MIC Information Only Cost Offer Calculator Charge to CDS

Tom Hauske,

Senior Lead Engineer

Cost Development Subcommittee

December 15, 2020
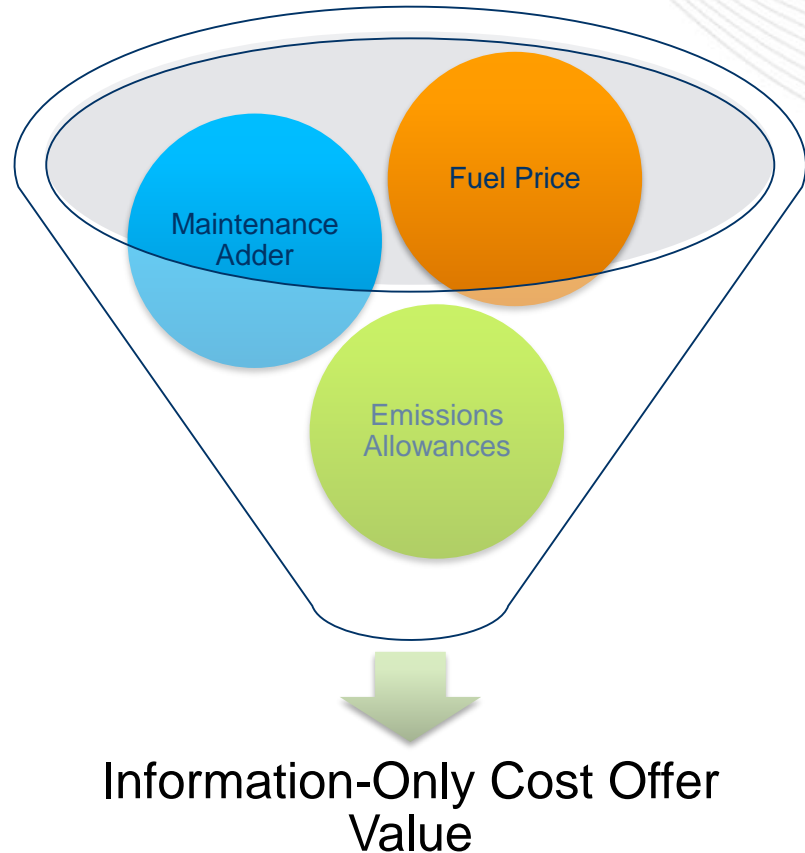
- Based on a few years of experience with the Fuel Cost Policy (FCP) process, there are opportunities for potential improvements to the rules and processes governing Fuel Cost Policies.

- Issue charge divided work into two phases:

  - Phase I : Explore potential enhancements to Fuel Cost Policy rules (KWA #3)

    - PJM ICC proposal was approved at the February MRC

    - Revised OA language was filed with FERC on May 4, 2020 and approved on July 28, 2020 with an effective date of September 1, 2020

  - Phase II: Explore potential alternatives to PJM's current Fuel Cost Policy rules and cost-based offer rules. Initial review suggests that the mitigated offer or cost-based offer formation paradigms of neighboring ISOs/RTOs should be reviewed as candidates for adoption in PJM (KWA #4)

- Reduce compliance risk for Market Sellers in submitting cost-based offers

- Ensure that only competitive offers consistent with the FCP are used to clear the markets when mitigation is applied

- Reduce the likelihood and extent of penalties for submitting non-competitive cost-based offers

- Keep rule and process changes to a minimum for ease of implementation

- On November 5, 2020 the MIC approved the development of an Information Only Cost Offer Calculator for Markets Gateway (PSEG Proposal) as part of KWA#4 for the Special Session on Fuel Cost Policies

- Development would proceed in two phases

  - Phase 1 was the development of EXCEL spreadsheets that could be used by Market sellers to check cost-based offers prior to submittal

  - Phase 2 was the implementation of the Information Only Cost Offer Calculator into Markets Gateway

- **Information Only Cost-Based Calculator**
  - Use of this calculator is optional
  - Can be used as a comparison with Market Seller calculated offer
  - Creates more transparency with respect to input variables
  - Initial version of calculator will be in Excel/SharePoint platform
  - Final version of the calculator will be in Markets Gateway
    - PJM will provide non-binding three part Cost-Based Offer (Start up, no load and incremental energy offer) by midnight prior to the market day
    - Market Sellers will also have the option to overwrite the fuel cost or any other input variable in the cost offer calculation

Information-Only Cost Offer Value

- ✓ Fuel price is based on a published index (i.e. Platts Gas Daily)
- ✓ Approved Maintenance & Operating Cost Adders provided by PJM
- ✓ All other inputs provided by Market Seller
- ✓ Calculator only updated 1x per market day

Intended Use:

- Standardized calculation method for cost offers

- Dollar value for market participants to compare their offer(s) against

- Catch errors prior to offer submission

- Ensure the most accurate offers in the market

The Calculator **Is Not**:

- A replacement of current market power mitigation methods

- A replacement for the current offer submission process

- A shift in responsibility from the market participant to PJM/IMM
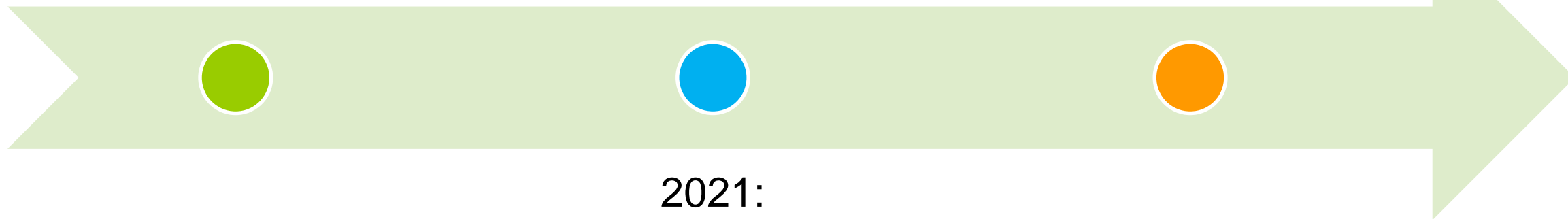
- An excuse or exemption from penalty

- The CDS discussions will be limited in scope to determining the implementation details of the calculator.

2021:

Phase I Calculator
(Excel spreadsheet)

2022:

Target
Implementation of
Phase II Calculator

2021:

Phase II Calculator
(Markets Gateway)
Design Discussions
at CDS*

*CDS – Cost Development Subcommittee

CDS Chair:

Nicole Scott, Nicole.Scott@pjm.com

CDS Secretary:
Heather Reiter, Heather.Reiter@pjm.com

SMEs:
Glen Boyle, Glen.Boyle@pjm.com

Gabby Genuario, Gabrielle.Genuario@pjm.com

Tom Hauske, Thomas.Hauske@pjm.com

Melissa Pilong, Melissa.Pilong@pjm.com

Member Hotline

(610) 666 – 8980

(866) 400 – 8980

custsvc@pjm.com