

1.7 Components of Cost

This Manual is designed to instruct Market Sellers on how to develop their cost based offers. A Market Seller ~~is the entity that submits a cost-based offer for a resource, shall be accept full responsible responsibility for development and accuracy of maintaining~~ all information necessary to ~~support the calculate calculation of~~ a resource's cost-based offer ~~and will provide such information to PJM or the MMU upon request or as required by applicable PJM market rules. Prior to submitting a cost-based offer for a resource, a Market Seller shall have full right of access to all information about such resource in the possession of the unit owner, including such resource's actual and historical costs and operational capabilities, shall maintain such information and shall be ready to provide such information to PJM or the Market Monitor upon request or as required by applicable PJM market rules.~~ These cost based offers are used by PJM to schedule generation in cases in which structural market power is found to exist. PJM uses the information provided from Market Sellers to determine each unit's production costs.

Production costs are the costs to operate a unit for a particular period. Several different cost components are needed to determine a generating unit's total production cost. The total production cost includes:

- Start-up Cost
- No-load Cost
- Incremental costs (energy cost per segment of output range)

Production costs have a direct impact on which units are scheduled by PJM. In general, generation will be scheduled to achieve the lowest possible overall costs to the system.

The following material is provided for background and should be used for information only.

1.8 Cost Methodology and Approval Process

A Market Seller which seeks to obtain approval of a fuel cost policy, an exemption, exception or change to any time frame, process, methodology, calculation or policy set forth in this Manual, or the approval of any cost that is not specifically permitted by the PJM Tariff, PJM Operating Agreement or this Manual, shall submit a request to PJM and the MMU for consideration and determination, along with all necessary documentation supporting its request, except as otherwise specified herein ~~or in the PJM Tariff, PJM Operating Agreement or other PJM Manual that such request need only be submitted to PJM.~~

After receipt of such a request, the -MMU shall notify the Market Seller of its determination as to whether the request raises market power concerns no later than fifteen (15) calendar days after the submission of the request. If the Market Seller and the -MMU agree on the determination of the request, the request shall be deemed to be approved.

If the Market Seller and the -MMU cannot agree on the determination of the request, the Market Seller may submit its request to PJM in writing for consideration and approval as to whether the request complies with PJM Market Rules. In its written request to PJM, the Market Seller must notify PJM of all prior determinations of the MMU with respect to any such request and must provide a copy of such request to the -MMU within one (1) calendar day of submitting the request to PJM.

This process shall be referred to in this Manual as the “Cost -Methodology and Approval Process.”

2.3 Fuel Cost Policies and Guidelines

All Market Sellers must have a fuel cost policy approved pursuant to the Cost -Methodology and Approval Process described in this manual. The fuel cost policy will be submitted in MIRA, or other system(s) made available for submission of such data, from which it will be forwarded to PJM by the MMU. If a Market Seller currently does not have a fuel cost policy that has been approved pursuant to the Cost Methodology and Approval Process, or if PJM or the IMM has notified the Market Seller that it believes that the Market Seller's current fuel cost policy no longer meets the requirements of this Manual or any applicable provisions of PJM's governing documents, the Market Seller must work in good faith to establish an approved fuel cost policy as soon as possible pursuant to the Cost Methodology and Approval Process. A Market Seller may not make an energy offer greater than \$1,000 per MWh if PJM or the IMM has notified the Market Seller that it believes that the Market Seller's current fuel cost policy no longer meets the requirements of this Manual or any applicable provisions of PJM's governing documents.