

RECs/PTCs in Cost-Based Offers

MIC

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IMM



Monitoring Analytics

RECs/PTCs

- **PJM and the IMM require that the inclusion of RECs/PTCs in cost-based offers follow the same standards as fuel costs.**
- **PTC is production tax credit.**
- **The standards are that costs must be accurate, verifiable and systematic.**

RECs

- **As is the case for fuel costs, RECs can be based on actual transaction price (inventory cost or contract based) or spot price (replacement cost).**
- **If actual price is selected, FCP must describe how often the price will be updated (e.g. weekly) and the period (e.g. last year).**
- **If spot price is selected, FCP must describe the source (e.g. broker/publication), data point used (e.g. midpoint/settled) and update frequency (e.g. weekly).**
- **Units with bundled price PPAs that wish to offer nonzero cost offers can use either actual REC price or spot REC price.**

PTCs

- **PTCs do not require inventory cost or replacement cost. The PTC rate is defined by the IRS, grossed up using the effective corporate tax rate. For example, \$27/MWh divided by $(1 - 0.21)$ or \$34.18/MWh.**

Cost Offer Example

- **Cost Offer = - [REC + PTC / (1 – Tax Rate)]**
- **REC: \$18/MWh**
- **PTC: \$27/MWh**
- **Tax Rate: 21 percent**
- **Cost Offer = -\$52.18**

MMU Template

- **Action items for Market Sellers:**
 - **RECs:** Describe the method for determining the market value of RECs. Include the source for relevant market prices, the MWh available to sell for RECs and the relevant REC program(s), and provide support for each.
 - **PTC:** Indicate whether the facility is eligible for and claims the Production Tax Credit and provide supporting documentation. Include in the numerical example spreadsheet the method for determining the Production Tax Credit in \$/MWh.
- http://www.monitoringanalytics.com/tools/docs/Wind_Cost_Policy_Template_20200330.docx

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