



Cost Development Subcommittee CONSENSUS PROPOSAL REPORT

CTs and CCs Overhaul Cost Recovery

11/09/2011

This report is pending final consideration at CDS on November 14, 2011.

This proposal brings forward manual language changes for Manual 15: Cost Development Guidelines to remove the inclusion of overhaul and inspection costs from CTs and CCs in the variable operating and maintenance cost aligning the treatment of these types of units with other generation types.

The proposal described below is being recommended by the Cost Development Subcommittee This report was developed in accordance with procedures documented in Section 7 of the PJM Stakeholder Process Manual (Manual 34).

1. Recommended Proposal

At the October 17, 2011 CDS Hal Siegrist, Genon, brought a Problem Statement to “Eliminate Conflicting Language Manual 15’s Treatment of Capital Expenses for CT’s and ACR Eligibility”

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. Currently in the PJM Cost Development Guidelines, CTs and CCs may recover some overhaul and inspection costs in Variable and Operating Maintenance (VOM), a component of the cost based offer, under certain specific criteria and is approved by the Independent Market Monitor. Current policy reflects the market philosophy prior to the existence of the PJM RPM capacity market. Since overhaul and inspection costs are recoverable in VOM, it cannot be considered for inclusion in the Avoidable Cost Rate (ACR), the offer into the Capacity Market per the PJM Tariff.

CDS endorsed manual language to address the conflict between M15 and the tariff rules so that overhaul costs would fall not be included in VOM. Currently CDS is addressing VOM ([Issue Tracking](#)) definition, but that work is not anticipated to be completed in time for the next Base Residual Auction (BRA) in May 2012.

Necessary Timeline for Completion prior to next BRA:

CDS endorsement:	November 14, 2011
MRC informational:	November 16, 2011
MRC vote:	December 22, 2011
MC informational:	December 22, 2011
MC vote:	January 26, 2012
PJM Board:	February 7, 2012



2. Stakeholder Process Summary

This report is pending final consideration at CDS on November 14, 2011.

3. Appendix II: Stakeholder Participation

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