

Financial Assumptions used to calculate Gross CONE

Issue Source

PJM

Issue Content

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.

Key Work Activities and Scope

1. Review capital cost escalation rates against BLS indices
2. Review results from The Brattle Group for updated financial parameters
3. Review Quadrennial Review financial parameters used to calculate Gross CONE starting with the 26/27 BRA
4. Present updated financial parameters calculated by a consultant
5. Determine if an additional financial adjustment is necessary to account for changing financial parameters
6. Determine if there is a need to update Gross CONE starting with the 27/28 Delivery Year

Out of Scope

1. Changes to E&AS calculation
2. Changes to the VRR Curve

Expected Deliverables

PJM will propose an update for calculating Gross CONE for the 27/28 BRA and subsequent delivery years. Following approval, PJM will submit a FERC filing on how the update to Gross CONE is calculated and, as needed, include any additional financial adjustments. Additionally, the updated Reference Resource CONE will be updated for the MOPR Gross CONE for alignment.

- OATT Attachment DD § 5.10 (a) (iv) (C)
- OATT Attachment DD § 5.14 (h-2) (3) (A)

Decision-Making Method

Quick fix

Stakeholder Group Assignment

MIC working session and additional MIC special session.

Expected Duration of Work Timeline

Immediate start to work on this topic while engaging with a consultant. The expected timeframe is to bring the proposed changes to the June 5 MIC for a first read. The proposed timeline is as follows:

Issue Charge

- June 5 MIC: First Read
- June 24 MIC Special Session
- June 27 MRC: First Read
- July 10 MIC: Vote
- July 24 MRC/MC: Vote

Start Date	Priority Level	Timing	Meeting Frequency
4/28/2024	<input checked="" type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low	<input checked="" type="checkbox"/> Immediate <input type="checkbox"/> Near Term <input type="checkbox"/> Far Term	<input type="checkbox"/> Weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly

Charter

<input type="checkbox"/>	This document will serve as the Charter for a new group created by its approval.
<input checked="" type="checkbox"/>	This work will be handled in an existing group with its own Charter (and applicable amendments).

More detail available in M34; Section 6