

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Implementation of the Alternative :
Energy Portfolio Standards Act of 2004 : **Docket No. M-00051865**

Comments of PJM Interconnection

I. INTRODUCTION

The Pennsylvania Public Utility Commission (Commission) and the Pennsylvania Department of Environmental Protection (DEP) have been charged by the newly enacted *Alternative Energy Portfolio Standards Act of 2004 (AEPS Act)* to implement an Alternative Energy Portfolio Standard for the Commonwealth of Pennsylvania.

Threshold administrative issues for the Commission to decide under the AEPS Act include how to develop and establish an alternative energy credits program and a registry of information regarding all available alternative energy credits and credits transaction information. Under the AEPS Act, the Commission shall approve an independent entity to serve as the alternative energy credits program administrator. The program administrator will be responsible for creating and administering an alternative energy credits certification, tracking and reporting program. The administrator program must include a process for qualifying alternative energy systems and determining the manner credits can be created, accounted for, transferred and retired. The Commission has expressed interest in the Generator Attributes Tracking System (GATS) that PJM is developing.

PJM appreciates the Commission's interest in the PJM GATS system and stands ready to work with the Commission on this matter. PJM has consistently stated that it is working to develop a tracking system, provided that the funding and design details could be resolved, that could be used by entities that serve retail load to satisfy various state regulatory requirements imposed on such entities. PJM is uniquely positioned to provide such a tracking system given its role as administrator of the regional wholesale energy market, and there are efficiencies to be gained by having a single system that could be used by entities that serve load in multiple states within the PJM market. At the present time, there is one state that has expressed a strong desire for PJM to move forward with GATS and has offered to provide funding support to cover capital and operating expenses (to be reimbursed through user fees). PJM, therefore, is working to design a business structure through which PJM could offer the GATS service to entities that must comply with that state's requirements. PJM's goal is to implement GATS in 2005.

In the Comments below, PJM will clarify which aspects of the AEPS Act GATS would be able to address and what aspects the Commission would have to manage outside of GATS. PJM also will respond to other issues raised in the Notice of Technical Conference (Notice), dated January 7, 2004.

At the outset, PJM also wishes to emphasize that its commitment to construct and implement GATS is contingent upon PJM's obtaining certainty in the design and funding (capital costs and on-going operating expenses) of the system. If the Commission were to expect PJM's GATS to facilitate compliance by Pennsylvania electric distribution companies (EDCs) and electric generation suppliers (EGSs) with Pennsylvania's regulatory requirements, PJM respectfully requests the Commission to require

Pennsylvania EDCs and EGSs via order or regulation to use the system and pay the associated user fees to be assessed by PJM. PJM has not yet finalized what the GATS costs to users will be, and such costs may be affected by any final design requirements of Pennsylvania. PJM welcomes additional discussions with the Commission as the Commission works to further refine implementation detail if the Commission determines that PJM's GATS should be used to satisfy certain elements of the *AEPS Act*.

II. COMMENTS

A. Overview of GATS

PJM plans to offer the service through a Special Purpose Entity that would be created for the sole purpose of implementing GATS. The PJM membership would not be responsible for the financing or other liabilities associated with GATS. Instead, the users of the GATS would enter into an agreement with the Special Purpose Entity regarding the terms and conditions associated with their use of GATS, including a user fee to recoup capital costs and operating expenses associated with GATS. PJM would not enter into agreements directly with the state regulatory agencies regarding the use of GATS to meet state statutory or regulatory requirements. PJM further clarifies that GATS would not be subject to any state's jurisdiction, although the ability of the EDCs and EGSs to use GATS to satisfy state requirements would fall within state jurisdiction. Additionally, PJM does not envision using the normal PJM stakeholder process to establish the business rules for GATS, but does anticipate a consultation process with stakeholders who would use GATS. Each state that requires suppliers to use GATS to satisfy state requirements could identify any changes to GATS they may request to satisfy its requirements. PJM would then use a consultative process with all users of GATS to

determine the effect of the requested change on the other users and the costs associated with the requested change.

There are efficiencies to be gained by having a single system in the region support all of the various regulatory requirements of the states within PJM, and implementation challenges would arise where multiple systems to exist within the region (such as double-counting of certificates). One state has confirmed that it would like GATS to be available as soon as possible, and PJM intends to move forward to implement GATS once the system design, funding and business structure are finalized. The Pennsylvania Commission and the other states within the PJM region are welcome to require suppliers in their states to use GATS to satisfy statutory or regulatory requirements. PJM, however, cannot opine as to whether GATS will satisfy the deadlines and other requirements of the AEPS Act. That is a policy determination that the Commission will have to make, not PJM.

B. PJM Comments to Issues Identified in the Notice

In the following comments, PJM offers specific responses to some of the issues raised by the Commission in the Notice. PJM also attaches in Attachment A the GATS Concept Paper that was developed in the PJM GATS Working Group and which is posted on the PJM web site for further background on the proposed GATS design.

1. Qualifying Alternative Energy Systems

The AEPS Act requires the Commission to establish an alternative energy credits program, and provides that an independent entity shall serve as the alternative energy credits program administrator. The AEPS Act requires the program administrator to

create a process for qualifying alternative energy systems to receive Alternative Energy Credits under the Pennsylvania law.

PJM would not be, through GATS, the program administrator under the AEPS Act. The GATS system is merely a tracking system; PJM does not verify generators' eligibility to satisfy state renewable portfolio requirements. The GATS will contain hourly generation information, for each individual PJM generation unit metered to PJM, and will create generator specific certificates that identify the relevant generation attributes necessary for electricity suppliers to satisfy state policies, retail market requirements and regulations. If state programs provide a verification process for "behind the meter" generation, PJM's GATS may be able to track these resources too. Under the PJM GATS proposal, each certificate created by GATS would have a unique serial number, and if the state were to verify that the generator satisfied Pennsylvania's Tier 1 or Tier 2 AEPS requirements, the certificate also could indicate that it is Pennsylvania Tier 1 or Tier 2 eligible. The verification of the generator's eligibility to satisfy Pennsylvania's Tier 1 or Tier 2 should occur prior to the certificate creation so that that information is included on the certificate at the time it is created by GATS. Suppliers seeking to buy certificates to meet their AEPS requirements then would know prior to purchasing certificates whether the certificates are eligible to satisfy the Pennsylvania requirements.

PJM stresses that it does not intend to perform the verification of eligible resources function as part of GATS. GATS is a database tracking system, and would not perform a verification of eligibility function. In other words, GATS would not verify that a particular generator would be eligible to satisfy Pennsylvania Tier 1 or Tier 2 AEPS

requirements. PJM would expect the Pennsylvania Commission to verify whether particular generators would be eligible to satisfy Pennsylvania's Tier 1 or Tier 2 RPS requirements.

The information registered and tracked in GATS will facilitate bilateral trading of the certificates that are created. GATS will include a posting system, similar to the bulletin board used in the PJM capacity credit market and FTR market, where market participants can voluntarily post bids to buy certificates and offers to sell certificates. However, GATS does not provide for a centrally cleared certificates market. Furthermore, GATS tracks only the non-energy attribute, and therefore, would not influence the wholesale market price of energy.

GATS will maintain an account for each entity that generates electricity in PJM and for each entity that serves load in PJM. Retail suppliers selling multiple products may set up sub-accounts for each retail product. Each entity will have the ability to manage its accounts in the GATS system. Through the unique serial number for every certificate, GATS will also verify that a megawatt hour of electricity is not claimed more than once. The GATS can accommodate varying state rules on the lifespan of renewable certificates. GATS is designed with a set transfer period and an annual settlement.

GATS can track most of the resources identified in the AEPS Act. However, GATS did not envision creating certificates for demand side response resources or energy efficiencies. GATS currently tracks and can create certificates for resources that are settled through the PJM settlement system; resources that are imported into PJM; and "behind the meter" generators that are not in the PJM system, but that would be certified to PJM.

The PJM GATS is a system that will be uniformly available over the entire PJM footprint. Thus, market participants would realize economies of scale as well as a uniform set of procedures, which can result in potential cost savings to market participants and consumers.

2. Registry

The proposed GATS would record (or is able to record) the information that is required under Section 3(e)(8).¹ The current proposal for GATS envisions that the market participants, both generators and suppliers, who will be trading certificates will have access to their own accounts in GATS. A bulletin board feature would facilitate the pairing of buyers and sellers of certificates. The current proposal also envisions that the state regulatory commissions would receive a report from the system which would indicate the fuel mix and emissions portfolio for each supplier within its jurisdiction for the load served in that jurisdiction. Additionally, certain aggregated results could be made publicly available, such as the PJM system average fuel mix and emissions, PJM residual mix, import system mix, certain certificate statistics, etc.

The subject of sub-regional aggregated information (e.g., on a state-specific basis) and the subject of reporting publicly the number of certificates transferred and the price paid had not been addressed in the stakeholder discussions that produced the current proposed design for GATS. The vintage of the data may cause a concern if non-

¹ Section 3(e)(8) of the *AEPS Act* requires a system to include a registry of pertinent information regarding all:

- available alternative energy credits
- alternative energy credit transactions among EDCs and EGSs in the state, including:
 - the creation and application of alternative energy credits;
 - the number of alternative energy credits sold or transferred; and
 - the price paid for the sale or transfer of alternative energy credits.

aggregated information is requested to be revealed on a monthly basis because such data may reveal market sensitive information about when a particular generator ran.

With regard to the price paid element of a registry, PJM GATS would not require that the parties to a transfer record the price paid as a universal requirement imposed on all users of GATS. If state rules were to require that suppliers of load within a particular state disclose the price paid for such transfers, PJM's GATS would be able to track it.² When a certificate is designated as being used for compliance with the PA AEPS, the EDC would have to record the price paid in GATS. Thus, PJM would be able to track that information in GATS as an input by the Pennsylvania EDCs and EGSs.

3. Portfolio Requirements of Other States and Regional Coordination

PJM initiated the GATS project in response to various state commission inquiries with existing and evolving state requirements for both renewable portfolio standards and fuel mix and emissions disclosure, including New Jersey, Maryland, Delaware, Illinois, Ohio, Virginia, Illinois and the District of Columbia. PJM also considered developments in Pennsylvania. In early 2004, PJM took into consideration Pennsylvania Governor Rendell's proposed Advanced Energy Portfolio Standard which was released around the same time Pennsylvania Senate Bill 1030 was released. In fact, in consideration of the developments in Pennsylvania in early 2004, PJM proposed a change, creating a more flexible "Clean Energy Portfolio Standard" (CEPS) account for which each state determines eligible resources. That change was supported by the working group and incorporated into the GATS Concept Paper. Since that time, the actual AEPS law was

² GATS could track price paid in such instances subject to confirmation that doing so does not constitute PJM making or administering a market.

changed to include pump storage, and PJM consequently made provisions in GATS to create and track certificates for pump storage.

GATS was intended to be used by entities that serve retail load to satisfy various state regulatory requirements imposed on such entities throughout the PJM footprint. GATS is designed to be very flexible, and GATS should accommodate both varying state requirements and other market interest uses for the system. Depending on the system design functionality or cost implications, changes to the GATS may require stakeholder input. If a proposed change in the design of GATS would decrease the flexibility of the system and impact its ability to accommodate any state's requirements, PJM expects that those entities contracting for the service would request changes in the context of the stakeholder process within PJM.

PJM does not intend to enter into a direct contract with any of the state commissions that would look to GATS to facilitate supplier compliance with their state requirements. Instead, PJM envisions entering into contracts with the users of GATS, which would include the entities who must use GATS to comply with state requirements. PJM believes that each state has regulatory oversight over the suppliers who serve load in their state and their buying and selling of certificates. However, the GATS system itself is not a regulated service but simply a tracking service. Additionally, as stated above, GATS would not be subject to state jurisdiction.

4. Development of Technical Standards for Net Metering and Interconnection

PJM intends to submit comments to Pennsylvania in *Advance Notice of Proposed Rulemaking Regarding Small Generation Interconnection Standards and Procedures*, Docket No. L-00040168. As with GATS, PJM supports regional consistency on

interconnection standards in order to facilitate development of renewable resources and other smaller generation options. PJM has completed technical standards for interconnection of generation less than 2 MW which are posted on PJM's website. PJM is planning on filing tariff changes with the Federal Energy Regulatory Commission on January 18, 2005, which subject such generation to PJM's technical standards. In addition, in the near future PJM will be convening a stakeholder process to develop a technical standard for generators between 2MW and 10MW.

III. CONCLUSION

PJM appreciates the opportunity to offer comments to the Commission for the Technical Conference regarding the AEPS Act implementation issues facing the Commission. PJM welcomes the opportunity to discuss further details regarding how GATS may be used by Pennsylvania to facilitate EDC and EGS compliance with the AEPS Act.

Respectfully submitted,

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PJM, Senior Counsel

Dated: January 14, 2005

GATS Concept

Purpose

A Generation Attribute Tracking System (GATS) database and associated activities are needed to provide PJM members with an administratively simple, cost-effective means of *demonstrating compliance with a variety of state policies and regulations*. Through the development of hourly generation certificates that can be bought and sold in a secondary market, electricity suppliers, including those that are PJM participants and those that are not, can acquire the specific generation attributes necessary to comply with a variety of state regulations. A certificates program will also provide an efficient mechanism for generators to receive compensation for generation attributes that are valued by state policies and rules or by retail consumers.

Background

The GATS database will be designed to support three general types of state regulation and policies, which includes state retail/wholesale and government programs: (1) Information Disclosure by load serving entities (LSE's) to retail customers; (2) Clean Energy Portfolio Standard obligations of electricity suppliers; and (3) Emission Performance Standard obligations of electricity suppliers. If additional state policies or regulations are developed, they will be incorporated into the GATS Database to the extent it is feasible to do so. Incidentally, the GATS database will also support clean/green energy products offered for retail sale.

In simple terms, Information Disclosure requires an electricity supplier to inform its customers on a periodic basis (quarterly, semi-annually, or annually) of the fuel source, emissions, and other characteristics of the electricity resources supplied to the customer. Delaware, Maryland, New Jersey, Ohio, Virginia and the District of Columbia have adopted Information Disclosure policies that are similar, but not identical. Pennsylvania requires suppliers to document any claims being made to retail customers.

A Clean Energy Portfolio Standard ("CEPS", also commonly referred to as a renewable portfolio standard, or "RPS") requires an electricity supplier to include a minimum percentage of renewable, or environmentally preferable resources in its mix of electricity resources supplied to customers. Currently, New Jersey is currently the only PJM state that has adopted RPS policies, however Maryland and Pennsylvania also have been considering adopting similar policies. New Jersey, Pennsylvania and Maryland also have adopted power procurement policies for their respective state buildings that include renewable resources.

An Emissions/Generation Performance Standard ("EPS" or "GPS") requires an electricity supplier not to exceed a maximum threshold of specific pollutants in its mix of electricity resources supplied to customers. New Jersey's electric restructuring act contemplates an EPS, but none has been implemented to date.

The GATS Working Group, comprised of representatives of PJM's regulatory agencies (primarily electric and air), PJM market participants, and PJM staff, has been meeting since late 2001 to develop a proposal on how the various state policies described above could be

accommodated in a PJM-wide database. This project report describes the Working Group’s compromise proposal for the development and implementation of a GATS database.

Summary of State Requirements

State	Environmental Disclosure	CEPS/RPS	GPS/EPS
DE	Fuel mix; quarterly reporting		
DC	Fuel mix; semi-annual reporting		
MD	Fuel mix; emission (lbs/MW/hr); annual calculation of disclosure label information - semi-annual reporting of that information	Small requirement focused on sustaining current numbers	
NJ	Fuel mix; emissions; semi-annual reporting (annual contemplated); standard label	Yes; currently being increased per Task Force Report	Contemplated
OH	Fuel mix; emissions; annual reporting (w/qtrly comparisons); standard label		
PA	Annual report to PUC; report to customer upon request/making environmental claims	Small requirement focused on sustaining current numbers	
VA	Fuel mix; emissions; annual reporting; claims must be supported		
WV	Fuel mix/emissions rules proposed – adoption of final rules delayed		

Overview

The GATS Working Group has developed a proposal for a GATS database that will maintain a one-for-one match between energy produced and energy consumed in PJM, as well as imports and exports. PJM currently administers a wholesale electricity market that is settled each hour as to supply and load obligations. The GATS will contain hourly generation information, for each individual PJM generation unit, and will create generator specific certificates that identify the relevant generation attributes necessary for electricity suppliers to satisfy state policies, retail market requirements and regulations.¹ The certificates will contain the information needed to allow suppliers to demonstrate their compliance with state requirements and to allow state agencies to verify that compliance.

A certificates approach will provide an efficient process for load-serving entities to develop specific products for retail consumers with a high degree of certainty that their product claims can be verified. For owners of generation, a certificates approach will provide a means to precisely measure the value to the retail consumer of particular attributes of each generation unit. For state agencies seeking effective ways to implement policies and regulations, a certificates approach and central database will provide a means to monitor and document compliance.

¹ Imports will have the option of being “generator specific” or “system average” depending on the comparability of the exporting control area’s generation information system to PJM’s.

GATS-WG Mission

To recommend to the PJM Energy Markets Committee a single information system that will support reporting, compliance, and verification requirements related to environmental attributes of electric generation. Such a system should: Ensure accurate accounting and reporting, facilitate efficient and transparent transactions among market participants, provide flexibility to accommodate varied and changing state policies or programs, maintain liquidity in the energy market, mitigate seams issues, and be cost effective.

Assumptions:

1. Generator information will be tracked whether unbundled or bundled.
2. Support the development of the exchange/transfer of attributes for certificates.
3. The system will be flexible to try to accommodate new and existing environmental requirements or state initiatives.
4. The system must assure that each MWh has only one certificate and owner at any point in time to preclude double counting of certificates.
5. The system will produce reports required by regulators and market participants.
6. Participants should be allowed to review preliminary “test” data and results (such as labels), and to identify problems to PJM, before the final results are issued.

Definitions

Attribute: a characteristic of a generator, such as location, vintage, emissions output, fuel, state program eligibility, etc.

Behind The Meter (BTM) Generation – refers to generating units located with load at a single electrical location such that no transmission or distribution facilities owned by any transmission owner or distributor are used to deliver energy from the generating units to the load.

Certificate: represents all attributes associated with each MWh (or smaller increment) generated whether bundled or unbundled, traded or not traded.

Clean Energy Portfolio Standard (CEPS) Account: market participants can set up CEPS accounts that can be used to hold unsold, unused, CEPS eligible certificates. States will determine CEPS eligibility (i.e., RPS resources, resources identified as environmentally preferred, etc.). States will also determine the lifespan of the certificates in these accounts. CEPS certificates can be accumulated in these accounts and/or transferred. Certificates in CEPS accounts are excluded from any load serving entity’s disclosure label.

CEPS eligible certificates: certificates from resources deemed eligible by state policy (i.e., laws, regulations, etc.). Each state designates which state agency (e.g., public utility commissions, departments of environmental protection, state energy offices, etc.) will be responsible for codifying eligible resources. A master list of CEPS eligible resources will be created. Once one state places a resource on the list (i.e., wind), that resource is on the list for the entire PJM region.

Disclosure Label: a state mandated report on the fuel source, emissions, and other characteristics of the electricity resources supplied to retail customers.

Energy: The physical electricity commodity of the electrons transmitted through the power grid.

Generation Attribute Tracking System (GATS): a database that is able to track the certificates that result from the generation of electricity. GATS is an information and accounting system and is not intended to establish any legal title or ownership to certificates or the underlying attributes they represent.

Reserve Account: A GATS sub-account established by any market participant that allows the market participant to sell certificates directly to retail customers or export certificates out of PJM. Reserve Accounts are not restricted to “renewable” resources. In order to transfer certificates into the reserve account, the account holder must demonstrate that certificates were sold to a third-party in a good faith, arm’s length transaction for reasonable value. Once certificates are in the reserve account, they cannot be counted in the residual mix calculation at the end of the certificate transaction period. These certificates will not appear on a disclosure label and cannot be used for RPS compliance. Reserve account transactions will be public as to transacting parties to ensure transparency.

System Design

1. Certificates for Every MWhr

As MWhrs are generated within the PJM system, certificates will be created and placed into the generators’ GATS accounts without prejudice to which entity is the owner of such certificates for other purposes. A single certificate will be generated for each and every MWhr to allow market participants and states to rely on the system for various requirements, including emissions and fuel mix disclosure requirements. Each certificate will contain all of the attributes associated with that MWhr. Certificates cannot be disaggregated into their individual attributes and traded separately. The information system will allow all certificates to be traded based on market demand.

2. Certificates are Unbundled

All certificates will be unbundled from the underlying energy and will be permitted to trade separately. The information system will track all certificates.

3. GATS Accounts/Registration

The information system will maintain an account for each entity that generates electricity and for each entity that serves load in PJM. Retail LSEs selling multiple products will be permitted to set up a sub-account for each retail product. In addition, a special PJM membership category will be created for entities that market only certificates. On an annual basis GATS will provide a report to each account holder. Those reports will form the basis

for the retail LSE to make filings with state agencies that administer the relevant state policies or regulations or in the form of product-related information for end use consumers.

The system will allow all PJM members to register for an account. Default values will be established for generators who choose not to register. In addition a special class of PJM membership will be established to allow GATS users without full PJM membership to record their attribute transactions in the system.

In addition to an account that will record all certificates under the control of the PJM member, the member may have a CEPS account, which will enable certificates eligible for state CEPS/RPS requirements to continue to be active beyond the annual settlement date, and a reserve account, which will record all certificates sold directly to third party customers or exported from PJM. A CEPS account will enable a load serving entity to bank certificates consistent with state requirements.

4. Scope of GATS

The system will collect information on all generation resources located in PJM, all MWhrs produced, and all load served within the PJM region (see Generation Data Sources for information on how data will be collected). The system will be designed to collect information and track ownership of imports of certificates to the PJM system in the same manner, whether from other control areas or from distributed generation. All certificate transfers will be recorded in the system and all parties conducting certificate transactions will be required to record the transfer of certificates in GATS.

5. No Double Counting

The information system will create a unique serial number for every certificate as they are created/generated. Each certificate can only be held in one account at a time so as to eliminate the possibility of double counting.

6. Certificate Transactions

Certificate transactions require an affirmative action by both sellers and buyers. Certificate sellers will transfer the specified number of certificates they are selling to a designated purchaser's account. The transaction will be deemed complete when the purchaser affirms the transaction by accepting the certificates from the seller.

Account holders operating in a state that requires some or all transactions of certificates to be joined or "bundled" with the underlying energy, shall demonstrate compliance with these requirements through the contracts they make.

Market participants should be able to self-supply, arrange bilateral exchanges in advance of actual generation, purchase certificates through a central bulletin board, and exchange certificates through private arrangements over a period of time. Regardless of the exchange process used, market participants transferring certificates will be required to complete the

transaction within the GATS prior to the close of the transfer period, or move eligible certificates to their CEPS accounts to be traded at a later date.

7. Certificate Transfer Period

In an effort to facilitate accurate regulatory reporting, mitigate the exercise market power, and maintain the commodity relationship and one-for-one match between energy and certificates, the system will be designed with a set transfer period and an annual settlement. Certificate transactions between and among PJM participants can occur over a fixed transfer period. At the conclusion of the fixed transfer period, the retail LSE accounts maintained by the GATS administrator will be closed and a report sent to each account holder.

At the end of the fixed transfer period, all unsold/unused certificates that have not been transferred to CEPS accounts or Reserve Accounts will be pooled and an average resource mix will be calculated (this average is called the residual mix). Residual mix certificates will then be allocated proportionately to all LSEs who have fewer certificates than the load they served (i.e., do not have a one-to-one match with the MWhr of load they served). At the end of each fixed transfer period, all certificates will be accounted for due to the balance between generation production and load consumption, again maintaining the one-for-one match.

Fuel mix and emission disclosure labels that are produced by GATS will reflect the attributes of energy generated during the reporting period. Disclosure labels for the given period will reflect certificate transactions as of the settlement date. Certificates that have been placed in a Reserve Account or CEPS Account will not be reported on any supplier's disclosure label (see certificate flow diagram in Appendix A).

8. Retail LSE Obligations

Each retail LSE must obtain certificates equal to all of its retail energy sales. PJM members that do not have retail load obligations would not be required to obtain certificates. PJM members who serve retail load but have only minimal or no interest in the certificates associated with the power they provide could obtain their certificates from the residual mix pool; these residual mix certificates will be assigned on a pro rata basis at the end of the transfer period.

Certificate sales to end-use customers will be permitted. Parties interested in doing this must set up "reserve" accounts.

9. GATS Reporting Cycle

GATS will issue reports for any time period required by any state program and retail market requirements. Reports can be created as of a date certain. Subject to state requirements, GATS will design an ability to issue preliminary reports, for example 60 days before a final report, so that users may confirm accuracy or engage in additional trades as necessary to meet state program requirements or match a desired portfolio mix. (See reporting cycle timeline attached as Appendix B.)

In addition, standard practices for releasing generator data need to be taken into consideration to protect confidentiality of information. The generator data subgroup is addressing the confidentiality issue in detail.

10. Bulletin Board

The information system will include a posting system, similar to the bulletin board used in the PJM capacity market and proposed for FTRs, where market participants can voluntarily post bids and offers. The system will not initially include a trading platform or provide a market clearing function, but it will not preclude the development of this function if the need for more price transparency arises in the future.

11. Generation Data Sources (e.g., Generation, MWhr, Load, Emissions)

The system will use the PJM market settlement data to collect information on MWhrs produced. The system will initially use EPA's E-GRID data to capture emissions data until a more current source can be identified. The system will be supplemented with self-reported data for smaller generators and behind-the-meter generators. Protocols will be established for dual-fuel, multi-fuel units. There is a sub-group working on these issues.

12. Behind-the-Meter Generation

GATS will be designed to allow for the participation of behind the meter generation (BTM). BTM participation in GATS will be in accord with individual state jurisdictional policy, notably decisions on BTM generation qualification in policies such as a clean energy portfolio standard, or green energy procurement programs. BTM generators must supply evidence of state certification for their participation, which should include provisions for verification and audit of meter data.

A participating BTM generation aggregator or owner will be able to register for and manage a GATS account. The GATS system will track and identify the state in which the BTM generators' attributes are qualified. BTM resources will enter generation and emissions data periodically (quarterly, or on a regular schedule consistent with relevant state policies). Data will be collected by the aggregator or owner, in compliance with state policy and reported to GATS. A BTM generator that is rated at 10 MWs or greater or which PJM identifies as requiring metering for operational security reasons must have both revenue quality metering and telemetry equipment. For smaller BTM generators the generation data can be accrued and should be reported in whole MWhr increments and must be collected using a revenue quality meter. PJM will not assume any responsibility for verification or accuracy of the supplied data.

13. Import/Export

In an effort to minimize seams issues and reduce certificate transaction costs, the system will allow for the import of certificates from neighboring regions that offer reciprocal treatment of PJM certificates. Certificate-only transactions from incompatible systems can be allowed

if appropriate verification measures are in place and the transactions are bi-lateral contracts. In addition, energy-only imports will be assigned the system average of the control area from which they are purchased. Energy exported out of PJM will be assigned certificates with the residual mix average.

14. PJM Market Evolution/Expansion

The system will be flexible to allow for PJM market expansion, as well as further state program requirements that are developed. It must be flexible enough to accommodate new data fields and new reporting needs. It must be able to be queried numerous ways for various market participants including regulators, LSEs, generators, and marketers.

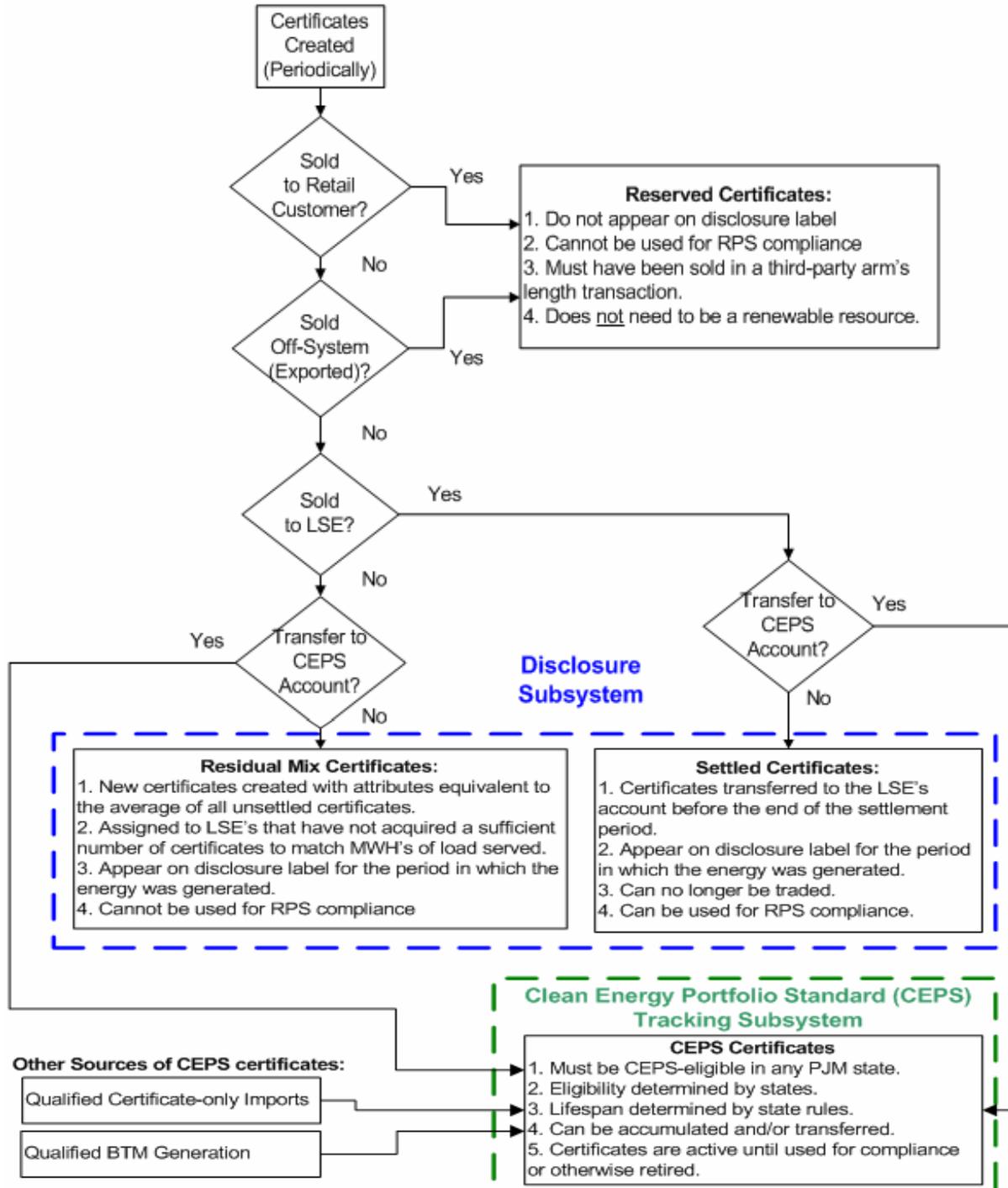
As the system expands, the system will collect data for the newly added generation resources and load and create accounts for additional participants. It is possible that states in the new market areas will have different regulations that might require some changes to the system. The GATS-WG will need to evaluate this with participants in the expanded market on a case-by-case basis as the PJM market expands.

15. Market Monitoring

The PJM market monitor will monitor the market for certificate trading behavior that is not in the public interest.

APPENDIX A

Generator Attribute Tracking System (GATS) Certificate Flow Diagram



APPENDIX B

DRAFT PJM GATS TIMELINE

PJM GATS:

Period	Certificate Creation Dates	Settlement Date	Reports Issued
Q1	2/15, 3/15, 4/15	March 15 th (the following year)	Jul 1 st
Q2	5/15, 6/15, 7/15	Same	Oct 1 st
Q3	8/15, 9/15, 10/15	Same	Jan 1 st
Q4	11/15, 12/15, 1/15	Same	Apr 1 st

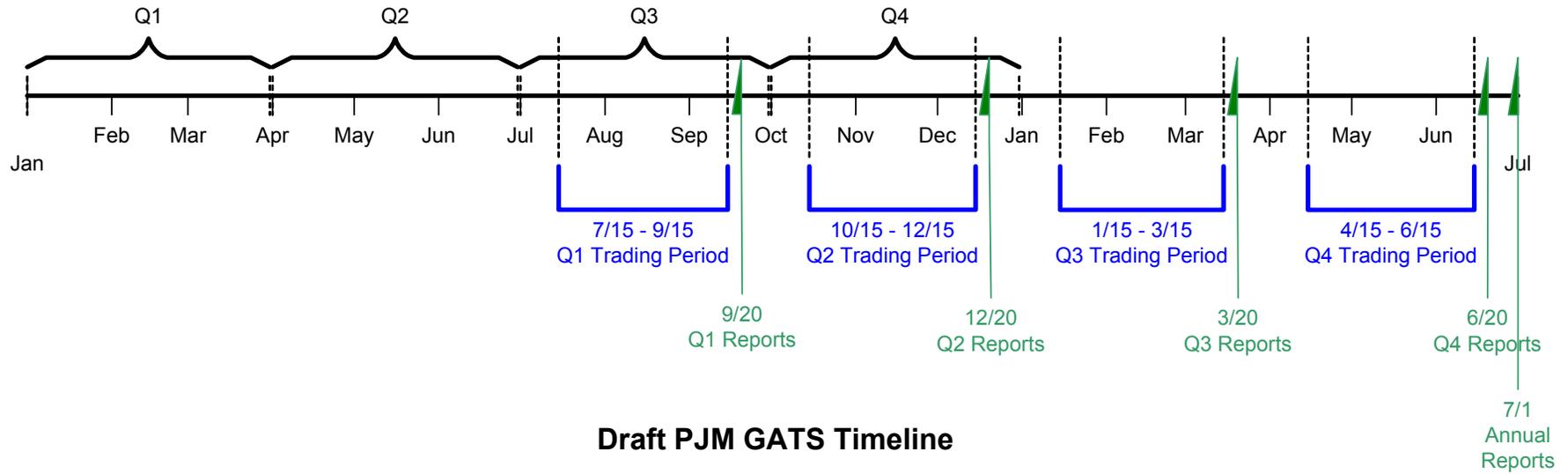
1. Certificates are created monthly². Some time lag (to be determined in the business rules) after the end of the month is required to allow GATS account holders time to review data before certificates are created.
2. Certificates will initially be created using estimated emission rates (e.g., from eGRID or GATS data from the previous calendar year). Certificates will be updated with actual emissions data when the data becomes available from the EPA (possibly quarterly, or annually prior to the annual settlement). A firm date will be determined in the business rules to provide certainty to contracting parties.³
3. Preliminary reports are issued each quarter. These reports are cumulative and include a preliminary residual mix calculation and preliminary emissions data. No certificates are transferred as a result of the preliminary residual mix calculation.
4. There is an annual settlement on March 15th for the preceding calendar year.
5. Certificates that are CEPS eligible in any PJM state can be transferred from the Disclosure Reporting subsystem to the CEPS Tracking subsystem any time prior to the annual settlement date.⁴
6. On the annual settlement date, all unsettled certificates from the previous calendar year that remain in the Disclosure Reporting subsystem will be included in the residual mix calculation and no longer tracked.

²The periodicity for certificate creation was changed from quarterly to monthly to accommodate the possibility of differing state reporting periods. For example, the NJ RPS reporting year is June 1st to May 31st. CEPS eligible certificates submitted for compliance in NJ must be based on energy generated in the reporting year and an annual report must be filed by each supplier/provider by September 1st. In the previous GATS timeline proposal, certificates for Q2 would not have been created until September 15th, so CEPS/RPS eligible certificates for Q2 could not be used for compliance in NJ.

³ Estimated emission data will be used initially so that certificate creation is not delayed any longer than is absolutely necessary.

⁴ The provision to transfer CEPS eligible certificates to a CEPS account and exclude them from the residual mix calculation was implemented so that CEPS eligible certificate expiration dates will be determined by state policies.

NE GIS Timeline



Draft PJM GATS Timeline

