



Avoidable Cost Rate (ACR) 2012 Triennial Review Update

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PJM Interconnection

- A generator's maximum allowable offer into RPM is based on its Avoidable Cost Rate (ACR) less projected revenues from other PJM markets
- Generators can:
 - Provide unit specific ACR data to the Market Monitor
 - Choose to use a Default Unit ACR value
 - The default ACR values for various technology categories are specified in the Tariff
 - Handy Whitman is used to escalate for future years

- The tariff requires that PJM review default ACR values after three years of escalation to:
 - Determine whether any changes other than those produced by the escalation method are warranted
 - Report its conclusions to the Members
 - File resulting changes with FERC, if any, to the default ACR

- PJM surveyed Market Participants about their units' 2011 costs
 - 23 companies responded to the survey
 - Sample size of 337 units
- PJM also reviewed pertinent studies on the topic for additional guidance and benchmarking
 - *Updated Capital Cost Estimates for Electricity Generation Plants* (EIA, November 2010)
 - *Cost of New Entry Estimates for Combustion Turbine and Combined Cycle Plants in PJM* (Brattle Report)

- Results from PJM's study will be presented at the September 12, 2012 Market Implementation Committee.