity, corresponding to a series of varying resource requirements based on varying installed reserve margins, as determined by the Office of the Interconnection for the PJM Region and for certain Locational Deliverability Areas in accordance with the methodology provided in Section 5.

## **2.71 Zonal Capacity Price**

“Zonal Capacity Price” shall mean the clearing price required in each Zone to meet the demand for Unforced Capacity and satisfy Locational Deliverability Requirements for the LDA or LDAs associated with such Zone. If the Zone contains multiple LDAs with different Capacity Resource Clearing Prices, the Zonal Capacity Price shall be a weighted average of the Capacity Resource Clearing Prices for such LDAs, weighted by the Unforced Capacity of Capacity Resources cleared in each such LDA.