Default VOM Adders Options

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- Default values for Operating Cost Adder and Maintenance Adder may be used as an option by Market Sellers instead of participating in the current VOM annual review process
  - Market Sellers may still utilize current VOM review process to request an adder higher than the default values
- Operating Cost Adder defaults will be based on values in Table 7-4 of the IMM Annual State of Market Report

Table 7-4 Average short run marginal costs: 2020

Unit Type	Short Run Marginal Costs ($/MWh)	Heat Rate (Btu/kWh)	VOM ($/MWh)
CT	$19.38	9,241	$0.36
CC	$13.41	6,296	$1.41
CP	$27.63	9,250	$4.21
DS	$96.01	9,660	$0.25
Nuclear	$0.00	NA	$0.00
Wind	$0.00	NA	$0.00
Wind (off shore)	$0.00	NA	$0.00
Solar	$0.00	NA	$0.00

General Concepts

- Default Maintenance Adders will not include Major Inspection and Overhaul expenses.
  - Market Sellers wishing to include major maintenance items must submit them for PJM/IMM review
    - Default Maintenance Adders may be used for other maintenance costs and added to approved major maintenance adders
    - Example: Total VOM adder = Default Operating Cost Adder (from SOM report) + Default Maintenance Adder + Major Maintenance Adder (submitted data to PJM/IMM)

Options for Calculation of Default Maintenance Adder

Potential options for calculation of default Maintenance Adder:

1. Utilize third party consultant to calculate Maintenance Adder
2. PJM calculated based on historically approved values
3. CALISO methodology

Option 1 – Utilize Third Party to Calculate Maintenance Adder

- PJM would contract with third party to calculate technology specific Maintenance Adders
  - Align technology type with types from IMM SOM report
  - Possibly tie to Quad Review activity
    - Utilize Handy-Whitman index to escalate in between years
  - Method of calculation specified in OA
- Pros – Independent view
- Cons - Expense

Option 2 – PJM Calculated Based on Historical Averages

- PJM would use values from previously submitted templates to calculate average Maintenance Adder by technology type:
  - Remove major maintenance from templates
  - Units of measure, differing templates could complicate task
  - Set default value in $/MWHr at one standard deviation below average; escalate with Handy Whitman each year
  - Possibly use a smaller sampling of templates to calculate avg
- Pros – Uses PJM unit data
- Cons – Complication of data and calculation

Option 3 – CALISO Methodology

- Utilize CALISO methodology and values for default Maintenance
  - https://stakeholdercenter.caiso.com/StakeholderInitiatives/Variable-operations-maintenance-cost-review
  - PJM still evaluating

- Pros – FERC filed and approved
- Cons – May not directly relate to PJM methodology

Contact

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Default VOM Adders Ideas

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