



Manual 15

Fuel Cost Policy and Hourly Offers Filing

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Administrative Updates (version 28)

- Capitalization
- Abbreviations
- Dashes
- References
- 7.6 Pumped Hydro
- 8 Demand Side
- 11 Energy Storage

*Board Approval October 18, 2016

Changes* (version 29)

- 1.8 Undefined Cost Submission and Approval Process
- 2.3 Fuel Cost Policy
- 2.3.1 Fuel Cost Policy Submission process

*Dependent on FERC Approval

Tariff Revisions

- *Standards*
- *Requirements*
- *Penalty Structure*
- *Guidelines*
- *Process and Deadlines*
- *Consequences*
- *Roles related to Fuel Cost Policies*

- Manual 15 (v29) pending FERC response
 - Fuel Cost Policy process & changes to conform with Hourly Offers filing
 - December MIC (Informational)
 - December MRC (Endorsement)
 - MC Special Session possible if needed due to FERC response timing (prior to January MC)
 - Board Special Session possible to align with timing of FERC response

- Hourly Offers Filing at the FERC
- Originally requested a filing response date of October 17, 2016
- 45 days from that date to be ready by December 1st
- As of today, we have not received a response from the FERC
- Assuming we heard today at MIC (12.14.2016)
 - Estimated implementation date would be 2.1.2017 (45 days)
 - 45 Day Goal – ensure all Market Sellers have a PJM approved Fuel Cost Policy
 - Current approved FCP is valid
 - First annual review to start in June

- Section 2.3.1 – The extension for additional data request had a grammar issue (missing a comma) and the timeline was misunderstood.
- Sentence reworded to fix grammar issue and aligned to one (1) Business Day from the due date of the request vs. four (4) Business Days from request date.

- Section 2.3.1 – Request to reword the 3rd bullet on situations where the out of annual review process can apply, If there are any material changes to Fuel Cost Policy,
Requested Change: If there are any material changes to any cost or method used to develop the Fuel Cost Policy,
- After consulting with legal and an internal discussion within PJM, the change is too restrictive or limiting. A material change is any substantive change to Fuel Cost Policy

- Section 2.3.1 – Concern was expressed about Manual 15 changes that required all Fuel Cost Policies to be updated.
- If Manual 15 changed such that all Fuel Cost Policies would need to be updated, PJM would attempt to align the change with the annual review process. If that is not possible, PJM would create a transition plan to get from point A to point B prior to implementing the change to ensure a smooth transition.

Section 2.3.1 (revoke and immediately)

If PJM revokes a Market Seller's approved Fuel Cost Policy, the Market Seller must **immediately** submit an updated Fuel Cost Policy to PJM and the MMU for evaluation...

The concern was having a Fuel Cost Policy ready to submit in case this happens, how would a Market Seller be able to submit immediately? Another concern was the term immediately can imply a very short duration in time.

Understanding these concerns, I reworded the section to remove immediately and specified the implications of being in the revocation status.

If a Market Seller does not have a PJM approved Fuel Cost Policy, the Market Seller cannot submit a cost-based offer, which we have interpreted as a Market Seller cannot submit a non-zero cost-based offer, and the penalty in Schedule 2 of the Operating Agreement applies.

1.8 Undefined Cost or Methodology and Approval Process— Submission and Approval Process

A ~~PJM Member~~ Market Seller which seeks ~~to obtain and 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 shall submit a request to PJM and the PJM Market Monitoring Unit (MMU) for consideration and determination along with documentation supporting its request, except as otherwise specified herein.

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

~~If the PJM member and the PJM MMU cannot agree on the determination of the request, the PJM member may submit its request to PJM in writing for consideration and approval. In its written request to PJM, the PJM member must notify PJM of all prior determinations of the PJM MMU with respect to any such request and must provide a copy of such request to the PJM MMU within one (1) calendar day of submitting the request to PJM. This process shall be referred to in this Manual as the “Cost and Methodology and Approval Process.”~~

- Examples for when a Market Seller can use Section 1.8 of Manual 15:
 - Regulation cost in Section 2.8: the manual specifies the heat loss factor rate may not exceed 0.35% of the top Regulation load MW heat rate value,
 - Cost increase in VOM in Section 2.8 (Regulation) states max values for each unit type,
 - Opportunity Cost Adder, and using an alternative method,
 - Section 8.1 Demand Resource shutdown costs (other than zero)

*If a cost, adders or process is contained in your Fuel Cost Policy the expectation would be to change your Fuel Cost Policy using the outside the annual review process in Section 2.3.1

2.3 Fuel Cost Policies and Guidelines

~~All Unit Owner Market Sellers who submit a non-zero cost-based offer must have submit a PJM approved Fuel Cost Policy in accordance with section 2.3.1 in this manual. to the PJM MMU pursuant to the Cost Methodology and Approval Process described in this manual.—The Fuel Cost Policy 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. ,from which it will be forwarded to PJM by the MMU.~~

2.3.1 Submission of and/or Modifications to Fuel Cost Policies

On an annual basis, all Market Sellers will be required to either submit an updated Fuel Cost Policy that complies with all applicable provisions of Operating Agreement, Schedule 2 and this manual, or confirm that their currently effective Fuel Cost Policy still conforms to all applicable provisions thereof, pursuant to the procedures and deadlines specified in this manual. Market Sellers must submit such information to PJM and the MMU by no later than June 15 of each year. PJM shall notify the Market Seller in writing, with a copy to the MMU, whether the updated Fuel Cost Policy is approved or rejected by no later than November 1. 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.

2.3.1 Submission of and/or Modifications to Fuel Cost Policies (Cont'd)

PJM and the MMU will jointly review any policy submitted for an annual review 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, and 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 Submission of and/or Modifications to Fuel Cost Policies (Cont'd)

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.

2.3.1 Submission of and/or Modifications to Fuel Cost Policies (Cont'd)

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 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.

2.3.1 Submission of and/or Modifications to Fuel Cost Policies (Cont'd)

PJM and the MMU will have an initial 30 Business Days for review of a policy submitted outside the annual review period. 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 from the due date of the request for the additional data, and 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 Submission of and/or Modifications to Fuel Cost Policies (Cont'd)

If PJM revokes a Market Seller's approved Fuel Cost Policy, the Market Seller must immediately submit an updated Fuel Cost Policy to PJM and the MMU for evaluation. The review process for Fuel Cost Policies submitted outside the annual review period will be followed. Market Sellers with a revoked Fuel Cost Policy are not allowed to submit non-zero cost-based offers into the PJM energy markets and will be assessed a penalty as described in PJM's Operating Agreement Schedule 2.

2.3.1 Submission of and/or Modifications to Fuel Cost Policies (Cont'd)

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 in the PJM energy market and will be assessed a penalty as described in PJM's Operating Agreement Schedule 2. The penalties as described in PJM's Operating Agreement Schedule 2 will only apply for the period starting on the issuance of the revocation notice and ending when the Market Seller submits a revised Fuel Cost Policy that PJM subsequently approves. The review process for Fuel Cost Policies submitted outside the annual review period will be followed

*updated as of 11/18/2016 based on feedback from MRC, this text replaces the language on previous slide

2.3.7 Engineering Judgement in Fuel Cost Calculations

A Market Seller may apply engineering judgement to manufacturer's data, operating data or the results of start and run tests in order to derive the components of the total fuel cost. A record of the results of these determinations shall be kept on file by each Market Seller for use as a single, consistent basis for scheduling, operating, and accounting applications. These records shall be made available to PJM and the MMU upon request.

- **1.8 - Undefined Cost or Methodology - Submission 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
- **2.3.2 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** - Fuel Cost Policy changes pursuant to 2.3.1
- **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 2.3.1
- **2.6.3 Incremental Adjustment Parameter**- Stopped at previously approved. (removed pursuant to Cost Methodology and Approval Process). 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 2.3.1
- **4.6.1 Configuration Addition Maintenance Adder** - PJM and the MMU and Section 2.3.1
- **5.6.1 Combined Cycle / CT Long Term Service Contract Cost Recovery** - PJM and the MMU and Section 2.3.1
- **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 and Section 2.3.1
- **8.1 Demand Resource (DR) Cost to Provide Synchronous Reserves** – Removed Cost Methodology and Approval Process, Section 1.8
- **9.3 Fuel Cost** - PJM and the MMU and Section 2.3.1
- **11.8 Regulation Cost** (for Energy Storage resources) - PJM and the MMU and Section 2.3.1
- **12.1 Opportunity Cost Policy** - PJM and the MMU, still used Section 1.8 but changed reference to just 1.8
- **12.3 Calculation Method Options:** Two Methodologies for calculating Opportunity Cost - PJM and the MMU, still used Section 1.8 but changed reference to just 1.8