

2024 VOM Education Session

Roger Cao Jennifer Warner-Freeman Tech Change Forum April 16, 2024

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- There are no new rule changes for VOM this year.
 Current rules are reviewed in slides 3-18.
- Excel templates and the VOM SharePoint site have been retired and replaced with a new tool, Cost Agent.

Cost Agent is reviewed in **slides 19-35**.



Variable
Operations and
Maintenance
(VOM) costs
include three
distinct
components:

1 Major Maintenance

Maintenance expenses that are overhauls, repairs, or refurbishments that require disassembly to complete

2 Minor Maintenance

Maintenance expenses that are repairs or refurbishments on equipment and components directly related to electric production and not otherwise classified as major maintenance

3 Operating Costs

Operating costs are expenses related to consumable materials used during unit operation.





Maintenance Adder

Major Maintenance

Submit for PJM/IMM Review/Approval

Minor Maintenance

Use Minor Maintenance Default Adder

OR

Submit for PJM/IMM Review/Approval

Operating Costs

Use Operating Costs
Default Adder

OR

Submit for PJM/IMM Review/Approval

No VOM submission if using only the default minor maintenance and/or operating costs (effective Jan. 1, 2025)



VOM and Cost-Based Energy Offer

The adders that represent the three VOM components can be included in the cost-based energy offer:

VOM adders eligible for cost offer =

Approved
Major
Maintenance
Adder

Approved Unit-Specific Minor Maintenance Adder

OR

Default Minor Maintenance Adder

Approved Unit-Specific Operating Costs

OR

Default Operating Costs Adder

Market Sellers may elect, but are not required, to include maintenance and operating costs in their cost-based energy offer

Submission of Unit Specific Minor maintenance and/or Operating Cost data to PJM for review prevents ability to utilize default adders for respective year



Minor Maintenance and Operating Cost Default Values

Default VOM Values for use starting Jan. 1, 2025

VOM Technology Type	Minor Maintenance Default (\$/MWh)	Operating Cost Default (\$/MWh)		
Combined Cycle	\$1.21	\$0.49		
Simple Cycle Combustion Turbine	\$4.43	\$0.92		
Reciprocating Engine	\$4.97	\$2.00		
Fossil Steam	\$2.11	\$3.54		



Major Maintenance

Major components replaced or overhauled

Requires disassembly of the unit

EXAMPLES:									
Boiler									
Superheater	Reheater	Economizer	er Steam drums		Waterwall panels		Scrubber		SCR
Steam Turbine									
Turbine blades or buckets		Diaphragms	3	Casing		Bearing			Seals
Steam nozzle block Steam sto		Steam stop valv	lves Stea		am intercept valve		Steam throttle valve		
Generator									
Rotor			Stato	ſ					

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Supporting documentation must be provided for all years included in the submission.

Clearly show how each cost submitted for review was calculated:

- maintenance management system records,
- general ledger data, accounting records or invoices.

Maintenance expenses shall include:

- work order and/or
- description of maintenance activities performed.

Operating costs shall include:

- amount of each consumable used while in operation, and
- cost per unit of each consumable.

VOM submissions and supporting documentation must be linked and traceable.



Immature units

(new units with less than 10 years of operating history):

Maintenance costs, operating costs and operating history must correspond to the number of years for which supporting documentation is available.

Mature units select 10 or 20 years of Maintenance Period:

- Supporting documentation required for all years.
- Mature units that transferred ownership:
 - Include maintenance and operating costs for which supporting documentation is available.
 - Operating history at least 10 years.



Multiple Maintenance Adders and LTSA

Multiple
Maintenance Adders
are only allowed if
supported by LTSA.
Multiple variable
maintenance payment
criteria specified.

- Total maintenance dollars must be split based on LTSA.
- The format of adder must be consistent with LTSA (\$/start, \$/hour, N-Ratio, etc.)
 - The format of adder must be consistent with how maintenance expenses vary as defined in LTSA.
 - Can only split major maintenance expenses.

The LTSA fees, as well as the format of the adder, must be supported by providing the fee section of the LTSA or LTSA invoices that break out the variable portion of the fees.



A submission can include one unit or multiple units at the same plant.

If including multiple, units are included in one submission.

Units must:

Be in same technology type.

Include total operating history for all units





Cyclic starting and peaking factors

Only LTSA or OEM specified values

Cyclic fuel factor or multiple peaking factor allowed if specified

Only applied to major maintenance



Unallowable Expenses Examples

Annual or time-based, preventative maintenance:

- Vibration surveys
- Oil sampling
- Infrared surveys
- Conditioning monitoring
- Annual condenser cleaning
- Weekly filter changes
- Annual or monthly CT borescope inspection

Buildings

HVAC

Compressed air

Closed cooling water

Heat tracing/freeze protection

Control room equipment and software

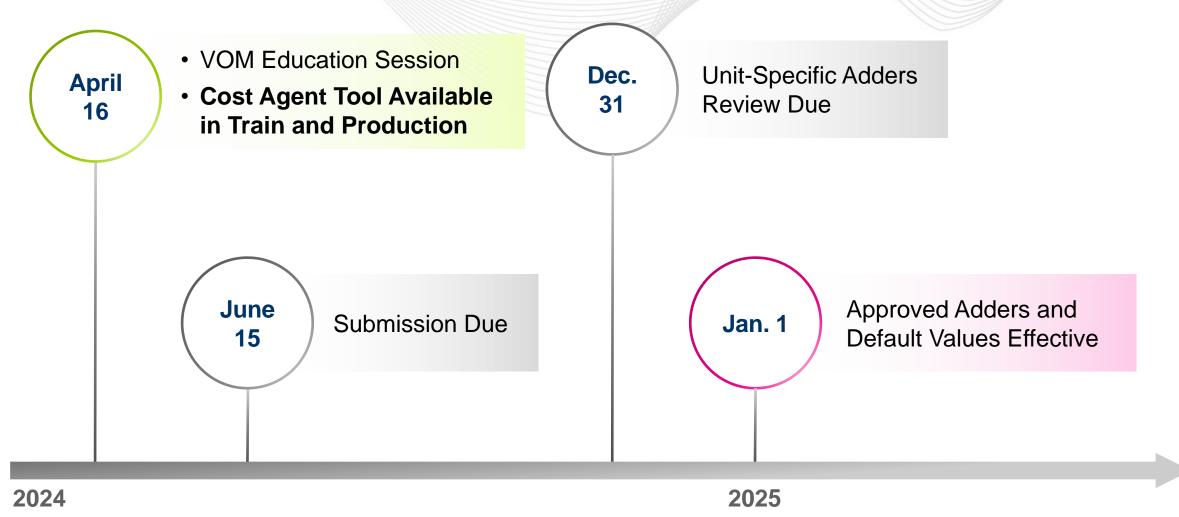
Reactor safety system

Plant water treatment systems





Timeline



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Q1 When do the new VOM adders go into effect?

A: All* new VOM adders, both default and unit-specific, will go into effect Jan. 1, 2025

*Unless there is a previously specified, alternate, expiration date for *major* maintenance adders only

Q2 Do I have to use the default adders?

A: No, you can still submit unit-specific information for major maintenance expenses, minor maintenance expenses, and operating costs.

Q3 Do I have to use **both** default adders?

A: No, you can use just the minor maintenance default or just the operating cost default value. You can use both or neither.

If I only want to use the default adders for minor maintenance and operating costs, and not have an adder for major maintenance, do I need to do anything else?

A: No action is required to use the minor maintenance and operating cost default adders. Just start incorporating the adders into your cost offer starting on Jan. 1, 2025.



Q5 If I choose to use the default adders this year, can I return to using unit-specific adders in the future?

A: Yes, you may change that election at the start of each year, but can not change mid-year.

When submitting a unit-specific major maintenance adder, do I need to strip minor maintenance activities out of my previously submitted maintenance history?

A: Yes.

Q7 How many years of supporting documentation do I need to provide?

A: You need to provide supporting documentation for *all* maintenance expenses and operating costs included in the maintenance history used in the submission. If supporting documentation cannot be found and you believe you already provided to PJM in the past, please contact PJM to seek those documents.



Q7 Can I still have multiple maintenance adders? For example, one for starts and one for run hours?

A: This is permissible only in cases when your LTSA billing is broken out in this way and multiple maintenance adders can only be applied to major maintenance expenses covered by the LTSA.

Q8 Can I still use Equivalent Service Hours (ESH) as a basis for my maintenance adder?

A: Yes, if specified in your LTSA or OEM, but ESH would only be available for use with the major maintenance adder as it can only apply to major maintenance expenses.

Q9 Do I have to separate my major and minor maintenance? Can't I submit my maintenance expenses as before?

A: It is recommended to have major and minor maintenance separated out as it supports easily using default adder in future years. Including major and minor maintenance in one submission might be allowed under special circumstances, such as the default minor maintenance adder is unavailable for your unit's technology type. Please contact PJM for further guidance.



Tools and Documentation Links

Tool/Documentation	Link
Cost Agent tool:	To be updated when deployed
Cost Agent User Guide:	To be updated when available
VOM Review Guidelines:	https://www.pjm.com/-/media/markets-ops/energy/fuel-cost-policy/vom-review-guidelines.ashx
M15 Redlines:	https://www.pjm.com/-/media/committees- groups/committees/mc/2022/20221221/consent-agenda-c3-manual-15- revisionsredline.ashx
Default Values:	https://www.pjm.com/-/media/markets-ops/energy/fuel-cost-policy/vom-default-values.ashx



Cost Agent Introduction

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A new web application
designed for Variable
Operating Cost and
Maintenance Adder (VOM)
submission and review
process

KEY FEATURES:

- Single Sign-On
- Web forms
- Historical approved adders visible
- Review comments trackable



VOM Tools Comparison

PJM Connect

Excel Form

Template submitted in versions

Approved adders in Excel template

Communications by Emails

No database – historical data entered annually

Cost Agent

Web Form

No versions - All edits will be tracked within the same submission

Approved adders displayed on home page

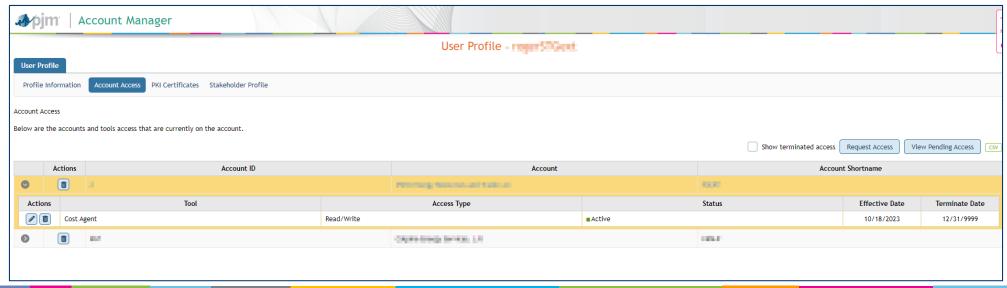
Comments saved in submission and auto email notification

Database driven – historical data archived and retrievable





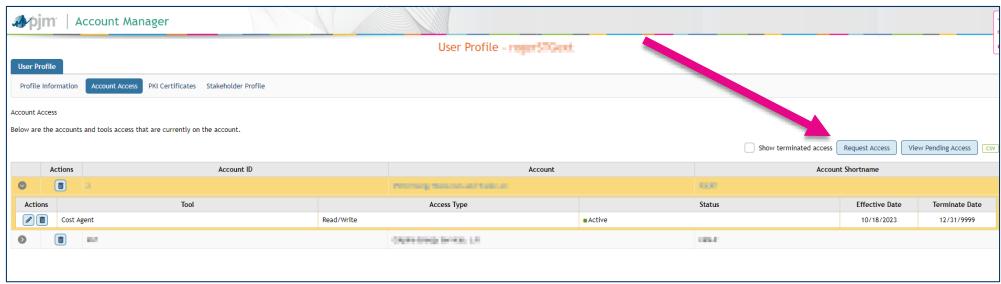
- PJM Single Sign-On
- Read/Write Access managed by CAMs







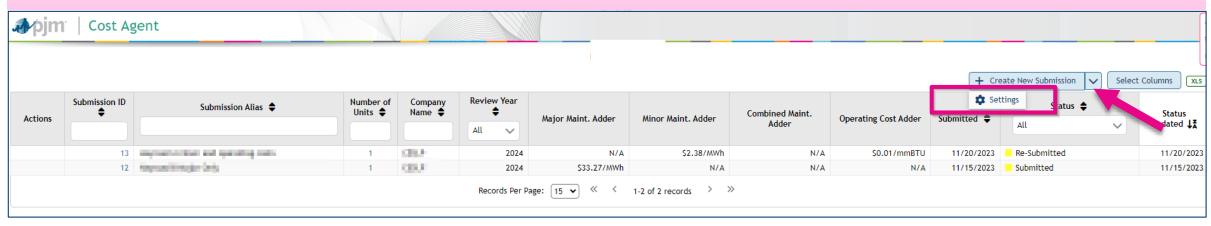
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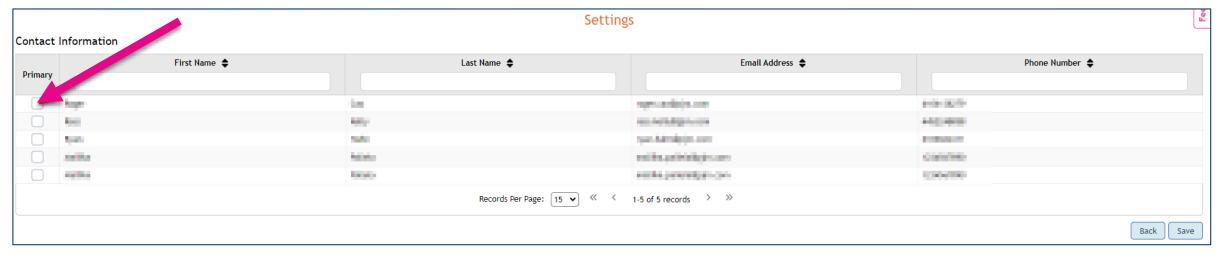




Designate Point of Contact

User can designate one or many point of contact by clicking on "Settings" and check "Primary" for intended user





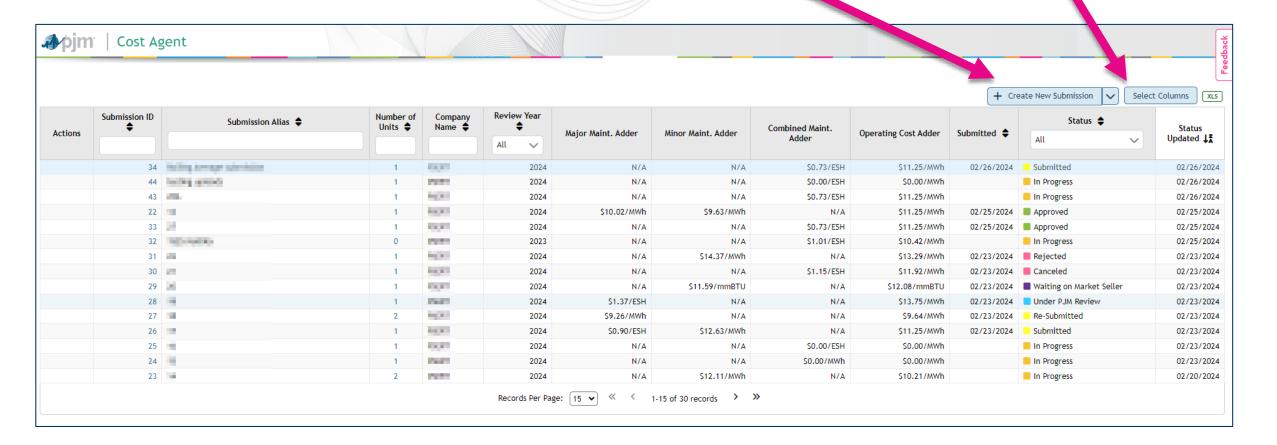
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View All Submissions from Company Home Page

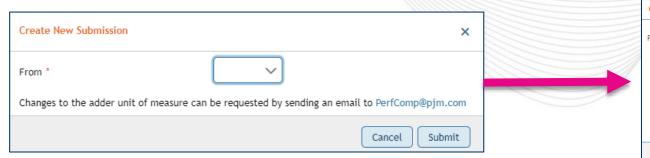
Click "Create New Submission" to start a new submission

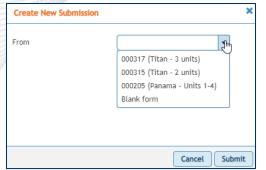
User can hide/unhide columns

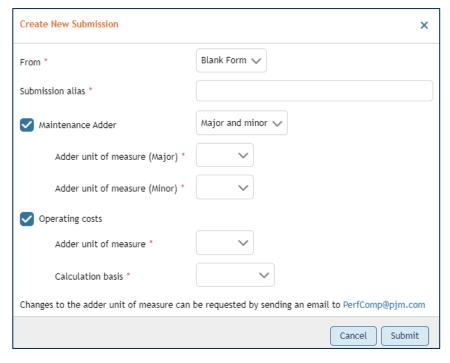


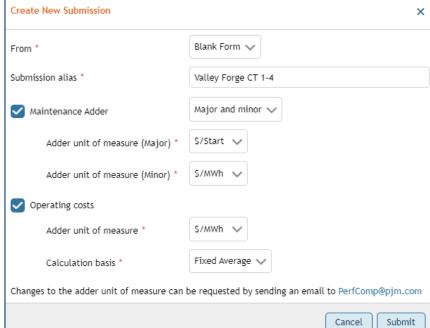


Create New Submission



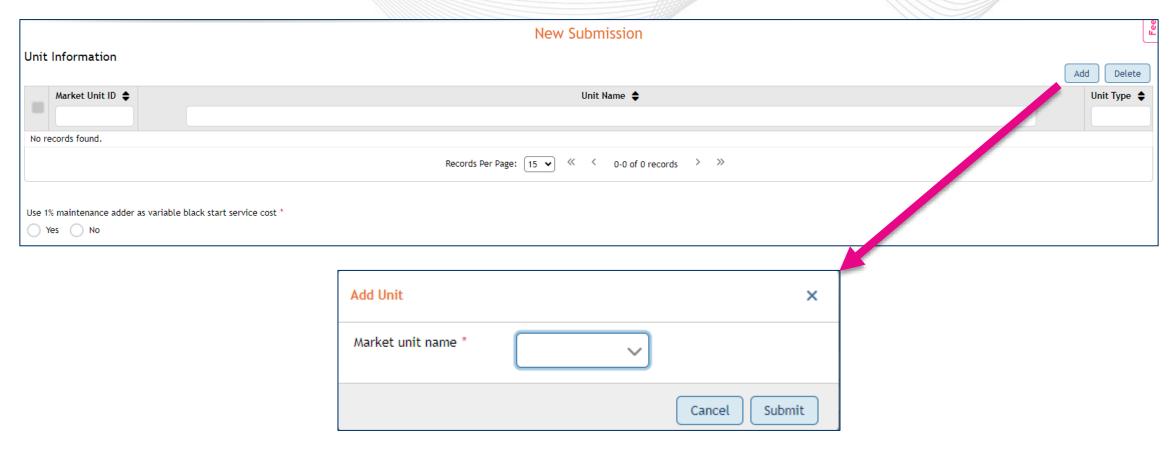








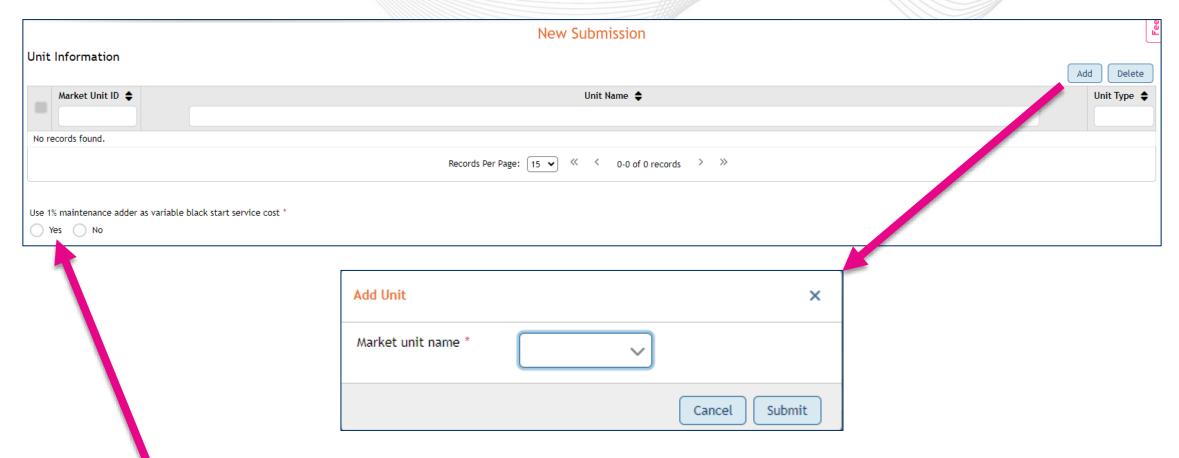
Enter Unit Information



"Use 1% as VBSSC" will populate only when major and minor maintenance have the same unit of measure selected or a combined maintenance adder selected.



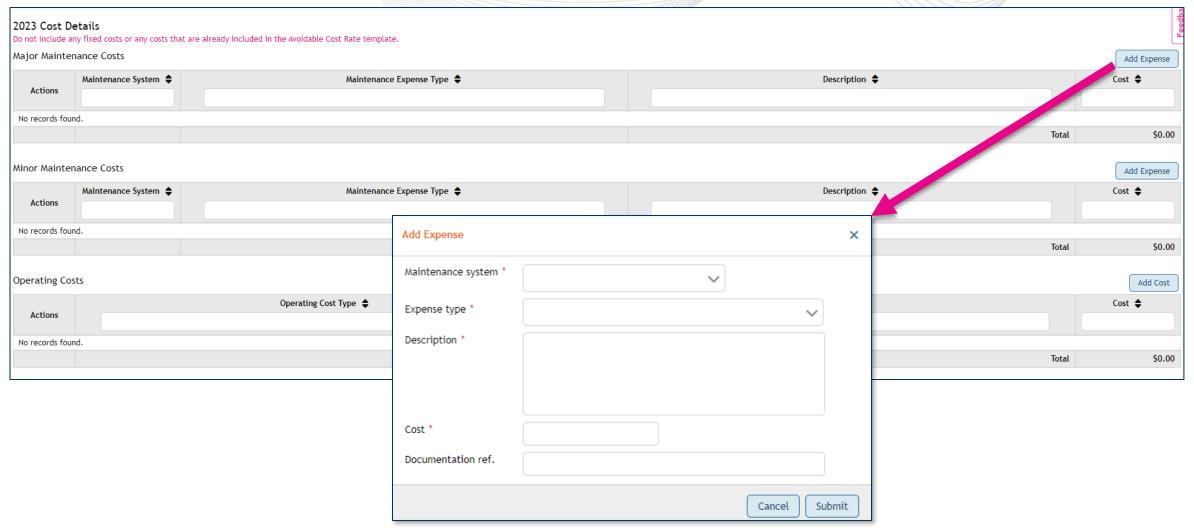
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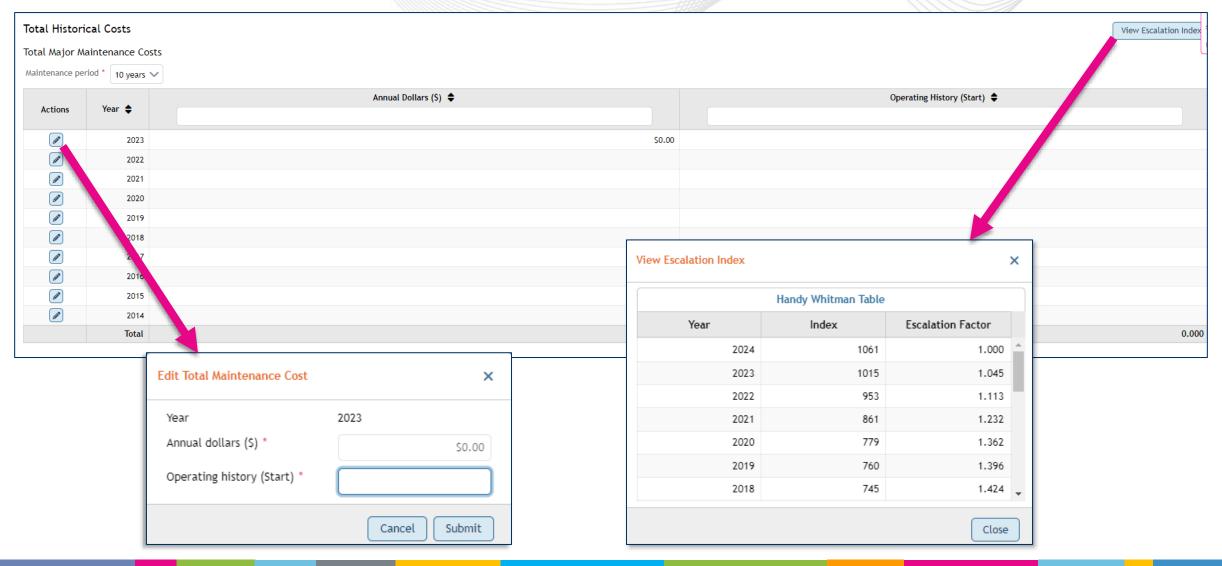


Enter Prior Year Cost Details



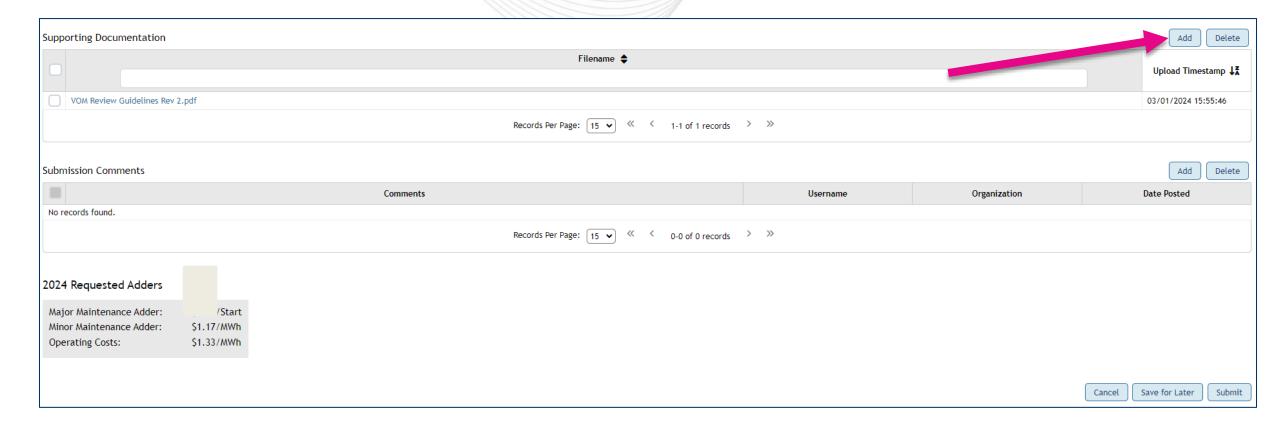


Enter Historical Costs



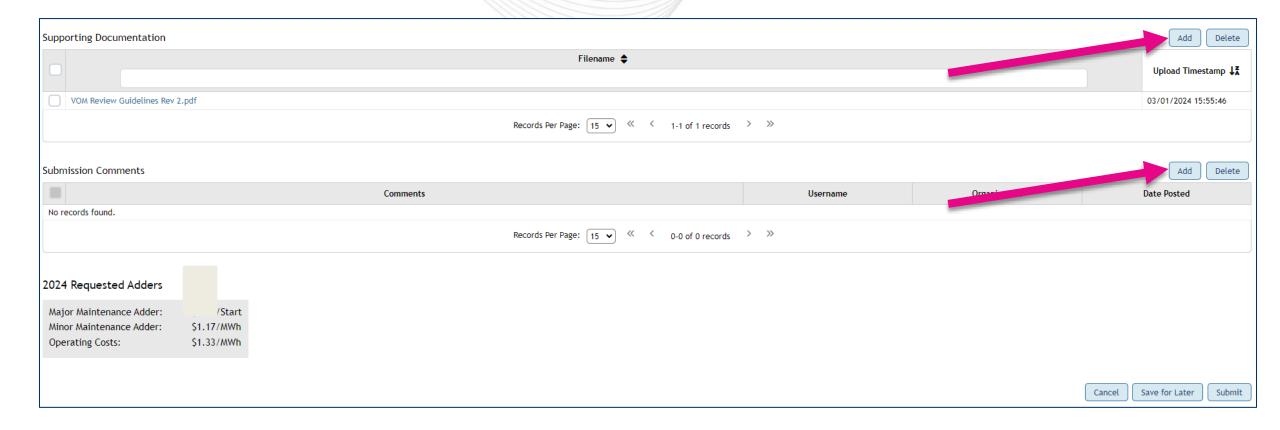


Finalize Submission



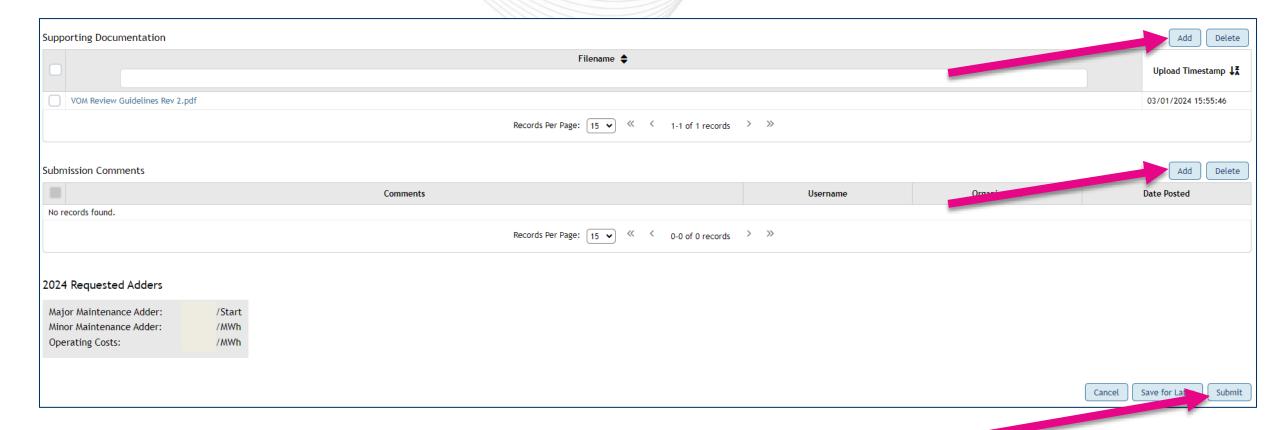


Finalize Submission



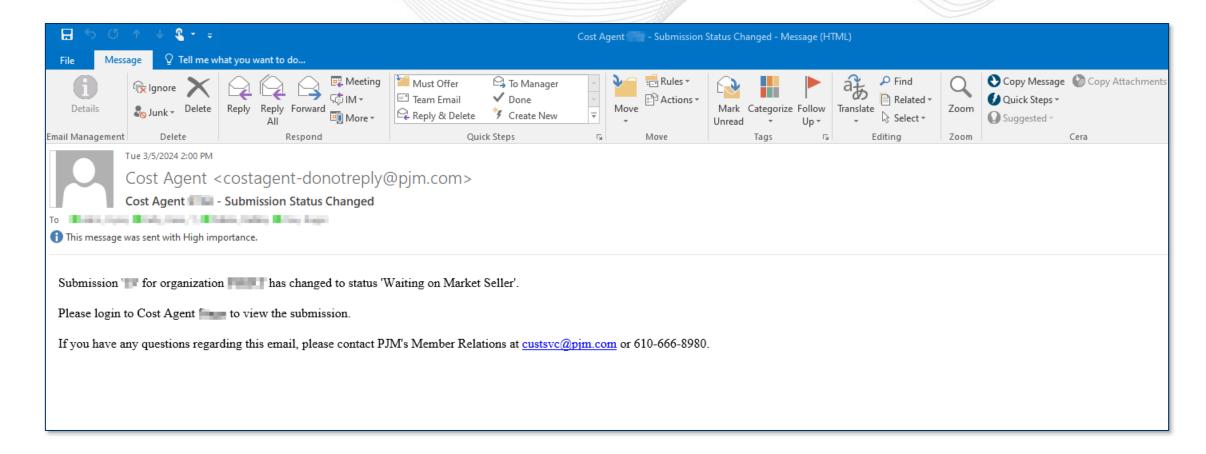


Finalize Submission





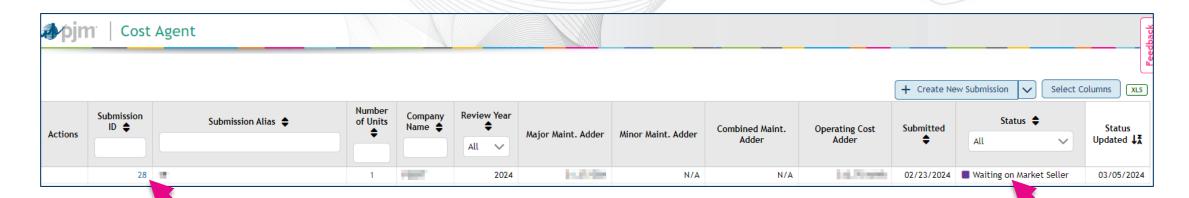
Email Notification

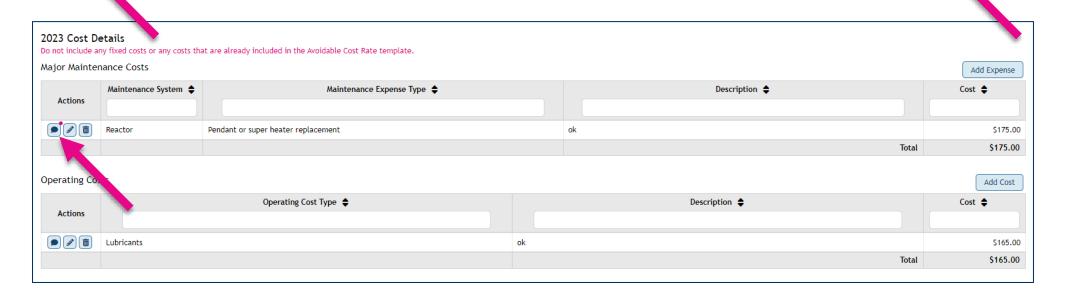


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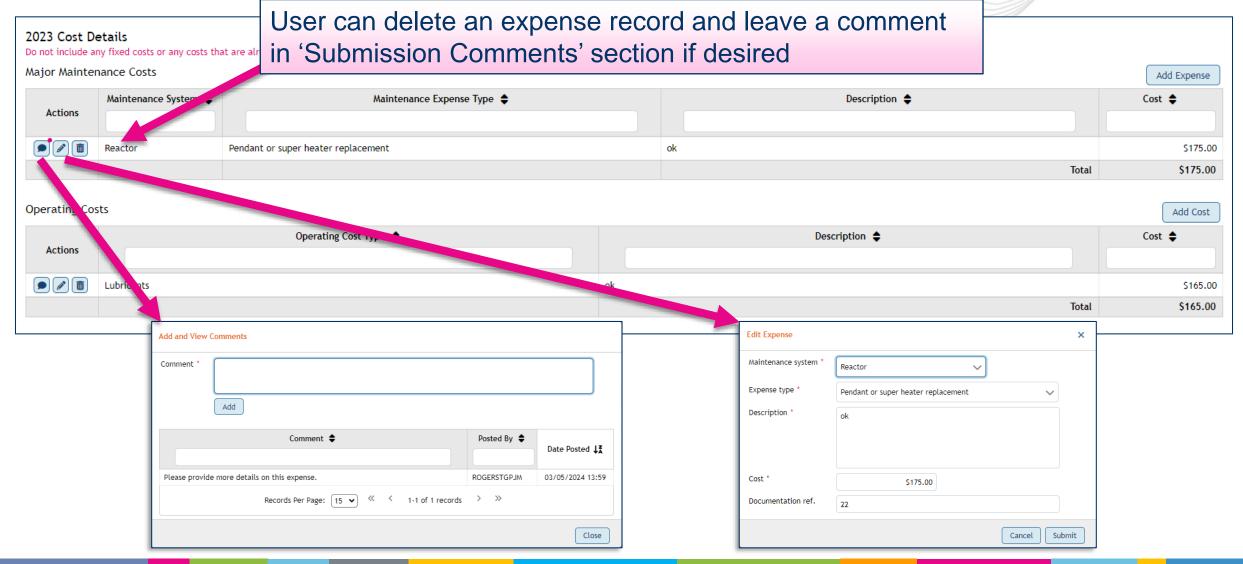
View PJM Updates





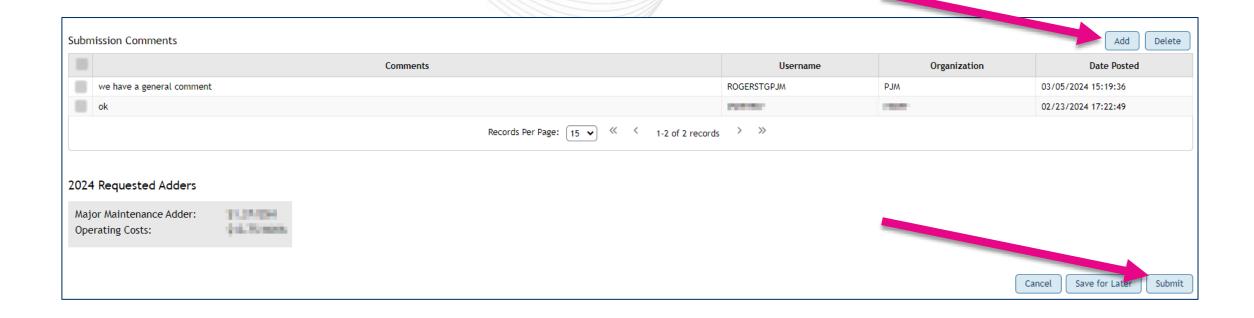


Edit Submission



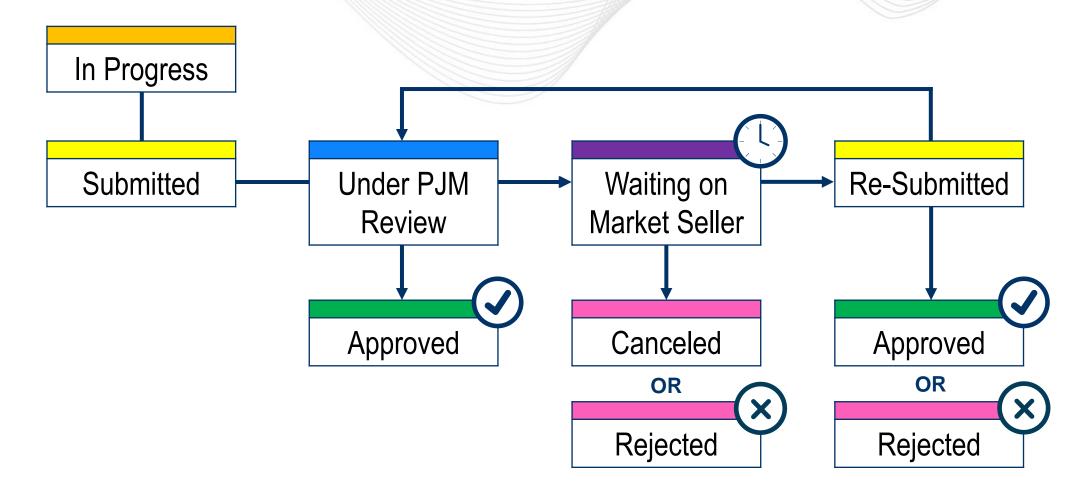


Edit Submission



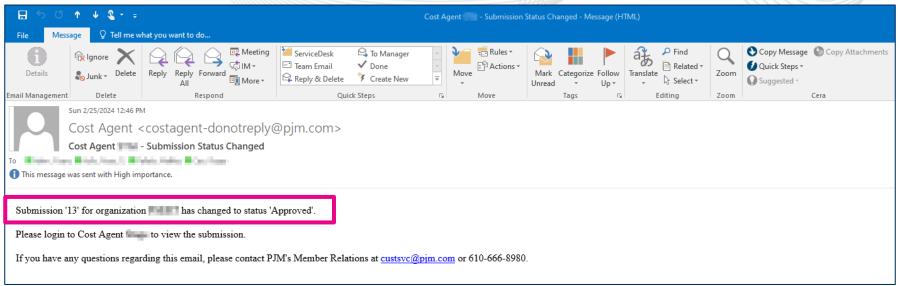


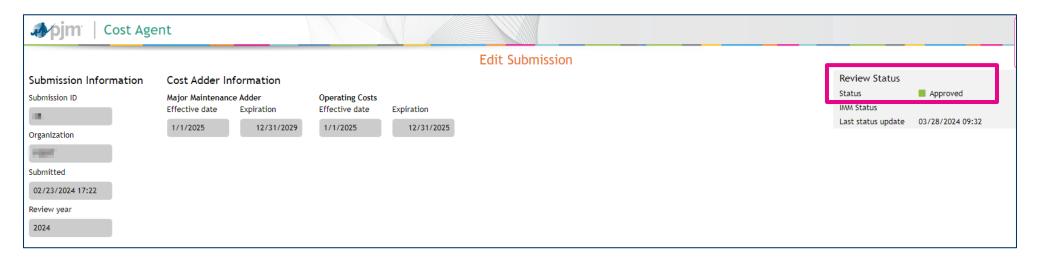
Track Submission Status





Approval Notification







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