Proposed Governing Document Revisions
ODEC Motion Regarding FTR Proposal
Markets and Reliability Committee Meeting
July 23, 2015

***Note*: Highlighted language relates to revisions that are implementing changes pursuant to ODEC's proposal. All other revisions are intended to clarify PJM's existing practices and procedures. Further, revisions in green show language that has been cut from one section and pasted into another.**

Attachment K-Appendix of the Tariff and Schedule 1 of the Operating Agreement

5.2.3 Target Allocation of Transmission Congestion Credits.

A Target Allocation of Transmission Congestion Credits for each entity holding a Financial Transmission Right shall be determined for each Financial Transmission Right. Each Financial Transmission Right shall be multiplied by the Day-ahead Congestion Price differences for the receipt and delivery points associated with the Financial Transmission Right, calculated as the Day-ahead Congestion Price at the delivery point(s) minus the Day-ahead Congestion Price at the receipt point(s). For the purposes of calculating Transmission Congestion Credits, the Day-ahead Congestion Price of a Zone is calculated as the sum of the Day-ahead Congestion Price of each bus that comprises the Zone multiplied by the percent of annual peak load assigned to each node in the Zone. Commencing with the 2015/2016 Planning Period, for the purposes of calculating Transmission Congestion Credits, the Day-ahead Congestion Price of a Residual Metered Load aggregate is calculated as the sum of the Day-ahead Congestion Price of each bus that comprises the Residual Metered Load aggregate multiplied by the percent of the annual peak residual load assigned to each bus that comprises the Residual Metered Load aggregate. When the FTR Target Allocation is positive, the FTR Target Allocation is a credit to the FTR holder. When the FTR Target Allocation is negative, the FTR Target Allocation is a debit to the FTR holder if the FTR is a Financial Transmission Right Obligation. When the FTR Target Allocation is negative, the FTR Target Allocation is set to zero if the FTR is a Financial Transmission Right Option. ~~The total Target Allocation for Network Service Users and Transmission Customers for each hour shall be the sum of the Target Allocations associated with all of the Network Service Users' or Transmission Customers' Financial Transmission Rights~~.

5.2.4 [Reserved.]

5.2.5 Calculation of Transmission Congestion Credits.

(a) PJM will calculate the total of each FTR holder's positive FTR Target Allocations and the total of each FTR holder's negative FTR Target Allocations for each hour. For the purposes of these calculations, FTR sales will be netted against FTR purchases within the appropriate positive or negative FTR Target Allocation total. PJM will also calculate the total of all FTR holders' positive FTR Target Allocations in the hour, all negative FTR Target Allocations in the hour, and the total of all Transmission Congestion Charges in the hour, including revenues paid to or received from the Midcontinent Independent System Operator and New York Independent System Operator for market-to-market congestion relief measures.

(b) Transmission Congestion Credits will first be allocated to each FTR holder in an amount equal to their total negative hourly FTR Target Allocations. The sum of all PJM revenues associated with these Transmission Congestion Credits will then be added to the PJM total amount of Transmission Congestion Charges every hour. These adjusted hourly Transmission Congestion Charges will increase the amount of revenues available to be allocated to the positive FTR Target Allocations.

(c~~a~~) The total of all the positive Target Allocations determined as specified above in section (a) shall be compared to the total Transmission Congestion Charges ~~in each hour resulting from both the Day-ahead Energy Market and the Real-time Energy Market~~specified above in section (b). If the total of the positive Target Allocations is less than the adjusted total ~~of the~~ Transmission Congestion Charges, ~~the Transmission Congestion Credit for each entity holding an FTR shall be equal to its Target Allocation~~ the Transmission Congestion Credits will be awarded to each FTR holder equal to their total positive FTR Target Allocations in the hour. All remaining adjusted Transmission Congestion Charges shall be distributed as described below in Section 5.2.6 "Distribution of Excess Congestion Charges."

(d~~b~~) If the total ~~of the~~positive Target Allocations is greater than the adjusted total Transmission Congestion Charges for a given hour, ~~for the hour resulting from both the Day-ahead Energy Market and the Real-time Energy Market, each holder of Financial Transmission Rights shall be assigned a share of the total~~ Transmission Congestion ~~Charges~~ Credits will be awarded in proportion to each FTR holder's positive FTR~~its~~ Target Allocations, in addition to what each FTR holder was awarded as specified above in section (b). ~~for Financial Transmission Rights which have a positive Target Allocation value. Financial Transmission Rights which have a negative Target Allocation value are assigned the full Target Allocation value as a negative Transmission Congestion Credit.~~PJM will calculate hourly FTR Target Allocation deficiencies for each FTR holder by taking the difference between each FTR holder's positive Target Allocations and the Transmission Congestion Credit awarded pursuant to this section.

~~(c) At the end of a Planning Period if all FTR holders did not receive Transmission Congestion Credits equal to their Target Allocations, the Office of the Interconnection shall assess a charge equal to the difference between the Transmission Congestion Credit Target Allocations for all revenue deficient FTRs and the actual Transmission Congestion Credits allocated to those FTR holders. A charge assessed pursuant to this section shall also include any aggregate charge assessed pursuant to section 7.4.4(c) of Schedule 1 of this Agreement and shall be allocated to all FTR holders on a pro-rata basis according to the total Target Allocations for all FTRs held at any time during the relevant Planning Period. The charge shall be calculated and allocated in accordance with the following methodology:~~

~~1. The Office of the Interconnection shall calculate the total amount of uplift required as {[sum of the total monthly deficiencies in FTR Target Allocations for the Planning Period + the sum of the ARR Target Allocation deficiencies determined pursuant to section 7.4.4(c) of Schedule 1 of this Agreement] – [sum of the total monthly excess ARR revenues and congestion charges for the Planning Period]}.~~

~~2. For each Market Participant that held an FTR during the Planning Period, the Office of the Interconnection shall calculate the total Target Allocation associated with all FTRs held by the Market Participant during the Planning Period, provided that, the foregoing notwithstanding, if the total Target Allocation for an individual Market Participant calculated pursuant to this section is negative the Office of Interconnection shall set the value to zero.~~

~~3. The Office of the Interconnection shall then allocate an uplift charge to each Market Participant that held an FTR at any time during the Planning Period in accordance with the following formula: {[total uplift] * [total Target Allocation for all FTRs held by the Market Participant at any time during the Planning Period] / [total Target Allocations for all FTRs held by all PJM Market Participants at any time during the Planning Period]}.~~

5.2.6 Distribution of Excess Congestion Charges.

(a) At the end of every month, PJM will calculate the sum of any e~~E~~xcess Transmission Congestion Charges from each hour that had excess charges during the month. Those total monthly excess charges will be combined with any net annual and net monthly FTR Auction revenues in excess of ARR Target Allocations for that month, and ~~accumulated in a month~~ shall be distributed as additional Transmission Congestion Credits to each FTR holder ~~of Financial Transmission Rights~~ in proportion to, but not more than, the sum of their hourly FTR Target Allocation deficiencies for the month. ~~any deficiency in the share of Transmission Congestion Charges received by the holder during that month as compared to its total Target Allocations for the month.~~PJM will calculate monthly FTR Target Allocation deficiencies for each FTR holder by taking the difference between the sum of their hourly FTR Target Allocation deficiencies for the month and their monthly Transmission Congestion Credits.

(b) After the excess Transmission Congestion Charge distribution described in Section 5.2.6(a) is performed, any excess Transmission Congestion Charges remaining at the end of a month shall be distributed to each holder of Financial Transmission Rights in proportion to, but not more than, their remaining monthly FTR Target Allocation deficiencies for all previous months of ~~any deficiency in the share of Transmission Congestion Charges received by the holder during~~ the current Planning Period~~., including previously distributed excess Transmission Congestion Charges, as compared to its total Target Allocation for the Planning Period.~~ Each FTR holder's remaining monthly FTR Target Allocation deficiencies will be reduced by the Transmission Congestion Credits awarded pursuant to this section every applicable month.

(c) Any excess Transmission Congestion Charges remaining at the end of a Planning Period shall be distributed to each holder of Auction Revenue Rights in proportion to, but not more than, any Auction Revenue Right deficiencies for that Planning Period.

(d) Any excess Transmission Congestion Charges remaining after a distribution pursuant to subsection (c) of this section shall be distributed to all FTR holders on a pro-rata basis according to the total positive FTR Target Allocations for all FTRs held at any time during the relevant

Planning Period. Any allocation pursuant to this subsection (d) shall be conducted in accordance with ~~the following methodology:~~

~~1.~~ ~~For each Market Participant that held an FTR during the Planning Period, the Office of the Interconnection shall calculate the total Target Allocation associated with all FTRs held by the Market Participant during the Planning Period, provided that, the foregoing notwithstanding, if the total Target Allocation for an individual Market Participant calculated pursuant to this section is negative the Office of the Interconnection shall set the value to zero.~~

~~2. The Office of the Interconnection shall then allocate an excess Transmission Congestion Charge credit to each Market Participant that held an FTR at any time during the Planning Period in accordance with~~ the following formula: {[total excess Transmission Congestion Charges remaining after distributions pursuant to subsection (a)-(c) of this section] * [~~total~~ positive Target Allocation for all FTRs held by the Market Participant at any time during the Planning Period] / [~~total~~ positive Target Allocations for all FTRs held by all PJM Market Participants at any time during the Planning Period]}.

5.2.7 Distribution of Planning Period Congestion Uplift Credits and Charges

(a~~e~~) At the end of a Planning Period, if all FTR holders did not receive Transmission Congestion Credits equal to their FTR Target Allocations, the Office of the Interconnection shall award Planning Period Congestion Uplift Credits to each FTR holder equal to their total of their remaining monthly FTR Target deficiencies for each month of the Planning Period. The total cost to fund this uplift will be assessed to FTR holders ~~assess a charge equal to the difference between the Transmission Congestion Credit Target Allocations for all revenue deficient FTRs and the actual Transmission Congestion Credits allocated to those FTR holders. A charge assessed pursuant to this section shall also include~~including any aggregate charge assessed pursuant to section 7.4.4(c) of Schedule 1 of this Agreement, and shall be allocated to all FTR holders on a pro-rata basis according to the ~~total~~ positive FTR Target Allocations for all FTRs held at any time during the relevant Planning Period. The charge shall be calculated and allocated in accordance with the following ~~methodology:~~

~~1. The Office of the Interconnection shall calculate the total amount of uplift required as {[sum of the total monthly deficiencies in FTR Target Allocations for the Planning Period + the sum of the ARR Target Allocation deficiencies determined pursuant to section 7.4.4(c) of Schedule 1 of this Agreement] – [sum of the total monthly excess ARR revenues and congestion charges for the Planning Period]}.~~

~~2. For each Market Participant that held an FTR during the Planning Period, the Office of the Interconnection shall calculate the total Target Allocation associated with all FTRs held by the Market Participant during the Planning Period, provided that, the foregoing notwithstanding, if the total Target Allocation for an individual Market Participant calculated pursuant to this section is negative the Office of Interconnection shall set the value to zero.~~

~~3. The Office of the Interconnection shall then allocate an uplift charge to each Market Participant that held an FTR at any time during the Planning Period in accordance with the following~~ formula: {[total uplift] * [~~total~~ positive FTR Target Allocation for all FTRs held by the Market Participant at any time during the Planning Period] /[~~total~~ positive FTR Target Allocations for all FTRs held by all PJM Market Participants at any time during the Planning Period]}.

7.5 Simultaneous Feasibility.

(b) On an annual basis the Office of the Interconnection shall conduct a simultaneous feasibility test for stage 1A Auction Revenue Rights, which shall assess the simultaneous feasibility for each year remaining in the term of the right(s). This test shall be based on the Auction Revenue Rights required to meet Zonal Base Load requirements. The Office of the Interconnection shall apply a zonal load growth rate to the simultaneous feasibility test for the ten year term of the stage 1A Auction Revenue Rights to reflect load growth as estimated by the Office of the Interconnection. The zonal load growth rate for each Zone shall equal 1.5% plus the reported 10 year annual growth rate as reported in the most recent PJM Load Forecast Report.