



# MIC Special Sessions: Fuel Cost Policy

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Market Implementation Committee  
October 07, 2020

Action Required	Deadline	Who May Be Affected
<p>Market Sellers should communicate proposed changes to their staff</p> 	<p><b>11/05/2020</b></p> 	<p>Market Sellers</p> 

- 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)

- Special MIC sessions discussions began in August 2019 –  
Fourteen total meetings
- Education
  - ISO-NE Methodology
  - NYISO Fuel Cost Adjustment Process
- Developed common definitions for each design component
- Package development
  - Single package developed - PSEG proposal

- 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

- Information Only Cost-Based Calculator
  - Can be used as a comparison with Market Seller calculated offer
  - Creates more transparency with respect to input variables
  - PJM provides non-binding three part Cost-Based Offer (Start up, no load and incremental energy offer) by midnight prior to the market day
  - Market Sellers have the option to overwrite the fuel cost or any other input variable in the cost offer calculation

- No change to current market submission process
  - No manual or tariff changes required
  - Market Seller still responsible for submitting Cost-Based Offers into Markets Gateway
  - Irrespective of the value produced by the Information Only Cost-Based Calculator, Market Seller will still be liable for penalties associated with incorrect cost-based offers under Operating Agreement, Schedule 2

MIC First Read	10.07.2020
MIC Endorsement	11.05.2020
Design and Implementation (Moving to Cost Development Subcommittee)	2021
Tentative Full Implementation in Markets Gateway	2022

\* **Note:** Proposal does not need any tariff or manual changes.

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