

PJM Non-Unit Specific Capacity Transactions Version 1.1 – April 15, 2007

©2007 by the Edison Electric Institute

ALL RIGHTS RESERVED UNDER U.S. AND FOREIGN LAW, TREATIES AND CONVENTIONS. AUTOMATIC LICENSE – PERMISSION OF THE COPYRIGHT OWNERS IS GRANTED FOR REPRODUCTION BY DOWNLOADING FROM A COMPUTER AND PRINTING ELECTRONIC COPIES OF THE WORK. NO AUTHORIZED COPY MAY BE SOLD. WHEN USED AS A REFERENCE, ATTRIBUTION TO THE COPYRIGHT OWNERS IS REQUESTED.

PJM Non-Unit Specific Capacity Transactions

I. Product Definition:

Product:

“PJM Non-Unit Specific Capacity Transaction” which means a Non-Unit Specific Capacity Transaction as that term is defined in the Reliability Pricing Model (“RPM”) Business Rules of PJM Interconnection, L.L.C. (“PJM”), or any successor document issued by PJM and in effect from time to time (“RPM Rules”), subject to the following terms and conditions.

Payment Terms:

Subject to the terms of this Product:

(1) Seller will pay a charge to PJM pursuant to the System equal to the Contract Quantity multiplied by the price associated with the Delivery Point, and will receive from Buyer pursuant to Section 6.1 of the Master Agreement an amount equal to the Contract Quantity multiplied by the Contract Price; and

(2) Buyer will receive a credit from PJM pursuant to the System equal to the Contract Quantity multiplied by the price associated with the Delivery Point, and will pay to Seller pursuant to Section 6.1 of the Master Agreement an amount equal to the Contract Quantity multiplied by the Contract Price.

Scheduling:

Seller and Buyer shall accomplish delivery and receipt of the Product by entering and confirming appropriate Non-Unit Specific Capacity Transactions in PJM’s eRPM system, or any successor system, as applicable (“System”). Seller and Buyer shall use commercially reasonable efforts to cooperate with each other to ensure that such entry and confirmation is completed in a timely manner as per RPM Rules for Non-Unit Specific Capacity Transactions. For purposes of this Transaction, such entry and confirmation by Seller and Buyer into the System shall constitute “Schedule” or “Scheduling” as such terms are defined in the Master Agreement. Notwithstanding whether Seller and Buyer Schedule the Product for a Delivery Period in excess of one (1) month, Section 6.1 of the Master Agreement shall be applicable with respect to payments for the Product.

Delivery Point:

The Delivery Point will be the pricing point at which PJM will settle the transaction scheduled by the Parties in the System.

Buyer's Damages Associated with Seller's Failure to Timely Schedule:

If Seller fails to timely Schedule all or part of a Non-Unit Specific Capacity Transaction, and that failure is not due to Force Majeure and Buyer has fulfilled its obligations under the Product that is the subject of this Transaction, then Seller shall pay Buyer, on the date payment would otherwise be due in respect of the month in which the failure occurred or, if "Accelerated Payment of Damages" is specified on the Cover Sheet, within five (5) Business Days of invoice receipt, an amount for such deficiency equal to the positive difference, if any, obtained by subtracting the Contract Price from the NUSCT Replacement Price. The invoice for such amount shall include a written statement explaining in reasonable detail the calculation of such amount. The remedy set forth herein shall be the sole remedy for Seller's unexcused failure to perform and, for purposes of the Product that is the subject of this Transaction, shall supercede and replace the provisions of Section 4.1 of the Master Agreement.

Seller's Damages Associated with Buyer's Failure to Timely Schedule:

If Buyer fails to timely Schedule all or part of a Non-Unit Specific Capacity Transaction, and that failure is not due to Force Majeure and Seller has fulfilled its obligations under the Product that is the subject of this Transaction, then Buyer shall pay Seller, on the date payment would otherwise be due in respect of the month in which the failure occurred or, if "Accelerated Payment of Damages" is specified on the Cover Sheet, within five (5) Business Days of invoice receipt, an amount for such deficiency equal to the positive difference, if any, obtained by subtracting the NUSCT Sales Price from the Contract Price. The invoice for such amount shall include a written statement explaining in reasonable detail the calculation of such amount. The remedy set forth herein shall be the sole remedy for Buyer's unexcused failure to perform and, for purposes of the Product that is the subject of this Transaction, shall supercede and replace the provisions of Section 4.2 of the Master Agreement.

Other Provisions:

(1) If the System is unavailable for either Party to Schedule the Product for any reason in any particular month and the Non-Unit Specific Capacity Transaction is not properly credited to Buyer in PJM's eRPM system, then on the date payment by Buyer is due in respect of the month affected by such unavailability, in addition to Buyer's obligation to make payment of the Contract Price, Seller shall be obligated to pay to Buyer the NUSCT Replacement Price for the Contract Quantity for the relevant month.

(2) If PJM reverses or terminates the Non-Unit Specific Capacity Transaction Scheduled by the Parties in the System in the event one of the Parties fails to meet its obligations under the OA or Tariff, then (i) for each month remaining in the Delivery Period, on the date payment by Buyer is due in respect of that month, in addition to Buyer's obligation to make payment of the Contract Price, Seller will pay to Buyer the NUSCT Replacement Price for the Contract Quantity for the relevant month, and (ii), if the failure is by Seller, Seller will also pay to Buyer, within one (1) Business Day of Buyer's demand, any amounts that were reversed or otherwise not credited to Buyer by PJM as required pursuant to this Transaction for periods of time before the reversal. "OA" and "Tariff" mean the Amended and Restated Operating Agreement of PJM and the PJM Open Access Transmission Tariff, respectively, or any amended or successor documents that are in effect from time to time.

(3) Payments shall be made by Seller under Sections (1) and (2) above in accordance with the payment provisions of Section 6.1 of the Master Agreement and shall be netted in accordance with Section 6.4 of the Master Agreement.

Additional Definitions:

"NUSCT Replacement Price" means the market price for that amount of the Product not timely Scheduled by Seller, which will be determined exclusively by utilizing the price at which PJM settles Non-Unit Specific Capacity Transactions in the System at the Delivery Point for the relevant time period under the RPM Rules. **IN NO EVENT SHALL SUCH PRICE INCLUDE ANY PENALTIES OR SIMILAR CHARGES, NOR SHALL BUYER BE REQUIRED TO UTILIZE OR CHANGE ITS UTILIZATION OF ITS OWNED OR CONTROLLED ASSETS OR MARKET POSITIONS TO MINIMIZE SELLER'S LIABILITY.** For purposes of this Product, this definition of "NUSCT Replacement Price" shall supercede and replace the definition of "Replacement Price" in the Master Agreement.

"NUSCT Sales Price" means the market price for that amount of the Product not timely Scheduled by Buyer, which will be determined exclusively by utilizing the price at which PJM settles Non-Unit Specific Capacity Transactions in the System at the Delivery Point for the relevant time period under the RPM Rules. **IN NO EVENT SHALL SUCH PRICE INCLUDE ANY PENALTIES OR SIMILAR CHARGES, NOR SHALL SELLER BE REQUIRED TO UTILIZE OR CHANGE ITS UTILIZATION OF ITS OWNED OR CONTROLLED ASSETS, INCLUDING CONTRACTUAL ASSETS, OR MARKET POSITIONS TO MINIMIZE BUYER'S LIABILITY.** For purposes of this Product, this definition of "NUSCT Sales Price" shall supercede and replace the definition of "Sales Price" in the Master Agreement.

II. Notes.

1. The pricing points set forth in the RPM Rules currently include Locational Deliverability Area (“LDA”) and Hub pricing points (associated with a Base Residual Auction (“BRA”) Resource Clearing Price in a LDA), Net Load pricing points (associated with a Final Zonal Capacity Price less the applicable Final Zonal CTR Credit Rate), PZonal pricing points (associated with a Preliminary Zonal Capacity Price), FZonal (associated with a Final Zonal Capacity Price), FCTR pricing points (associated with a Final Zonal CTR Credit Rate), and FILR pricing points (associated with a Final Zonal ILR Price).

2. The pricing points recognized by PJM and the prices at which PJM will settle Non-Unit Specific Capacity Transactions under the RPM Rules at those pricing points are currently set forth on the PJM Website at <http://www.pjm.com/markets/rpm/operations.html>.

3. In using the EEI Master Purchase and Sale Agreement in support of these transactions, Parties should consider adding the “Market Disruption” optional provision posted on the EEI Website since these are index-based pricing products and this optional provision addresses the possibility that an index is altered or is no longer available.

4. The language provided on Buyer’s and Seller’s damages above is intended to be used in situations where Article IV of the Master Agreement would otherwise be applicable. The language is not intended to modify the provisions of Article V of the Master Agreement under which a Settlement Amount for this Transaction would be determined following its termination due to an Event of Default.

5. Buyers and Sellers contemplating entering into Non-Unit Specific Capacity Transactions as defined by this document may want to explore alternative documentation using financial swap products that would be performed by the Parties without resorting to PJM’s eRPM system.

6. PARTIES SHOULD SEEK APPROPRIATE LEGAL AND ACCOUNTING ADVICE PRIOR TO USING THE PRODUCT DEFINED BY THIS DOCUMENT OR ANY SIMILAR FINANCIAL PRODUCT. THIS DOCUMENT IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE LEGAL OR ACCOUNTING ADVICE.