**Cost Based Offers Into the Day-ahead Energy Market on January 21, 1014**

**Notice To Market Participants:** Please be advised that capacity resources under PJM’s rules are required to offer into the PJM Day-ahead energy market. Both price and cost-based offers from generation capacity resources are presently subject under the rules to a $1000 system offer cap. PJM is actively in the process of seeking a waiver from the FERC of the system offer cap rule as applied only to cost-based offers from generation capacity resources. The basis for such a waiver is documented and widespread escalation of natural gas prices in significant parts of the PJM region to prices. However, the request for such a waiver cannot be filed with FERC today because the agency is closed due to the weather.

Accordingly, please be advised:

1. All generation capacity resources that do not qualify to take a forced outage under PJM’s rules are required to submit an offer into the Day-ahead market subject to the system offer cap rule (i.e., an offer no greater than $1000).
2. Non-capacity resources, whose costs cannot be reimbursed without submitting an offer in excess of $1000, may submit “emergency offers” in excess of the system offer price cap.
3. PJM will file as soon as practical to seek a retroactive waiver of its system offer cap rule to “make whole” generation resources to their documented costs to the extent such costs exceed the system offer cap. The waiver would seek permission to reimburse affected generation resources through an “uplift” payment. While we appreciate this predicament leaves some PJM generation capacity resources in an uncertain state, PJM has consulted with counsel and believes the anticipated retroactive waiver request will likely be accepted by the FERC.
4. Along with the above-described retroactive waiver, PJM will seek a temporary waiver of the system offer cap rule as applied to cost-based offers from generation resources through March 1, 2014.

PJM appreciates all market participants shared commitment to maintaining system reliability. We will be pursuing more optimal and definitive rule changes to address this situation in the near future. Thank you.