

OA § 6.4.2 Level.

- (a) The offer price cap shall be one of the amounts specified below, as specified in advance by the Market Seller for the affected unit:
- (i) The weighted average Locational Marginal Price at the generation bus at which energy from the capped resource was delivered during a specified number of hours during which the resource was dispatched for energy in economic merit order, the specified number of hours to be determined by the Office of the Interconnection and to be a number of hours sufficient to result in an offer price cap that reflects reasonably contemporaneous competitive market conditions for that unit;
 - (ii) The incremental operating cost of the generation resource as determined in accordance with Schedule 2 of the Operating Agreement and the PJM Manuals, plus 10% of such costs;
 - (iii) For a unit that is offer capped for 80 percent or more of its run hours, the incremental operating cost of the generation resource as determined in accordance with Schedule 2 of the Operating Agreement and the PJM Manuals, plus the higher of \$40 per megawatt-hour or the unit-specific going forward costs of the affected unit as reflected in an agreement entered pursuant to subparagraph (iv), below; or
 - (iv) An amount determined by agreement between the Office of the Interconnection and the Market Seller, provided that, if the Office of the Interconnection and the Market Seller cannot reach agreement after 60 days from the commencement of negotiations, then the Market Seller may submit the rates, terms, and conditions of its proposed offer cap to the Commission for resolution.
- (b) For purposes of section 6.4.2(a)(iii), a unit shall qualify for the specified offer cap if it was offer capped for 80 percent or more of its run hours over the course of the 12 month period ending December 31 of the calendar year preceding the calendar year in which the offer is submitted.
- (c) During any period that a unit not qualifying under Section 6.4.2(b) is located at the same site and has identical electrical impacts on the transmission system as a unit qualifying under Section 6.4.2(b), such unit shall be deemed to be an “associated unit.” The offer cap for an associated unit shall be equal to the incremental operating cost of such unit, as determined in accordance with Schedule 2 of the Operating Agreement and the PJM Manuals, plus \$40 per MWh, as specified under Section 6.4.2(a)(iii) of Schedule 1.
- (d) For purposes of section 6.4.2(a)(iii), the unit-specific going forward costs determined by agreement between the Office of the Interconnection and the

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Market Seller shall include only the costs included in the Deactivation Avoidable Cost Rate, excluding costs associated with the Avoidable Project Investment Recovery Rate (APIR), set forth in section 115 of the PJM Tariff. Any costs that would be capitalized according to generally accepted accounting principles, associated carrying costs, or other fixed costs shall not be included. The agreement shall further provide that (i) in order for such costs to qualify for inclusion in the amounts determined by the agreement, the Market Seller must agree to provide to PJM relevant cost data concerning fuel, operating and maintenance, and other avoidable costs, (ii) the maintenance practices and incurrence of expense at the unit shall be subject to audit by the Office of the Interconnection, and (iii) the unit owner agrees to operate the unit in accordance with Good Utility Practice.

- (e) Any agreement entered pursuant to section 6.4.2(a)(iv) shall be filed with the Commission and shall be effective only upon acceptance of the agreement for filing by the Commission; provided however, that agreements to reflect unit-specific going forward costs in accordance with section 6.4.2(a)(iii) shall be filed with the Commission for informational purposes only and shall be effective the day following the date of the informational filing.

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