



# VOM Key Work Activities Education

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- Variable Operating Cost and Maintenance Adder (VOM) annual review process June through December. Information Sessions provided prior to the start of annual review
- VOM annual review follows rules set out in OA Schedule 2 and Manual 15
- But additional clarification or guidance is needed in several areas

## Clarifications for Market Sellers who use monthly operating costs:

- OA - If using rolling average of Operating Costs, Market Sellers must submit those to PJM for monthly review
- M15 – There is no guidance that describes how those costs should be submitted.
- PJM currently reviews operating costs submitted by the Market Seller in MIRA monthly
- Clarification is needed for:
  - Provide more guidance in M15 for the monthly review?
  - What should be done if cost items listed in the Operating Cost template change?

Years of available operating history and clarifications for situations where documentation is unavailable for immature units:

- M15 – Maintenance Adder is based on the actual maintenance expense history of the unit for the defined Maintenance Period and must be justified with supporting documentation.
- Clarification are needed for:
  - Years of operating history that Market Sellers do not have supporting documentation
  - How to handle immature units with large expenses and short operating histories

The use of multiple maintenance adders and units of measure (e.g. \$/hour or \$/start) for LTSA costs:

- M15 – Maintenance Adders may be specified as \$/Start, \$/Hour, \$/MMBtu, \$/Equivalent Service Hour (ESH), and/or \$/MWh.
- Some Market Sellers have submitted maintenance adders in multiple units of measure.
- Clarification is needed for:
  - When the Market Sellers can submit multiple maintenance adders
  - Impact of LTSA or OEM guidance on allowable adders

## Clarifications around averaged VOM adders for similar units:

- Some Market Sellers aggregate unit cost and operating history and submit one template for multiple units at the same plant
- Clarifications is needed for:
  - What are considered similar units
  - What to do when units have different technologies

Clarifications for the use of VOM in all ancillary services (e.g. synchronized reserves, condensing costs, regulation):

- Synch reserve VOM was removed as part of the ORDC filing
- Clarification is needed for:
  - Synchronized Reserve VOM in M15
  - Regulation VOM versus energy offer VOM
  - The M15 hydro unit condensing section. Equation is in units of \$/Hour, but it also states VOM should be calculated in \$/MWh

The need for changes to Manual 15's list of system that are directly related to electric production:

- M15 – allowable expenses can include repair, replacement, inspection, and overhaul expenses related to the following systems: steam turbine, gas turbine, generator, boiler, Heat Recovery Steam Generators (HSRG), main steam, feed water, condensate, condenser, cooling towers, transformers, and fuel systems.
- Clarification is needed for:
  - whether there should be additions or subtractions to the above list.



## Annual Review process:

- Coordination of PJM and IMM reviews:
  - PJM reviews all submissions starting from June 15 to the end of year;
  - IMM can reviews selected submissions after the PJM review is complete
  - If determined the templates are not in accordance with OA schedule 2, penalties may apply even if the adder has already been approved
- Clarification is needed for:
  - What are acceptable levels of supporting documentation required to justify costs
  - Are there efficiency improvements that can be made to the annual Fuel Cost Policy review process

Research and make recommendations related to the use of default VOM adders:

- Is it an alternative to the current annual review process?
- If so, clarification is needed for:
  - How would the adders be developed?
  - Are there any limitations on their use?
  - How are they updated annually?

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