Offer Verification Exception Request Timeline Definition Proposed Solution

Joseph Tutino
Sr. Engineer, Real-Time Market Operations
Market Implementation Committee
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Background

PJM finds a gap and suboptimal status quo to exist in defining the submission time for exception requests supporting offers submitted in excess of $1000/MWh.

Submission of the actual offers themselves is already defined in Manual 11 and enforced by Markets Gateway rules and validations for Day-ahead and Real-time offer submissions.

However, there is currently no clear timeline prescribed as to when an exception request should be submitted in support of said offer in Markets Gateway in the core text of the manual (outside of Attachment D) and the respective deadline for initial request.

Issue

In addition, the submission deadline currently described in Manual 11, Attachment D for after the fact make whole is defined as having until 11:00 EPT on the business day following the operating day to invoke the procedure.

This timeline was originally written in 2017 during the inception of the Offer Verification process. Prior to PJM's latest Markets Gateway functionality development, actual offer data and supporting documentation needed to be submitted in SharePoint.

Given the aforementioned changes, the deadline for requesting make whole payments as currently detailed in Manual 11 should be updated given the enhanced functionality in Markets Gateway.

Due to the extended nature of recent winter events, the goal is to soften this timeline to allow Market Sellers ample time to submit exception requests to support offers above $1000/MWh while also providing rigidity and certainty to the closure of these offer verification events.

Attachment D does not currently reflect the latest enhancements to Markets Gateway.

- The proposed M11 updates herein provide implementation details to the below relevant Tariff/OA sections.

OATT, OATT Attachment K Appendix Section 6.4 Offer Price Caps
6.4.3 Verification of Cost-Based Offers Over $1,000/Megawatt-hour

If the price submitted for the offer segment is less than or equal to the Maximum Allowable Incremental Cost then that offer segment shall be deemed verified and is eligible to set the applicable Locational Marginal Price. If the price submitted for the offer segment is greater than the Maximum Allowable Incremental Cost, then the Market Seller's cost-based offer for that segment and all segments at an equal or greater price are deemed not verified and are not eligible to set the applicable Locational Marginal Price and such offer shall be price capped at the greater of $1,000/megawatt-hour or the offer price of the most expensive verified segment on the Incremental Energy Offer for the purpose of setting Locational Marginal Prices; provided however, such Market Seller shall be allowed to submit a challenge to a non-verification determination, including supporting documentation, to the Office of the Interconnection in accordance with the procedures set forth in the PJM Manuals. Upon review of such documentation, the Office of the Interconnection may determine that the Market Seller's cost-based offer is verified and eligible to set the applicable Locational Marginal Price as described above.

Operating Agreement, Schedule 1, section 3.2.3(r)

(r) Market Sellers that incur incremental operating costs for a generation resource that are either greater than $1,000/MWh as determined in accordance with the Market Seller's PJM-approved Fuel Cost Policy, Operating Agreement, Schedule 2 and PJM Manual 15, but are not verified at the time of dispatch of the resource under section 6.4.3 of this Schedule, or greater than $2,000/MWh as determined in accordance with the Market Seller's PJM-approved Fuel Cost Policy, Operating Agreement, Schedule 2, and PJM Manual 15, will be eligible to receive credit for Operating Reserves upon review of the Market Monitoring Unit and the Office of the Interconnection, and approval of the Office of the Interconnection. Market Sellers must submit to the Office of the Interconnection and the Market Monitoring Unit all relevant documentation demonstrating the calculation of costs greater than $2,000/MWh, and costs greater than $1,000/MWh which were not verified at the time of dispatch of the resource under Tariff, Attachment K-Appendix, section 6.4.3. The Office of the Interconnection must approve any Operating Reserve credits paid to a Market Seller under this subsection (r).

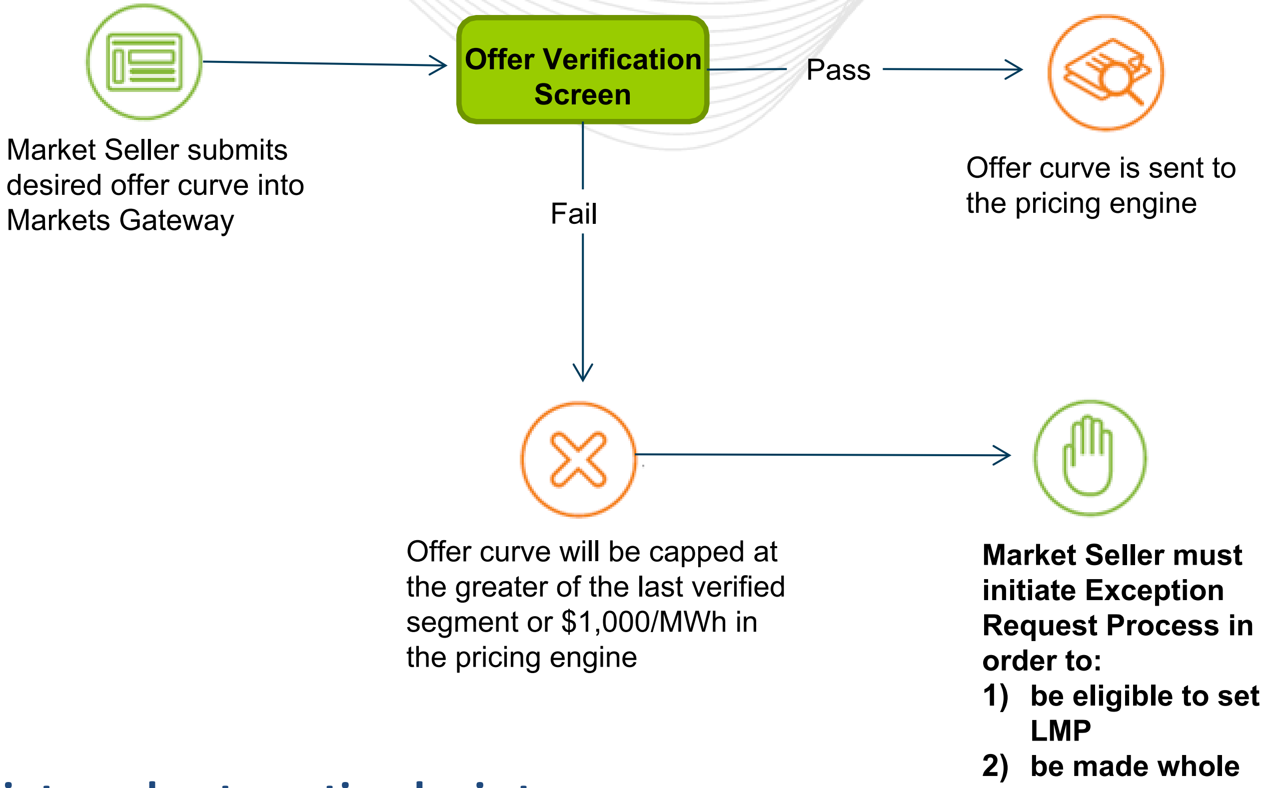
Education - After the Fact Make Whole

Manual 11, Attachment D currently details the only procedure by which Market Sellers that incur incremental operating costs for a generation resource committed by PJM with offer(s) greater than $1,000/MWh, which did not pass the offer screening process, as described in Section 2.3.6.2 of this Manual, in time to set LMP for all or a portion of the operating day can receive credit for Operating Reserves.

Generation owners of resources committed by PJM that meet the eligibility criteria to be compensated using this procedure currently have until **11:00 EPT** on the business day following the operating day to invoke the procedure even if all additional information is not available by following the communication procedure within Attachment D.

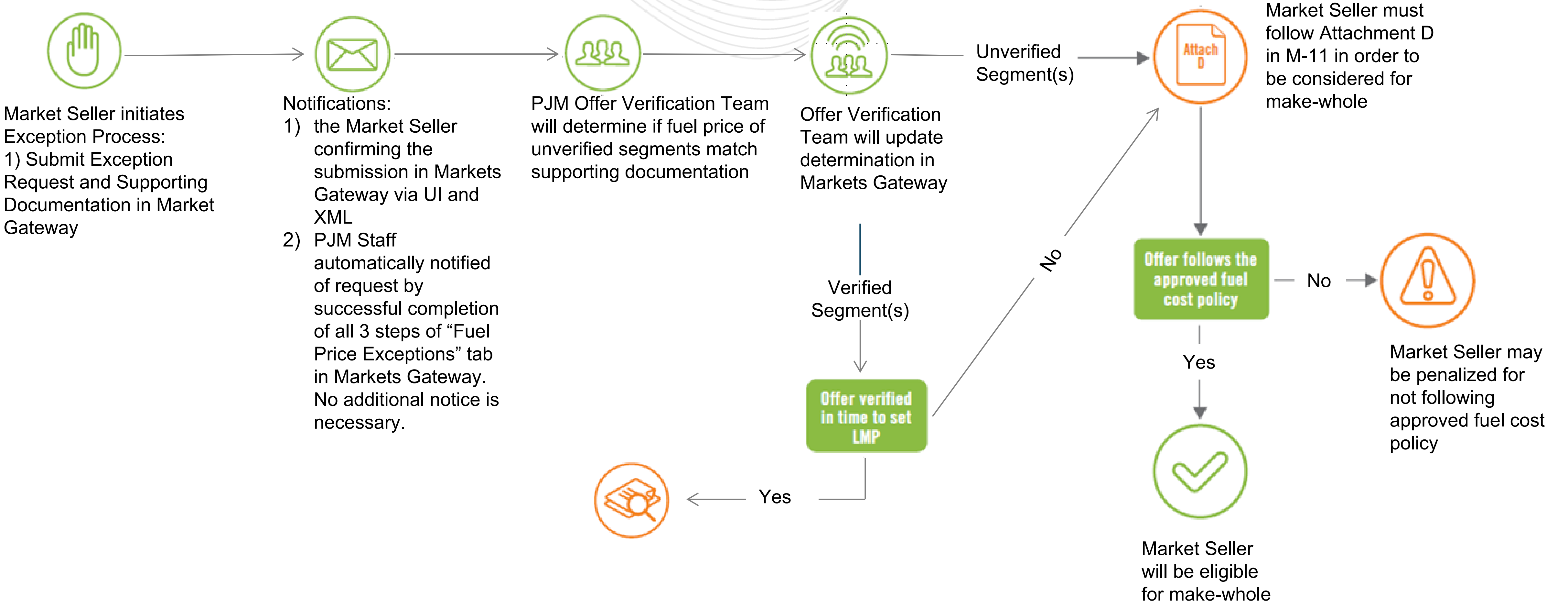
This communication procedure describes an email submission, but this can be updated to reflect the latest Fuel Price exceptions Markets Gateway functionality and defer to email as a backup in the event of tool issues.

Education - Incremental Energy Offer Verification

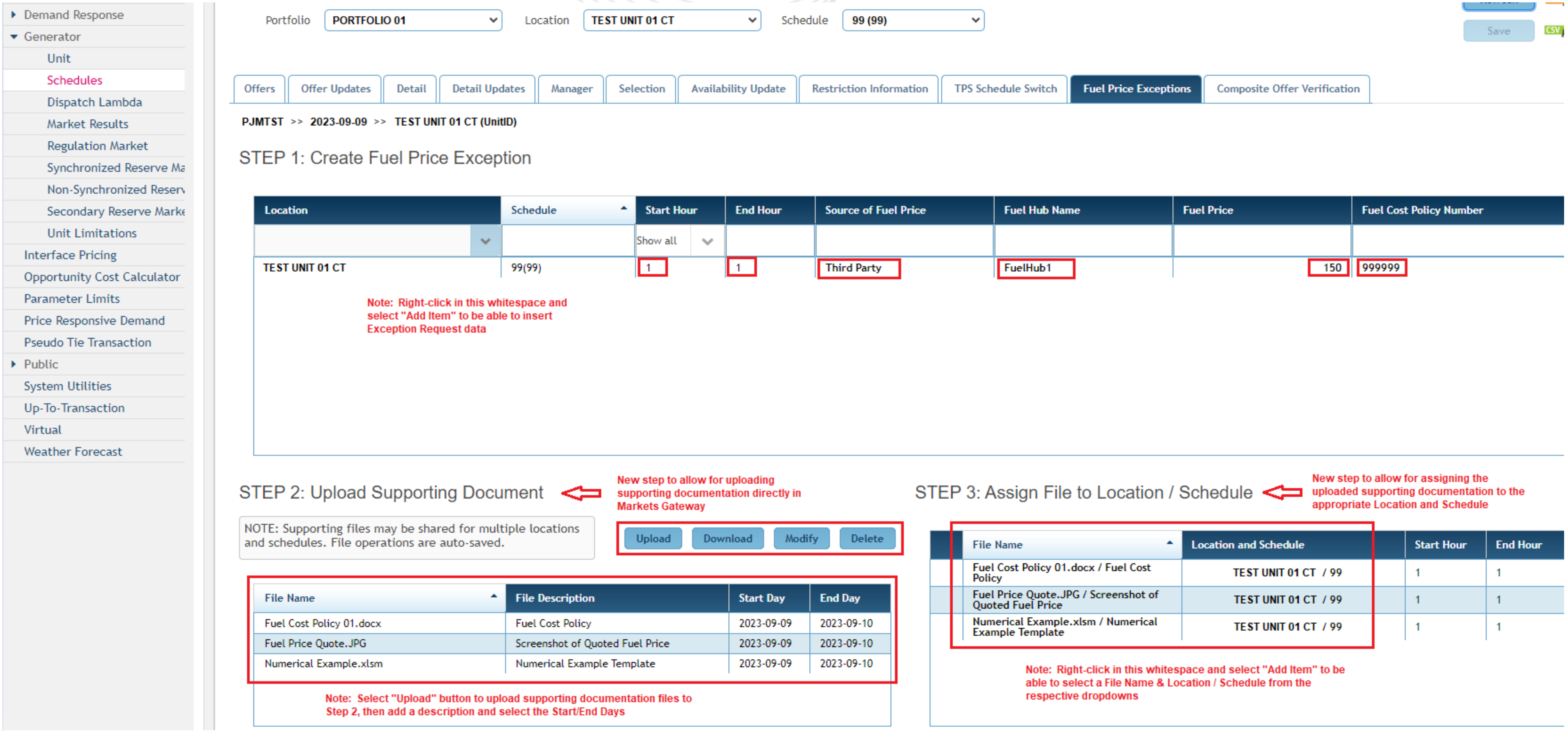


Markets Gateway has internal automation logic to screen offers with data it has on the fuels market and may pass the offer on its own. Only if this fails and the offer is capped is there a need to submit an exception request.

Education - Exception Process – Incremental Offer



- Participants are required to submit supporting documentation for Exception Requests directly in **Markets Gateway > Schedules > Fuel Price Exceptions** screen. **All 3 steps on Exceptions screen are required for a successful submission.**



Proposed Solution

To align with the language and timeline in Manual 11, Attachment D, PJM proposes a change to Manual 11, Section 2.3.6.2, Resource Energy Offer Validation (for offers greater than $1,000/MWh) to reflect the same timeline in defining the exception request process timeline.

Also, Attachment D is updated to reflect the updated timeline and the latest Fuel Price exceptions Markets Gateway functionality and defer to email as a backup in the event of tool issues.

Generation Resource Exception Process

If any segment of a resource's offer does not pass the offer screen, the Market Seller can submit an exception request. The exception process provides a Market Seller the ability to justify a resource's offer that did not pass the offer screen so that, if verified, it may be used in dispatch, be eligible to set LMP, or be eligible to receive Operating Reserve Credits. During the exception process, with timely input and advice from the MMU, PJM determines whether all segments of the resource's offer are compliant with the PJM approved Fuel Cost Policy for all applicable hours using documentation provided by the Market Seller via Markets Gateway detailing the underlying costs. Exception process requests will be evaluated in the order in which they are received. In the event that a particular request does not have sufficient information or documentation, or the documentation is not provided in a sufficiently timely and organized manner, PJM will put the request on hold and process the next requests in the queue. The deadline to submit an exception request in support of a resource's offer that did not pass the offer screen is sixty calendar days following the operating day in question.

- ***This updated timeline aligns with other Settlements deadlines at 60 days and balances the time for a Market Seller to view at least one bill while also considering PJM production database retention.***

Proposed Solution – Attachment D

Settlements

Generation owners of resources committed by PJM that meet the eligibility criteria to be compensated using this procedure have sixty calendar days ~~until 11:00 EPT on the first business day~~ following the operating day to submit an exception request in Markets Gateway as described in Section 2.3.6.2.

In the event of a Markets Gateway outage or other inability to submit therein, send an e-mail to EnergyOfferVerification@pjm.com and MMU_Energy_Offers_Review@monitoringanalytics.com with the following information:

- Unit Name,
- Date of operation,
- Applicable time of operation,
- Contact information (name of sender, phone, e-mail),
- Date and time of PJM Dispatch contact to generator, and
- Documentation of the Market Seller's calculation of the cost-based offer in accordance with

PJM Manual 15: Cost Development Guidelines and applicable Fuel Cost Policy.

Purpose

The goal of this added language is to avoid market sellers coming back months to years later if they see an anomaly in their bill if they did not complete an exception request.

PJM believes this is a reasonable amendment timeline that is explicitly clear to provide Market Sellers with sufficient time to complete an exception request upon reviewing at least one bill while also providing finality and certainty to the closure and settlement of these Offer Verification events.

This deadline is not meant to be a hard stop with no further back and forth with PJM, but rather a timeline to make an initial submission.

Contacts

Chair:
Jason Shoemaker, Jason.Shoemaker@pjm.com

Secretary:
Stefan Starkov, Stefan.Starkov@pjm.com

SME/Presenter:
Joey Tutino, Joseph.Tutino@pjm.com

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Member Hotline

(610) 666-8980

(866) 400-8980

custsvc@pjm.com

- Markets Gateway User Guide: Offer Verification Exception Request
  - Section 8.18
- XML Guide: Submit Unit Fuel Price Exception
  - Section 6.22
- Manual 11 – M11
- PJM Offer Verification – Website
- Member Information Reporting Application (MIRA) – Website
- Dual Fuel FAQ - Document


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