



Problem Statement: Missing Unit Types in Cost Development Guidelines

Issue:

Currently, only nuclear, fossil steam, combustion turbine, diesel and combined cycle units have defined cost development guidelines in Manual 15. Pumped storage hydroelectric units have partially, but not fully developed guidelines. There are no cost development guidelines for non-fossil steam units (biomass or solid waste), run-of-river hydroelectric units, wind units, solar units or energy storage units. There is no adequate basis currently to evaluate the cost based offers of these units. A process to clearly delineate the actual components of cost for these unit types needs to be developed.

Issue Source:

The MMU is bringing the issue forward for consideration by the Cost Development Subcommittee (CDS). Many unit types not defined in Manual 15 are entering the PJM footprint and becoming more significant in dispatch and generation profile. MMU recommends having cost development guidelines for these unit types clearly defined in Manual 15.

Background:

Manual 15 details the standards recognized by PJM for determining cost components for markets where products or services are provided to PJM at cost-based rates, as referenced in Schedule 1, Section 6 of the Operating Agreement of PJM Interconnection, L.L.C. Generation Owners use Manual 15 to develop their cost based offers for their specific unit types. Missing cost development guidelines for unit types may make it difficult to develop cost based offers for those unit types.

Assignment of Responsibility:

Governance of Manual 15 is the primary scope of responsibility for the CDS and is therefore the appropriate stakeholder body to address this issue. This lies directly within the existing CDS charter and no charter modifications are needed. Further as the CDS is a standing Subcommittee, no charge is required from the Markets and Reliability Committee (MRC).

Objectives and Expected Activity:

1. Using the proposal matrix developed by the CDS members (Appendix 1, Proposal Matrix), the CDS will create a preferred, clear definition of the components of costs to be included in energy cost offers for the missing unit types.

2. The CDS will use the proposal matrix to craft appropriate manual language for Manual 15 reflecting this definition.

Areas defined as out-of-scope:

This problem statement is not intended to alter dispatch methodology of any type of unit, and will not do so.

Expected Deliverables:

A proposal with the CDS preferred modifications to Manual 15 that address the components of costs to be included in energy cost offers for any missing unit type will be presented to the MRC and the MC. These unit types may be addressed separately.

Expected Milestones and Deadlines:

Meeting	Activity
CDS: January 31, 2011	Review Problem Statement
CDS: February 28, 2011	Education and Fact Finding
CDS: March 21, 2011	Identify and Explore Interest
CDS: April 25, 2011	Develop Options for Each Component
CDS: May 23, 2011	Develop Options for Each Component
CDS: June 20, 2011	Develop Comprehensive Changes
CDS: July, 2011	Develop Recommendations (including consensus and multiple options)
MRC: July 20, 2011	Report to Senior Committee