

ATTACHMENT M – APPENDIX

II. DEVELOPMENT OF INPUTS FOR PROSPECTIVE MITIGATION

A. Offer Price Caps:

1. The Market Monitor or his designee shall advise the Office of the Interconnection whether it believes that the cost references, methods and rules included in the Cost Development Guidelines are accurate and appropriate, as specified in the PJM Manuals.
2. The Market Monitoring Unit shall review ~~upon request of a Market Seller, and may review upon its own initiative at any time,~~ the incremental short run marginal costs (defined in Section 6.4.2 of Schedule 1 of the Operating Agreement) included in the Offer Price Cap of a generating unit in order to ensure that the Market Seller has correctly applied the Cost Development Guidelines and that the level of the Offer Price Cap is otherwise acceptable. In the event that the Market Monitor determines that a resource has submitted a cost-based offer that does not meet these criteria, it shall inform PJM of the noncompliant cost-based offer and the applicable penalty, according to Schedule 2(e) of the Operating Agreement.
3. On or before the 21st day of each month, the Market Monitoring Unit shall calculate in accordance with the applicable criteria whether each generating unit with an offer cap calculated under Section 6.4.2 of Schedule 1 of the Operating Agreement is eligible to include an adder based on Frequently Mitigated Unit or Associated Unit status, and shall issue a written notice of the applicable adder, with a copy to the Office of the Interconnection, to the Market Seller for each unit that meets the criteria for Frequently Mitigated Unit or Associated Unit status.
4. Notwithstanding the number of jointly pivotal suppliers in any hour, if the Market Monitoring Unit determines that a reasonable level of competition will not exist based on an evaluation of all facts and circumstances, it may propose to the Commission the removal of offer-capping suspensions otherwise authorized by Section 6.4 of Schedule 1 of the Operating Agreement. Such proposals shall take effect upon Commission acceptance of the Market Monitoring Unit's filing.
- 4.5. The Market Monitor shall review all fuel cost policies submitted by Market Sellers for market power concerns, determining whether the method for developing fuel costs is verifiable, algorithmic, systematic, and representative of the short run marginal cost for fuel at the generating unit's location. The Market Monitor shall communicate its determination regarding these criteria to PJM and the Market Seller. If the Market Monitor finds market power concerns, it shall also communicate its determination to the FERC Office of Enforcement.