SYSTEM RESTORATION STRATEGY TASK FORCE
Stakeholder Interest Identification
Preliminary Interests – as of April 12, 2013

SRSTF Stakeholder Interests:

Strategy/Procurement

1) With regard to compensation and cost allocation, we should build off of the existing strategy
   as it’s been approved, but there may need to be edits/updates to the existing strategy based
   on what is decided within the Task Force. (x, x)
2) Consider best practices from other RTOs if that is more efficient than having PJM recreate
   the wheel.
3) Least cost efficient procurement, simplicity of calculations, and clarity in the roles. (x, x)
4) Market set the price for providing ancillary service.
5) Fuel diversity gets recognized and incented.
6) Procure enough BS generation to reliably start the system.
7) Appropriate consideration is given to market power issues.
8) Encourage PJM neutrality in that the least cost procurement be derived from an offer stack
   of unmitigated offers. Providing this service at cost provides no incentive to provide the
   service.

Back Stop

1) Rules and standards for back stop provision – we need to develop the rules for when we go
   to back stop process. What are the criteria that we hit that indicate that it is time to go to a
   back stop process or option and what are the selection criteria for BS units selected?
2) A transparent process focused on reliability. Want options to choose from to get the best
   resource available.
3) Preference for generation options to fill role versus back stop. BS still exists as role served
   by generator.
4) Identify the roles, responsibilities, and ownership of PJM versus utility in regard to back
   stop.
5) Make sure back stop does not go into rate-base.
6) Ensure back stop can go into rate base, if necessary.
7) Proper checks and balances on the back stop option process or procedure.
8) Interested in what the effect of the compensation and cost allocation might be on state
   residents. What is the state’s role in back stop?

Cost Recovery/Compensation

1) Verify and qualify the inputs of the formula rate as well as a frequency with which they are
   updated. (e.g. CDR, X, Y, and Z factors) (x)
2) Can the formula rate accurately reflect the risks of providing BS? (Risk of NERC penalty for
   failure to perform)
3) Compensation methodology inclusive of back stop.
4) Compensation for BS generation truly covers costs and maintains options for service, i.e.
   more than one solution to choose from. (x, x)
5) Compensation for BS needs to incent the majority of units to submit answers to RFP. (x, x)
6) Just and reasonable cost recovery which balances appropriate compensation and incentive to provide sufficient BS resources. (x)
7) Ensure that any comparisons of compensation to other RTOs include a comprehensive overview of other sources of revenue. Understand all revenue streams that the unit may be getting.
8) Compensation to BS resources is sufficient to be fully compensatory, including recognition of owner’s risks.
9) A simple but transparent compensation practice.
10) Resolve from compensation perspective, the mixing of market and rate revenues with respect to BS. Clarity of whether it’s a market based rate as oppose to cost based rate.
11) Linkage in the compensation to the value of the service to the system.
12) Performance based compensation incentives for faster system restoration.
13) Adequate incentives to get the vast majority of units to want to participate.
14) Maintain the ability of collecting any charges that may fall on TO’s for cross zonal costs.
15) Pricing from RFP is understandable and rather simple... going to auction clearing price.
16) Investigate the concept of BS without the attachment of an RPM obligation.
17) Interested in what the effect of the compensation and cost allocation might be on state residents. What is the state’s role in back stop?

**Cost Allocation**

1) Ensuring that costs that are solely for BS are appropriately compensated. Only costs related to BS are kept in BS recovery.
2) Ensuring cost allocation is included in any discussions regarding compensation.
3) Appropriate cost allocation.
4) All beneficiaries of system restoration contribute to BS cost.
5) The states should be provided the necessary costs and other information as it relates to BS.
6) Least cost is a major factor to be considered.
7) Interested in what the effect of the compensation and cost allocation might be on state residents. What is the state’s role in back stop?