SRSTF – PJM Position on Compensation Issues

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• Capital Recovery Rate and NERC CIP Capital Recovery Rate appear to be in line with other RTOs and attracting interest from new BS suppliers
• Base Formula Rate appears low compared to other RTOs
  – Are there Black Start costs not covered by the formula rate?
  – Is the X factor of 1% for Hydro, 2% for CT/Hydro appropriate?
  – Could this be self-correcting over time as units on formula rate retire and are replaced by units on Capital Recovery rate?
Compensation Issues

- Black Start price-based market would be difficult due to locational nature of Black Start
- PJM does not feel that compliance risk should be addressed through compensation
  - Compliance costs are recoverable
Compensation Issues

- PJM feels compensation should be provided for fuel storage beyond oil (i.e. propane)
- Training costs may increase with new EOP-005-2 standard
- Performance Incentives
  - Increase Z factor based on faster start times
  - Consider unit availability
    - Higher than average unit availability – higher Z factor
    - Lower than average unit availability – lower Z factor
  - Consider using BS test results to impact incentives
- Consider giving priority to new BS units in Interconnection Queue
• PJM believes the status quo for the other BS compensation items are appropriate
  – Cost allocation
  – Market rules for BS units