

Cost-Based Offers

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Emission Allowance Adders in Cost-Based Offers

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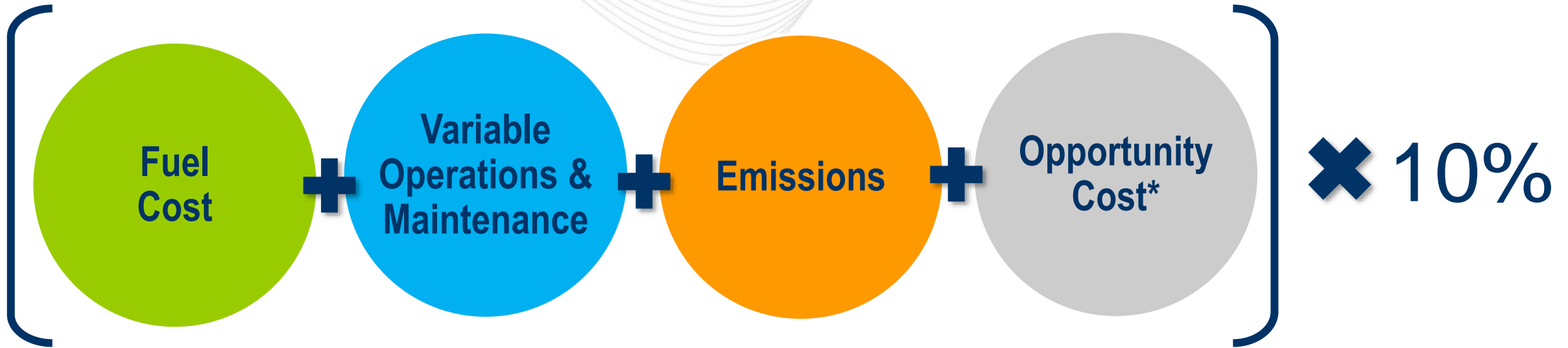
Information Required by Market Sellers

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PJM Emission Allowance Review Process



**Fuel Cost Policy is a document that describes the cost-based offer calculation methodology*



The Opportunity Cost Adder is available for generators with limited run hours due to regulatory restrictions, typically environmental permit limitations. The intention of this adder is to run a generator at the most profitable time period.

Indicate Allowances Included

- SO₂
- NO_x
- CO₂

Source of Emission Rates & Frequency of Update

- CEMS data or air permit limits, etc.
- Most update annually, but can be more frequent

Source of Allowance Pricing & Frequency of Update

- Platts Air Daily, Argus Air Daily, third party broker, etc.
- Daily price updates are most common, but not required

Frequency

Reviewed annually by PJM

Analysis

Compare Market Seller submitted emissions rates* to EPA data or air permit

Outliers

PJM consults with the Market Seller if submitted rates significantly differ from EPA data or air permit limit

* Market Sellers submit all cost input data to the Market Monitor's Cost Offer Assumptions Tool

Emission Allowances are a permissible component of cost-based offers

Market Sellers must indicate in their Fuel Cost Policy if they include Emission Allowances

PJM reviews emissions rates on an annual basis to ensure compliance

Components of Cost:

- Manual 15, Sections 1.7.4 & 2.3.3 (Total Fuel Related Cost)
- Operating Agreement, Schedule 2, Section 1.1(a)

Fuel Cost Policy & Emission Allowances:

- Manual 15, Sections 2.3 & 2.3.5 (Emissions Allowances)
- Operating Agreement, Schedule 2, Sections 2 & 3

Opportunity Cost

- Manual 15, Section 12
- Operating Agreement, Schedule 2, Section 1.1(a)