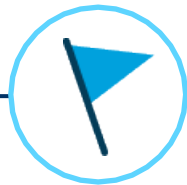




Summary of Cost Development Subcommittee Environmental Costs and Credits Package

Melissa Pulong, Lead Analyst

Markets & Reliability Committee

July 27, 2022

Action Required	Deadline	Who May Be Affected
<p>Ensure Fuel Cost Policy is up-to-date</p> 	<p>TBD*</p> 	<p>Market Sellers of generation units receiving PTCs and/or RECs</p> 

*PJM is requesting implementation be 6 months from FERC filing date

Action Required

Generation units that receive production tax credits (PTC) and/or renewable energy credits (REC) **and** submit non-zero cost-based offers into the energy market, must account for such credits in the resource's Fuel Cost Policy.

Deadline

6 months following FERC filing date.

Who May be Affected

Market Sellers of generation units that receive PTCs and/or RECs and submit non-zero cost-based offers into the energy market.

Provide detailed guidance and updates, as necessary, in Manual 15 and Schedule 2 of the Operating Agreement for:

- The annual emissions review process
 - Emission costs included in cost-based offers,
 - Review period, and PJM review process,
 - Coordination with Fuel Cost Policies,
 - Submittal of emissions data to PJM and the IMM
- Requirements for the inclusion of environmental credits in non-zero cost-based offers



PJM/IMM Package

- **Proposed Change:** Adjust review of emissions rates from annual to periodic
- **Rationale:**
 - Align with periodic Fuel Cost Policy review process
 - Emissions rates should not change drastically year-to-year
 - Market Seller responsible for updating rates, if no longer accurate, in accordance with frequency in unit's Fuel Cost Policy
- **Governing Document(s) Redlined:**
 - Manual 15, Section 2.2.5
 - Operating Agreement, Schedule 2 Section 3.1

- **Proposed Change:** Clearly document standards of review for emissions allowance adders
- **Rationale:** Provide transparency around:
 - Required information from Market Seller
 - Where data must be submitted
 - Expectation for updating data
- **Governing Document(s) Redlined:**
 - Manual 15, Section 2.2.5
 - Operating Agreement, Schedule 2 Section 3.1

- **Proposed Change:** Change reference from 'Emissions Policy' to same document(s) as the Fuel Cost Policy
- **Rationale:**
 - Emissions allowance information is documented in the same document(s) as the Fuel Cost Policy
- **Governing Document(s) Redlined:**
 - Manual 15, Section 2.2.5

- **Proposed Change:** Any resource that receives PTCs and/or RECs and submits non-zero cost-based offers, must account for such credits in the resource's Fuel Cost Policy
- **Rationale:**
 - Consistent expectation for all resources receiving PTCs and/or RECs that submit non-zero cost-based offers
- **Governing Document(s) Redlined:**
 - Manual 15, Section 2.2.2
 - Operating Agreement, Schedule 2 Section 2.5(a)(ii)4

- July MRC First Read
- August MRC seeking endorsement
- September MC seeking endorsement
- Board approval (following MC Endorsement)
- File Schedule 2 redlines with FERC

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Environmental Costs and Credits

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