

2017 FCP Annual Review Update

MIC

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Monitoring Analytics

Fuel Cost Policies Status

- **By August 1, the IMM completed the review of all confirmed and new submitted fuel cost policies.**
- **The IMM communicated feedback to each Market Seller and PJM.**

Fuel Cost Policies Status

- **Of all units, 56 percent pass the IMM's evaluation for November 1, 2017.**
- **The IMM classified the status of all FCPs into four categories:**
 - **Continue to pass or pass**
 - **Continue to fail or fail**
 - **Need major changes (e.g. hourly offers/intraday updates)**
 - **Need minor changes (e.g. formatting)**

Fuel Cost Policies Status

- **The IMM will continue working with Market Sellers that want to include hourly offers and/or intraday updates in their Fuel Cost Policies.**
- **The IMM will continue working with Market Sellers that do not want to opt in and need to make changes to their Fuel Cost Policies to reflect that.**



Natural Gas Cost Policies

Due to the implementation of hourly offers and intraday offer updates, the IMM has required Market Sellers of natural gas fired units to include in their fuel cost policies sections for hourly offers and intraday offer updates or make other required changes in order to continue to pass the IMM's evaluation.

Natural Gas Cost Policies

Not all natural gas fired resources need to update their fuel cost policies. The IMM has identified fuel cost policies that need to be updated based on the following criteria:

Update Criteria

- **The use of the previously accepted day-ahead energy market expectation is not needed. Market Sellers will have the ability to update their cost-based offers after the Day-Ahead Energy Market results have been posted. The day-ahead energy market expectation was previously used to calculate natural gas costs depending on whether the unit was expected to run or not.**

Update Criteria

- **Intraday natural gas cost estimates and intraday natural gas cost adjustments are not needed. In the Day-Ahead Energy Market, Market Sellers will have the ability to reflect the intraday cost of natural gas for the first ten hours of the next operating day. Market Sellers will also will have the ability to update their day-ahead cost-based offer in real time using intraday natural gas market data.**

Update Criteria

- **Park and loan, balancing and storage rates have to be reassessed to take into account the timing of the natural gas nominations and the new ability to update cost-based offers in real time.**



Opt Out

If the Market Seller does not want to incorporate hourly offers and intraday offer updates, the IMM will continue to pass natural gas fuel cost policies if the cost-based offers will always be calculated using data from the next day natural gas market. (Market Seller opts out.)

Opt In

Fuel cost policies for natural gas units that opt to use hourly offers and/or intraday offer updates must detail when both cost and price-based offers will change, and how cost-based offers will change. This will ensure the accuracy required for the approval of the Fuel Cost Policy.

Opt In

To comply with the tariff, the cost-based offer must be accurate whenever the Market Seller opts to change the price-based offer. In order to comply with the tariff and with the fuel cost policy, Market Sellers must specify in their fuel cost policies under which conditions and when their price-based may be updated and their cost-based offers will be updated. These conditions must be the same.

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