

BLACK START BASE FORMULA RATE

PROBLEM / OPPORTUNITY STATEMENT

- The Black Start Base Formula Rate consists of a Fixed Black Start Service Cost (FBSSC) plus a Variable Black Start Service Cost plus Training Costs plus Fuel Storage Costs all multiplied by an incentive factor.
- The Fixed Black Start Service Cost is defined as $\text{Net CONE} * \text{Black Start Unit Capacity} * X$ where X is 0.01 for hydro units and 0.02 for CT and Fuel Assured Black Start. The Net CONE is also used in the NERC CIP Rate.
- The Fixed Black Start Service Cost is a large percentage (about 80-90%) of the total black start revenue for black start resources on the Base Formula Rate. About 75 percent of the current Black Start Service fleet is being compensated through the Base Formula Rate which will increase to about 96 percent in 2026. There are currently no Black Start units on the NERC CIP Rate.
- The Net CONE is decreasing for the 25/26 delivery year and expected to be similar or lower for the 26/27 delivery year. This will cause the total FBSSC revenue for units on the Base Formula Rate to drop by about 23 percent in the 25/26 delivery year and a similar or greater drop in the 26/27 delivery year.
- This significant drop in revenues for resources on the Base Formula Rate may lead to black start units withdrawing from providing Black Start Service. This could result in reliability concerns or use of the reliability backstop if black start requirements can't be met.
- This drop in incentive for black start resources was an unintended consequence from the decrease in Net CONE. PJM believes black start is a valuable reliability service and resources should be adequately incented to provide this service.
- Opportunity exists to modify the reliance on the Net CONE value used in the Base Formula Rate and the NERC CIP Rate to reduce the impact of low Net CONE values and provide more revenue certainty for resources on the Black Start Base Formula Rate.
- Problem is narrowly focused on the Fixed Black Start Service Cost component of the Base Formula Rate and NERC CIP Rate and does not impact the capital recovery rate or CRF.
- This issue was identified in the [5-year Black Start Revenue Review](#) report.