

## Financial Assumptions for CONE

### Problem / Opportunity Statement

PJM has identified that there has been significant movement in economic indicators, particularly interest rates that can impact the financial parameters used in the calculation of the Cost of New Entry (“CONE”). Accurate Gross CONE calculations are needed to ensure valid price signals that support system reliability.

- Most recent Quadrennial Review of the capacity market was filed September 30, 2022, and later accepted by FERC on February 14, 2023, to be effective with the 2026/27 BRA
- A key parameter reviewed in the Quadrennial Review process is the estimated Cost of New Entry (CONE) for the Reference Resource, which is used in setting prices on the demand curve
- Since the last review, there has been significant movement in economic indicators, particularly interest rates, that can impact the financial parameters used in the calculation of CONE
- PJM is retaining an independent consultant to review the financial parameters and assumed cost components and escalation rates used in the prior study for calculating CONE of the Reference Resource
- PJM plans to schedule time at the June 5 MIC meeting to discuss the results of the consultant’s analysis with stakeholders and any proposed updates to CONE values under the “Quick Fix” stakeholder process with a targeted implementation of the 2027/28
- Explore if there could be a yearly financial adjustment when escalating CONE between Quadrennial Reviews
- Update the Gross CONE value for new entry resources subject to MOPR for the Reference Resource to keep the values aligned.
- Updates will be required for OATT Attachment DD § 5.10 (a) (iv) (C) & conforming Manual 18 changes.

### Schedule

- June 5 MIC: First Read
- June 24 MIC Special Session
- July 10 MIC: Vote
- July 24 MRC: First Read
- August 21 MRC/MC: Vote