Non-Regulatory Opportunity Cost Component Procedure

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Opportunity Cost Definition

- **Opportunity costs are the value of a foregone opportunity.**
- **Opportunity costs may result when a unit:**
  - **Has limited run hours due to an externally imposed environmental limit**
  - **Is requested to operate for a constraint by PJM and is offer capped.**
- **Opportunity costs are the net revenue from a higher price hour that are foregone as a result of running at PJM's request during a lower price hour when such limitations exist.**

Non-Regulatory Opportunity Cost Component (NROCC)

- Units are eligible only when a member's unit has run-hour or start limitations that are not the result of environmental regulation
- Units are eligible when a unit has an eligible physical equipment limitation that restricts the run hours of the unit
- Eligible equipment limitations are:
  - Restriction due to OEM recommendation
  - Insurance carrier restriction

MA NROCC: Issues with Mirant proposal

- **Fuel limitation issues**
  - **Fuel limitations are generally within the control of generation owners**
  - **Indeterminate length of fuel limitations makes calculation difficult or impossible**
  - **Time period of some fuel limitations is too short to utilize opportunity cost adder**

MA NROCC: Issues with Mirant Proposal

- MA proposal includes limits on number of requests for similar events
  - Mitigation tool to limit abuse of opportunity cost adder for problems within the control of the generation owner
  - Opportunity cost adder can create incentive to delay outage longer than necessary under current rules

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