

# Fuel Cost Policy Review Update



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- All Fuel Cost Policies will be reviewed during the annual review even if flagged as “remains compliant” for another year.
- PJM will be reaching out to all Market Sellers to discuss any adjustments required to approve the policy.
- PJM received feedback from MMU as to whether or not the policies under annual review (pass, fail, need major changes, or need minor changes).

- For Natural Gas units, Gas Day 1 and Gas Day 2 cost development is not required.
  - PJM requires Market Sellers to describe the process by which gas is procured and purchased Day-Ahead, Real-Time and Intraday.
- PJM requires Market Sellers to identify if VOM is included in cost-based offers.
- PJM does not limit VOM to only Short Run Marginal Costs (SRMC).
- Acknowledgment if the opt-in/opt-out functionality for Intraday Offers will be used.

- If the opt-in/opt-out election will change throughout the year, include a description of the process to follow for both elections.
- Acknowledgment if the following adders are used in cost-based offers, and if so, describe the frequency of updates to these adders.
  - VOM
  - Emissions
  - 10% Adder
- PJM does not require Fuel Cost Policy pricing explanations to be algorithmic (linear regression).

- PJM recommends if you have a number that changes in your FCP, don't hard code this number into the policy.
  - example: variable transportation adder
- PJM recommends you include a generic reference to the number in your policy, and submit supporting documentation in a numerical example.
- If you hard code the value and it subsequently changes, you need to submit a new policy, and get approval prior to using the updated number.

- Outside the annual review period, PJM and the MMU will have an initial 30 Business Days for review. PJM shall consult with the MMU, and consider any input timely received from the Market Monitoring Unit, in its determination of whether to approve a Market Seller's updated Fuel Cost Policy. Market Sellers shall have five (5) Business Days or an alternative deadline agreed to by PJM, to provide additional documentation or information on any request from PJM or the MMU.

- For resources transferred to another Market Seller, the new Market Seller shall submit a Fuel Cost Policy to PJM and MMU for review 45 days prior to transfer or an alternative date agreed to by PJM. The new Market Seller will be required to have a PJM-approved Fuel Cost Policy prior to entering non-zero cost-based offers.



First, Thank you! We understand the effort involved.

- PJM is currently reviewing all the data and updated policies submitted during the annual review.

## Goal of Review

- VOM and Emissions adders must be reviewed at least annually by PJM and must be updated if they are no longer accurate.
- Continue using the adder you are using now. If during the review it's determine a change is required, PJM will notify you.



- MIC Special Session for VOM and OPC are in progress
- VOM
  - Two meetings so far that involved education from MMU and PJM
  - PJM is at interest identification and putting together packages
- OPC
  - One meeting for education
  - Joint session with VOM
- Next Meeting: August 31, 2017 – Combined 1300-1600