12.3 Calculation Method Options: Two Methodologies for calculating Opportunity Cost

Market Sellers may opt to follow one of the two following methodologies; the difference between the methodologies being the applicable time period. Market Sellers may develop alternative methods specific to their units and submit those methods for approval. Requests for recovery of opportunity costs using other methods not defined in the Operating Agreement should be submitted to PJM and the MMU for evaluation under the Cost Methodology and Approval Process and shall receive PJM's approval prior to using the alternative method

Energy Market Opportunity Costs and Non-Regulatory Opportunity Costs are a distinct component of the cost-based offer. As is the case with any computation of the cost-based offer in Manual 15, Market Sellers may elect to enter their cost-based offer at a value less than the computed cost-based offer. However, they may not exceed the computed value.

12.3.1 Long Term Method (greater than 30 days)

This method uses monthly forward prices as the basis for forecasts of fuel and electricity costs in the future. Opportunity costs calculated with this method will change frequently. Given that electricity and fuel futures can change daily, the opportunity costs computed can likewise change daily. Market Sellers who include opportunity costs in their cost-based offers must recalculate their long-term opportunity cost no less frequently than once per every 7 days.

12.3.2 Short Term Method (30 days or less)

This method uses daily forward prices as the basis for forecasts of fuel and electricity costs in the future. Market Sellers who include opportunity costs in their cost-based offers must recalculate their short term opportunity cost every day.

12.3.3 Immature/New Units

Immature or new units without three years of historical hourly real-time LMPs at the generator's bus shall use historical hourly LMPs from an electrically similar bus to back fill any missing hourly data. The immature or new unit will continue to use a combination of its actual bus's historical hourly real-time LMP data and historical data from the similar bus for any missing hourly data in the calculation of an Opportunity Cost Adder until such time the generators bus has accumulated three years of historical hourly real-time LMP data.