

Default Package w/MRC Approved Amendments

Brock Ondaiko – AEP Energy

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Summary - Default Package

(including MRC-approved amendment)

- Allows a resource flexibility of utilizing either a publicly available, **proxy default value** for Variable Operations & Maintenance **OR** their **actual** Variable Operations and Maintenance costs as defined in an updated M-15 within their cost-based energy offer.
 - U.S. Energy Information Administration – Capital Cost Estimates for Utility Scale Electricity Generating Plants
- **Amendment Approved** at June 21, 2018 MRC meeting
 - Energy Only resources and units that did not clear in the Delivery Year auctions **cannot** include ACR fixed cost within VOM
 - So...**remains Status Quo**

Why Utilize U.S. EIA Data as the Source for the Default or Proxy Value?

- Statistical and analytical agency within the U.S. Department of Energy.
 - [Mission and Overview](#) is to “collect, analyze, and disseminate **independent and impartial** energy information to promote sound policymaking, efficient markets, and public understanding of energy and its interaction with the economy and the environment. EIA is the nation’s premier source of energy information and, by law, its data, analyses, and forecast are independent of approval by any other officer or employee of the U.S. government.”
- Extensive amount of publicly available information including highly descriptive methodologies for development of costs, by technology-type, related to electrical production.
- **Unbiased Data**
 - EIA does not advocate changes in energy markets, communicate directly to stakeholders advising of its opinion, or seek to define where and how costs could be recoverable.

Why Choose the Utilization of a Default VOM Value?

- Simple – Regulatory risk mitigation and a belief the default, proxy value could be sufficient to recover VOM cost.
- Resource may lack sufficient resources to document and then hold 10 or 20 years of history and acceptable “*support documentation*.”
 - What is acceptable “support documentation” from the perspective of the market monitor?
 - Support documentation accepted by PJM may not be acceptable by the market monitor. (see [Market Monitor Report slide 10](#) provided at June 18, 2018 MC Webinar.
 - Does the maintenance and retention of “support documentation” go beyond the records retention requirement of FERC and other organizations? Could it be considered overly burdensome?
- Resources that transfer ownership will not have “support documentation” of costs from previous owner.
- Newly constructed resources may appreciate the flexibility of utilizing default values until they accumulate actual expenses.

Approved Amendments

- Elimination of recovery of ACR-related costs for Energy Only and uncleared resources in a delivery year was approved at last MRC meeting and is now included as part of the Default Package.

What about CTs and CCs?

- The PJM package allows major inspection, overhaul and LTSA costs to be included.
- The Default Package which allows the utilization of a default value or the PJM package is fully compatible.
 - A CC or CT wanting to utilize a proxy value for a year in which these costs were already included in their RPM offer (through DY 2021/22) could utilize the Section 1.8 exception process to compute and document a lower, acceptable proxy value for VOM.
 - Must be approved by PJM and reviewed by market monitor.

Final Thoughts

- The Default Package provides a resource the ability to utilize an EIA-defined Default proxy value in lieu of PJM's recommended changes to M-15 for the computation of VOM costs (with exception of ACR-related fixed costs associated with the approved amendment discussed earlier).
- Does NOT allow for any potential double-recovery of costs.
- Provides a reasonable, independent, and fully documented methodology for computation of default costs.
- Competitive pressure will continue to encourage resources to submit the lowest possible cost they deem acceptable to produce electricity.