



VIA E-MAIL

June 14, 2002

MEMBERS COMMITTEE

Dear Member:

FUEL COST DATE REQUEST

I am writing to modify and clarify the Market Monitoring Unit's (MMU) outstanding request for fuel cost data.

The PJM MMU has requested certain specific fuel cost data from generators. The specific data requested to date are:

- Actual fuel delivery quantities, prices, fuel types and quality information for each plant in PJM.
- Actual fuel consumption quantities, prices, fuel types and quality information for each generating unit in PJM.

Based on discussions with generator sector representatives, the PJM MMU is revising its request which will limit the cost of compliance and facilitate the provision of the data. Specifically, the PJM MMU requests only:

- Actual fuel delivery quantities, prices, fuel types and fuel quality information for each plant which is subject to cost capping per OA, Schedule 1, Section 6, i.e. each generating station, for which construction commenced prior to July 9, 1996.

The result is that the MMU request is for:

- Data identical to that which generators are currently required to file with the FERC using FERC Form 423 or with the EIA using EIA Form 423, except that the MMU also requests fuel costs from nuclear generating units.
- Data only for plants of size greater than or equal to 50 MW, consistent with the FERC and the EIA requirements.

The PJM MMU requests that this data be provided by August 1, 2002.

The MMU requests this data pursuant to the Market Monitoring Plan, which is Attachment M to the PJM Open Access Transmission Tariff. The Market Monitoring Plan states, at Section VI.B:

B. Other Information Requests: If other information is required, the Market Monitoring Unit shall comply with the following procedures:

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- 1. Request for Additional Data:** If the Market Monitoring Unit determines that additional information is required to accomplish the objectives of the Plan, the Market Monitoring Unit may request the entities possessing such information to provide the information. Any such request for additional information will be accompanied by an explanation of the need for the information and the Market Monitoring Unit's inability to acquire the information from alternate sources.
- 2. Compliance with Request:** The information request recipient shall provide the Market Monitoring Unit with all requested information within a reasonable time, as specified by the Market Monitoring Unit; provided, however, that an information request recipient may petition the Commission for an order limiting all or part of the information request, in which event, the Commission's order on the petition shall determine the extent of the information request recipient's obligation to comply with the disputed portion of the information request.
- 3. Confidentiality:** PJM shall protect, to the extent appropriate, confidential, proprietary, or commercially sensitive information provided under this section.

The Market Monitoring Plan states in Section I that an objective of the Plan is that the MMU "monitor and report on issues relating to the operation of the PJM Market." Section III.A of the Plan states more specifically that the MMU shall be responsible for monitoring "compliance with the rules, standards, procedures, and practices of the PJM Market set forth in the PJM Tariff, the PJM Operating Agreement, the PJM Reliability Assurance Agreement, the PJM Manuals, and the PJM Regional Practices Document." The MMU is authorized to take various forms of corrective actions, stated in the Plan, as a result of its monitoring activities. The MMU has determined that the requested data is required to accomplish these objectives of the Plan.

In particular, the requested data is necessary to monitor compliance with the requirement that generating units, for which construction commenced prior to July 9, 1996, must submit cost-based offers in the PJM Interchange Energy Market for use when, as a result of transmission constraints, units must be run in order to maintain reliability. See PJM Operating Agreement Schedule 1, Section 6. Cost data serve as the underpinning for PJM's ability to cost cap units to control local market power pursuant to the PJM Operating Agreement, Schedule 1, Section 6. Monitoring the cost data that is submitted is thus required in order to prevent the exercise of local market power. The PJM MMU needs the requested information in order to ensure the accuracy of each generator's submitted cost curves. The accuracy of the cost curves is essential to ensuring consistent application of the PJM market rules that are designed to prevent the exercise of market power in PJM.

In order to implement the PJM Operating Agreement, Schedule 1, Section 6, each generating unit, for which construction commenced prior to July 9, 1996, is required to submit a cost schedule to PJM every day. Transmission constraints can occur anywhere on the system and can require the



cost capping of any unit in PJM. Therefore, the MMU must monitor the accuracy of the submitted cost curves for all generators in order to monitor compliance with the Operating Agreement, Schedule 1, Section 6. These cost curves have a significant impact on the market as they are relied upon to prevent the exercise of local market power and serve as the basis for determining locational marginal prices (LMP) for substantial amounts of load.

The requested fuel cost data are not obtainable from any other source. While the MMU uses publicly available fuel cost indices as one measure of fuel costs, these indices are not adequate for the MMU to fulfill its obligation to monitor the Operating Agreement requirements identified above. Public indices are not an adequate basis for monitoring individual generating unit cost curves, which determine LMPs during constrained conditions. Generators subject to the Operating Agreement, Schedule 1, Section 6 are required to provide cost data to PJM. The MMU needs to be able to monitor and verify the accuracy of that data in order to ensure that the PJM rules are correctly applied. The only sources of the underlying fuel cost data requested by the MMU are the generation owners.

Generators have raised the issue of confidentiality. The Commission's orders approving the Plan should satisfy any non-disclosure provisions contained in any fuel contracts because the information is required to meet a regulatory requirement imposed by the FERC. Moreover, the Plan as approved contains numerous provisions to preserve the confidentiality of any information provided to the MMU. PJM must appropriately protect all confidential, proprietary or commercially sensitive information provided in response to information requests by the MMU. Plan, Section VI.B.3. See also PJM Operating Agreement § 18.17. Further, with regard to all corrective actions that the MMU may take, the MMU shall protect and preserve the confidentiality of confidential, proprietary, or commercially sensitive information. Plan, Section IV.C. In addition, any reports submitted to the Commission or other government agencies will be subject to protection of all confidential, proprietary and commercially sensitive information contained in the report. Plan, Section VII.B. The MMU regards the entirety of the requested fuel data to be confidential and will protect all such information from disclosure.

If you have any questions regarding this letter, please contact me at 610-666-4536 or via e-mail at bowrij@pjm.com.

Sincerely,

Joseph E. Bowring
Manager
Dms #178109

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