

Regulation Allocation

Cost Development
Subcommittee
September 10, 2012

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Current Regulation Cost Allocation

- **Current costs are limited to \$/MW per hour of regulation**
- **Current costs are defined in M15 as \$/MWh in terms of:**
 - **Fuel cost increase and heat rate degradation cost**
 - **Cost increase in VOM**
 - **Margin Risk Adder**



Performance Based Regulation Cost Allocation

- **Capability offers – cost to reserve resource for regulation service, defined as \$/MW per hour cost**
- **Performance offers – costs associated with a resource tracking regulation signal**
 - **Defined as \$/mile costs**



Issue

- **M15 defines only \$/MWh costs associated with regulation**
 - **Defined as capability costs**
- **New regulation rules account for possibility that the \$/mile charge could include performance costs that vary with actual regulation**
- **These costs, if any, should only include costs that vary on a per mile basis**
- **If any costs are offered on a per mile basis, change in M15 required to define them**
- **The new regulation rules provide for recovery of all defined costs of regulation**

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