



# Cost Cap Commitment for Competitive Proposals Proposed Changes to the OA and M14F

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PJM is presenting changes to the Operating Agreement and Manual 14F to incorporate principles for considering cost cap commitments as part of the overall project proposal evaluation.

## Proposed Changes

- Operating Agreement
  - Section 1.5.8
- Manual 14F changes
  - Section 6 Proposal Requirements
  - Section 8 Project Evaluation

PJM conducted 5 Special PC sessions between May and November of 2017 to consider cost cap commitments in proposal evaluations.

- May 24, 2017 – Education session
- July 18, 2017 – Develop principles for evaluating cost commitments
- August 21, 2017 – Develop principles for evaluating cost commitments
- October 9, 2017 – Review draft manual language
- November 4, 2017 – Review draft manual language and OA language

Objective:

- Evaluate the need for and, if appropriate, develop guiding principles for PJM to consider cost containment provisions offered by proposing entities in the evaluation and selection of projects within the competitive planning process.

- Operating Agreement
  - Section 1.5.8 (c) Proposal Submittal requirements
  - Section 1.5.8 (e) Proposal evaluation criteria
- Proposed Draft of Manual 14F changes
  - Section 6 Proposal Requirements
    - 6.2.1 Short Term Windows
    - 6.2.2 Long Term Windows
    - 6.3 Redaction Requirements
  - Section 8 Project Evaluation
    - 8.1.3 Decisional Process
    - 8.1.5 Project Recommendation

**Changes to Sections 1.5.8 (c) and (e):** Revisions to submittal requirements and criteria for evaluation cost commitments provided in any proposal:

- Proposers may submit cost commitment to cap project construction cost
- Criteria for consideration of cost-effectiveness will include any cost commitment to cap project construction costs

**Changes to Sections 6.2.1 and 6.2.2:** Revisions to submittal requirements to address specific information to be provided with the proposal:

- Specific and detailed information about cost cap commitment
- Contractual language of cost cap commitment
- Explanation of exclusions and discussion of risk

## *Changes to Section 6 Proposal Requirements*

- Cost commitments submitted for evaluation by PJM should be limited to cap on project construction costs (e.g., total costs associated with bringing the project into service)
- Cost cap commitments included in project proposals will be noted in presentation of the proposals to the TEAC

**Changes to 6.3 Redaction Requirements:** Revisions to the redaction requirements to be revised to address confidentiality.

- Terms and conditions relative to a cost cap commitment will be treated as public information
- Specific supporting information may be eligible for confidential treatment based on the particular stage of process and nature of information
- Proposers must request in writing for information to be treated as confidential and must designate as confidential
- After consultation with proposer, information that PJM considers inappropriately labeled as confidential will not be given consideration



**Changes to 8.1.3 Decisional Process:** Additional detail is to be added to expand on what aspects of cost cap commitment will be evaluated, cost commitment being one of the considerations that may be relevant to the project evaluation.

- Cost cap commitment proposals are voluntary
- Cost commitments submitted for evaluation by PJM should be limited to cap on project construction costs (e.g., total costs associated with bringing the project into service)
- PJM will consider in its evaluation the risk of excluded event(s) and the potential cost impact of exclusions

**Section 8.1.5 Project Recommendation:** This requirement currently exists in Manual 14F:

- Cost containment language will be included in the Designated Entity Agreement as a non-standard term and filed with FERC.

## Changes to 8.1.5 Project Recommendation

If the Designated Entity commits to capping project construction cost or any other aspect related to revenue recovery for the Project, the following language shall be included in the Schedule E Non-Standard Terms and Conditions of the Designated Entity Agreement:

- Inclusion of the cost cap in the Designated Entity Agreement is not intended to preempt the right of any party to seek modifications to be ordered by the Commission or otherwise challenge the recovery of costs through the FERC ratemaking process.
- The Designated Entity shall notify PJM in writing within a reasonable time after the Designated Entity becomes aware of a condition that would result in (i) the cost cap being exceeded or (ii) triggering any exclusions to the cost cap. PJM, in turn, will communicate such information to stakeholders via notice posted on PJM's website and to FERC by written notice.

## *Next Steps*

- First Read at PC – Dec. 14, 2017
- First Read at MRC – Dec. 21, 2017
- Endorsement at PC – Jan. 11, 2018
- Endorsement at MRC – Jan. 25, 2018
- Endorsement at MC – Feb. 22, 2018
- Implementation for 2018 Planning Year