



December 21, 2022

To: Market Sellers Using an Opportunity Cost Adder in Cost-Based Energy Market Offers

Re: IMM Opportunity Cost Calculator – Annual Review

Background:

As outlined in Section 12.7 of Manual 15, PJM has an annual obligation to review the inputs and results of the Market Monitor's Opportunity Cost Calculator to verify that it remains compliant with the requirements of Schedule 2 of the Operating Agreement.



12.7 IMM Opportunity Cost Calculator

The IMM Opportunity Cost Calculator is a constrained optimization software application independently developed and owned by Monitoring Analytics, LLC. Any changes to the IMM Calculator must be approved by Monitoring Analytics, LLC. The IMM will notify PJM of any significant changes to the IMM Opportunity Cost Calculator and any such changes will be reflected in updates to Manual 15 Section 12.7. PJM will review any such changes to verify that the IMM Opportunity Cost Calculator continues to meet the requirements of Schedule 2 of the Operating Agreement.

On an annual basis, PJM will review the inputs and results of the IMM Opportunity Cost Calculator in consultation with the IMM to verify that the IMM Opportunity Cost Calculator continues to meet the documented requirements.

PJM Review of the IMM Opportunity Cost Calculator:

Throughout the course of 2022, PJM monitored the level of all units' OCC adders as calculated by Monitoring Analytics. The trending of adder values corresponded to what one would expect to see based on the units' remaining run hours as well as natural gas and electricity forward prices.

Additionally, the Market Monitor confirmed that they have made changes to their calculation methodology in 2022 to account for difference in emissions limits on units that are subject to CIJA regulations. PJM is currently evaluating those changes to determine what, if any, changes will be made to Manual 15 to document these changes.

Conclusion:

At this time, PJM believes that the Market Monitor's Opportunity Cost Calculation methodology remains in accordance with Schedule 2 of the Operating Agreement and PJM has no concerns with the IMM's Opportunity Cost Calculator.

Additional questions on the PJM calculator may be addressed to Jennifer Freeman at Jennifer.Freeman@pjm.com.

Sincerely,
Glen Boyle
Manager, Performance Compliance