



**DRAFT Meeting Minutes**  
**PJM Interconnection**  
**Black Start Service Working Group Meeting**  
**Meeting / Conference Call / WEBEX**  
**March 24, 2010**  
**9:00 AM EDT**

**Members Present:**

Mike Bryson, Chair	PJM Interconnection
David Schweizer, Secretary	PJM Interconnection
Scott Benner	PJM Interconnection
Harry Dessender	PJM Interconnection
Rob Eckenrod	PJM Interconnection
Liem Hoang	PJM Interconnection

**Members Present via Conference Call:**

Bruce Fleeger	Allegheny Power
Scott Huff	Appalachian Power Company
Julie Penwell	Appalachian Power Company
Stacey Harman	Baltimore Gas and Electric Company
Eric Yeh	Baltimore Gas and Electric Company
Bob Pleiss	Constellation Energy Commodities Group, Inc.
Jeff Whitehead	Customized Energy Solutions, Ltd.
Ken Jennings	Duke Energy Business Services LLC
Richard Plutschak	Easton Utilities Commission
David Pratzon	Exelon Generation Co., LLC
Richard Hoag	First Energy Solutions Corp.
Glenn Balthaser	Jersey Central Power & Light Company
Hal Seigrist	Mirant Potomac River, LLC
Jeffrey Mayes	Monitoring Analytics
Rodney Miller	PPL Generation, LLC
Ted Summers	PSEG Energy Resources and Trade LLC
Louis Slade	Virginia Electric & Power Company

**1. ADMINISTRATION**

- A. BSSWG approved agenda for this meeting.



- B. BSSWG initially approved draft minutes from 2/16/10 meeting. PJM will reissue final version after Monitoring Analytics provides edits.

## 2. WORK ON REVISED CHARTER ITEMS:

### A. Revised Charter (from 1/12/10 MIC):

#### **RESPONSIBILITIES**

1. *Discuss and recommend consensus solutions to MIC Assignments which include:*
  - 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)*
2. *The working group should complete a focused review of the above items by June 2010.*

### B. Discussion Items:

#### 1. Formula Rate (item 1a):

- a) BSSWG continued discussion on 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.
  - 1) Primary reason for concern is that the term “capacity” can be read 2 different ways and should be clearly defined.
  - 2) Recommend changing black start unit capacity definition in tariff. “Installed capacity expressed in MW” is reasonably accurate, but changing “capacity” to “rating” would be clearer.
  - 3) Black Start Unit Rating definition = Net MW output of the black start unit deliverable for black start service, and identified in restoration plan.
- b) Further discussion confirmed that the two most important things are: 1) MW in restoration plan (MWs we are relying on) and 2) what is tested.



- 1) All black start is not necessarily capacity
- 2) Restoration Plan = M36 + TO Plans + BS Plans. If not recognized in the Restoration Plan, the units do not count for cost recovery.
- c) BSSWG reached consensus that capacity definition is acceptable as currently stated in tariff.

**d) Issue Resolved – No further action required.**

2. Automated Formula Rate Adjustments (item 1b):

- a) Mr. Benner reviewed components of draft outline defining PJM proposed approach to address using annual Automated Formula Rate Adjustments for CONE through PJM settlements, rather than a resubmission.

- 1) 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.

- 2) PJM will recalculate the annual formula rates every year using CONE in May, effective June 1.

- b) Preparation for adjustment in 2010:

- 1) PJM will distribute Automated Formula Rate Adjustments outline to BSSWG.

- 2) All pieces in place to handle Black Start cost adjustments.

- 3) 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 4/1/2010.

- 4) Submission of data will not go against annual limit (number) that unit owners can submit cost adjustments.

- 5) 5/1/2010 is target for data submission - absolute deadline is 6/1/2010.

- 6) PJM can provide a standard data sheet / new cost submission form – ie. annual CONE value on page – spreadsheet can go out around 4/1/2010 in conjunction with formal notification.

- 7) PJM considering possible future modification to eDART to capture and track.

- 8) Feedback on collection mechanism appreciated by PJM.



- c) Mechanism will be added to PJM Manual M12. PJM will initiate M12 revisions for April SOS Meeting.
  - d) In parallel with developing manual changes and processing through committees, PJM will pursue MIC / MRC endorsement (introduce at 4/13 MIC / 4/21 MRC and seek endorsement at 5/19 MIC / 5/18 MRC) for implementation by 6/1/2010.
  - e) **Issue resolved – PJM to distribute outline and formal notification, process manual changes, seek MIC / MRC endorsement.**
3. CIP Costs Additive to Existing Rates (item 1c):
- a) BSSWG continued discussion on proposal to make CIP costs additive to existing rates. Ongoing concern of black start unit owners that for older, highly depreciated units it may be difficult to build costs for recovery, but easy to build CIP costs data, and that BSSWG expected that CIP costs would be additive, but OATT language did not reflect this.
  - b) Monitoring Analytics' position is that the Commission has appropriately resolved this issue in Docket No. ER09-730 in 2009.
  - c) Mirant provided the following order of magnitude estimates to demonstrate the difficulty associated with attempting to quantify costs required in re-filing for existing capital costs:
    - 1 Black Start Unit – About \$100K to do the analysis, develop the expert supporting documents, legal expenses and defense.
    - 5 Black Start Units – About \$150K for same activities as above.
  - d) Monitoring Analytics asked if a viable alternative could be for Monitoring Analytics to perform an effective review of new rates without using new formula rate – Monitoring Analytics reinforced their position that the formula rate should not be reestablished in a one-sided manner.
  - e) Black start unit owners discussed how, for example, if certain units are only recovering about \$20k /yr the effort to develop these costs may easily exceed this amount. Result may be that asset owners may choose to walk away from incentive rate, or even choose not to pursue black start units.



- f) Since FERC weighed in on this issue already, BSSWG needs to develop a more compelling case that differentiates this from previous arguments. – ie. there is no reason to do this because they are completely unique costs – therefore they should be additive; in addition, it is absolutely impossible to double count costs because we can demonstrate that there is clearly new capital investment.
- g) BSSWG discussed order of magnitude of CIP costs as developed in 2009 and that the costs for filing would be included in cost recovery filing. Another important note is that the TO driver for black start service is reliability, the black start service provider driver is economics.
- h) A recommendation was made to form 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, and use that in an argument for filing to make CIP costs additive.
  - 1) BSSWG volunteers for participation in sub-working group:
    - a. Mirant (H. Seigris)
    - b. Duke (K. Jennings)
    - c. Constellation (B. Pliess)
    - d. Dominion (L. Slade)
  - 2) PJM will set-up conference call to occur within the next 2 weeks.

**b) Issue not resolved – Sub-working group to be formed**

- 4. 2 year rolling commitments (item 1d):
  - a) BSSWG continued discussion on proposal to restore the 2 year commitment period for all black start units being compensated under BSSC, CRF, or FERC approved recovery rates.
  - b) Initial concern was that asset owners may be scared off by having to sign up for an extensive recovery period.
  - c) Monitoring Analytics' position is that the Commission has appropriately resolved this issue in Docket No. ER09-730 in 2009.
  - d) BSSWG discussed whether there are any additional compelling cases since this issue was already addressed by the Commission.



- e) Further discussion resulted in consensus that when you look at the impacts of providing the black start service there is a potential long term negative incentive of forfeiting payment, but you still have the ability to get out of providing the service. The tariff may not be as clear but the result is essentially the same. In addition, PJM re-filing in 2009 provided clarifications addressing the intent.
- f) BSSWG reached consensus that the 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 being essentially the same.

**g) Issue Resolved – No further action required.**

5. Eliminate Accelerated CRF refund for FERC rates (item 1e):

- a) BSSWG continued discussion on 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.
  - 1) Example discussed was if a unit owner elects not to use the CRF table for cost recovery, they have the ability to go directly to FERC. In this scenario, if this unit owner goes to FERC, and for example defaults in year 4 – PJM would go to the CRF table, and if different, the unit owner would need to refund the difference between the FERC approved amount and the CRF table.
- b) Monitoring Analytics' position is that the Commission has appropriately resolved this issue in Docket No. ER09-730 in 2009.
- c) Majority of BSSWG acknowledges that it would be difficult to unwind anything that has been ruled on by FERC, but the unit owner concerns are still significant. The spotlight was previously put on this issue to FERC by the PJM refiling clarifications and the Mirant intervention.
- d) Issue tabled for further discussion to look for additional compelling cases.

**e) No new progress – issue tabled for continued discussion at 4/20 BSSWG meeting.**



6. Develop CRF rate tables specific for CIP compliance costs –

- a) BSSWG continued discussion on issue that CIP type costs may be inappropriate for generation asset CRF recovery - Final tariff language filed with FERC wraps traditional black start costs with CIP costs vs. dividing the two components.
- b) This is a component of revised charter item "1c".
- c) For reference the Capital Recovery Factor (CRF) table from Schedule 6A is as follows:

Age of Black Start Unit	Years of Remaining Life of Black Start Unit	Levelized CRF
1 to 5	20	0.125
6 to 10	15	0.146
11 to 15	10	0.198
16+	5	0.363

- d) BSSWG in alignment that effort should be made to identify a recovery period for different types of CIP costs, and decompose costs between infrastructure costs vs. IT costs.
- e) Dominion Generation elevated concern about the reality that CIP Standards could be continuing to evolve, therefore it may not be prudent to develop anything static that would lock unit owners into something that would not be in line with changes in CIP Standards, unless in included the possible functionality to update annually.
- k) PJM (S. Benner) proposed alternative to add a 5<sup>th</sup> item to the formulaic rate:
  - 1) Monitoring Analytics stated that this approach would be acceptable.
  - 2) PJM staff will initiate developing and documenting this approach.

**l) Issue not resolved – BSSWG to decompose costs to infrastructure vs. IT; PJM to develop and document approach for new CRF figures. Tariff change / Manual revisions.**

B. New agenda item – Generator Operator concerned about life of existing equipment.

- a) Black start replacement process allows PJM to look for alternate black start unit to replace plus process for cost recovery. But in the scenario where new improvements to prolong the life of a unit may be significant, do we need to have a process in the middle to create an approach for looking at capital upgrade vs. replacement.



- b) The new process would be similar to black start replacement process, but triggered differently. The process would set a threshold of capital improvement costs which would trigger a notification to PJM, so cost recovery would proceed with an appropriate level of scrutiny, including an assessment of how much the rate increases for load.

c) **PJM to add to agenda for 4/20 BSSWG meeting.**

### 3. FUTURE MEETINGS:

- A. BSSWG will meet monthly to achieve completion of revised charter by June, 2010, and target 7/22/10 MIC to review results.
- B. Next meeting – Tuesday 4/20/10 (1:00pm-4:00pm)
- C. Subsequent meetings:
  - 5/18/10 (after OC Meeting)
  - 6/15/10 (after OC Meeting)

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