

RMR Business Rules Summary

BSSTF Meeting
August 18, 2011

- RMR is a method of bridging a gap between the deactivation of a generator and the completion of transmission system upgrades needed due to the deactivation.
 - Process is initiated by Gen owner providing written notice that it intends to deactivate a generating unit.
- Deactivation analysis is performed to determine, in accordance with established reliability criteria:
 - if the deactivation of gen unit would adversely affect the reliability of Transmission System absent upgrades to Transmission System.
 - Provide initial estimate of the period of time it will take to complete the Transmission System reliability upgrades necessary to alleviate reliability impact.

- Gen owner has 30 days to respond if plant will stay in service beyond Deactivation Date during the period of construction of reliability upgrades needed to alleviate reliability impacts. (RMR situation)
- Under an RMR the gen owner can either elect a Deactivation Avoidable Cost Credit or the gen owner may file with the Commission a cost of service rate to recover the entire cost of operating the unit until Deactivated. Market Monitor involved in the Avoidable Cost Credit review.

Deactivation Avoidable Cost Credits shall be determined according to the following formula:

- *Deactivation Avoidable Cost Credit = ((Deactivation Avoidable Cost Rate + Applicable Adder) * MW capability of the unit * Number of days in the month) – Actual Net Revenues*
 - *Actual Net Revenues are all revenues from PJM markets and unit-specific bilateral contracts net of marginal cost of service recoverable under cost-based offers to sell energy from operating capacity on the PJM Interchange Energy Market under the Operating Agreement, not less than zero.*
 - *Deactivation Avoidable Cost Rate = ((AOML + AAE + AME + AVE + ATFI + ACC + ACLE) / 12) + APIR*
 - *APIR (Avoidable Project Investment Recovery Rate) = PI/NMR*

Where:

- *PI is the amount of project investment required to enable a generating unit proposed for Deactivation to continue operating beyond its proposed Deactivation Date.*
- *NMR is the number of months beyond the proposed Deactivation Date of a generating unit proposed for Deactivation that the Transmission Provider has specified in its updated estimate pursuant to section 113.2 of this Tariff that such generating unit shall be required to operate.*
- *PI recovered through the APIR, shall not commence before the in-service date of the PI. The amount recovered through the APIR shall not exceed the actual amount of the PI, and in no event shall recovery through the APIR exceed \$2 million.*

- If investment in gen unit allows unit to stay in service beyond the date of completion of reliability upgrades, then gen owner must refund back part of project investment.
- If the gen owner cannot continue to operate with PI in excess of the limit specified in RMR (\$2M), then gen owner may file a rate with the Commission to recover PI in excess of amount permitted by limit. The Gen Owner must get an Independent third party to verify the need for this excess investment and provide that info to PJM.