



Special Session of MIC

Fuel Cost Policy and Manual 15

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Special Session of the MIC
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- Operating Agreement Schedule 2
- Fuel Cost Policy Process
- Next Steps

Items Under Active Discussion	Where/When Addressed:	Most Likely Location:
Fuel Cost Policy Approval Process	MIC & Compliance Filing	Manual 15 & Schedule 2 Operating Agreement
Deadlines	MIC & Compliance Filing	Manual 15 & Schedule 2 Operating Agreement
Penalty Structure	Compliance Filing	Tariff
Fuel Cost Policy Requirements	Compliance Filing	Schedule 2 Operating Agreement
M15 (Review/Admin)	MIC	Manual 15

- (1) a requirement for market participants to submit fuel cost policies that are approved by PJM prior to submission of cost-based offers, and
- (2) a penalty structure that will be applicable in the event that PJM or the IMM determines that a resource has submitted a cost-based offer that does not comply with Schedule 2 of the Operating Agreement or the Cost Development Guidelines in Manual 15

- A Market Seller may only submit a cost-based offer into the PJM Energy Market if it has a PJM-approved Fuel Cost Policy.
- Subject to Capacity Resource Deficiency Charges pursuant to Tariff, Attachment DD, section 8.

Market Seller shall be responsible for submitting a Fuel Cost Policy for each fuel type utilized by the resource.

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Standard for approved fuel cost policy:

- Provide adequate documentation
- Index/Contracts/etc.
- Basis for and reasonableness
- Situations where sufficiently liquid
- Adhere to all requirements of PJM Manual 15
- Alternative measures
- If Rejected, include an explanation

To the extent a Market Seller proposes alternative measures to document its fuel costs in its Fuel Cost Policy for a generation resource, the Market Seller shall explain how such alternative measures are comparable or superior to the above standard

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If PJM determines that a Fuel Cost Policy does not contain adequate support for any portion of such policy, PJM shall reject the Fuel Cost Policy, in whole or in part. A Market Seller shall not include in its Fuel Cost Policy any cost, methodology or calculation that PJM has not approved.

If after PJM has approved a Fuel Cost Policy, it determines that such policy is no longer consistent with this Schedule and PJM Manual 15, PJM may revoke its approval of a Fuel Cost Policy and Market Seller shall be required to submit a new Fuel Cost Policy for approval.

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For all Fuel Cost Policies, regardless of fuel type:

- A detailed explanation
- Fuel Types
- Emissions
- Maintenance Adders
- Heat Rate
- Performance Factors
- Cost-based Start Cost calculation

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- Annual Review Process
- Admin Penalties

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Penalty

- \$5,000 per event
- $\$5,000 + 1.5X(\text{Difference})$

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Nothing in this Schedule 2 is intended to give PJM authority to make market power determinations, nor abrogate or in any way alter the responsibility of the Market Monitoring Unit to make determinations about market power pursuant to PJM Tariff, Attachment M and Attachment M-Appendix.

- Submit no later than June 15 – Completed by November 1
- Market Sellers are required to either submit an updated Fuel Cost Policy that complies with all applicable provisions of this Schedule 2 and PJM Manual 15, or confirm that their currently effective Fuel Cost Policy still conforms to all applicable provisions .

- Market Seller submits proposed Fuel Cost Policy to PJM&IMM
- PJM&IMM has 30 business days for initial review & response
 - Upon request for additional information from PJM and/or the IMM, Market Sellers have 5 business days to submit requested information.
 - PJM and/or the IMM has 5 business days from receipt of additional information to provide a response which could include approval, rejection or request for additional information.
- Market Seller's failure to meet a deadline may result in an administrative penalty or PJM rejection of the policy.

- FERC Filing is due August 16
- Continue to update/work issue at MIC
- Next MIC meeting is August 10
- Goal is to have board approval for Manual 15 language in October
- Manual 15 language and Operating Agreement language would not be effective until a FERC ruling is made.