

Variable Operation & Maintenance Definition

Cost Development Task
Force – Conference Call
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Incremental Cost

- **Variable Operation and Maintenance Costs** should include only *short run incremental costs*
- **PJM Operating Agreement – Schedule 2B** provides for generators to include the following components of cost:
 - **Incremental fuel cost**
 - **Incremental maintenance cost**
 - **Incremental labor cost; and**
 - **Other incremental operating costs.**



Operating and Maintenance Cost Guidelines

- **CT Maintenance Adder - Total dollars from FERC Account 553 divided by Equivalent Service Hours (ESH).**
- **FERC Account 553 – “This account shall include the cost of labor, materials used and expenses incurred in maintenance of plant...”**
- **This includes only incremental costs, or short-run marginal costs, which are used to represent the cost of the next unit (MW) of energy, in PJM Energy Markets.**



Avoidable Cost Rate (ACR) Rules

- **Currently, any cost includable in offers to the PJM Energy Market is *not* includable in an Avoidable Cost Rate, per Tariff:**
- **PJM Tariff Attachment DD, Section 6.8 – “For the purpose of determining an Avoidable Cost Rate, avoidable expenses are incremental expenses directly required to operate a Generation Capacity Resource that a Generation Owner would not incur if such generating unit did not operate in the Delivery Year or meet Availability criteria during Peak-Hour Periods during the Delivery Year.”**
- **“For the purpose of determining an Avoidable Cost Rate, avoidable expenses shall exclude variable costs recoverable under cost-based offers to sell energy from operating capacity on the PJM Interchange Energy Market under the Operating Agreement.”**



VOM Proposed Change Draft Schedule

12/06/10 – Review Proposal and Vote at CDTF

12/15/10 – Informational at MRC

01/19/11 – Vote at MRC

01/27/11 – Informational at MC

03/31/11 – Vote at MC

04/04/11 - 04/06/11 – PJM Board Meeting

2014/2015 Base Residual Auction Timeline

03/02/11 – MMU Data Submittal Due

05/02/11 – RPM Auction opens

Units with Long Term Tolling Agreements

- **Long term tolling agreements may include variable and fixed components**
- **The appropriate variable costs to include in any cost-based energy offer:**
 - **Incremental fuel costs**
 - **Incremental VOM**
- **Fuel costs should be actual**
- **VOM may be estimated**
 - **Goal is to match actual incremental VOM**
 - **Exclude margins**
 - **Exclude other costs**
 - **A test for estimated VOM required to ensure reasonable accuracy**



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