



DATE: March 12, 2010
TO: All potential participants in ATSI Integration Auctions
SUBJECT: RPM/ACR FAQs for ATSI Integration Auctions

Note: Please check this document frequently for updates.

The following questions and answers pertain to the “ATSI Integration Auctions,” which are special transition auctions scheduled to take place in March 2010 in order to meet capacity requirements for the two year period after ATSI integrates into PJM. Most of the rules and design features of RPM have been adapted for application to the ATSI Integration Auctions, but certain additional requirements also apply.

1) What is the RPM/ACR system?

RPM auction participants use the RPM/ACR system to report avoidable cost data to the Independent Market Monitor for PJM (IMM) per section 6.7 of Attachment DD of the PJM Open Access Transmission Tariff. The RPM/ACR system is also used to communicate and affirm offer cap values that apply to RPM auctions. Participants in the ATSI Integration Auctions will also use the RPM/ACR system for the same purposes.

2) Who has to enter ACR data into the RPM/ACR system?

Any participants in the PJM RPM auctions or ATSI Integration Auctions who wish to have a non-zero offer cap in a mitigated auction. The detailed requirement is specified in sections 6.7(b) and (c) of Attachment DD of the PJM Open Access Transmission Tariff.

3) How do I get an account in the RPM/ACR system?

To enter ACR data into the Monitoring Analytics RPM/ACR system, participants must have an account. To register for an account and have a User ID set up, participants’ PJM Customer Account Manager (CAM) must fill out the RPM/ACR Registration Form, available at:

http://www.monitoringanalytics.com/tools/docs/RPMACR_Registration_Instructions_and_Form_20090925.doc

4) What data do I have to enter into the RPM/ACR system?

RPM auction offer caps are calculated as the avoidable cost rate (ACR), less the unit’s net revenue. The ACR can be calculated and imported into the system using a spreadsheet template available on the Monitoring Analytics web site, or participants can use a Default ACR value that is specified in the PJM Tariff, that is documented on the Monitoring Analytics web site, and that will be displayed in the unit’s record in the RPM/ACR system. Participants

must also enter the Net Revenue for their unit. This quantity is available upon request by sending an email specifying the unit(s) to RPMNetRevenue@monitoringanalytics.com.

General instructions on using the RPM/ACR system can be found in "RPM_ACR User Manual version 2". Specific guidance on the ACR calculation can be found in the "RPM-ACR Template Version 10 Instructions". These documents are available on the Monitoring Analytics web site, on the "Tools" page.

5) How do I enter data specifically for the 2011/2012 and 2012/2013 ATSI Integration Auctions?

For users familiar with the RPM/ACR interface, the process is the same as for any other RPM auction.

In the RPM/ACR system, users should select "2011" for the 2011/2012 delivery year, and select "2012" for the 2012/2013 delivery year. Select "Transition – ATSI" as the auction type.

For new users unfamiliar with the RPM/ACR system, please see the user documentation at <http://www.monitoringanalytics.com/tools/tools.shtml> or contact the Monitoring Analytics RPM/ACR team at rpmacr@monitoringanalytics.com.

6) When can I enter my ACR data into the RPM/ACR system?

The timeline for the 2011/12 and 2012/13 ATSI Integration Auctions is as follows:

Wednesday, January 13, 2010: RPM/ACR System will be opened for data input for 2011/2012 and 2012/2013 ATSI Integration Auctions

Wednesday, January 27, 2010: Last day participants may request calculated Net Revenues for specific units through the RPMNetRevenue@monitoringanalytics.com mail box.

Monday, February 1, 2010: All ACR data must be submitted into the RPM/ACR system by auction participants. ACR system closes for ACR data submittal.

Monday, February 15, 2010: Monitoring Analytics communicates offer cap options to participants in RPM/ACR system. Offer Cap screen is open for participants to affirm offer cap values.

Monday, February 22, 2010: Participants confirm selection of Offer Caps in RPM/ACR system.

Monday, March 15, 2010: RPM 2011/2012 and 2012/2013 ATSI Integration Auctions begin.

7) How will I get offer caps for my units?

The process for participants to affirm their offer caps can be found in the “Instructions for Using Offer Cap Data Screen”, available on the Monitoring Analytics web site, on the “Tools” page.

8) What are the default ACR values?

The default ACR values for the ATSI Integration Auctions are the same default ACR values that are included in the PJM Tariff for the 2011/2012 and 2012/2013 delivery years. These default values are also posted on the Monitoring Analytics web site, tools page.

9) What offer cap options will be available to me for the ATSI Integration Auctions, and will I have the option of using an offer cap of “1.1 times the BRA clearing price”, like the option that is available for Third Incremental Auctions?

Offer cap options for the 2011/2012 and 2012/2013 ATSI Integration Auctions include:

- An ACR based offer cap which is calculated as the ACR less net revenues, where the ACR is either the default or calculated unit specific. The currently defined default ACR values and the template to calculate a unit specific ACR are posted on the Monitoring Analytics website: <http://www.monitoringanalytics.com/tools/tools.shtml>. This option requires the participant to input data into the RPM/ACR system and request net revenues by emailing RPMNetRevenue@monitoringanalytics.com.
- An opportunity cost based offer cap which is the documented price available to an existing generation resource in a market external to PJM. This requires you to input this value into the RPM/ACR system and submit a calculation of opportunity cost along with detailed supporting documentation to the MMU.
- An alternative offer cap as approved by the MMU and FERC.
- The 1.1 times the BRA clearing price offer cap option if eligible:

Eligibility for 110% offer cap

The ATSI rehearing order (130 FERC ¶ 61,171) states:

Applying these options, here, we conclude that resources offering into PJM's RPM auction for the first time, by way of the ATSI zone integration auctions, will not be permitted to price their offers at 10 percent above the base residual auction clearing price, as contemplated by Attachment DD, Section 6.4(g), because the relevant LDA, in this instance, i.e., the ATSI zone, did not previously exist and, as such, there is no price or pricing data on which the 110 percent offer could be based. Accordingly, we clarify that this alternative offer cap option (i.e., Section 6.4(g)) cannot, and does not, apply for: (i) units in the ATSI zone with no pre-existing RPM capacity obligations; (ii) units located in the PJM LDAs with no preexisting RPM capacity obligations in a relevant delivery year because they failed to clear; or (iii) units that did not exist at the time of the relevant base residual auctions, which are located in a PJM LDA.¹

In order to elect the offer cap option of 110% of the Capacity Resource Clearing Price ("CRCP"), the following criteria must be satisfied: (i) Resources located in PJM LDAs and the ATSI zone must have a preexisting RPM capacity obligation, **and** (ii) resources located in the PJM LDAs must have existed at the time of the BRAs for the relevant Delivery Year.

The Market Monitoring Unit's position is that "PJM LDA" as used in the referenced FERC order means any capacity obligation, with an associated capacity resource clearing price, in any portion of the PJM region, including what is termed "rest of RTO" or "RTO."

A "pre-existing RPM capacity obligation" means any obligation that can be identified as assigned to or associated with a particular resource during a relevant Delivery Year.

¹ *American Transmission Systems, Inc., et al.*, 130 FERC ¶65,171 at P 23 (2010), clarifying and reh'g, 129 FERC ¶61,249 (2009).

If a resource has offered and failed to clear in a prior auction, such that the resource has no pre-existing capacity obligation, the resulting ineligibility to offer at 1.1 x CRCP does not change because this offer is subsequent to a first offer.

The Market Monitoring Unit's position is that a cap mod up is part of an existing resource, and if a resource is eligible to elect the offer cap option of 110%, it may apply that cap to all available unforced capacity associated with such resource including any such capacity attributable to a cap mod up. PJM disagrees with this position.

Please refer to Section 6.4 and 6.7 of Attachment DD of the PJM OATT for more details about offer caps.

10) I have additional units that are new participants in the RPM process. How do I get them added to the RPM/ACR system?

If you are new to the RPM/ACR system, you should request an account through the "RPM/ACR Registration Instructions and Form", as described in FAQ #3. If you already have an RPM/ACR account, please contact the RPM/ACR administrator or send an email to rpmacr@monitoringanalytics.com to notify Monitoring Analytics of the units. Please include in your request the unit ID and unit name that is assigned in eRPM system, or note that the unit has not yet been created in the eRPM system.

11) In the RPM/ACR system, how do we handle a configuration where there are multiple units that cannot be dispatched independently? Will I need to calculate and submit ACR data for each individual unit, or for the gross plant?

The participant has the option of offering the units as a single RPM resource or broken into several RPM Resources. ACR data must be entered for each offered resource and aligned with the chosen aggregation. For example, if the plant is aggregated as a single resource, that resource's ACR must reflect the entire plant's avoidable cost rate. If the plant is disaggregated to several resources, the plant's avoidable costs should be allocated between these resources to the extent possible. If you choose to use default ACR, and the aggregated or disaggregated plant components do not fit exactly into one of the power plant technology categories that have default ACR defined, contact the Market Monitoring Unit for guidance on what power plant technology to apply.

12) For the ATSI Integration Auctions, are we supposed to be using the average historic Net Revenues, and from which years?

As stated in Monitoring Analytics FAQ #4, participants should request Net Revenues by sending an email specifying the unit(s) and the auction period(s) to: RPMNetRevenue@monitoringanalytics.com.

The Net Revenue for the 2011/2012 ATSI Integration Auction will be based on the average net revenue from the period 2005-2007 and the Net Revenue for the 2012/2013 ATSI Integration Auction will be based on the average net revenue from the period 2006-2008, consistent with PJM RPM Auctions for the corresponding delivery year.

Units that had revenue from markets other than the PJM Energy Market for the historic net revenue period must provide the data necessary for Monitoring Analytics to calculate the applicable net revenue. Please see "Guide to Net Revenue Calculations for ATSI Auctions" on the Monitoring Analytics website, "Tools" page. For units that formerly participated in the MISO Energy Market, there will not be a full calendar year of market based net revenue in 2005. For such units, the calculated net revenue for the 2011/2012 ATSI Integration Auction will be based on calendar year 2006-2007.

13) In the RPM/ACR system, should we be using the 5-year or the 1-year EFORD's? Or is that a choice that is left up to the participant?

Please enter the Sell Offer EFORD into the RPM/ACR system. For details on the Sell Offer EFORD, please see the PJM ATSI Integration Auction FAQ #CR23. The EFORD used to convert ICAP based offer caps to UCAP will be the sell offer EFORD submitted in eRPM.

14) For ATSI Integration Auction participants who are required to post collateral or obtain credit to participate in the ATSI Integration auctions, are these collateral/credit costs considered "avoidable" and qualified to be included in the participants' ACR calculation? If so, how is this included in the calculation?

Yes, subject to agreement on quantification of actual incremental avoidable costs associated with this requirement.

15) For units in the PJM RTO that have uncommitted capacity available that must be offered into the ATSI 11/12 and 12/13 auctions, will their BRA offer caps be unchanged or will they need to be updated? Will their Net Revenues remain the same? Is this required for all units, or just units with uncommitted capacity?

Participants should select Default ACRs or submit ACR data into the RPM/ACR system for those units for which non-zero offer caps are requested. Participants should update their ACR data to be consistent with the current best information about the unit. Net Revenue data should also be requested and entered into the RPM/ACR system. Data from prior auctions

will not automatically be used by the Market Monitoring Unit to calculate offer caps without the participant submitting this data.

16) How do I escalate my ACR calculation data from a prior year to a future delivery year?

Please see the “RPM/ACR Cost Escalation Guidelines” on the Monitoring Analytics website, “Tools” page.

17) What ICAP MW value should be entered in the RPM/ACR system for an ATSI resource for which a cap mod has not yet been entered in eRPM?

If you believe that your cap mod will be accepted by PJM, please enter the anticipated summer ICAP rating of the resource effective for the given delivery year. If a unit-specific ACR is calculated for an ATSI resource which for which a cap mod has not yet been entered in eRPM, the ICAP value entered into the RPM/ACR system will need to be updated for accuracy based on PJM’s determination.

18) If ATSI Auction participants accept the default ACR or calculate a unit specific ACR value, is it possible to split the bid into two components - one at the ACR and one at zero? Additionally, if they do not enter any ACR data into the RPM/ACR system and therefore will be offer capped at zero, is it possible to offer only a partial volume of their capacity?

The Market Seller Offer Cap, if provided on the basis of net avoidable costs, is the default or unit-specific ACR less unit-specific net revenues. A seller may divide the capacity from a single resource into as many as ten segments of no less than 0.1 MWs each. The seller may offer each segment at a different price, but an offer that exceeds the Market Seller Offer Cap will be set equal to the Market Seller Offer Cap whenever the seller fails the Market Structure Test in the relevant LDA.

Only market sellers that intend to offer all capacity for an existing generation resource at \$0/MW-day may avoid submitting offer cap related data to the MMU and mitigation.

FAQ CR2 addresses must offer requirements for existing generation resources in the RPM FRR Integration Auctions.

19) If I elect the “1.1 times BRA clearing price” as my offer cap, what will be the actual offer cap values?

The “1.1 times BRA clearing price” offer cap option are LDA and delivery year specific. For example, for delivery year 2012/2013, if the unit was modeled in “rest of” EMAAC, and not

DPL-South, PSEG, or PSEG-North, then it would be eligible to elect 1.1 times \$139.73/MW-day. For the 2012/2013 delivery year, the clearing prices and 1.1 options are specified below.

For the 2011/2012 delivery year, there were no modeled LDAs and one clearing price of \$110.00/MW-day, with the 1.1 option being \$121/MW-day.

Delivery Year	Modeled LDAs	BRA Clearing Price (\$/MW-day)	1.1 Times BRA Clearing Price Offer Cap Option (\$/MW-day)
2011/2012	RTO	\$110.00	\$121.00
2012/2013	RTO	\$16.46	\$18.11
2012/2013	MAAC	\$133.37	\$146.71
2012/2013	EMAAC	\$139.73	\$153.70
2012/2013	SWMAAC	\$133.37	\$146.71
2012/2013	PSEG	\$139.73	\$153.70
2012/2013	PSEG-NORTH	\$185.00	\$203.50
2012/2013	DPL-SOUTH	\$222.30	\$244.53

20) Are positive Minimum Available MW positions, which result from capacity modifications (cap mods) approved by PJM after the relevant BRA, required to be offered into the FRR Integration Auctions?

The ATSI rehearing order (130 FERC ¶ 61,171) states:

However, as FirstEnergy and the PJM MMU correctly note, Section 6.6(g) contains exemptions from the must-offer requirement. In addition, Section 6.6(a) applies the must-offer requirement to “all Unforced Capacity of all existing Generation Capacity Resources located in the PJM Region[.]” Accordingly, we clarify that PJM must apply these provisions of its OATT to the ATSI zone integration auction, based on the understanding that these integration auctions, for purposes of Section 6.6, will be functionally analogous to the operation of an initial base residual auction. As such, unless a generator in the ATSI zone meets one of the must-offer exemptions set forth in Section 6.6(g) or does not otherwise qualify as a “resource,” under Section 6.6(a), it must satisfy PJM’s must-offer requirement. In turn, the must-offer requirement applicable to the ATSI zone

integration auctions will not be limited to capacity suppliers that have already offer into a prior base residual auction.²

An existing Generation Capacity Resource must offer all non-committed Unforced Capacity into the Integration Auctions if it is located in the PJM Region and the ATSI zone and does not meet any of the alternative criteria to satisfy the must offer requirement specified in Section 6.6(g). The reference to Section 6.6 (a) in above text implies that the Commission intends for the standards of 6.6(a) concerning BRAs to govern participation in the ATSI Integration Auctions. This standard does not consider whether capacity was previously offered, such that entire units not previously existing and cap mods not previously in effect are subject to the must offer requirement regardless of any new interpretation 6.6 that one may argue would apply to RPM Incremental Auctions.

21) Are resources that became commercial after the relevant BRAs required to be offered into the FRR Integration Auctions?

The ATSI rehearing order (130 FERC ¶ 61,171) states:

However, as FirstEnergy and the PJM MMU correctly note, Section 6.6(g) contains exemptions from the must-offer requirement. In addition, Section 6.6(a) applies the must-offer requirement to “all Unforced Capacity of all existing Generation Capacity Resources located in the PJM Region[.]” Accordingly, we clarify that PJM must apply these provisions of its OATT to the ATSI zone integration auction, based on the understanding that these integration auctions, for purposes of Section 6.6, will be functionally analogous to the operation of an initial base residual auction. As such, unless a generator in the ATSI zone meets one of the must-offer exemptions set forth in Section 6.6(g) or does not otherwise qualify as a “resource,” under Section 6.6(a), it must satisfy PJM’s must-offer requirement. In turn, the must-offer requirement applicable to the ATSI zone integration auctions will not be limited to capacity suppliers that have already offer into a prior base residual auction.³

An existing Generation Capacity Resource must offer all non-committed Unforced Capacity into the Integration Auctions if it is located in the PJM Region and the ATSI

² *Id.* at P 16.

³ *Id.* at P 16.

zone and does not meet any of the alternative criteria to satisfy the must offer requirement specified in Section 6.6(g) . The reference to Section 6.6 (a) in above text implies that the Commission intends for the standards of 6.6(a) concerning BRAs to govern participation in the ATSI Integration Auctions. This standard does not consider whether capacity was previously offered, such that entire units not previously existing and cap mods not previously in effect are subject to the must offer requirement regardless of any new interpretation 6.6 that one may argue would apply to RPM Incremental Auctions.

The Market Monitor will review any options available to it to seek to prevent the exercise of market power through the physical withholding of supply in reviewing the results of the FRR Integration Auctions and will not certify the Auctions as competitive if such withholding results in the outcomes of the Auctions being non competitive.