

Fuel Cost Policy and Hourly Offers Filing Manual 15 First Read



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1.8 Cost Methodology and Approval Process

A Market Seller which seeks to obtain an exemption, exception or change to any time frame, process, methodology, calculation or policy set forth in this Manual, or the approval of any cost or methodology that is not specifically permitted by ~~the PJM Tariff, PJM Operating Agreement or this Manual~~ not related to the Fuel Cost Policy, shall submit a request to PJM and the MMU for consideration and determination along with documentation supporting its request. ~~except as otherwise specified herein.~~

~~After receipt of such a request, the MMU shall notify the Market Seller of its determination of the request no later than fifteen (15) calendar days after the submission of the request. If the Market Seller and the MMU agree on the determination of the request, the request shall be deemed to be approved. PJM and MMU will review the request and PJM will notify the Market Seller and MMU whether the request is approved no later than thirty (30) calendar days after submission of the request.~~

~~If the Market Seller and the MMU cannot agree on the determination of the request, the Market Seller may submit its request to PJM in writing for consideration and approval. In its written request to PJM, the Market Seller must notify PJM of all prior determinations of the MMU with respect to any such request and must provide a copy of such request to the MMU within one (1) calendar day of submitting the request to PJM.~~

This process shall be referred to in this Manual as the “Cost Methodology and Approval Process.”

Any Market Sellers may only must submit a non-zero cost-based offer if it has a PJM-approved fFuel eCost pPolicy consistent with its fuel type in accordance with section 2.3.1 of this manual and Operating Agreement, Schedule 2. to the MMU pursuant to the Cost Methodology and Approval Process. The Ffuel eCost Ppolicy will be submitted in MIRA, or other system(s) made available for submission of such data. Submission to MIRA, or other system(s) made available is considered submission to PJM and the MMU.

2.3.1 Submission of and/or Modifications to Fuel Cost Policies

2.3.1.1 Annual Review

On an annual basis, all Market Sellers will be required to either submit to PJM and the MMU an updated Fuel Cost Policy that complies with Operating Agreement, Schedule 2 and this manual, or confirm that their currently effective and approved Fuel Cost Policy remains compliant. Market Sellers must submit such information by no later than June 15 of each year. PJM shall consult with the Market Monitoring Unit, and consider any input timely received from the Market Monitoring Unit, in its determination of whether to approve a Market Seller's updated Fuel Cost Policy. After it has completed its evaluation of the request, PJM shall notify the Market Seller in writing, with a copy to the MMU, of its determination whether the updated Fuel Cost Policy is approved or rejected by no later than November 1. If a Market Seller desires to update its Fuel Cost Policy, or PJM determines either on its own or based on input received from the Market Monitoring Unit, that the Market Seller must update its Fuel Cost Policy outside of the annual review process, the Market Seller shall follow the applicable processes and deadlines specified below. All approved Fuel Cost Policies will have an effective date and will be in effect until superseded or revoked. PJM shall notify the Market Seller as to the effective date of the approved Fuel Cost Policy.

During the annual review process, PJM and the MMU will jointly review any policy submitted along with the supporting documentation. Market Sellers shall have five (5) Business Days to provide additional documentation or information on any request from PJM or the MMU. If the Market Seller does not believe it can provide the information within (5) Business Day timeframe, it can request an alternative deadline for submission of the data from PJM no later than one (1) Business Day before the due date of the request for additional data. If PJM consents to extend the deadline, PJM will advise the Market Seller and the MMU of the new deadline. The MMU shall inform PJM of such request at the time it is made. Failure to meet a data request deadline may result in PJM rejecting the policy. If PJM rejects a Market Seller's updated Fuel Cost Policy, PJM must include an explanation for why the Fuel Cost Policy was rejected in its written notification and will establish a deadline for all required updates to the policy. If the current policy under review is rejected, the Market Seller will continue to use the previously approved Fuel Cost Policy; unless a previously approved policy does not exist in which case, a penalty will be assessed as described in PJM's Operating Agreement, Schedule 2.

2.3.1.2 Outside Annual Review/New Resource

Fuel cost policy updates may also be submitted outside of the annual review period:

- If a Market Seller has an approved Fuel Cost Policy currently in place and needs to alter it in order to conform it to the provisions of this Manual or any applicable provisions of PJM's governing documents,
- If any action by a governmental or regulatory agency external to a Market Seller results in a need for the Market Seller to change its method of fuel cost calculation,
- If there are any material changes to Fuel Cost Policy,
- If PJM requests a Market Seller to submit an updated Fuel Cost Policy the Market Seller shall provide the updated policy to PJM and the MMU within five (5) Business Days or an alternative deadline agreed to by PJM, or
- The Market Seller will be offering a new resource into PJM's energy markets that does not have an existing Fuel Cost Policy.

The Market Seller shall notify PJM and the MMU that an update to an existing Fuel Cost Policy or the need for a Fuel Cost Policy for a new resource is required at the earliest possible opportunity.

- For new resources, follow the process delineated in Operating Agreement Schedule 2 Section II (b).
- For existing resources, the Market Seller's previously approved Fuel Cost Policy will be used for making cost-based offers while the requested update or new policy is under evaluation; unless a previously approved policy does not exist for a resource that is not new to PJM's markets in which case a penalty will be assessed as described in PJM's Operating Agreement Schedule 2.

Outside the annual review period, PJM and the MMU will have an initial 30 Business Days for review. Market Sellers shall have five (5) Business Days or an alternative deadline agreed to by PJM, to provide additional documentation or information on any request from PJM or the MMU. If the Market Seller does not believe it can provide the information within (5) Business Day timeframe, it can request an alternative deadline for submission of the data from PJM no later than one (1) Business Day before the due date of the request for additional data. If PJM consents to extend the deadline, PJM will advise the Market Seller and the MMU of the new deadline. The MMU shall inform PJM of such request at the time it is made. Failure to meet a data request deadline may result in PJM rejection of the policy. If additional documentation or information has been requested by PJM or the MMU, PJM has five (5) Business Days after the deadline for the Market Seller submittal of such additional information or documentation to notify the Market Seller and MMU of its approval or rejection of the Fuel Cost Policy. If PJM rejects a Market Seller's updated Fuel Cost Policy, PJM must include an explanation for why the Fuel Cost Policy was rejected in its written notification and provide a deadline for providing any additional information or documentation to seek approval of updates to the policy. All approved Fuel Cost Policies will have an effective date indicated by PJM in its written notification to the Market Seller and MMU and will be in effect until superseded or revoked.

2.3.1.3 Revocation

If PJM revokes a Market Seller's approved Fuel Cost Policy, the Market Seller is not allowed to submit a non-zero cost-based offer consistent with fuel type in the PJM energy market and will be assessed a penalty as described in PJM's Operating Agreement Schedule 2. Market Sellers who have a Fuel Cost Policy revoked by PJM will be provided a three (3) business day rebuttal period, starting from the date of revocation, to submit supporting documentation to PJM demonstrating that the revoked Fuel Cost Policy accurately reflects the fuel source, transportation cost, procurement process used, applicable adders, or commodity cost for such generation resource such that the Fuel Cost Policy results in a submitted cost-based offer that is not greater than its actual fuel cost. If at the end of the rebuttal period the Fuel Cost Policy is still required to be updated, the Market Seller shall submit a Fuel Cost Policy pursuant the out of annual review process to correct the deficiencies in the revocation notice. The penalty described in Section 2 of the Operating Agreement will continue to be assessed until the newly submitted Fuel Cost Policy is approved.

- **1.8 – Cost Methodology and Approval Process** - New rewrite for PJM and MMU process and only for exceptions not Fuel Cost Policies
- **2.3 Fuel Cost Policies and Guidelines** - PJM approved, everyone must have a FCP
- **2.3.1 Submission of and/or Modifications to Fuel Cost Policies** - Annual process, Update FCP, Non Annual, Reject, Revoke, No policy
- **2.3.1.1 Annual Review Process**
- **2.3.1.2 Outside Annual Review/New units**
- **2.3.1.3 Revocation**
- **2.3.2 Fuel Cost Calculation** - Using actual Fuel Cost data to determine if a FCP change is required, Method only changeable via 2.3.1 (used to be 1.8)
- **2.3.5 Emissions Allowances** – PJM and MMU
- **2.3.7 Engineering Judgement in Fuel Cost Calculations** -New Section to add in for new units or other situations where it allows for engineering judgement
- **2.5.2 No-Load Fuel** - In accordance with currently approved FCP
- **2.5.3 No Load Calculation** - PJM and MMU and FCP and Section 2.3.1
- **2.6 Variable Maintenance Cost** – PJM and MMU and Section 1.8
- **2.6.3 Incremental Adjustment Parameter**- Added these records shall be made available to PJM or the MMU upon request
- **3.6.1 Configuration Addition Maintenance Adder** - PJM and the MMU and Section 1.8
- **4.6.1 Configuration Addition Maintenance Adder** - PJM and the MMU and Section 1.8
- **5.6.1 Combined Cycle / CT Long Term Service Contract Cost Recovery** - PJM and the MMU and Section 1.8
- **5.6.2 Long Term Maintenance Expenses**- Previously evaluated and approved (removed by the MMU)
- **6.6 Maintenance Cost**- Previously evaluated and approved (removed by the MMU)
- **6.6.2 Combustion Turbine Long Term Service Contract Cost Recovery** - PJM and the MMU and Section 2.3.1
- **7.3 Fuel Cost** - PJM and the MMU
- **9.3 Fuel Cost** - PJM and the MMU
- **11.8 Regulation Cost** (for Energy Storage resources) - PJM and the MMU
- **12.1 Opportunity Cost Policy** - PJM and the MMU
- **12.3 Calculation Method Options:** Two Methodologies for calculating Opportunity Cost - PJM and the MMU