

# Summary of Cost Development Subcommittee Fuel Cost Policy and Schedule 2 Penalty Package

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Market Implementation Committee

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Action Required	Deadline	Who May Be Affected
Verify Fuel Cost Policy Practices	TBD*	Market Sellers of Generation Units
		

\*Upon PJM Board approval.



# Fuel Cost Policy Standards and Schedule 2 Penalties

## Action Required

- Verify that all intraday offer triggers are specified in the unit's Fuel Cost Policy
- Verify weekend/holiday natural gas estimation practices match either the default assumptions in the PJM Guidelines, or specify estimation practices in the unit's Fuel Cost Policy

## Deadline

Upon PJM Board Approval of PJM/IMM Package

## Who May be Affected

Market Sellers of generation units

## Key Work Activities and Scope

Provide detailed guidance and updates as necessary in Manual 15 and Schedule 2 of the Operating Agreement for:

- 1) Ensure consistency between Manual 15 and Operating Agreement, Schedule 2
- 2) Clarify in Operating Agreement, Schedule 2 the applicable parties eligible to report an error under "Self Identification"
- 3) Clarify applicable penalty for errors with gaps in date range
- 4) Market Seller clarification regarding price estimation for gas over weekends/holidays (i.e. weekend strip versus GD1/GD2)
- 5) Elaborate on offer update requirements for generators opted-in to intraday offers (i.e. min of one trigger required versus all triggers documented)
- 6) Clarify PJM/IMM review timeline during periodic review



# PJM/IMM Package

- Update PJM Fuel Cost Policy Guidelines
  - **Weekend/Holiday Natural Gas Estimates.** Add to PJM review guidelines that default assumption is that Market Participants are using weekend strip for commodity estimate. Market Participant must specify in fuel cost policy if using a different estimation practice. Update language in the PJM Fuel Cost Policy Guidelines.



- Manual 15 Updates
  - **Standards of Review: Intraday Update Triggers.** In order to opt in, Market Sellers need to have one time trigger to update the maximum allowable cost offer. Additional triggers are optional. If no additional triggers are included. Market Sellers can only update the maximum allowable cost offer once, during the defined time trigger.

\*Rebid and intraday updates to the maximum allowable cost offer must follow the triggers (e.g. time window, pipeline events) specified in the Fuel Cost Policies.

- Manual 15 Updates
  - **Consistency between Schedule 2 and Manual 15.**  
Accounting for illiquid conditions. Include language from OA, Schedule 2, Section 2.3(a)(iv) in Manual 15.
  - **PJM/IMM Review Timeline for Periodic Review.** Status quo with clarification that PJM and/or IMM can work with Market Sellers to extend policies prior to expiration.



- Operating Agreement, Schedule 2 Updates
  - **Standards of Review: Verifiable.** Fuel cost policies must provide a fuel price that can be calculated by the Market Monitor / PJM after the fact with the same data available to the generation owner at the time the decision was made and documentation for that data from a public or a private source.
  - **Standards of Review: Systematic.** Fuel cost policies must document a standardized method or methods for calculating fuel costs including objective triggers for each method.

- Operating Agreement, Schedule 2 Updates
  - **Identical Error in Cost Offer with Lapse in Date Range.**  
Clarify in OA, Schedule 2 that error occurring over a period of time, but with lapse in the date range would be treated as a single penalty. Average LMP & MW calculation would be calculated across the entire date range, including dates for which the error did not occur.

## Operating Agreement, Schedule 2, Section 4.4(d)

(d) ~~Market Sellers may submit Maintenance Adder and Operating Costs information to PJM and the Market Monitoring Unit as part of the information it submits during the annual Fuel Cost Policy review process, described in Operating Agreement, Schedule 2, section 2.6.~~ The basis for the Market Monitoring Unit's review is described in Tariff, Attachment M-Appendix, section II.A.2. PJM shall consult with the Market Monitoring Unit, and consider any input and advice

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timely received from the Market Monitoring Unit, in its determination of whether to approve Maintenance Adders and Operating Costs.

\*PJM removed the annual Fuel Cost Policy review requirement, but still completes an independent annual VOM review process.

- December MIC seeking endorsement
- December MRC First Read
- January MRC seeking endorsement
- February MC seeking endorsement
- Board approval (following February MC Endorsement)
- File Schedule 2 redlines with FERC upon PJM Board approval

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## Fuel Cost Policy Standards and Schedule 2 Penalties



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