Operating Costs, Maintenance Adders, and Fuel Cost Policies Updated Requirements

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Operation Analysis & Compliance
Market Implementation Committee
May 15, 2019
<table>
<thead>
<tr>
<th>Action Required</th>
<th>Deadline</th>
<th>Who May Be Affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the Fuel Cost Policy, remove any reference to Other Fuel Related Cost</td>
<td>06/15/2019</td>
<td>Generation Market Sellers</td>
</tr>
<tr>
<td>Submit Operating Costs, via the Maintenance and Operating Cost Adders template, to PJM and the IMM for Review <em>(SharePoint site coming soon)</em></td>
<td>06/15/2019</td>
<td>Generation Market Sellers</td>
</tr>
<tr>
<td>Separate Operating Costs and Maintenance Costs into the appropriate tabs in the Maintenance and Operating Cost Adders template</td>
<td>06/15/2019</td>
<td>Generation Market Sellers</td>
</tr>
</tbody>
</table>

- Maintenance (Minor & Major) Expenses directly related to electric production allowed to be included in three part cost based offer – 10 or 20 year history
- New cost category - Operating Costs
- Labor Costs for additional staffing requirements for start-up can be included in start cost
  - No straight-time labor costs in cost based offers
Maintenance Adders

• Maintenance Costs, including Major Overhauls and Inspections, allowed in Maintenance Adder
  – Detailed list available in Section 2.6 of Manual 15

• Long Term Service Agreements (LTSA)
  – Must be submitted to PJM and the IMM for review and approval
  – May include variable fees expended from 2018 and prior
    • Fees for maintenance tasks related to starts and run hours

• Estimated history not allowed in calculation of Maintenance Adder
Operating Costs

- Fuel Cost Policies should not reference Other Fuel Related Costs (OFRC)
  - Language must be removed as part of the Annual Review
- Must be calculated as a separate adder and submitted to PJM and the IMM for review, at least annually
  - PJM must approve Operating Cost Adder prior to use*
- Can not be included in maintenance adder template

*transition period from June 15 – November 1
• For questions please reach out to: FuelCostPolicyAnalysis@pjm.com

• VOM Order Docket No. ER19-210-001


• Operating Agreement, Schedule 2

• Manual 15