

MMU CDS Short Run Incremental Cost & VOM

Cost Development
Subcommittee
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Incremental Cost Background

- **Variable Operation and Maintenance Costs should include only short run incremental costs**
- **PJM Operating Agreement – Schedule 2B provides for generators to include the following components of cost:**
 - **Incremental fuel cost**
 - **Incremental maintenance cost**
 - **Incremental labor cost; and**
 - **Other incremental operating costs**



Issue Background

- **Prior Manual 15 rule change to permit additional cost components in energy costs (VOM).**
- **Costs recoverable in energy VOM not recoverable in capacity costs (ACR).**
- **Concerns about components of VOM recoverable in energy costs versus capacity costs (ACR).**
- **January 5, 2011, CDS call led to requests for further discussion of definition of incremental costs.**
 - **Lack of clarity on definition of energy VOM.**



Issue

- **“Incremental maintenance” (from schedule 2B of OA) needs to be clarified and defined in Manual 15.**
- **CDS should define incremental maintenance and determine which components of maintenance fall in this category.**
- **For example, under FERC accounting:**
 - **“minor items of property” could be considered incremental VOM;**
 - **“retirement units” could be considered not part of incremental cost.**
 - **Need clarity on difference between the two.**



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