Backstop Proposal
AEP

PJM SRSTF Meeting
February 21, 2014
Background

1. **Blackstart Resources** are Generators with Capability to Start/Restart Themselves Without Any External (System) Power Resources

2. Transmission Owners/Operators Required by PJM and NERC Reliability Standards to Have Approved System Restoration Plans

3. Having Adequate System Restoration Plans and Sufficient Blackstart Resources are Considered “Good Utility Practice”
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4. Transmission Owners/Operators Need to Have **Contingency Plans** in case the Market Fails to Provide Needed Blackstart Resources

5. **Contingency Plans** Must be In-Place Ahead of Any Determinations that Market has Failed to Provide Needed Blackstart Resources

6. **Determination of Adequacy of Blackstart Resources Provided by Market Made by PJM Working with Transmission Owners/Operators**
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1. Transmission Owner **Installs (Owns)** Blackstart Resources at (or Near) Existing Generating Plant to Start/Restart Local Generating Units

2. **For Example,** Transmission Owner, Through New or Existing Transmission Affiliate, Would Own Diesel Generators (or Comparable Power Sources) and Ancillary Equipment Located in Auxiliary Load Portion of Generating Station (for Proximity Purposes) on Land Leased by Transmission Affiliate from Generator Owner
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3. **Modifications** Internal to Existing Generating Plant Systems are Expected (Work Performed by Generator Owner and Paid by Transmission Owner as Backstart Resource Capital Costs)

4. Transmission Owner Would Make 205 Filing with FERC for OATT Recovery Capability to Recover Capital Costs, Ongoing O&M Costs, Depreciation, and Fuel for Diesel Generators (or Comparable Power Sources) as Transmission Assets
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5. **Blackstart Resources** Would Consist of Diesel Generators (or Comparable Power Sources) and Ancillary Equipment Installed by Transmission Owner at (or Near) Generating Plant

6. **Local Generating Units** at Generating Plant that are Started/Restarted by Diesel Generators (or Comparable Power Sources) that are Installed by Transmission Owner, are NOT Blackstart Resources (they are part of the Cranking Path)
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7. Blackstart Resources Installed by Transmission Owner AFTER Determination is Made by PJM (Working with Transmission Owner/Operator) that Adequate Blackstart Resources were NOT Provided by the Market

8. Expectation that PJM and Transmission Owner/Operator will Reach Agreement on Adequacy of Blackstart Resources Provided by the Market (No Desire for Transmission Owner to Install Blackstart Resources Not Supported by PJM)
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9. Transmission Owners Already Own Generator Sets Located at Transmission Substations that Provide Back-Up Sources for Station Service

10. Blackstart Resources Installed by Transmission Owner at Local Generating Plant would ONLY be Used to Provide External Power Sources to Start/Restart Local Generating Units Owned by Generator Owner in Accordance with Approved System Restoration Plan
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11. Transmission Owner/Operator would Maintain Control of Blackstart Resources Installed by Transmission Owner at ALL Times (Envision Appropriate Arrangements for Access by Local Personnel for Emergency Back-up Purposes)

12. Control Prevents Use by Generator Owner to Provide Coping Power, Back-Up Auxiliary Power, or Any Other Generator or Market Function, thus Ensuring Blackstart Resources Remain Classified as Transmission Assets
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13. Transmission Owner would be Responsible for Ensuring that Installed Blackstart Resources Perform as Outlined in System Restoration Plan

14. This Backstop Proposal is NOT Intended to Compete with or Replace any PJM Market Construct that Procures Blackstart Resources

15. Market Will Always Have First Opportunity to Provide Any Needed Blackstart Resources, and Backstop Proposal Follows Only if Market Fails
Questions ???