



rules and software are not designed to accommodate opportunity costs calculated over such periods. These two elements of the April 18<sup>th</sup> Filing should be rejected.

## I. COMMENTS

### **A. PJM's Proposal Regarding Self Scheduling and Determinations of Whether Outages Are Outside Management Control Is Unsupported, and Should Be Rejected as It Was in the March 17<sup>th</sup> Order.**

The April 18<sup>th</sup> Filing proposes (at 14–15) to revise the definition of Non-Regulatory Opportunity Cost (OATT § 1.3.17A) to provide: “Generation Capacity Resources recovering Energy Market Opportunity Cost that self-schedule generation run hours 50% or less of the total available run hours shall consider the generation unit outages when the limited number of available run hours are exhausted as an Outside Management Control (OMC) Outage.”

The Commission considered and rejected this proposal in the March 17<sup>th</sup> Order (at P 36), stating:

PJM advises the Commission that, if any resource subject to a fuel supply or physical equipment limitation makes use of the calculation procedure prescribed in PJM Manual 15 and runs out of hours during the Delivery Year, with the resource being self-scheduled 50 percent of the available run hours or greater, then PJM will consider this outage a Forced Outage (as defined by NERC). However, if the resource was self-scheduled less than 50 percent of the available run hours, then PJM will consider this outage to be Outside Management Control. PJM must apply its current Tariff, i.e., the filed rate, in determining Forced Outages. PJM has not shown whether this proposal is included in or even consistent with its current Tariff, and therefore this issue is not before us in this filing.

The April 18<sup>th</sup> Filing does not show and does not attempt to show that the proposed rule “is included in or consistent with” the PJM tariff. The Commission has determined in the March 17<sup>th</sup> Order that redefining the meaning of “Outside Management Control” is outside

of the scope of this proceeding. PJM has not made a substantive response to that determination. Accordingly, the renewed proposed revisions that would identify Forced Outages on the basis of the amount of self scheduling for units with limited run periods should be rejected.

**B. Physical Equipment Limitations Should Not Be Allowed for Periods Greater Than One Year Until Stakeholders Agree and PJM Rules and Systems Can Accommodate That Duration**

The April 18<sup>th</sup> filing proposes to allow recovery of Non-Regulatory Opportunity Costs for units with physical equipment limitations for “any length of time.” The Market Monitor agrees that short term opportunity costs should be allowed, as provided in the April 18<sup>th</sup> Filing. However, there has been no substantive discussion in the membership process of calculating opportunity costs for a period longer than a year, and there has been no agreement that such a calculation is necessary or appropriate. An annual period is fundamental to the logic of the opportunity cost calculation as developed. There must be some limit on how far out future margins are forecast. There is no reason to believe that any call on a resource today will affect its opportunity to generate more than a year in the future. The current method for calculating opportunity costs is based on a period of a year, and therefore the corresponding software was not designed to implement opportunity cost calculations for periods greater than one year. PJM has not made it clear whether it wishes to permit calculations of opportunity cost over a period longer than one year. Nevertheless, the phrase “for any length of time” would allow for a period greater than one year. Accordingly, the language proposed in the April 18<sup>th</sup> Filing should be corrected to read “the physical equipment limitations of the unit, for up to one year...” without prejudice to PJM’s filing to modify that period if and when a method has been reviewed, received stakeholder support and the associated rules have been developed.

## II. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to these comments as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: May 10, 2011

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Eagleville, Pennsylvania,  
This 10<sup>th</sup> day of May, 2011.



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