



Manual 15

Biennial Review and Fuel Cost Policy

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Market Implementation Committee
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- Items moved to Admin Updates
- Changes Section
 - 1.7 update – Market Seller
 - 1.8 & 2.3 – updates from last meeting
 - 2.3.1 – draft language
- Fuel Cost Policy Approval Process and Hourly Offers Filing
- Schedule 2 of Operating Agreement

Items Under Active Discussion	Where/When Addressed:	Most Likely Location:
Fuel Cost Policy Approval Process	MIC & Compliance Filing	Manual 15 & Schedule 2 Operating Agreement
Deadlines	MIC & Compliance Filing	Manual 15 & Schedule 2 Operating Agreement
Penalty Structure	Compliance Filing	Tariff
Fuel Cost Policy Requirements	Compliance Filing	Schedule 2 Operating Agreement
M15 (Review/Admin)	MIC	Manual 15

- Review Changes in Manual 15:
 1. Biennial review administrative updates
 2. Changes
 3. Fuel Cost Policy Process
 - a) To include recent FERC Hourly Offer ordered suggestions
- Fuel Cost Policy Template will NOT be discussed at this time

Administrative Updates

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

Changes

- 1.7 Market Seller
- 1.8 Cost Methodology and Approval Process
- 2.3 Fuel Cost Policy
- 2.3.1 Fuel Cost Submission process
- 2.3.2 Annual Process

Fuel Cost Policy Process

- Process
- Approval Timeline
- Penalty Structure

Administrative Updates

- Changes to terms that are previously defined in earlier sections of M15 with short name in later sections. e.g. Markets and Reliability Committee to MRC
- Change references of the defined terms in the Tariff and PJM Manuals as capitalized terms in M15
- Changed eMKT references to Markets Gateway
- Changed 'Pumped Hydro' references to Pumped Storage Hydro
- Replaced CODA with 'MIRA, or other applicable tool'

Changes

- 1.7 Market Seller
- 1.8 Cost Methodology and Approval Process
- 2.3 Fuel Cost Policy
 - 2.3.1 Fuel Cost Policy Submission and Approval Process
 - 2.3.2 Annual Review Process

- Added language to clarify that a Market Seller is the entity that submits a cost based offer and is responsible for all information necessary to calculate a resource's cost-based offer.
- Market Seller is owner of account in which a unit resides
- If PJM/MMU request data the Market Seller must be able to engage the unit owner to provide data directly or the unit owner provides data to PJM/MMU

1.7 Components of Cost

This Manual is designed to instruct Unit OwnerMarket Sellers on how to develop their cost based offers. A Market Seller who submits a cost-based offer for a resource shall be responsible for the development and accuracy of all information to support the calculation of a resource's cost-based offer and shall provide such information to PJM or the MMU upon request or as required by applicable PJM market rules. These cost based offers are used by PJM to schedule generation in cases in which structural market power is found to exist. PJM uses the information provided from PJM MemberMarket Sellers to determine each unit's production costs.

PJM Operating Agreement Definition Section 1.23

Market Seller

“Market Seller*” shall mean a Member that has met reasonable credit worthiness standards established by the Office of the Interconnection and that is otherwise able to make sales in the PJM Interchange Energy Market.

*A Market Seller can use an agent to submit offers for them.

1.7 Components of Cost

This Manual is designed to instruct ~~Unit Owner~~Market Sellers on how to develop their cost based offers. A Market Seller who is required to submit a cost-based offer for a resource shall be responsible for the development and accuracy of all information to support the calculation of a resource's cost-based offer and shall provide such information to PJM or the MMU, either directly or indirectly through an agent or other entity, upon request or as required by applicable PJM market rules. These cost-based offers are used by PJM to schedule generation in cases in which structural market power is found to exist. PJM uses the information provided from ~~PJM~~MemberMarket Sellers to determine each unit's production costs.

- Add Market Seller
- Documentation requirement
- Cost Methodology and Approval Process – Market Power vs. Market Rules
- Fuel Cost Policy Approval Process moving to section 2.3.1
- This section only handles costs not defined in this manual when you need an exception



1.8 Cost Methodology and Approval Process

A PJM-MemberMarket Seller which seeks to obtain an exemption, exception or change to any time frame, process, methodology, calculation or policy set forth in this Manual other than fuel cost policies, or the approval of any cost 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 all necessary documentation supporting its request, except as otherwise specified herein.

After receipt of such a request, the PJM MMU shall notify the PJM-memberMarket Seller of its determination as to whether of the request raises market power concerns no later than fifteen (15) calendar days after the submission of the request. If the PJM memberMarket Seller and the PJM MMU agree on the determination of the request, the request shall be deemed to be approved.

If the PJM-memberMarket Seller and the PJM MMU cannot agree on the determination of the request, the PJM-memberMarket Seller may submit its request to PJM in writing for consideration and approval as to whether the request complies with the PJM Market Rules. In its written request to PJM, the PJM-memberMarket Seller 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.”

1.8 Undefined Cost Methodology and Approval Process

~~A PJM MemberMarket Seller which seeks to obtain an exemption, exception or change to any time frame, process, methodology, calculation or policy set forth in this Manual other than fuel cost policies, or the approval of any cost 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 all necessary documentation supporting its request, except as otherwise specified herein.~~

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

~~If the PJM memberMarket Seller and the PJM MMU cannot agree on the determination of the request, the PJM memberMarket Seller may submit its request to PJM in writing for consideration and approval. In its written request to PJM, the PJM memberMarket Seller 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.”~~

- Market Sellers must have an approved Fuel Cost Policy in place
- The Fuel Cost Policy must be submitted to PJM and the MMU
- Section 2.3.1 will become Submission and/or Modifications to Fuel Cost Policies
- Section 2.3.2 will add in an annual review timeline process

2.3 Fuel Cost Policies and Guidelines

All ~~ny Unit Owner~~ Market Sellers who can submit a cost-based offer must ~~have~~ submit an approved fuel cost policy in accordance with section 2.3.1 in this manual. to the PJM MMU pursuant to the Cost and Methodology 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, from which it will be forwarded to PJM by the MMU upon submission.

2.3 Fuel Cost Policies and Guidelines

~~Allny Unit OwnerMarket Sellers who submit a cost-based offer must havesubmit an approved fuel cost policy in accordance with section 2.3.1 in this manual. to the PJM MMU pursuant to the Cost and Methodology 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 is considered submission to PJM and starts the process, from which it will be forwarded to PJM by the MMU.~~

- Submit to MMU and PJM simultaneously
- Interim process deadlines (still being developed)
- Administrative penalties for deadline non-compliance
- Currently approved fuel cost policy is used while new policy is under review
- No cost based offers can be submitted without an approved fuel cost policy (Forced Outage)

2.3.1 Submission of and/or Modifications to Fuel Cost Policies

PJM shall consult with the MMU, and consider any input received from the MMU in its determination of whether to approve a Market Seller's updated Fuel Cost Policy. After it has completed its evaluation of the request, PJM shall notify the Market Seller in writing, with a copy to the MMU, whether the Fuel Cost Policy or updated Fuel Cost Policy, as applicable, is approved or rejected.

Interim Deadlines will be established in the process (e.g. initial response 10 business days, documentation request 10 business days)

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, the Market Seller shall submit a new fuel cost policy to PJM and the MMU for review using the process delineated above. In this situation, the Market Seller's previously approved fuel cost policy will be used for making cost based offers while the new policy is under evaluation.

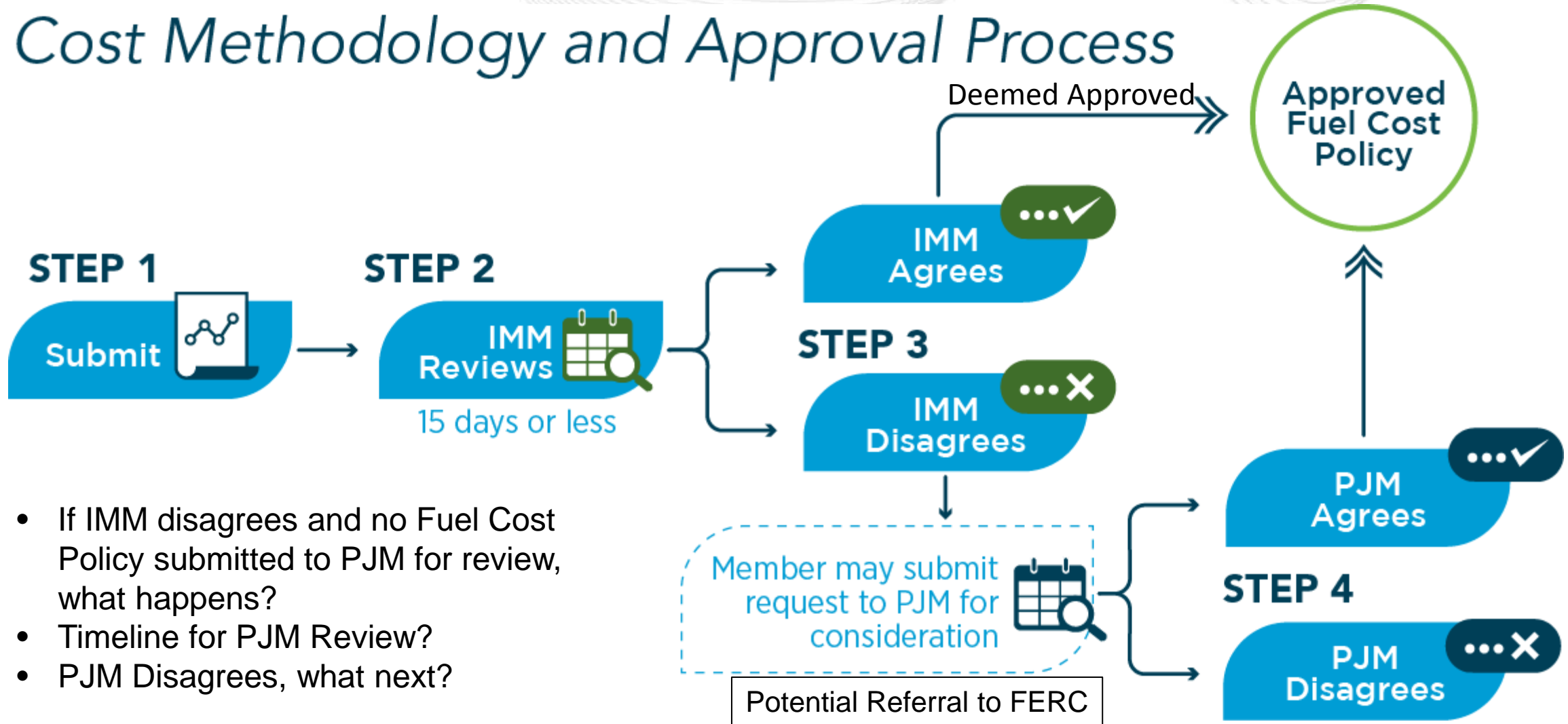
Prior to transacting in PJM's Markets, a member must have an approved fuel cost policy in place.

If the Market Seller does not have an approved fuel cost policy they are not allowed to submit cost based offers.

- Annual review process
- Deadline of September 1st
- Submission period begins June 1st, no later than June 15th
- Interim deadlines throughout process

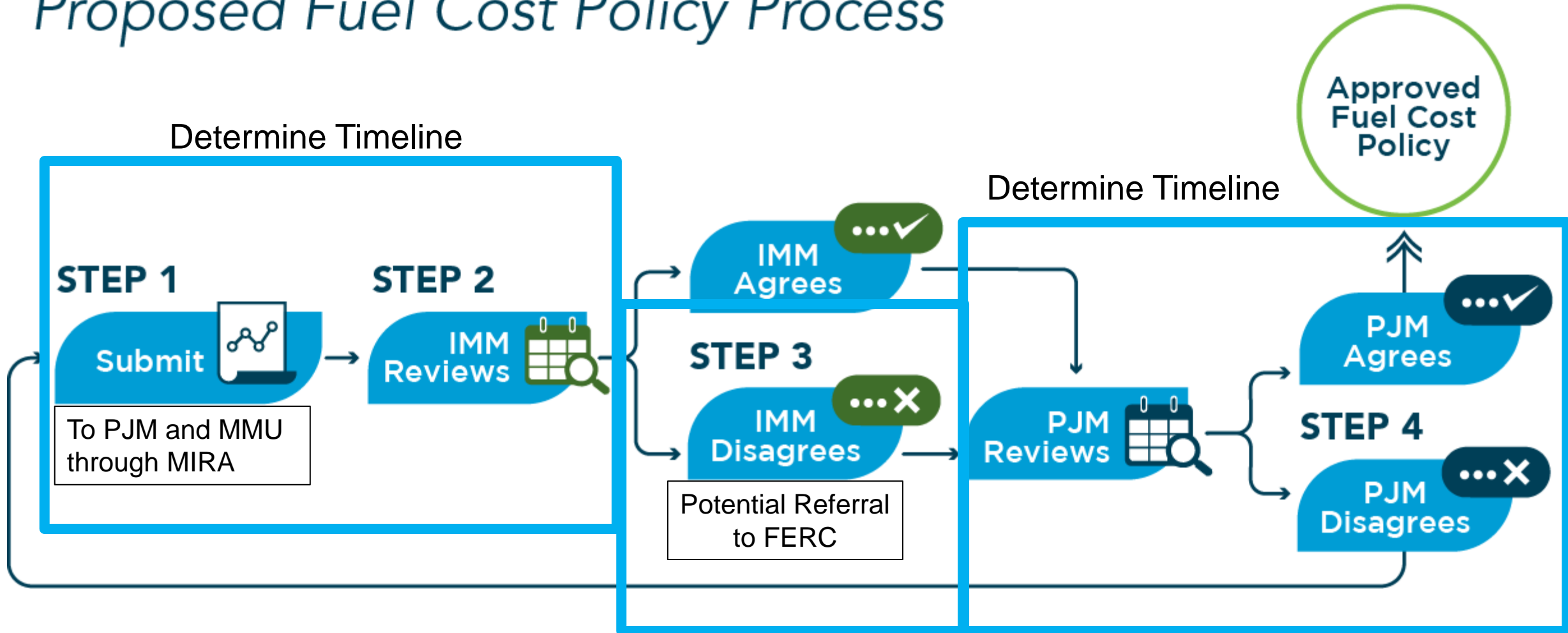
Fuel Cost Policies and Process

Cost Methodology and Approval Process

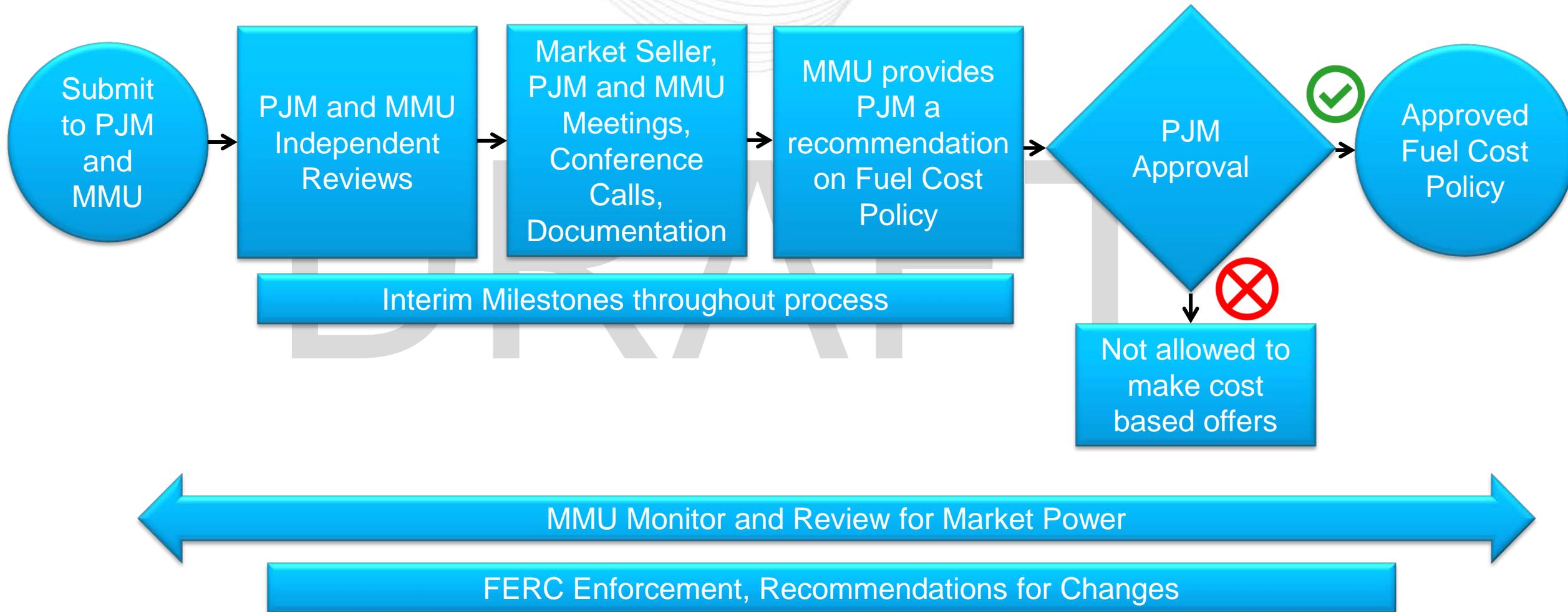


- If IMM disagrees and no Fuel Cost Policy submitted to PJM for review, what happens?
- Timeline for PJM Review?
- PJM Disagrees, what next?

Proposed Fuel Cost Policy Process



Proposed Fuel Cost Policy Approval Process



Therefore, we direct PJM to include in its Tariff and Operating Agreement (1) **a requirement for market participants to submit fuel cost policies that are approved by PJM prior to submission of cost-based offers**, and (2) **a penalty structure that will be applicable in the event that PJM or the IMM determines that a resource has submitted a cost-based offer that does not comply with Schedule 2 of the Operating Agreement or the Cost Development Guidelines in Manual 15**. We direct PJM to submit these revisions, as part of the compliance filing, within 30 days of the date of this order. While we are not requiring PJM to implement identical provisions, we note that both ISO New England Inc. (ISO-NE) and the New York Independent System Operator, Inc. (NYISO) have market power provisions in place to review real-time offer updates after-the-fact and impose penalties on resources that submit inaccurate cost information.” (P 63)

- Requirements, based on Manual 15, summarized in Schedule 2 Operating Agreement
- Manual 15 still describes how to develop a cost based offer
- Requirements create a range of reasonableness and expectation of how costs are determined
- The requirements are not prescriptive but require adequate documentation to support the process

- Approved Fuel Cost Policy for submission of cost based offers
- Fuel Cost Policy Requirements/Standards
- Fuel Cost Submission Annual process
- Penalty Structure for Cost Based offers
 - No approved Fuel Cost Policy
 - not able to submit cost based offers (Forced Outage)
 - Cost Based offer not in compliance
 - if unit was marginal, returned excess revenues allocated to operating reserves
 - FERC Referral
 - Missed process deadlines
 - escalation structure, formal warning, X dollars, funds go to admin