

**For Presentation to Special MRC Meeting on February 26, 2020
Proposed Revisions to Operating Agreement, Schedule 1, section 1.4 and
Tariff, Att. K-Appendix, section 1.4**

ROW 26 OF MATRIX – Market Participation Qualification

1.4 Market ~~Participant~~Buyers.

1.4.1 Qualification.

(a) To become a Market ~~Buyer~~Participant, an ~~entity~~Applicant shall submit an application to the Office of the Interconnection, in such form as shall be established by the Office of the Interconnection, and such further information detailed in Tariff, Attachment Q.

(b) An Applicant that is a Load Serving Entity or that will purchase on behalf of or for ultimate delivery to a Load Serving Entity shall establish to the satisfaction of the Office of the Interconnection that the end-users that will be served through energy and related services purchased in the PJM Interchange Energy Market, are located electrically within the PJM Region, or will be brought within the PJM Region prior to any purchases from the PJM Interchange Energy Market. Such Applicant shall further demonstrate that:

i) The Load Serving Entity for the end users is obligated to meet the requirements of the Reliability Assurance Agreement; and

ii) The Load Serving Entity for the end users has arrangements in place for Network Transmission Service or Point-To-Point Transmission Service for all PJM Interchange Energy Market purchases.

(c) An Applicant that is not a Load Serving Entity or purchasing on behalf of or for ultimate delivery to a Load Serving Entity shall demonstrate that:

i) The Applicant has obtained or will obtain Network Transmission Service or Point-to-Point Transmission Service for all PJM Interchange Energy Market purchases; and

ii) The Applicant's PJM Interchange Energy Market purchases will ultimately be delivered to a load in another Control Area that is recognized by NERC and that complies with NERC's standards for operating and planning reliable bulk electric systems.

(d) An Applicant shall not be required to obtain transmission service for purchases from the PJM Interchange Energy Market to cover quantity deviations from its sales in the Day-ahead Energy Market.

(e) ~~An~~ Applicants applying to become Market Participants shall demonstrate that it:

i) ~~The applicant~~ is capable of complying with all applicable metering, data storage and transmission, and other reliability, operation, planning and accounting standards and requirements for the operation of the PJM Region and the PJM

Interchange Energy Markets, as applicable;

ii) ~~The applicant~~ meets the creditworthiness standards established by the Office of the Interconnection and/or PJM Settlement, or has provided cash, a Letter of Credit or other form of security acceptable to the Office of the Interconnection and/or PJM Settlement; and

iii) ~~The applicant~~ has paid all applicable fees and reimbursed the Office of the Interconnection and/or PJM Settlement for all unusual or extraordinary costs of processing and evaluating its application to become a Market Buyer Participant, and has agreed in its application to subject any disputes arising from its application to the applicable PJM dDispute rResolution pProcedures.

(f) The Applicant shall become a Market Buyer Participant upon a final favorable determination on its application by the Office of the Interconnection as specified below, which determination shall be made in the sole discretion of the Office of the Interconnection in conjunction with input from PJM Settlement, and execution by the Applicant of counterparts of this Agreement.

1.4.2 Submission of Information.

The Applicant shall furnish all information reasonably requested by the Office of the Interconnection and/or PJM Settlement in order to determine the Applicant's qualification to be a Market Buyer Participant and whether the entity should be allowed to remain a Market Participant. The Office of the Interconnection and/or PJM Settlement may waive the submission of information relating to any of the foregoing criteria, to the extent the information in the Office of the Interconnection's and/or PJM Settlement's possession is sufficient to evaluate the application against such criteria.

1.4.3 Fees and Costs.

The Office of the Interconnection shall require all Applicants seeking to become a Market Buyer Participant to pay a uniform application fee, initially in the amount of \$2,000+500, to defray the ordinary costs of processing such applications. The application fee shall be revised from time to time as the Office of the Interconnection shall determine to be necessary to recover its ordinary costs of processing applications. Any unusual or extraordinary costs incurred by the Office of the Interconnection in processing an application shall be reimbursed by the Applicant.

1.4.4 Office of the Interconnection Determination.

Upon submission of the information specified above, and such other information as shall reasonably be requested by the Office of the Interconnection and/or PJM Settlement, the Office of the Interconnection and/or PJM Settlement shall undertake an evaluation and investigation to determine whether the Applicant meets the criteria specified above, and in accordance with Tariff, Attachment Q, and whether the Applicant poses a credit risk or other unreasonable risk to the PJM Markets, or PJM Members, if it is allowed to become a Market Participant.

As soon as practicable, but in any event not later than sixty (60) calendar days after submission of the foregoing information, or such later date as may be necessary to satisfy the requirements

of the ~~Reliability Assurance~~ Agreements, the Office of the Interconnection shall notify the ~~Applicant~~ and ~~the members of~~ the Members Committee of its determination, along with a written summary of the basis for the determination, and whether there are any actions the Applicant can take that might cause the Office of the Interconnection to change its determination, including but not limited to providing even further supplemental information, providing additional Restricted Collateral, the discontinuance of certain behaviors, implementing additional monitoring, and implementing of process or policy changes. The Office of the Interconnection ~~and/or PJMSettlement~~ shall respond promptly to any reasonable and timely request by ~~an Applicant or~~ a Member for additional information regarding the basis for the Office of the Interconnection's determination, and shall take such action as it shall deem appropriate in response to any request for reconsideration or other action submitted to the Office of the Interconnection not later than thirty (30) calendar days from the initial notification to the Members Committee.

1.4.5 Existing Participants.

~~Any entity Member~~ that was previously qualified to participate as a Market ~~Buyer Participant in the PJM Interchange Energy Market under the Operating Agreement of PJM Interconnection L.L.C. in effect immediately prior to the Effective Date~~ shall not automatically continue to be qualified to participate as a Market ~~Buyer Participant in the PJM Interchange Energy Market~~ under ~~theis~~ Agreements. Rather, in order to retain its eligibility to continue to participate as a Market Participant in the PJM Markets, a Market Participant shall be subject to the requirements and ongoing risk evaluation in accordance with Tariff, Attachment Q.

1.4.6 Withdrawal.

(a) An Internal Market Buyer that is a Load Serving Entity may withdraw from this Agreement by giving written notice to the Office of the Interconnection specifying an effective date of withdrawal not earlier than the effective date of (i) its withdrawal from the Reliability Assurance Agreement, or (ii) the assumption of its obligations under the Reliability Assurance Agreement by an agent that is a Market Buyer.

(b) An External Market Buyer or an Internal Market Buyer that is not a Load Serving Entity may withdraw from this Agreement by giving written notice to the Office of the Interconnection specifying an effective date of withdrawal at least one day after the date of the notice.

(c) Withdrawal from this Agreement shall not relieve a Market ~~Buyer Participant~~ of any obligation to pay for electric energy or related services purchased from the PJM ~~Interchange Energy Markets~~ prior to such withdrawal, to pay its share of any fees and charges incurred or assessed by the Office of the Interconnection ~~and/or PJMSettlement~~ prior to the date of such withdrawal, maintain and/or provide sufficient credit support until all of its transactions in the PJM Markets have been satisfied, or to fulfill any obligation to provide indemnification for the consequences of acts, omissions or events occurring prior to such withdrawal; and provided, further, that withdrawal from this Agreement shall not relieve any Market ~~Buyer Participant~~ of any obligations it may have under, or constitute withdrawal from, any other Related PJM Agreement.

(d) A Market ~~Buyer Participant~~ that has withdrawn from this Agreement may reapply to become a Market ~~Buyer Participant~~ in accordance with the provisions of this ~~s~~Section 1.4, provided it is not in default of any obligation incurred under ~~theis~~ Agreements.

1.4.7 Termination.

The Office of the Interconnection requires that Market Participants certify and provide information required and requested by the Office of the Interconnection and/or PJMSettlement at least annually as indicated in section 1.4.1, 1.4.2 and 1.4.4 above and Tariff, Attachment Q. If the Office of the Interconnection determines that the entity no longer satisfies its requirements to be a Market Participant, the Office of the Interconnection shall suspend that entity's activity in the PJM Markets until such time as it can satisfy the requirements, and if the requirements are not satisfied the Office of the Interconnection may terminate that entity's approval to be a Market Participant. As soon as practicable, the Office of the Interconnection shall notify the entity and the Members Committee of its determination, along with a written summary of the basis for the determination, and whether there are any actions the entity can take that might cause the Office of the Interconnection to change its determination, including but not limited to providing even further additional information, providing additional Restricted Collateral, the discontinuance of certain behaviors, implementing additional monitoring, and implementing of process or policy changes. The Office of the Interconnection shall respond promptly to any reasonable and timely request by a Member for additional information regarding the basis for the Office of the Interconnection's determination, and shall take such action as it shall deem appropriate in response to any request for reconsideration or other action submitted to the Office of the Interconnection not later than thirty (30) calendar days from the initial notification to the Members Committee.

[ROW 13 OF MATRIX – Re-Entry of Defaulting Market Participant]

1.4.8. Re-entry of Defaulting Market Participant.

An Applicant who previously defaulted on any obligations owed to PJM and/or PJMSettlement that resulted in a loss to any PJM Market which was never cured, or who is not eligible for reinstatement to PJM membership pursuant to Operating Agreement, section 15.1, shall not be allowed to re-enter the PJM Markets. In addition, PJM will evaluate relevant factors to determine if an Applicant seeking to participate in the PJM Markets under a different name, affiliation, or organization should be treated as the same Market Participant that experienced a previous default that resulted in a loss to the PJM Markets under this provision. Such factors may include, but are not limited to, the interconnectedness of the business relationships, overlap in relevant personnel, similarity of business activities, overlap of customer base, and the business engaged in prior to the attempted re-entry.