



DATE: May 25, 2023
TO: CDS / MIRA Users
FROM: Monitoring Analytics
SUBJECT: Start Cost Changes

On January 10, 2023, FERC (Order ER23-557-000) approved changes to the definition of start costs and the requirements to include renewable credits (RECs) in cost-based offers for all unit types that offer nonzero cost-based offers.¹

Start Cost Changes

The start cost changes include:

- Extending the end of the period used in the start cost calculation from the time the unit synchronizes to the time the unit becomes dispatchable: This modification increases the amount of fuel (start heat input) included in the start cost calculation and reduces (likely to a negative number) the net station power used in the start cost calculation because the unit has to account for the energy produced between synchronization and becoming dispatchable. This change applies to all units with a steam process (e.g. steam turbines and combined cycles).
- Limiting the periods used to calculate the inputs in the calculation of start costs to starts that meet the approved operating parameter limit schedules (PLS). The definitions are in Manual 15. This change applies to all units with a steam process (e.g. steam turbines and combined cycles).
- Removing staffing costs: Additional staffing costs are removed from cost-based offers in the energy market and are includable in units' avoidable costs rates (ACR) in the capacity market. This change applies to all unit types.

These changes will become effective June 1, 2023.

The new start cost calculation is defined as the net cost of starting a unit. The net cost will be equal to the gross cost of fuel minus the revenues from the net energy produced during the starting process. Since the net energy produced during the starting process will be valued at the station service rate (currently \$58.75/MWh) it is likely that most gas fired units will have a negative start cost (i.e. a net positive revenue). This means that the new start cost calculation is likely to result in zero because the new calculation has a floor of zero. This value will change when the station service rate changes or when fuel prices change.

¹ See Order ER23-557-000 (2023). <<https://pjm.com/directory/etariff/FercOrders/6644/20230110-er23-557-000.pdf>>

The Market Monitor recommends that Market Participants review their start cost inputs to ensure that starting June 1 they comply with the new definitions. Failure to update the inputs may result in a financial penalty per Schedule 2 of the Operating Agreement if the submitted start costs exceed the maximum level allowed.

Market Participants currently including additional staffing costs must remove them from the start costs. Failure to remove the additional staffing costs may result in a financial penalty per Schedule 2 of the Operating Agreement if the submitted start costs exceed the maximum level allowed.

For more background, please see PJM's Markets and Reliability Committee [May 25, 2022 presentation](#) and PJM's Education Session on [March 13, 2023](#).

For an extended description of the start cost calculation and an example, please see the Market Monitor's Cost Development Subcommittee [December 2, 2021 presentation](#).

The Market Monitor also reminds Market Participants that the Market Monitor's view is that the new start cost calculation should be temporary. The complete and correct solution is to model soak time and the MWh produced during the soak time separately, and to value those MWh at the LMP instead of using the station service rate.

MIRA Updates

Market Participants should update the MIRA Cost Offer Assumptions module on or after May 31 with the new start cost inputs. Failure to do so may result in unnecessary inquiries from the Market Monitor or PJM regarding discrepancies between the submitted start costs and the start costs expected by the Market Monitor or PJM.

Market Participants are not required to submit new fuel cost policies or new numerical examples reflecting the new start cost inputs. The only requirement is to update the MIRA Cost Offer Assumptions module.

For any questions, please contact the Market Monitor at MMU_Energy_Offers_Review@monitoringanalytics.com.