Backstop Proposal

System Restoration Strategy Task Force (SRSTF)

The PJM system restoration strategy envisions a system-wide RFP that will be used to procure the black start generation (BSG) determined in the PJM plan. In the event not enough generation offer into the RFP or subsequent incremental RFPs, there may not be enough BSG procured either in the pool overall or in individual zones. In that event PJM and individual TOs will be in a situation of potentially having delayed re-start times or other problems in the event of a wide-area blackout.

This proposal is a starting point to a back-stop acquisition plan to secure BSG needed for the system or as an alternative to the RFP process if it has not returned satisfactory proposals.

The current presumption of this process is a “failed RFP”. There is a need to go to a reliability backstop to ensure sufficient and properly located BSG for the system.

1. Determine that the RFP has “failed” – Use the criteria under discussion at the SRSTF including 2 issuances of the RFP without acceptable response, or offers deemed by PJM as unresponsive due to cost, fuel, location or other concerns. The state regulatory agencies should be made aware at this point.
2. Specify the needs for the zone/region – This information would probably have been pretty closely specified in the original RFP as the preferred option, but it may be fine-tuned based on the other RFP results.
3. Fallback Option - The local TO will provide an option to PJM that meets the needs of the RFP (the “TO Option”). The TO will attempt to match the needs specified by PJM as closely as possible in the siting, sizing and fuel of the required BSG. This option may be owned by the TO, by a generation-owning affiliate or by a generation-owning contractor.
4. Definition of Asset – The TO will define the TO Option as either transmission or generation. In certain jurisdictions, the TO may be restricted from or not allowed the ownership of generation. In others, the ownership of generation would be completely in keeping with its current business model. The state regulatory agency may have to be involved in this action.
5. Restrictions – PJM and the TO will develop restrictions on the actions of the proposed TO Option in the market to preserve its status as a transmission asset if that is what is required. This will include allowing the unit to run for energy, at a minimum, for testing, emergency operations, or black start service.
6. TO Compensation – The local TO will provide an estimate of the cost of this fallback TO Option over the expected life of the equipment being installed. This cost estimate may be based on the presumption that this unit will be placed into ratebase as a transmission asset, that a generation affiliate will own it, or that a generation contractor will own it (e.g. an award in a utility procurement).
7. Final RFP – The offer for BSG made by the TO will then be put out as an RFP one final time. If no offer is made that PJM determines to be superior to the TO Option based on costs or the
physical characteristics of the TO Option, then the TO Option will be selected and the TO will be responsible to put it in-place.

8. Award – The TO Option will be awarded the right to build the BSG, under the terms of its original offer to PJM and with the restrictions put in-place on that offer.

9. Reporting - The TO will provide an annual report to PJM of the operation of the unit.