

MRC Item # 10:
Reasons for MRC/MC Vote on
1st Read

August 23, 2018

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Opportunity Cost Calculator Discussion

1. On August 7, PJM informed market sellers that “PJM has not approved the methodology used by the Monitoring Analytics calculator.” (see next slide)
2. Market sellers have been relying on and using Monitoring Analytics’ [IMM] opportunity cost calculator (OCC) for years; PJM’s notice disrupted reliance on what was an accepted method to manage run hour limits (EMOC, NROC).
3. PJM’s notice effectively short-circuited the MIC Special Session (Opportunity Cost Calculator) evaluating improvements and changes to the PJM and the IMM’s OCC.
4. The proposed OA language merely codifies the *status quo ante*, allowing sellers to use the IMM’s OCC without undue delay (pending acceptance by the Commission) with resolution of PJM’s issues with the IMM’s OCC in the MIC Special Session.

PJM's August 7 OCC Market Notice

- 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.
- ...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

Source: <https://www.pjm.com/-/media/etools/markets-gateway/market-notice-on-opportunity-cost-calculator.ashx?la=en> (Emphasis Added)

Previous PJM FERC statements on IMM OCC

4/22/10 PJM Compliance Filing:

- “To assist Market Participants in calculating Energy Market Opportunity Costs, PJM designed a computer based calculator, called the eMKT Opportunity Cost Calculator....However, PJM has requested that Market Participants refrain from using the calculator until after the Commission has approved PJM's proposed Operating Agreement revisions and calculation methodology that are the subject of this compliance filing. **The IMM has a similar calculator on its Web site that Market Participants may use to calculate their Energy Market Opportunity Costs as well”**

Source: <https://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12328964> at 13. (Emphasis Added)

Previous PJM FERC statements on IMM OCC

5/12/11 PJM Informational Filing:

- “The changes to the calculation of opportunity costs will require modifications to the current eMKT Opportunity Cost Calculator. ...
- PJM estimates that the modified calculator will be available for the use of Market Participants as early as September 30, 2011, but in any event no later than December 31, 2011. **In the meantime, the IMM has a similar calculator on its Web site that Market Participants may use to calculate their opportunity costs in the Cost Offer Data Application tool.”**

Source: <https://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12660061> at 6 (Emphasis Added)