

Black Start Refurbishment Process

Cost recovery methodology during the capital recovery period.

Unit that needs major refurbishment for black start and has submitted retirement notice and chooses to submit a refurbishment proposal and is selected through replacement RFP process. Major refurbishment of a black start unit is historically a very rare case.

General Features:

Allows for PJM and TO to continue black start services on a unit that would otherwise retire.

RFP provides lowest cost of black start service to TO at a necessary location.

Proposal A

Refurbishment costs that will be recovered through schedule 6A shall not be included in APIR for RPM or VOM. The unit will receive the greater of black start revenues (per Schedule 6A) or any cleared RPM auction revenues during the recovery period.

Proposal B

Refurbishment costs that will be recovered through schedule 6A shall not be included in APIR for RPM or VOM.

PROS

TO pays all capital cost initially needed to refurbish the unit to keep the unit in service for both black start and capacity, therefore the higher of the two payments is appropriate.

No Tariff change required.

Rate payers get the capacity of the resource and the supplier gets appropriately

CONS

Uses RPM revenues to subsidize other services.

Return on specific project capital included but no recovery for other capital costs or avoidable O&M (generator operating at a loss) during the recovery period.

Two units providing the same services could be compensated differently.

PROS

GOs make be more likely to make an offer to perform refurbishment.

Preserve separation of payments for different services.

CONS

Capital costs to be covered under Sched 6A must be incremental costs solely for the purpose of Black Start and not used for the provision of other services.

Tariff revision required.

<p>compensated for the service provided which is the higher of black start or RPM.</p> <p>Supplier continues to receive energy and ancillary service revenue.</p>			
Proposal C		Proposal D	
RMR driven by Black Start (PJM Files at FERC)		Cost of Service (Supplier Files at FERC)	
PROS	CONS	PROS	CONS
<p>Generators reimbursed for avoidable costs.</p> <p>More consistent with the existing process.</p> <p>TO that needs unit for reliability reasons has a say in the scope of work.</p>	<p>Need to check if tariff revision required (Limitations in cost and duration?).</p>	<p>Keeps generator in service longer term.</p> <p>Generator recovers projected cost of operations if approved and has the opportunity to request recovery for additional costs.</p> <p>Planning aspects are more stable than RMR.</p>	<p>Less consistent with competitive market design.</p> <p>FERC may approve at a different rate or disapprove (may need to go down RMR path).</p>