



# **Black Start Service Working Group Update**

**MIC**  
**April 13, 2010**

- a) Explore proposals for unit owners to use the energy capability of units in the Formula rate
- b) Explore proposals to allow for an annual Automated Formula Rate Adjustments for CONE through PJM settlements (rather than a resubmission)
- c) Explore proposal to make CIP Costs – Additive to Existing rates in a matter which address FERC concerns raised in order
- d) Explore proposals to review tariff language for 2 year rolling commitments and propose appropriate changes which address FERC concerns presented in order
- e) Explore proposal to eliminate Accelerated CRF refund for FERC rates (which addresses FERC concerns in order)

## Formula Rate:

- BSSWG proposal to change Black Start Unit Capacity term to Black Start Unit Rating and define as Net MW output of the black start unit deliverable for black start service.
- BSSWG reached consensus that capacity definition is acceptable as currently stated in tariff.
- **Issue Resolved – No further action required.**



## Automated Formula Rate Adjustments:

- PJM proposed approach to address annual Automated Formula Rate Adjustments for CONE through PJM settlements, rather than a resubmission.
  - Black start resources that use Schedule 6A Paragraph 18 (Formula Rate) will have cost components on file with PJM for each black start critical resource.
  - PJM will recalculate the annual formula rates every year using CONE in May, effective June 1.

## Automated Formula Rate Adjustments (cont'd):

- Preparation for adjustment in 2010:
  - PJM will send formal request to OC / MIC / MC reps, in addition to Market Settlements or Generator Operator contacts for black start unit owners, around 4/1/10.
  - Submission of data will not go against annual limit (number) that unit owners can submit cost adjustments.
  - 5/1/10 is target for data submission - deadline is 6/1/10.
- Mechanism will be added to PJM Manual M12 (endorse M12 changes today).
- **Issue resolved – PJM to distribute formal notification, process manual changes, seek MIC / MRC endorsement.**



## CIP Costs Additive to Existing Rates:

- BSSWG proposal to make CIP costs additive to existing rates.
- Ongoing concern of black start unit owners:
  - For older, highly depreciated units it may be difficult to build costs for recovery, but easy to build CIP costs data
  - BSSWG intended that CIP costs would be additive, but OATT language did not reflect this.
- FERC weighed in on this issue already, BSSWG needs to develop a more compelling case that differentiates this from previous arguments.

## CIP Costs Additive to Existing Rates (cont'd):

- BSSWG formed a separate sub-working group to:
  - Develop and document an approach that shows the old construct of capital cost recovery under formula rate vs. new the new construct
  - Demonstrate that CIP costs are absolutely exclusive from capital costs with no overlap
  - Use that in an argument for filing to make CIP costs additive
  - Develop CRF rate tables specific for CIP compliance costs to address BSSWG concern that CIP type costs may be inappropriate for generation asset CRF recovery (decompose costs to infrastructure vs. IT)
- **Issue not resolved – Sub-working group formed**

## 2 year rolling commitments:

- BSSWG proposal to restore the 2 year commitment period for all black start units being compensated under BSSC, CRF, or FERC approved recovery rates.
- Initial concern was that asset owners may be scared off by having to sign up for an extensive recovery period.
- BSSWG reached consensus that current tariff language is acceptable as is - despite changes from original tariff language, and the potential long term negative incentive, the PJM re-filing clarifications from 2009 address this and the end result is essentially the same.
- **Issue Resolved – No further action required.**



## Eliminate Accelerated CRF refund for FERC rates:

- BSSWG recommendation for FERC to evaluate the CRF rate structure filing based on the black start rules which apply 2 year rolling commitment.
  - Ongoing black start unit provider concern that this could discourage asset owners from making significant capital investments.
- Majority of BSSWG acknowledges that it would be difficult to unwind anything that has been ruled on by FERC
- The spotlight was previously put on this issue to FERC by the PJM refilling clarifications and the Mirant intervention.
- **No new progress – issue tabled for further discussion to look for additional compelling cases**

	Issue	BSSWG Status
a.	Formula Rate	Issue Resolved – No further action required.
b.	Automated Formula Rate Adjustments	Issue resolved – PJM to distribute formal notification, process manual changes, seek MIC / MRC endorsement; Implement by 6/1/2010.
c.	CIP Costs – Additive to Existing rates	Issue not resolved – Sub-working group formed
d.	2 year rolling commitments	Issue Resolved – No further action required.
e.	Eliminate Accelerated CRF refund for FERC rates	No new progress – issue tabled for further discussion to look for additional compelling cases.

- BSSWG seeking MIC endorsement for proposed approach to address annual Automated Formula Rate Adjustments for CONE through PJM settlements, rather than a resubmission, for implementation by 6/1/2010.
- Endorsement includes Manual 12 Black Start changes.