

Notes In RED Reference Changes To The Draft Tariff
Language To Incorporate This Friendly Amendment
Within The Original BSSWG Proposal /Tariff Language
Approved At The 10/2010 MIC.

Black Start Service

CIP Costs Additive to Existing Rates

Friendly Amendment

DRAFT 2-2-11

January 27, 2011

- To Add Transparency to the Black Start Additive Costs:
 - PJM will notify stakeholders when additive Black Start Service Rates are being requested 30 days prior to its implementation. *Paragraph 20*
 - Until such time as a market is developed for Black Start Service the additive costs, broken down by CRF bucket categories and components will be available for individual stakeholder review by providing written notice to the MMU and unit owner. Reviews will be conducted confidentially in person at the offices of the MMU for the 30 days prior to its inclusion in the rates for Black Start Service. The Unit owner has the option to attend such review sessions. No documents shall be distributed. *Paragraph 20*
 - The MMU will include a Black Start Service summary in its State of the Market Reports with a descriptive summary on the use of the additive provisions, the types of expenses being requested and the overall costs of those expenses on an aggregated basis such that no data is attributable to an individual supplier. *Paragraph 21*

- Provisions For CIP / Capital Additive To Rates:

Establish a CAP to the existing formula rate that limits black start units compensation under the formula when adding CIP costs and using that forfeiture to go towards funding the CIP costs.

- Formula Rate = Fixed BSSC *Paragraph 18 NERC Formula Rate*

For Black start units compensated under the formula rate, CIP costs are additive to the formula rate with a **50 MW cap** on the formula rate for diesel and combustion turbines and **100 MW cap** for hydro units. Generators seeking other capital recovery in addition to CIP capital expenditures must recover those expenses through the Capital Recovery Rate process.

$$\text{Net CONE} * \text{Black Start Unit Capacity} * X \quad \{ \text{Formula Rate} \}$$

$$X = 0.01 \text{ Hydro} \quad X = 0.02 \text{ Diesel / CT's}$$

Example: A 100 MW Black Start CT can request payment for CIP expenses under the formula rate structure but must set the Black Start Unit Capacity used in the formula above to 50 MW, (forfeiting 50 MW of the formula rate). The generator will recover justified CIP costs.

- Provisions For CIP / Capital Additive To Rates:

- Capital Recovery Factor Rate (CRF) = Fixed BSSC

For Black Start units who desire, at their option to be compensated through a CRF reimbursement, including non CIP capital expenditures the additional CRF rate established through a FERC filing or a filing with PJM/MMU are additive to existing CRF payments.

Paragraph 18 – Added Heading Capital Recovery Factor (CRF) Rate for clarity

Add Clarity To Existing Rules

- Provisions For CIP / Capital Additive To Rates:
 - Formula Rate Conversion To Capital Recovery Factor Rate (CRF)
 - A generator under the current tariff may elect to convert from a Formula Rate to a Capital Recovery Factor (CRF) Rate.
 - The capital recovery being included has not previously been included in any CRF Black Start rate.

A Black Start unit may receive sufficient incentive through the formula rate, but over time the capital expenses incurred to provide Black Start Service may exceed the formula rate. The generator may, at his option document and file with PJM/MMU to recover his expenses under CRF rates.

Added statement under Paragraph 18 – NERC Formula Rate for clarity

Amendments / Add Clarity - Sunsetting CRF Rates

- Provisions For CIP / Capital Additive To Rates:
 - Capital Recovery Factor Rate (CRF) Conversion To Formula Rate
 - A generator, upon completion of its Capital Recovery Factor (CRF) rate term will be compensated under the formula rate for its Fixed BSSC costs (current rules).
 - A generator recovering under a Capital Recovery Factor (CRF) rate may make a non-revocable election to terminate future CRF payments for all existing capital recovery and return to being compensated under the formula rate. Expenses that were included in the CRF rate at the time of conversion are not eligible for any capital recovery through CRF rates going forward.
 - A generator may return to a CRF rate at a future date but can only include costs that were not previously included in a terminated CRF payment rate.

A Black Start unit may be recovering CRF rates on a 15 year term, then incurs a CIP capital expense in year 13 with a 5 year recovery period. The Generator may elect to terminate the CRF recovery method when the initial 15 year term expires and accept the basic formula rate.

Added statement under Paragraph 18 – NERC Capital Recovery Factor (CRF) Rate for clarity

Summary

- **Formula Rate**
 - Only CIP related costs are additive to the formula rate. The formula rate is capped at **50 MW (Diesels/CT's)** and **100 MW (Hydro)** during periods when the generator is applying additive CIP costs to the formula rate. These cap levels makes the actual dollar value of the cap equal for all types of Black Start units.
- **Capital Recovery Rate**
 - CIP / Capital Costs can be recovered through a Capital Recovery Rate (CRF) and are additive to any existing CRF rates still in effect.
- Generators can elect to switch from the formula rate to the CRF rate by documenting Black Start expenses.
- Generators can elect to switch from a CRF rate to the formula rate at their option by terminating future CRF payments on the expenses included in the CRF rate. Capital contained within that CRF rate is no longer eligible for future CRF consideration.

Action Items

- Revise draft Tariff language prepared by the BSSWG to include these proposed amendments and clarifications.
- Vote on the amended package at the 3/31 MC.