

For a generating unit that is subject to operational limitations due to energy or environmental limitations imposed on the generating unit by Applicable Laws and Regulations, the Market Participant may include in the calculation of its “other incremental operating costs” an amount reflecting the unit-specific Energy Market Opportunity Costs expected to be incurred. Such unit-specific Energy Market Opportunity Costs are calculated by forecasting Locational Marginal Prices based on future contract prices for electricity using PJM Western Hub forward prices, taking into account historical variability and basis differentials for the bus at which the generating unit is located for the prior three year period immediately preceding the relevant compliance period, and subtract therefrom the forecasted costs to generate energy at the bus at which the generating unit is located, as specified in more detail in PJM Manual 15. If the difference between the forecasted Locational Marginal Prices and forecasted costs to generate energy is negative, the resulting Energy Market Opportunity Cost shall be zero. Notwithstanding the foregoing, a Market Participant may submit a request to PJM for consideration and approval of an alternative method of calculating its Energy Market Opportunity Cost if the standard methodology described herein does not accurately represent the Market Participant’s EnergyMarket Opportunity Cost.

**Notwithstanding any other provision of this Schedule 2, of the Amended and Re-stated PJM Operating Agreement, of the PJM Open Access Transmission Tariff, or any PJM Manual, any Opportunity Cost calculated using the opportunity cost calculator developed and maintained by PJM’s Independent Market Monitor shall be deemed approved as in compliance with the PJM market rules by the Office of the Interconnection.** Any market participant using an Opportunity Cost adder must designate what Opportunity Cost Calculator it will use and may change that designation no more frequently than annually.