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
- 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:
  - Σ Unit Calculated Net Energy Margin = LMPh x MWh - 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.