



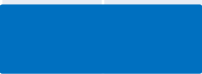



MIC Special Sessions: Fuel Cost Policy

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Market Implementation Committee
November 13, 2019

Action Required	Deadline	Who May Be Affected
<p>Communicate proposed changes to the Fuel Cost Policy process and penalty calculations</p> 	<p>1/23/2020</p> 	<p>Market Sellers</p> 

- All Market Sellers are required to have a PJM-approved Fuel Cost Policy (FCP) for each fuel type
- Annually, Market Sellers are required to either submit to PJM and the IMM an updated FCP that complies with OA Schedule 2 or confirm that their currently approved FCP remains compliant
- Based on 2 years of experience with the FCP process, there are opportunities for potential improvements to the rules and process governing FCPs

		Oct-Dec	Jan-Mar	Apr-June	Jul-Dec
Key Work Activities	<input checked="" type="checkbox"/> KWA #1 Education on the current Fuel Cost Policy rules				
	<input checked="" type="checkbox"/> KWA #2 Education on cost-based offer development				
	<input checked="" type="checkbox"/> KWA #3 Explore potential enhancements to Fuel Cost Policy rules. Initial review suggests the following categories for enhancements to PJM’s fuel cost policies				
	KWA #4 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				

FCP due for annual review 6/15

- ❑ KWA#3: Explore potential enhancements to Fuel Cost Policy rules. Initial review suggests the following categories for enhancements to PJM's fuel cost policies:
 - ❑ Requirement for zero marginal cost offer units (e.g., wind and solar) to have Fuel Cost Policies;
 - ❑ Requirement for self-scheduled units to have Fuel Cost Policies;
 - ❑ Need for Market Sellers, on an annual basis, to confirm that their annual Fuel Cost Policy remains compliant;
 - ❑ Lack of a penalty exemption and/or safe harbor for minor violations in a Market Sellers' Fuel Cost Policy, and/or lack of appropriate crediting mechanism for a market-seller's self-report of a potential Fuel Cost Policy violation.

- Special MIC sessions began in November 2018
 - Fourteen total meetings
- KWA# 3 addressed by 4 proposals that will be presented for consideration
 - IMM
 - Joint stakeholder proposal
 - PJM Primary
 - PJM Alternate
- KWA #4 work to continue through MIC Special Sessions in parallel

Signifies consensus on a change from status quo				
Design Component	IMM	Joint Stakeholder proposal	PJM Primary	PJM Alternate
FCP REVIEW PROCESS				
Remove annual review process	x	x		
Only units with non-zero offers require FCPs	x	x	x	x
Process for FCP approvals for unit transfers and agent changes		Agent changes do not require new policy		
Further define Revocation Rights		x		
Establishing PJM defined expiration dates	x	x	N/A due to Annual Review Process	N/A due to Annual Review Process
PENALTY CALCULATION				
Includes Impact Factor	x	x		x
Impact Factor Value Range	0.1- 2	0.1- 1		0.1- 1
Includes Safe Harbor		x		
Self Identification Factor	x	x	x	x
Self identification Factor if error was identified by Market Seller (Self Identification Factor = 1 if error was identified by IMM/PJM.)	0.50 if Impact Factor = 0.1. 0.75 if Impact Factor = 1 or 2.	0.25	0.5	0.5

	MIC	MRC	MC
First Read	11.13.2019	12.19.2019	
Endorsement	12.11.2019	1.23.2020	1.23.2020*

* **Note:** Manual 15 – Cost Development requires Members Committee endorsement and Board of Managers approval in accordance with Operating Agreement Schedule 2