System Restoration Strategy
Senior Task Force
Cost Allocation Proposal

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Cost Allocation Proposal

• Compensation Backstop Matrix

♦ Design Component: Cost Allocation
  ■ Proposal: Generator Blackstart (BS) annual charges allocated appropriately to non-BS generation resources and transmission customers
  ■ Rationale: allocates costs according to Cost-Causation and Beneficiary Pays concepts:
    ○ Those who cause a cost pay for that cost.
    ○ The beneficiary of a service pays for that service.

♦ Questions posed at October 11, 2013 meeting:
  ■ What are “non-BS generation resources”?
  ■ Allocation formula?
First: Define what are “BS resources”

• Internal Generators that are a part of Restoration Plan;
• Internal Generators with BS capability and offered to PJM but not selected by PJM for the Restoration Plan.
So, then, what are “non-BS resources”

- Internal Generators with BS capability but not offered to PJM;
- Internal Generators without BS capability;
- External Resources that clear an RPM auction (i.e., imports);
- Off-site Nuclear Station Light and Power (as per M-36);
- Resources with coping power needs (as per M-36).
Other exceptions for non-BS resources

• A capacity resource that is dispatched using its Cost-Based Offer (as per M-35).
  ♦ if the resource is dispatched in the same month under both its Cost-Based Offer and price based offer, only the peak generation during the price based dispatch would incur the BS charge.

• A capacity resource with a Cost-Base Offer = Price Based Offer
Allocation Formula

- Analogous to status quo methodology for charging and determining load billing determinant:
  - Peak MW/month
    - For load = the monthly peak demand
    - For generation = the monthly peak output
      - A generator that is out of service for an entire month would not incur a charge in that month.
      - A generator this is available but not dispatched by PJM in an entire month would not incur a charge in that month.
      - A generator that is undergoing testing but is otherwise not dispatched by PJM in an entire month would not incur a charge in that month.