

8.8 Market Settlements

Payment for reducing load is based on the actual kWh relief provided plus the adjustment for losses, subject to the Reporting and Compliance provisions below. The magnitude of capacity relief provided by Full Program Option participants shall be the amount determined in accordance with the Reporting and Compliance provisions below. The magnitude of relief provided by Energy Only Option participants, and the magnitude of energy relief provided by Full Program Option participants, may be less than, equal to, or greater than the kW amount declared on the Emergency or Pre-Emergency registration. Compensation will be provided for reductions in energy consumption during emergency events, tests and associated retest(s), where applicable by Full Program Option participants and Energy Only Option participants regardless of whether the participant's load during the event exceeds its peak load contribution for the applicable Delivery Year.

PJM Settlement pays the applicable LMP to the PJM Member that nominates the load. Payment will be equal to the measured energy load reduction adjusted for losses times the applicable LMP. The measured energy load reduction for locations with approved Economic Load Response registrations prior to a Load Management Event that have an economic CBL different than the maximum base load as defined in the PJM Manuals will use the associated economic CBL to determine the energy load reduction unless the locations on the Emergency Load Response registration are not the same locations as those included on the Economic Load Response registration. If, at the time that a Load Management Event or emergency event is initiated by PJM, an end-use customer is already responding economically (i.e., pursuant to the Economic Load Response rules) and economic CBL is based on Symmetric Additive Adjustment, then the CBL calculated based on the Symmetric Additive Adjustment period prior to the economic event will be used. Locations that do not have an approved Economic Load Response registration prior to a Load Management Event will use the Customer Baseline Load as defined in section 3.3A.2 and associated Symmetric Additive Adjustment as defined in section 3.3A.2.01 of this schedule unless an alternative CBL is approved pursuant to section 3.3A.2.01 of this schedule as the CBL to determine the energy load reduction.

If, however, the sum of the hourly energy payments to a Curtailment Service Provider with a Demand Resource Registration dispatched by PJM for actual, achieved reductions for an emergency event is not greater than or equal to the offer value (i.e. Minimum Dispatch Price and shut down costs) then the Curtailment Service Provider will be made whole up to the offer value for its actual, achieved reductions for the Demand Resource Registration.

Locations on Economic Load Response registrations dispatched in the Real-time Energy Market or cleared in the Day-ahead Energy Market that are also included on an Emergency Load Response and Pre-Emergency Load Response registration as Full Program Option, and that have also been dispatched as part of an emergency event for the same hour (i.e., have an "overlapping dispatch hour") will be compensated for energy based on emergency energy settlement and cost allocation rules as set forth in this section and in the PJM Manuals. Overlapping dispatch hours will use shutdown costs based on what was considered for the economic event, and no balancing Operating Reserve charges will be assessed for deviations from real-time dispatch amounts or from cleared day-ahead commitments. To avoid duplicative energy payments, overlapping

dispatch hours for an aggregate registration (i.e., multiple locations on the same registration) or dispatch groups where locations on the Emergency Load Response and Pre-Emergency Load Response registration are not the same locations as those on the Economic Load Response registration will have hourly economic energy load reduction and/or hourly emergency energy load reduction prorated based on load reduction capability provided by the Curtailment Service Provider for the locations.

The Curtailment Service Provider will only submit energy settlements for Load Management Events that occur outside of the specific availability period defined in the Reliability Assurance Agreement for each Demand Resource type if the Curtailment Service Provider has confirmed that the customers on the registration did take action to reduce load or the registration reflects the entire group of mass market customers for which an energy settlement will either be submitted for all or none of the mass market customers, as approved by PJM. The Curtailment Service Provider will only submit energy settlements for tests and for each registration for Load Management Events that occur during the product specific availability period as defined for each product in the Reliability Assurance Agreement if the Curtailment Service Provider also provides associated load data for each registration in order to calculate that registration's capacity compliance.

Full Program Option participants that fail to provide a load reduction (as measured as set forth in the Reporting and Compliance provisions below) when dispatched by PJM shall be assessed penalties and/or charges as specified in Tariff, Attachment DD and the Reliability Assurance Agreement, as applicable.

During emergency conditions, costs for emergency purchases in excess of LMP are allocated among PJM Market Buyers in proportion to their increase in net purchases minus real-time dispatch reduction megawatts from the PJM energy market during the hour in the Real-time Energy Market compared to the Day-ahead Energy Market. Consistent with this pricing methodology, all charges under the Emergency Load Response and Pre-Emergency Load Response Program are allocated to purchasers of energy, in proportion to their increase in net purchases minus real-time dispatch reduction megawatts from the PJM energy market during the hour from day-ahead to real-time.

The cost of payments for Emergency Load Response and Pre-Emergency Load Response energy settlements for tests, shall be recovered from Market Participants on a ratio-share basis based on their real-time exports from the PJM Region and from Load Serving Entities on ratio-share basis based on their real-time loads in each Zone for that month where the tests were conducted, with the ratio shares determined as follows:

The ratio share for LSE i in zone z shall be $RTL_{iz}/(RTL + X)$ and the ratio share for party j shall be $X_j/(RTL + X)$.

Where:

RTL is the total real time load in all zones where Load Management was tested;

RTL_{iz} is the real-time load for LSE i in zone z;

X is the total export quantity from PJM in that hour; and

X_j is the export quantity by party j from PJM.

Emergency Load Response and Pre-Emergency Load Response Program charges and credits will appear on the PJM Members monthly bill, as described in the *PJM Manual for Operating Agreement Accounting* and the *PJM Manual for Billing*.