2.2 Fuel Cost Policies and Guidelines (moved from Section 2.3)

2.2.2 Fuel Cost Calculation

The method of calculation of fuel cost may be updated by the Market Seller no more frequently than once every 12 months, on a rolling basis, unless required to be changed per Section 2.2.1.

Each Market Seller must review and document its fuel costs in MIRA, or other system(s) made available for submission of such data, at minimum once per month (12 times per year). Additionally, each review must occur within forty (40) days of the preceding review. The results of this review will be used to determine whether a fuel cost update and subsequent change to the Fuel Cost Policy is necessary.

The method of calculation of fuel cost in MIRA, or other system(s) made available for submission of such data, may include the use of actual fuel prices paid, e.g. the contract price paid for fuel, or the spot price for fuel. The contract price for fuel must include the locational cost of fuel for the generating unit. The source used for spot price for fuel must be publicly available, reflect the locational cost of fuel for the generating unit, and be verifiable by PJM or the IMM after-the-fact. The locational cost of fuel shall include specification of any additional incremental costs of delivery for the generating unit.

For situations where an affiliation exists between a fuel supplier and a Market Seller, or its designated agent (e.g., Market Seller's energy manager), quotes for fuel cost from such fuel supplier are not allowed to be included in the Market Seller's cost-based offer. In such cases, the applicable Fuel Cost Policy shall specify that fuel costs must be derived from publicly available market information that is verifiable by PJM and the IMM.

Gas pipeline penalties are not permitted to be included with a Market Seller's cost-based offer. Gas pipeline penalties, as referenced herein, are charges that are incurred for taking unauthorized gas in violation of an interstate pipeline and/or LDC tariff or contract. In addition, gas balancing charges from ratable take gas cannot be included in a Market Seller's cost-based offer. However, gas pipeline storage, park and loan, or other similar tariff-based rate for gas balancing can be included in the cost-based offer once these expenses are incurred. Gas balancing due to a change in ownership cannot be included.

Each Market Seller must document a standardized method or methods for calculating fuel costs in the Day Ahead offer period. Fuel cost updates in the Rebid and Intraday periods are optional.

If a Market Seller chooses to update fuel cost in the Rebid and/or Intraday they must document a standardized method or methods for those updates and define objective triggers like specific time periods, Hot/Cold Weather Alerts, pipeline events or notices, or liquidity volumes for optional updates during those periods in their Fuel Cost Policy.

In order to Opt In to Intraday Offers, Market Seller must validate their cost offers once per day or business day at a defined time period specified in the Fuel Cost Policy during the Intraday and update their cost-based offer intraday if costs change from original input used to create the day-ahead cost offer. During the Intraday update, cost-based offers may be increased but must be decreased. Additional updates during the Intraday are optional. However, Market Sellers must define objective triggers like specific time periods, Hot/Cold Weather Alerts, pipeline events or notices, or liquidity volumes for each additional update.

Each Market Seller must account for situations where applicable indices or other objective market measures are not sufficiently liquid by documenting in the Fuel Cost Policy the alternative means actually utilized by the Market Seller to price the applicable fuel used in the determination of its cost-based offers, such as specifying alternative pricing points or documented independent third party quotes for the procurement of natural gas.

Independent third party quotes are executable offers provided by companies not affiliated with the Market Seller or with the Market Seller's Energy Manager (also known as Marketer). Independent third party quotes require bilateral interaction between the two parties, the potential buyer (e.g. the Market Seller or the Energy Manager) and the potential seller. Independent third party quotes are not offers on exchanges made available to multiple parties. Independent third party quotes must specify the type of product (e.g. next day or same day gas).