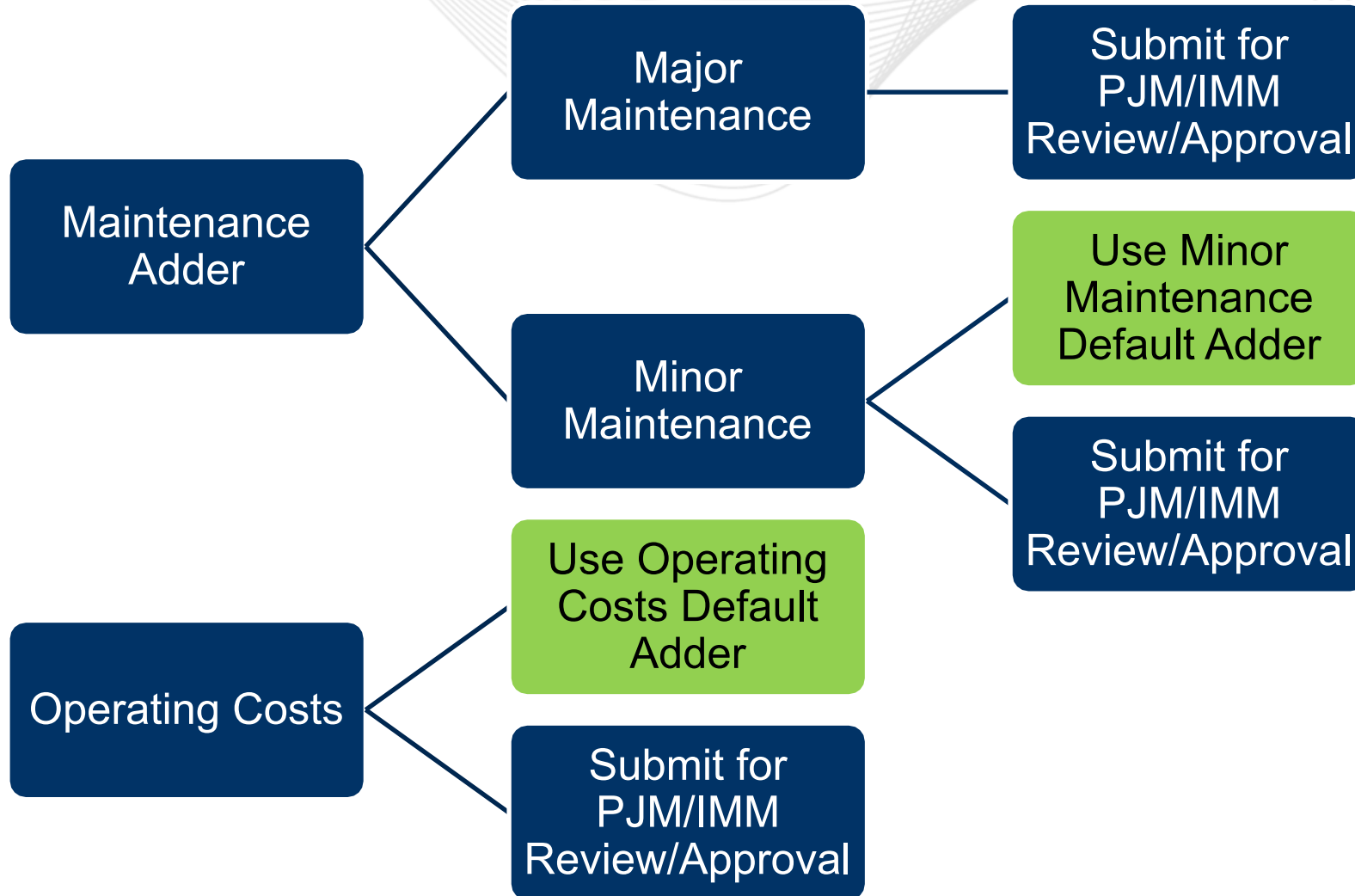


Summary of VOM Operating Agreement & Manual 15 Changes

Roger Cao
Performance Compliance
Markets & Reliability Committee
October 24, 2022

- CDS is proposing the following changes/improvements be implemented for Variable Operating & Maintenance costs (VOM):
 - Add the option of using default minor maintenance adder and default operating costs adder as an alternative of submitting unit-specific minor maintenance and operating costs.
 - Add the definitions of major maintenance and minor maintenance to more clearly define what costs can be included.
 - Revise Manual 15 Cost Development Guidelines to provide more guidance to Market Sellers on specifics of maintenance adders, maintenance history, operating costs, supporting documentation, etc.



- Intended to represent minor maintenance and operating costs
- Calculated based on historical values submitted to PJM
- Shall be escalated annually using Handy-Whitman Index
- Can be used after the expiration of current approved unit-specific adder

| Technology Type | Minor Maintenance Default Value (\$/MWh) | Operating Costs Default Value (\$/MWh) |
|----------------------|--|--|
| Combined Cycle | 0.98 | 0.40 |
| Combustion Turbine | 3.59 | 0.75 |
| Reciprocating Engine | 4.03 | 1.62 |
| Fossil Steam | 1.71 | 2.87 |

- Section 4.1:
 - Requirements for submitting major maintenance and unit-specific minor maintenance or using the default minor maintenance adder
- Section 4.1(a):
 - Definition and examples of major maintenance
- Section 4.1(b):
 - Definition and examples of minor maintenance
- Section 4.2:
 - Requirements for submitting unit-specific operating costs or using the default operating costs adder:
- Section 4.5:
 - Default Adder

- Section 2.6
 - Overview of VOM
 - Guidelines for submitting major maintenance
 - Guidelines for using default minor maintenance adder or submitting unit-specific minor maintenance
 - Guidelines for using default operating costs adder or submitting unit-specific operating costs
 - New submission and review timelines
- Section 2.6.1
 - Definitions and examples of major maintenance, minor maintenance and unallowable expenses
- Section 2.6.11
 - Default adder values

- Section 2.6
 - Supporting documentation required for all costs
 - Guidelines for multiple maintenance adders
 - Guidelines for maintenance adder for similar units
- Section 2.6.5
 - Guidelines for the use of cyclic factors
- Section 2.6.7
 - Clarifications for maintenance costs, operating costs and operating history for immature units and mature units transferred ownership
- Section 2.6.8
 - Examples of operating costs and rolling average operating costs submission
- Section 2.6.9
 - Requirements for supporting documentation
- Section 2.6.10
 - Clarifications for maintenance adder with LTSA

- 9/7/22 MIC – Approved
- 9/29/22 CDS – Review OA and M15 Revisions
- 10/6/22 MIC – Review OA and M15 Revisions
- 10/24/22 MRC – First read
- 11/16/22 MRC – Vote
- 12/21/22 MC – Vote
- 6/1/23 – Expected implementation

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Summary of VOM OA & M15 Changes



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