

PJM Summary of 9/17/09 FERC Order
Black Start Service Working Group
10/20/09

Attached is the Commission's Order issued approving PJM's compliance filing regarding the changes to Schedule 6A of the Tariff amending the practices and rules governing the provisions of black start service and related revenue recovery, subject to further conditions.

In approving our proposed Tariff revisions, the Commission had ordered PJM to (1) clarify that the refund obligation, as set forth in paragraph 6 and 6(a) of the proposed Schedule 6A, does not apply to existing black start service providers receiving revenue recovery pursuant to a paragraph 5 (i.e., two year rolling) commitment; (2) explaining further and justifying the proposed revisions relating to the reduction of the black start service allocation factor, or "X" factor for black start units "...having recovered new or additional Fixed Black Start Service Costs on an accelerated basis prior to April 21, 2009; (3) clarifying whether PJM intends to allow black start service providers that certify their costs to PJM, without separate Commission approval, to recover NERC penalties or the costs of insurance covering those penalties under the auspices of the Schedule 6A costs recovery; and (4) correcting minor typographical errors on the proposed tariff sheets.

In PJM's compliance filing, we clarified that the refund obligation does not apply to those providers committing under the paragraph 5, rolling two-year commitment. Moreover, we clarified that PJM did not intend to allow black start providers the opportunity to recover the costs of NERC penalties or for the cost of insurance covering those penalties. Finally, we withdrew the proposed revisions relating to the reduction of the black start service allocation factor for black start units having recovered new or additional Fixed Black Start Service Costs on an accelerated basis prior to April 21, 2009 (the effective date of the Tariff provisions) because, upon further reflection, it was not clear that those changes were consistent with the remaining provisions of Schedule 6A, since the X factor was solely a component of the formula for determining fixed costs for units establishing a two year, rolling commitment, but not a component of the formula for recovering fixed costs for units establishing a longer commitment period under paragraph 6 of Schedule 6A.

In protest, the Market Monitor argued that the Commission should approved the reduced X factor as originally filed by PJM because it will reduce the rate paid black start providers at three generating facilities that the Market Monitor contended is unjust and unreasonable and discriminatory.

The Commission rejected the Market Monitor's contention, noting that it failed to explain the structural inconsistency in PJM's originally proposed language, and that it had not shown that the three generating facilities identified by the Market Monitor would over collect or benefit from unjust and unreasonable rates by the withdrawal of the inconsistent X factor limitation. As such, PJM's compliance filing was approved, with the condition that PJM correct, in another compliance filing due in 30 days, a typographical error on Sheet No. 241A.