



Black Start Service Working Group Update

MIC

November 12, 2009

1. Investigate the inclusion of NERC CIP costs in Black Start Cost Recovery
2. Investigate a provision for black start providers to file at the FERC for recovery of capital investment related to Black Start service within the context of the formula rate provided.
3. Investigate the requirement for PJM to handle billing associated with the above arrangements.
4. Investigate the need to update a cross reference to Capacity Deficiency Rate (CDR) to account for implementation of RPM (replace with CONE).

- BSSWG approved Charter on 11/28/07
- MIC approved Charter on 12/13/07
- BSSWG met regularly and reached following consensus by late 2008:
 - Agree on capital recovery and billing issues
 - Agree on changing CDR reference to Net CONE
 - Agree on amending schedule 6A to cover capital and operating costs to comply with NERC standards
 - Agree to defer consideration of financial risk of black start units being liable for unreasonable NERC CIP compliance penalties

- BSSWG, MIC, MRC, MC endorsed tariff revisions to Schedule 6A to include:
 - Changing CDR reference to Net CONE
 - Amending schedule 6A to cover capital and operating costs to comply with NERC standards
 - Language on capital recovery and billing issues
 - Additional housekeeping language
- PJM filed tariff revisions on 2/19/09

- PJM Filing (2/19/09 + 3/31/09 errata Filing)
 - Establish tiered level of commitment for black start units based on whether the provider is seeking to recover new or additional fixed black start capital costs.
 - Allow black start service providers to recover reasonable costs associated with NERC Reliability Standards compliance.
 - Establish mechanism for black start service providers to seek Commission-approved cost of service recovery in lieu of proposed Schedule 6A formula rate.

- FERC Order (5/29/09) – PJM required to:
 - Clarify that refund obligation does not apply to existing black start service providers receiving revenue recovery pursuant to a two year rolling commitment.
 - Explain proposed reductions of “X” factor for black start units.
 - Clarify if PJM intends to allow black start providers the opportunity to recover the costs of NERC penalties or the cost of insurance for penalties.
 - Correct minor typographical errors.

- PJM Compliance Filing (5/29/09)
 - Clarified that refund obligation does not apply to existing black start service providers committing under paragraph 5 two year rolling commitment.
 - Withdrew proposed reduction of “X” factor for black start units.
 - Clarified that PJM did not intend to allow black start providers the opportunity to recover the costs of NERC penalties or the cost of insurance for penalties.
 - Corrected minor typographical errors.

- FERC Order (9/17/09)
 - FERC adopted PJM's withdrawal of the proposed reduction of X factor for certain Black Start Unit
 - PJM's compliance filing conditionally approved.
 - Compliance Filing to correct typographical error (PJM Filed 10/19/09)

- Retire original BSSWG Charter
- Amend BSSWG Charter / work plan to address tariff revisions / implementation questions / clarifications
 - Formula Rate
 - Allow units to be paid for black start energy capability
 - Automated Formula Rate Adjustments
 - Annual adjustment for CONE
 - CIP Costs – Additive to Existing rates
 - CIP capital costs as an incremental CRR
 - 2 year rolling commitments
 - Original BS design required 2 years
 - Eliminate Accelerated CRF refund for FERC rates
 - FERC approved rates should not be subject to adjustment

Clarification Item	BSSWG Proposed Action
Formula Rate	Change in Charter scope
Automated Formula Rate Adjustments	BSSWG clarification / mechanics issue – not a scope change
CIP Costs – Additive to Existing rates	BSSWG in alignment that this item is in Charter scope, may need to validate and update MIC – FERC addressed in orders
2 year rolling commitments	BSSWG in alignment on intent of 2 year rolling commitments – though FERC addressed in orders
Eliminate Accelerated CRF refund for FERC rates	PJM to look back at Mirant protest to see if FERC addressed - may be necessary to make minor adjustment to language to clarify but may be strong enough in current language.