



August 7, 2018

To: Market Sellers Using an Opportunity Cost Adder in Cost-Based Energy Market Offers

Re: Approved Opportunity Cost Calculators

This letter provides clarification on the PJM-approved methods of calculating the Opportunity Cost Adder in Cost-Based Energy Market Offers.

Market Sellers may include in the calculation of “other incremental operating costs” in cost-based energy market offers an amount reflecting the unit-specific Energy Market Opportunity Costs expected to be incurred if the generating unit is subject to operational limitations due to energy or environmental limitations, as described in Schedule 2 of the PJM Interconnection Operating Agreement.

The opportunity cost adder may be calculated by:

1. The Opportunity Cost Calculator available in Markets Gateway (**Preferred method**)
2. A PJM-approved alternative method (See Operating Agreement Schedule 2 Section 1.1 (a))

PJM does not recommend alternative methods for calculating this adder (including the Monitoring Analytics calculator), without approval from PJM. Specifically, Market Sellers may not use a value higher than that which is produced by the PJM Opportunity Cost Calculator, including a value that is produced by the Monitoring Analytics calculator, unless PJM has approved the alternative method, and PJM has not approved the methodology used by the Monitoring Analytics calculator. However, Market Sellers do not need to seek PJM approval if the alternative calculation method produces an adder that is less than or equal to the value produced by the PJM calculator.

Market Sellers utilizing an alternative calculation of the Energy Market Opportunity Cost adder not approved by PJM should therefore use the PJM calculator to determine the maximum opportunity cost adder for their cost-based offers.

Market Sellers are reminded that:

- The inputs of the PJM Opportunity Cost Calculator are provided by the Market Seller
- The desired Energy Market Opportunity Cost adder, informed by the calculations described above, must be added to the cost-based offer manually. The adder is not included with the cost-based offer automatically.
- Market Sellers must also enter the Energy Market Opportunity Cost adder used in the “Opportunity” Field of the Schedules Details tab in Markets Gateway.

A Special Session of the Market Implementation Committee is evaluating improvements and changes to the PJM and Monitoring Analytics opportunity cost calculators. See pjm.com for meeting dates and times.



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For additional questions on the use of the PJM calculator please contact Jennifer Warner-Freeman at Jennifer.Freeman@pjm.com.

Sincerely,
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