



Cost Development Subcommittee **Tier 2 PROPOSAL REPORT**

CTs and CCs Overhaul Cost Recovery

12/21/2011

This report updated to reflect CDS discussions on November 14, 2011.

This proposal brings forward manual language changes for Manual 15: Cost Development Guidelines to remove the inclusion of overhaul and inspection costs from CTs and CCs in the variable operating and maintenance cost aligning the treatment of these types of units with other generation types.

The proposal described below is not a consensus proposal by the Cost Development Subcommittee This report was developed in accordance with procedures documented in Section 7 of the PJM Stakeholder Process Manual (Manual 34).

1. Proposal

At the October 17, 2011 CDS Hal Siegrist, Genon, brought a Problem Statement to “Eliminate Conflicting Language in Manual 15’s Treatment of Capital Expenses for CT’s and ACR Eligibility”

Manual 15 details the standards recognized by PJM for determining cost components for markets where products or services are provided to PJM at cost-based rates. Currently in the PJM Cost Development Guidelines, CTs and CCs may recover some overhaul and inspection costs in Variable and Operating Maintenance (VOM), a component of the cost based offer, under certain specific criteria and when it is approved by the Independent Market Monitor. Manual 15 does not allow other types of units to include overhaul and inspection costs in VOM. Current policy reflects the market philosophy prior to the existence of the PJM RPM capacity market. Since overhaul and inspection costs for CTs and CCs are recoverable in VOM, it cannot be considered for inclusion in the Avoidable Cost Rate (ACR), the offer into the Capacity Market per the PJM Tariff, as other types of units can.

CDS has developed proposed manual language that deletes the ability for CTs and CCs to include overhaul and inspection costs in VOM to address the conflict between Manual 15 and the tariff rules making their treatment similar to other types of units. CDS was addressing VOM ([Issue Tracking](#)) definition, but after extensive discussions the group does not believe consensus will be reached and the issue has been tabled.

Necessary Timeline for Completion prior to next BRA:

CDS endorsement:	November 14, 2011 done
MRC informational:	November 16, 2011 done
MRC vote:	December 21, 2011
MC informational:	November 22, 2011 done
MC vote:	January 26, 2012
PJM Board:	February 7, 2012



2. Stakeholder Process Summary

CDS reviewed proposed manual language and the collaborative solution matrix at the November 14, 2011 meeting but was unable to come to a consensus proposal. CDS is forwarding proposed manual language to the MRC as a Tier 2 Proposal. CDS members were polled on the proposed manual language; 15 were in favor, 4 were against, and 0 abstained. CDS members were also polled on leaving the manual as is; 3 were in favor, 9 were against, and 0 abstained. The IMM supported the proposed changes.

The proposal met the threshold of support from three voting members belonging to two different sectors, therefore the proposal is being sent to the MRC for consideration.

3. Appendix II: Stakeholder Participation

A list is provided here of the task force or subcommittee members who participated at the meeting where the final vetting of options/alternatives was completed.

MEMBERS IN ATTENDANCE:

Zadlo, Thomas (Acting Chair)	PJM Interconnection	Not Applicable
Gomez, Luis	Exelon Generation Co., LLC	Transmission Owner
Lopez, Johny	PSEG Energy Resources and Trade LLC	Transmission Owner
Hauske, Tom (Acting Secretary)	PJM Interconnection	Not Applicable

ALSO IN ATTENDANCE:

Dugan, William	Monitoring Analytics, LLC	Not Applicable
Bowring, Joe	Monitoring Analytics, LLC	Not Applicable

IN ATTENDANCE VIA WEB EX / TELECONFERENCE:

Burner, Bob	Duke Energy Carolinas, LLC	Generation Owner
Hoag, Richard	FirstEnergy Solutions Corp.	Transmission Owner
Fee, George	PSEG Company	Not Applicable
Penwell, Julie	Appalachian Power Company	Generation Owner
Carretta, Ken	PSEG	Transmission Owner
Siegrist, Hal	GenOn Energy Management, LLC	Generation Owner
Ciampaglio, Tony	Constellation Energy Commodities Group, Inc.	Other Supplier
Filomena, Guy	Customized Energy Solutions, Ltd.*	Not Applicable

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