

FCP Joint Stakeholder Proposal

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- ▶ Primarily the status quo or the same as the IMM package
- ▶ Eliminates annual review
 - ▶ Allow for PJM or the IMM to seek new FCP due to change in circumstances
- ▶ Eliminates FCPs for zero cost resources
- ▶ A change in Market Seller requires a need to reaffirm a FCP
 - ▶ Other changes, such as agents, don't need any FCP adjustment
- ▶ Self-identified errors reduce penalty to 25% of the calculation
- ▶ Safe-harbor for unusual situations not contemplated by FCP
- ▶ Temporary FCPs based on heat rate and gas pricing point

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- ▶ Penalty based on IMM's proposal, full penalty (impact factor of 1) if:
 - ▶ Unit clears DA or runs RT on cost-based offers AND is either
 - ▶ Paid DA/Balancing operating reserves or
 - ▶ Cost offer is above \$1,000/MWh
 - ▶ Or, unit fails TPS test for constraints
 - ▶ Or, cost offer is above \$1,000/MWh
- ▶ 10% of full penalty if the above don't apply - to reflect lack of impact
- ▶ Penalty applies during any hour in which offer was incorrect

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- ▶ Penalty calculation is performed hourly for each hour of the invalid offer.
- ▶ Penalty capped at the Calculated Net Energy Margin for any impacted hour.
 - ▶ Calculated Net Energy Margin shall mean the summation of any impacted hours resulting from the following formula:
 - ▶ $\Sigma \text{ Unit Calculated Net Energy Margin} = \text{LMP} \times \text{MWh} - \text{Accurate CBOh}$
 - ▶ Where an Accurate CBOh means the total resource production cost derived from an accurate Cost-Based offer (consistent with the numeric example provided with the Market Seller's Fuel Cost Policy) which shall be calculated on an hourly basis.

FCP Joint Stakeholder Penalty Cap Example

- ▶ As discussed at July 10th MIC, the proposed Cap can easily exceed the current penalty in various situations
- ▶ The below example illustrates when the proposed Cap would exceed the current penalty
 - ▶ the resource cleared in the DA with an inaccurate CBO and is therefore subject to a penalty with an Impact Factor = 1
 - ▶ The inaccurate offers apply to HE 11 - HE 24 due to an incorrect gas price

INPUT-OUTPUT COEFFICIENTS	
B	0.0012
C	5.4
D	700
GD 1	\$/MMBTU
Gas- Correct	\$25.00
GD 2	
Gas - Incorrect	\$81.80
Gas- Correct	\$80.18
VOM	\$1

INCORRECT GAS PRICE			
HE 11 - HE 24	NO LOAD	\$57,260.00	
	MW	Inc Cost	Production Cost
	0	\$442.72	\$0.00
	200	\$481.98	\$92,470.40
	500	\$540.88	\$153,429.60
	Total Production Cost		\$303,160.00

CORRECT GAS PRICE			
HE 11 - HE 24	NO LOAD	\$56,126.00	
	MW	Inc Cost	Production Cost
	0	\$433.97	\$0.00
	200	\$472.46	\$90,643.04
	500	\$530.19	\$150,396.96
	Total Production Cost		\$297,166.00
Production Cost Error			\$5,994.00

