



Fuel Cost Policy Guidelines for Natural Gas Resources

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- Resources that wish to submit a non-zero cost-based offer into the energy market are required to either:
 - Have a PJM-approved Fuel Cost Policy; or
 - Follow the temporary cost offer methodology until PJM approves a new Fuel Cost Policy
 - (Published index settle price) x (resource's heat input curve)
 - Index pricing point assigned by PJM in consultation with Market Seller & timely input from IMM
 - Adders and other components of a cost-based offer cannot be included (e.g. VOM, emissions, & 10% adder)

- Provide applicable indices and method for estimating fuel price
 - Estimation method should reflect the market price of fuel at the generator's location at the time the offer is submitted
 - Estimation method must be systematic and verifiable
 - Document a standardized method or methods for calculating fuel costs including objective triggers for each method
 - Fuel price should be able to be calculated by PJM/IMM after the fact with the same data available to market seller at time decision was made and documentation for that data from a public or a private source.
 - FCP should account for illiquid conditions

- Fuel supplier and/or broker's quotes may only be used if fuel supplier/broker is an independent third-party
 - Otherwise, must document estimation method for price quote in the FCP
- FCP should specify transportation or other adders incurred to deliver gas
 - Must be variable (\$/MMBtu)
 - Must be documented

- “Other adders” may include:
 - Contract rates
 - Gas pipeline storage, park & loan, or other similar tariff-based rates for gas balancing
 - Rates must be incurred before they can be included
- Gas pipeline penalties cannot be included
 - Rates charged for taking unauthorized gas in violation of an interstate pipeline and/or LDC tariff or contract
 - Balancing charges from ratable take gas
 - Gas balancing due to change in ownership cannot be included

- FCP must specify using gas day (GD1 & GD2) when estimating fuel price
- All policies are required to have a day-ahead section
- The following sections are optional:
 - Rebid
 - Multiday (if estimation practices are different on holidays/weekends)
 - Intraday
 - Required to check gas prices 1x per day and update if costs decrease for uncommitted hours
 - Triggers required for additional updates
 - **PJM will assume that offers are not being updated during these time periods if not included in the FCP**

- Operating Agreement, Schedule 2: <https://agreements.pjm.com/oa/>
- Manual 15: <https://pjm.com/-/media/documents/manuals/m15.ashx>
- MIRA Fuel Cost Policy Template for Natural Gas: https://www.monitoringanalytics.com/tools/docs/Natural_Gas_Cost_Policy_Template_20200330.docx
- Fuel Cost Policy Guidelines: <https://pjm.com/markets-and-operations/energy/fuel-cost-policies>

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