



MIC Special Sessions: Fuel Cost Policy

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Market Implementation Committee
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- Based on a few years of experience with the Fuel Cost Policy (FCP) process, there are opportunities for potential improvements to the rules and processes governing Fuel Cost Policies.
- Issue charge divided work into two phases:
 - Phase I : Explore potential enhancements to Fuel Cost Policy rules (KWA #3)
 - PJM ICC proposal was approved at the February MRC
 - Revised OA language was filed with FERC on May 4, 2020 and approved on July 28, 2020 with an effective date of September 1, 2020
 - Phase II: Explore potential alternatives to PJM’s current Fuel Cost Policy rules and cost-based offer rules. Initial review suggests that the mitigated offer or cost-based offer formation paradigms of neighboring ISOs/RTOs should be reviewed as candidates for adoption in PJM (KWA #4)

- Special MIC sessions discussions began in August 2019 –
Fourteen total meetings
- Education
 - ISO-NE Methodology
 - NYISO Fuel Cost Adjustment Process
- Developed common definitions for each design component
- Package development
 - Single package developed - PSEG proposal

- Reduce compliance risk for Market Sellers in submitting cost-based offers
- Ensure that only competitive offers consistent with the FCP are used to clear the markets when mitigation is applied
- Reduce the likelihood and extent of penalties for submitting non-competitive cost-based offers
- Keep rule and process changes to a minimum for ease of implementation

- Information Only Cost-Based Calculator
 - Use of this calculator is optional
 - Can be used as a comparison with Market Seller calculated offer
 - Creates more transparency with respect to input variables
 - Initial version of calculator will be in Excel/Sharepoint platform
 - Final version of the calculator will be in Markets Gateway
 - PJM will provide non-binding three part Cost-Based Offer (Start up, no load and incremental energy offer) by midnight prior to the market day
 - Market Sellers will also have the option to overwrite the fuel cost or any other input variable in the cost offer calculation

- No change to current market submission process
 - No manual or tariff changes needed at this time.
 - All existing cost-based offer rules remain status quo
 - Market Seller still responsible for submitting Cost-Based Offers into Markets Gateway
 - Irrespective of the value produced by the Information Only Cost-Based Calculator, Market Seller will still be liable for penalties associated with incorrect cost-based offers under Operating Agreement, Schedule 2
 - PJM assumes no responsibility for any errors produced by the Information Only Cost-Based Calculator

- The vote is an indicator of stakeholder support for the development of the Informational Only Calculator and continuing discussion on the implementation details at the Cost Development Subcommittee (CDS)
- The vote culminates the work under Issue Charge - KW#4
- The CDS discussions will be limited in scope to determining the implementation details of the calculator.

MIC First Read	10.07.2020
MIC Endorsement	11.05.2020
Design and Implementation (Moving to Cost Development Subcommittee)	2021
Tentative Full Implementation in Markets Gateway	2022

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