

Maximum Cost Based Offer:

Status Quo (Incremental energy offer is capped at the lower of \$1,000/MWH or production cost + 10%; marginal cost of producing energy; generally fuel costs, plus Variable Operations & Maintenance (per PJM Manual 15)), except during a Maximum Emergency Generation Alert (Max Generation Alert) when a resource may submit a Day-ahead or Balancing market bid above \$1,000/MWH or in situations where a resource is committed by PJM outside of the Day-ahead market or Balancing market during a time when PJM has initiated emergency procedures and actual production costs, inclusive of a 10% adder, are demonstrated to be above \$1000/MWH.

Cost Based offers above \$1000/MWH submitted for the Day-ahead market or Balancing market periods or offers submitted and accepted during a manual commitment by PJM of the generating resource unit above \$1000/MWH does not set LMP. When a resource is committed under these circumstances operates and incurs production costs above \$1,000/MWH such costs will be recovered via the existing PJM Manual 11 procedure for cost reimbursement, with review by PJM and the IMM, as follows:

For a market participant who submitted a cost-based Day-ahead market or Balancing market periods offer above \$1,000/MWH during a Max Generation Alert, and has operated at a cost above \$1000/MWH, or for resource manually committed by PJM during an emergency procedure, must submit a notice to PJM indicating that its costs of operation exceeded the \$1,000/MWH cap by following the procedure in Attachment C of Manual 11 requiring an email to market_bids@pjm.com by 12:00 noon of the business day following operation.

To document costs of operation above \$1,000/MWH, a market participant must, within 45 days of operation, submit proof of costs including, for example, fuel supply invoices and gas pipeline meter statements, and other relevant cost data to PJM and the IMM.

PJM and the IMM, in computing whether resources' fuel expenditures, reflecting the actual heat rate experienced by the unit and a 10% adder, exceed a level equivalent to \$1,000 per MWH, shall utilize the following methodology in determining a market participant's incurred costs:

Actual Costs = production cost + 10%; marginal cost of producing energy; generally fuel costs, plus Variable Operations & Maintenance (per Manual 15).

Maximum Market Based Offer:

Capped at \$1000/MWH

10% Adder:

The cost offer and the actual cost of energy when a resource operated at a cost above \$1,000 per MWH includes a 10% adder of the cost based offer or the actual production cost, as applicable.

FMU and AU adders do not apply above \$1000/MWH.

PJM will provide regular, aggregate-level reports to stakeholders when cost-based offers exceed the \$1000/MWH cap.

Market Based Cost Based Dynamics:

Market-based or price-based offers for an individual unit must be less than or equal to cost-based offers for such unit when cost based offers are greater than \$1000/MWH.