



Cost Review Senior Task Force Final Proposal Report

September 9, 2014

Issue Summary

[Offer Cap Review Problem Statement](#)

[Offer Cap Review Issue Charge](#)

[Cap Review Senior Task Force Charter](#)

Problem Statement/Issue Charge approved at Markets and Reliability Committee on April 24, 2014

Number of Meetings covering this topic: 8

1. Recommended Proposal

Proposal B limits the cost based incremental energy offer to production cost + 10% with no cap; and sets the maximum market-based as the greater of the cost based offer or consistent with DR offer cap for 30 minute notice.

Production cost refers to the costs as defined by Cost Development Guidelines. In this proposal the Frequently Mitigated Adder and Associated Unit adder would not apply above \$1,000/MWh. Should cost based offers exceed \$1,000/MWh PJM would report out on an aggregate level to stakeholders. To ensure adequate and correct mitigation, market-based or price-based offers must be less than or equal to cost-based offers when cost-based offers are greater than DR offer cap for 30 minute notice.

Appendix I: Proposals Not Meeting the Threshold

Proposal A is Status Quo, with a pre-determined PJM/IMM review process for cost recovery above offer cap due to circumstances as reflected in metrics addressing weather, generation/transmission operations, fuel availability, other. For cost offers exceeding \$1000 would be compensated in uplift in an ex-post review based on actual verified costs out of market. This proposal is similar to the first PJM waiver but without a FERC filing. There would be an ongoing reporting requirement by PJM and the IMM and a review of the cap would be triggered if the market experiences systemic repetitive costs above the cap.

Proposal C sets cost based offers for all cost components to actual costs (incremental, start-up, and no-load). For cost based offers greater than \$1,000, there will be no 10% adder. Market based offers must be less than or equal to cost based offers, if the cost based offers are greater than \$1,000; otherwise market-based offers are limited to \$1,000. Cost-based offers greater than \$1,000 per MWh will not include a ten percent adder or an FMU or AU adder. The ten percent adder will slowly decrease as the cost offer approaches \$1000.

- Day ahead gas costs index must be clearly defined.
- Heat rates must be pre-approved by the Market Monitoring Unit.
- All offers will be reviewed after the fact.
- The market monitor will provide a report for members after the first winter, based on actual experience.



Appendix II: Voting Report

	August Vote	September Vote
Summary results	#	#
Individual Respondents	31	29
Member Companies	142	145

	August Vote		September Vote	
	#	Percentage	#	Percentage
Package A				
Yes	31	25%	68	47.6%
No	95		75	
Abstain	16		1	

	August Vote		September Vote	
	#	Percentage	#	Percentage
Package B				
Yes	79	56%	90	62.9%
No	62		53	
Abstain	1		1	

	August Vote		September Vote	
	#	Percentage	#	Percentage
Package C				
Yes	28	20%	2	1.5%
No	110		133	
Abstain	4		9	

Appendix III: Supplemental Documents

[CRSTF Education Document](#)