



Fuel Cost Policy and Hourly Offers Filing Manual 15 Conforming Changes



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The February 3rd FERC ruling on Hourly Offers accepted a significant portion of what PJM filed, with some items to be modified to support the filing:

- Several sections of Manual Language (M15) to be put into the Tariff (Operating Agreement) and some modifications to accommodate FERC order:
 - Standard of Review & when non-compliant
 - Penalty termination details, penalty allocation, and addition of a rebuttal period
 - Timeline for review of new and existing resources
 - Components of cost clarification
 - Dispute resolution clarification

The FERC ruling affirmed:

- PJM's standard of review
 - Verifiable & systematic
- PJM's final authority to approve Fuel Cost Policies
- Penalty structure
- PJM Operating Agreement prohibits Maintenance Adders and Additional Labor Costs from being recovered in Avoided Cost Rates

What does that mean?

- A series of steps that are followed to get to the creation of the cost-based offer
- These steps should have thresholds and triggers associated with them
- The steps should be able to be followed logically
- Explanations for liquid and poor liquidity markets should be defined
- An auditor should be able to follow the steps and arrive at the cost-based offer

- PJM Compliance Filing due March 6, 2017
 - Effective Date for Fuel Cost Policies, May 15, 2017
 - Implementation Date of Hourly Offers, November 1, 2017
- Manual 15 Changes
 - PJM MIC Special Session, February 21, 2017
 - MRC First Read, February 23,
 - MRC Endorsement, March 23
 - MC Endorsement, April 27
- Fuel Cost Policy Annual Review Process June 15 – November 1, 2017

- Section 1.8 – applies to everything but Fuel Cost Policies (FCP)
- Section 2.3 – small change related to Operating Agreement, Schedule 2, related to consistent with fuel type on which a resource can operate
- Section 2.3.1 – changes based on new resources and revocation process
- Created 2.3.1.1, 2.3.1.2, and 2.3.1.3 – to make the review periods cleaner
- Section 2.3.2 – changes to support 2.3.1.2
- Fuel Cost Policies are fuel-specific with respect to creating a cost-based offer
- Emissions and VOM policies will be reviewed during the annual review period
 - VOM annual review existed before, Emissions annual review was added
- Manual 15 changes are conforming to tariff language filed on March 6, 2017

Section 2.3.1.2

- For resources transferred to another Market Seller, the new Market Seller shall submit a Fuel Cost Policy to PJM and MMU for review 45 days prior to transfer or an alternative date approved by PJM. The new Market Seller will be required to have a PJM-approved Fuel Cost Policy prior to entering non-zero cost-based offers.

Section 2.3.2

- The method of calculation of fuel cost may be updated by the Market Seller no more frequently than once every 12 months, on a rolling basis unless required to be changed per Section 2.3.1.2.

- **1.8 Cost Methodology and Approval Process** - PJM and MMU (removed “deemed approval”) exceptions not related to Fuel Cost Policies
- **1.9 References** – fixed a Reference to Opportunity Cost Calculator in Markets Gateway
- **2.2 Performance Factors** – removed “first”, submit to PJM and MMU and changes to be made per Section 2.3
- **2.3 Fuel Cost Policies and Guidelines** – Non-Zero cost based offers unless PJM approved FCP consistent with Fuel Type.
- **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** – delineates annual review process timeline, new resources without operational data
- **2.3.1.2 Outside Annual Review/New Resources** – outside the annual review process timeline, conditions required to update policy, new and transferred resources
- **2.3.1.3 Revocation** – process related to revocation, 3 Business Day rebuttal period
- **2.3.2 Fuel Cost Calculation** - Using actual Fuel Cost data to determine if a FCP change is required, Method only changeable via 2.3.1.2 (used to be 1.8)
- **2.3.5 Emissions Allowances** – Emissions Policy with an annual update
- **2.3.7 Engineering Judgement in Fuel Cost Calculations** -New Section to allow for engineering judgement in fuel cost calculations
- **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
- **4.6.1 Configuration Addition Maintenance Adder** - PJM and the MMU
- **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
- **6.6 Maintenance Cost-** Previously evaluated and approved
- **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, Section 2.3.1
- **12.1 Opportunity Cost Policy** - PJM and the MMU
- **12.3 Calculation Method Options:** Two Methodologies for calculating Opportunity Cost - PJM and the MMU