

Summary of Cost Development Subcommittee Environmental Costs and Credits Package

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Markets & Reliability Committee August 24, 2022



Environmental Costs and Credits

Action Required	Deadline	Who May Be Affected
Ensure Fuel Cost Policy is up-to-date	TBD*	Market Sellers of generation units receiving PTCs and/or RECs
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*PJM is requesting implementation be 6 months from FERC filing date



Environmental Costs and Credits

Action Required

Generation units that receive production tax credits (PTC) and/or renewable energy credits (REC) **and** submit non-zero cost-based offers into the energy market, must account for such credits in the resource's Fuel Cost Policy.

Deadline

6 months following FERC filing date.

Who May be Affected

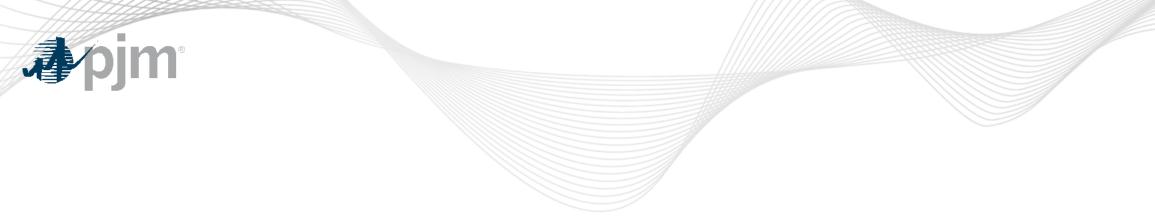
Market Sellers of generation units that receive PTCs and/or RECs and submit non-zero cost-based offers into the energy market.



Key Work Activities & Scope

Provide detailed guidance and updates, as necessary, in Manual 15 and Schedule 2 of the Operating Agreement for:

- The annual emissions review process
 - Emission costs included in cost-based offers,
 - Review period, and PJM review process,
 - Coordination with Fuel Cost Policies,
 - Submittal of emissions data to PJM and the IMM
- Requirements for the inclusion of environmental credits in nonzero cost-based offers



PJM/IMM Package





- **Proposed Change:** Adjust review of emissions rates from annual to periodic
- Rationale:
 - Align with periodic Fuel Cost Policy review process
 - Emissions rates should not change drastically year-to-year
 - Market Seller responsible for updating rates, if no longer accurate, in accordance with frequency in unit's Fuel Cost Policy
- Governing Document(s) Redlined:
 - Manual 15, Section 2.2.5
 - Operating Agreement, Schedule 2 Section 3.1





- Proposed Change: Clearly document standards of review for emissions allowance adders
- **Rationale:** Provide transparency around:
 - Required information from Market Seller
 - Where data must be submitted
 - Expectation for updating data
- Governing Document(s) Redlined:
 - Manual 15, Section 2.2.5
 - Operating Agreement, Schedule 2 Section 3.1



Environmental Costs

- Proposed Change: Change reference from 'Emissions Policy' to same document(s) as the Fuel Cost Policy
- Rationale:
 - Emissions allowance information is documented in the same document(s) as the Fuel Cost Policy
- Governing Document(s) Redlined:
 - Manual 15, Section 2.2.5



Environmental Credits

- Proposed Change: Any resource that receives PTCs and/or RECs and submits non-zero cost-based offers, must account for such credits in the resource's Fuel Cost Policy
- Rationale:
 - Consistent expectation for all resources receiving PTCs and/or RECs that submit non-zero cost-based offers
- Governing Document(s) Redlined:
 - Manual 15, Section 2.2.2
 - Operating Agreement, Schedule 2 Section 2.5(a)(ii)4

Next Steps



- July MRC First Read
- August MRC seeking endorsement
- September MC seeking endorsement
- File Schedule 2 redlines with FERC





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Environmental Costs and Credits

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