



December 23, 2025

To: Market Sellers Using an Opportunity Cost Adder in Cost-Based Energy Market Offers

Re: IMM Opportunity Cost Calculator – Annual Review

Background:

As outlined in Section 12.7 of Manual 15, PJM has an annual obligation to review the inputs and results of the Market Monitor's Opportunity Cost Calculator to verify that it remains compliant with the requirements of Schedule 2 of the Operating Agreement.



PJM Manual 15: Cost Development Guidelines
Section 12: Energy Market Opportunity Cost and Non-Regulatory Opportunity
Cost Guidelines

12.7 IMM Opportunity Cost Calculator

The IMM Opportunity Cost Calculator is a constrained optimization software application independently developed and owned by Monitoring Analytics, LLC. Any changes to the IMM Calculator must be approved by Monitoring Analytics, LLC. The IMM will notify PJM of any significant changes to the IMM Opportunity Cost Calculator and any such changes will be reflected in updates to Manual 15 Section 12.7. PJM will review any such changes to verify that the IMM Opportunity Cost Calculator continues to meet the requirements of Schedule 2 of the Operating Agreement.

On an annual basis, PJM will review the inputs and results of the IMM Opportunity Cost Calculator in consultation with the IMM to verify that the IMM Opportunity Cost Calculator continues to meet the documented requirements.

PJM Review of the IMM Opportunity Cost Calculator:

Throughout the course of 2025, PJM monitored the level of OCC adders, as calculated by Monitoring Analytics, for all 117 units for which an adder is calculated. In general, the trending of adder values corresponded to what one would expect to see based on the units' remaining run hours, as well as changes in forward prices. In several cases, a unit's adder increased or decreased by an amount that wasn't immediately explainable. For those cases, PJM requested the calculator's input and solution data and reviewed it detail. IMM staff worked with PJM to interpret calculator inputs and results. No errors in the calculator's logic were found and the changes in adders were explainable and correct.

In early 2026, PJM will update Manual 15 to reflect enhancements that the IMM made to their calculator in 2024.

Conclusion:

At this time, PJM believes that the Market Monitor's Opportunity Cost Calculation methodology remains in compliance with Schedule 2 of the Operating Agreement and PJM has no concerns with the IMM's Opportunity Cost Calculator methodology.

Additional questions on the PJM calculator may be addressed to Jennifer Freeman at Jennifer.Freeman@pjm.com.

Sincerely,
Glen Boyle
Manager, Performance Compliance