

		April 2011 CDS Brainstormed Potential Component Solutions								
Consensus Design Criteria (or	Level	Status Quo	A	B	C	D	E	F	G	
1	A Clear definition of VOM should be developed.	High		Cost categories should include 1) short term consumables, 2) long term capital costs, 3) major component replacement/capital projects.	Cost categories should include 1) short term marginal cost 2) annual avoidable, 3) long term fixed.	Electric production non-fuel related costs and expenses resulting from unexpected equipment failures considering accepted life cycles and average failure rates.				
2	A preferred method for determining VOM should be adopted	High	10/20 Year History escalated and levelized by either operating hours of fuel useage.	Only Actual Costs should be included.	Industry averages will be used.	Consumable Costs should be based on actual \$/MWH rates consistent with fuel policy used.	Forward Forecasted costs instead of actual cost.	A detailed list of allowable items.	Generalized description of the type of items that can be included.	
3	Provides for a smooth transition to a new method	High	No Transition Required.	Change VOM methodology as of 2015/2016 BRA Auctions.	Switch to new VOM methodology as of Jan 1, 2012.	Consumable may be transitioned immediately for a particular subset of units. These may already be included in the RPM Capacity Market marginal units.	Switch to new VOM methodology as of June 1, 2012 (Start of Planning Year).			
4	Create a clear procedure for calculation of VOM Costs	High		Numerical calculation of VOM	Unit owner specific VOM cost policy	Consumable via a cost policy.				
5	Procedures distinguish among clearly defined categories of costs.	High	FERC accounting definitions should be used as guidance.	Repairs that are not postponable and premature replacements should be included in VOM.	Replacement and Overhauls should never be included in VOM	Inspections, surveys, PM should be considered fixed cost (baseline maintenance) and included in ACR or APIR.	All Categories (includes but not limited to - Short Run Marginal Cost, Repairs, Replacement, Overhauls) of Costs should be recoverable somewhere.	Short Term Fixes/Repairs should be included in VOM	Only Short Term Marginal Cost (Fuel and Consumable) shall be included (Excludes repairs, replacements, and capital).	Long Term Fixes/ replacements should be included in either ACR or APIR.
6	Addresses Capital versus Expense accounting practices	Medium		Procedures and practices should be flexible enough to accommodate reasonable accounting practices of the resource's owner	PJM unit of property book.	No Capital costs are allowed in VOM	VOM and Capacity Expenditures are to be defined by the nature of the work and not the accounting policy.			
7	A simple method available as an alternative	Low		Yes alternative if generator has no expense history	Yes if Generator has no resources to calculate costs.	Consumable via a cost policy.	Non-consumable (Repair Cost) via administratively set value or established rules.			

		April 2011 CDS Brainstormed Potential Component Solutions								
Consensus Design Criteria (or	Level	Status Quo	A	B	C	D	E	F	G	
8	Development of a clear calculation procedure so that the VOM calculated by the MMU and by market participants are the same number.	High		Consumable via a cost policy.	MMU has audit rights to maintenance expense items.					
9	Procedures can accommodate units under Long term Service Agreements.	Medium		VOM and Capacity Expenditures are to be defined by the nature of the work and not the contractual agreement.	Existing treatment of contract costs are grandfathered.	LTSA should calculate cost similar to other non-LTSA units.	LTSA contracts should be reviewed by MMU for reasonable allocation of costs.			