

# Re-evaluation of Financial Parameters used in Cost of New Entry (CONE) for 2027/28 BRA

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- 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 retained the Brattle Group to review the financial parameters and assumed cost components and escalation rates used in the prior study for calculating CONE of the Reference Resource

- Update Gross CONE to ensure valid price signals that support system reliability
- Keep existing auction schedule without any overlap on pre-auction activity for the 27/28 BRA
  - Pre-auction activity begins for the 27/28 BRA around January 2025
- Expanding scope introduces additional complexity and would slow down what can realistically be completed on the quickfix timeframe

## In Scope

Review results from The Brattle Group for updated financial parameters

Review Quadrennial Review financial parameters used to calculate Gross CONE starting with the 26/27 BRA

Present updated financial parameters calculated by a consultant and impact on Gross CONE

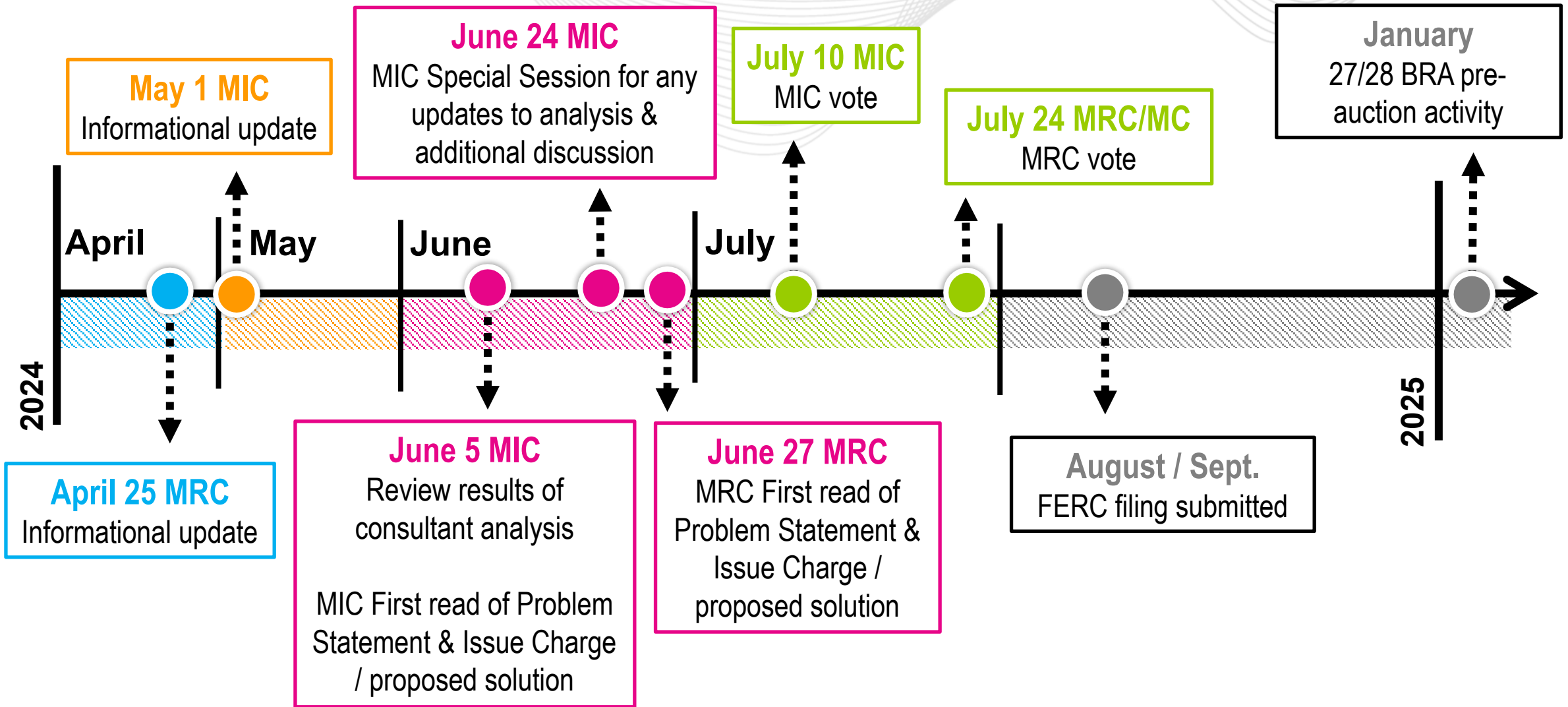
Determine if an additional financial adjustment is necessary to account for changing financial parameters

## Out of Scope

Changes to E&AS Calculation

Changes to the VRR Curve

**Scope is limited in order to maintain the current auction schedule**



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<p>Re-evaluation of financial parameters will better align Gross CONE with current market conditions</p>	<p>All proposed changes should be implemented without causing further delays to the RPM auction schedule</p>	<p>Current proposed values and changes are preliminary and will be finalized at future meetings</p>

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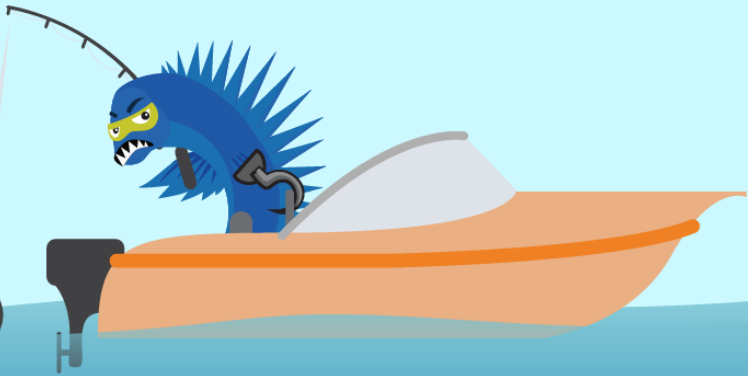
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