

Tariff, Part I, section 2

2.1 Initial Allocation of Available Transfer Capability:

For purposes of determining whether existing capability on the Transmission Provider's Transmission System is adequate to accommodate a request for firm service under this Tariff, all Completed Applications for new firm transmission service received during the initial sixty (60) day period commencing with the effective date of the Tariff will be deemed to have been filed simultaneously. A lottery system conducted by an independent party, which shall be the Office of the Interconnection, shall be used to assign priorities for Completed Applications filed simultaneously. All Completed Applications for firm transmission service received after the initial sixty (60) day period shall be assigned a priority pursuant to Tariff, Part II, section 13.2.

2.2 Reservation Priority For Existing Firm Cross-Border Network Integration Transmission Service and Firm Point-to-Point Transmission Service:

Per Section 2.5, the reservation priority in this Section 2.2 does not apply to Regional Network Integration Transmission Service.

This Section 2.2 establishes a transmission reservation priority for existing Firm Cross-Border Network Integration Transmission Service and Firm Point-to-Point Transmission Service customers (referred to as "firm service customers" for purposes of Tariff, section 2.2 and Tariff, section 2.3). Such existing firm service customers of any Transmission Owner (wholesale requirements and transmission-only, with a contract term of five-years or more), have the right to continue to take transmission service from the Transmission Provider when the contract expires, rolls over or is renewed. This transmission reservation priority is independent of whether the existing customer continues to purchase capacity and energy from the Transmission Owner or elects to purchase capacity and energy from another supplier. If at the end of the contract term, the Transmission Provider's Transmission System cannot accommodate all of the requests for transmission service the existing firm service customer must agree to accept a contract term at least equal to a competing request by any new Eligible Customer and to pay the current just and reasonable rate, as approved by the Commission, for such service, provided that, the firm service customer shall have a right of first refusal at the end of such service only if the new contract is for five years or more. This transmission reservation priority for existing firm service customers is an ongoing right that may be exercised at the end of all firm contract terms of five years or longer. Service Agreements subject to the right of first refusal entered into prior to June 16,

2008 or associated with a transmission service request received prior to July 13, 2007, unless terminated, will become subject to the five-year/one-year requirement on the first rollover date after June 16, 2008; provided that, the one-year notice requirement shall apply to such service agreements with five years or more left in their terms as of June 16, 2008.

2.3 Procedures For Exercising Transmission Reservation Priority Rights:

(a) If, at any time, the Transmission Provider receives a request from an Eligible Customer for new firm transmission service that the Transmission Provider determines it could not provide without performing a System Impact Study if an existing customer were to exercise its transmission reservation priority pursuant to Tariff, Part I, section 2.2, the Transmission Provider shall promptly notify the existing customer of the new request. Within thirty (30) days of such notification, the existing customer must inform the Transmission Provider whether it exercises its reservation priority pursuant to Tariff, Part I, section 2.2 and agrees to accept a contract term at least equal to the new request. In the event an existing customer does not exercise its reservation priority or fails to respond within thirty (30) days of such notification, the existing firm service customer (as defined above in Tariff, section 2.2) shall forfeit its reservation priority.

(b) In the event an existing firm service customer (as defined above in Tariff, section 2.2) does not receive a notification pursuant to section 2.3(a) above, then the existing firm service customer (as defined above in Tariff, section 2.2) must notify Transmission Provider no later than one year prior to the end of the term of its firm transmission contract that it is exercising its transmission reservation priority and will take transmission service for an additional term of five years or longer; otherwise it shall forfeit the transmission reservation priority associated with the contract.

2.4 Reservation Priority For State Required Retail Access Program Load:

When a retail customer's power supply arrangements expire, roll-over, are renewed, or otherwise terminate, a Transmission Customer that will serve that retail power customer pursuant to a state required retail access program shall have the right to take transmission service from the Transmission Provider pursuant to the same priority accorded the Transmission Customer

which previously served the retail customer. This transmission reservation priority is independent of whether the retail customer continues to purchase capacity and energy from its then-existing supplier or purchases capacity and energy from another supplier.

2.5 Term of Service for Regional Network Integration Transmission Service

A Network Customer that takes Regional Network Integration Transmission Service from the Transmission Provider takes such service on terms that do not expire. The provisions relating to reservation priority and rollover rights in Sections 2.2 and 2.3, above, are inapplicable to such customers.

Although Regional Network Integration Transmission Service is presumed to continue without expiration, it may be terminated where:

- 1) An incumbent Network Customer will be replaced by a successor Network Customer, in which case the incumbent's service shall only terminate if the successor agrees to commence the taking of the service, the appropriate service agreement is executed, and all other applicable terms and conditions of the PJM Governing Agreements are satisfied;
- 2) An incumbent Network Customer seeks to terminate its service and no successor Network Customer exists, in which case the incumbent must provide PJM with forty-two (42) months' notice prior to the commencement of a Delivery Year, subject to receiving all necessary regulatory approvals for such termination, if any; or
- 3) On such other date mutually agreed upon by the parties.

Transmission Service Agreements in the form of Tariff, Attachment F, with terms that are related to Regional Network Integration Transmission Service, and which are in effect at the time this Section 2.5 becomes effective shall be deemed to be revised to include terms set forth in this Section 2.5. Such revisions shall be in the same manner and to the same extent as agreements entered after the effective date of this Section 2.5 and the modifications to Tariff, Attachment F and Tariff, Attachment F-3.

Definitions for Tariff, Part I

Network Integration Transmission Service:

“Network Integration Transmission Service” shall mean the transmission service provided under Tariff, Part III. There are two types of firm Network Integration Transmission Service: Regional Network Integration Transmission Service and firm Cross-Border Network Integration Transmission Service. Non-firm Network Integration Transmission Service includes Secondary Service.

Regional Network Integration Transmission Service

“Regional Network Integration Transmission Service” shall mean firm transmission service taken by Network Customers that involves the delivery of energy and/or capacity from Network Resources physically interconnected to the Transmission Provider’s transmission system to Network Load physically interconnected to the Transmission Provider’s transmission system.

Cross-Border

When used to describe Network Integration Transmission Service, Network External Designated Transmission Service or Point-to-Point Transmission Service, “Cross-Border” shall mean transmission service where the capacity and/or energy is delivered from a resource that is not part of the PJM Transmission System and/or to load that is not part of the PJM Transmission System.

Point-To-Point Transmission Service

“Point-To-Point Transmission Service” shall mean the reservation and transmission of capacity and energy on either a firm or non-firm basis from the Point(s) of Receipt to the Point(s) of Delivery under Tariff, Part II. Firm Point-To-Point Transmission Service is service provided in Tariff, Part II, section 13, except when modified on a non-firm basis as provided in Tariff, Part II, section 22.1. Non-firm Transmission Service is service provided in Tariff, Part II, sections 14 and 22.1.

Firm Point-To-Point Transmission Service

“Firm Point-To-Point Transmission Service” shall mean Transmission Service under the Tariff, Part II, section 13 that is reserved and/or scheduled between specified Points of Receipt and Delivery pursuant to Tariff, Part II.