



## **Problem Statement: Definition of No Load Costs**

### ***Issue:***

All generation owners in PJM are required to submit cost-based offers according to the guidelines set forth in Manual 15, Cost Development Guidelines. A variable portion of the cost offer is based on No Load cost. The current definition of No Load costs in Manual 15 lacks sufficient clarity to properly compute and evaluate costs. Additionally, the Manual provides no information on how No Load costs are computed for a combined-cycle unit though this is provided for every other unit type.

### ***Issue Source:***

PJM staff is bringing this issue forward for consideration by the Cost Development Task Force (CDTF). In the fourth quarter of 2010 the Cost Development Task Force undertook the rewriting of Manual 15. During the review and revision of Manual 15, many items were flagged to be reviewed at a later date<sup>1</sup>. One of the items to be examined was the definition of and guidelines for calculating “No Load cost”. The current definition was viewed to be incorrect by stakeholders. There were also concerns raised over the missing definition of “No Load costs” for combined cycle units.

### ***Background***

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, as referenced in Schedule 1, Section 6 of the Operating Agreement of PJM Interconnection, L.L.C. Generation Owners use Manual 15 to develop their cost based offers.

Manual 15 has recently been rewritten for improved clarity, and this re-write has been approved by stakeholders. This rewrite was to clarify the rules and modify approval of requests in accordance with FERC 719.

### ***Assignment of Responsibility:***

Governance of Manual 15 is the primary scope of responsibility for the CDTF and is therefore the appropriate stakeholder body to address this issue. This lies directly within the existing CDTF charter, no charter modifications are needed. Further as CDTF is a standing Task Force, no charge is required from the Markets and Reliability Committee (MRC).

---

<sup>1</sup> <http://pjm.com/~media/committees-groups/task-forces/cdtf/20101206/20101206-item-05a-manual-15-substantive-changes-list.ashx>



***Objectives and Expected Activity:***

1. Using the proposal matrix developed by the CDTF members (Appendix 1, Proposal Matrix), we will create a preferred, clear definition of No Load costs and a method of calculation for No Load costs.
2. We will use the proposal matrix to craft appropriate manual language for Manual 15 reflecting this definition and calculation.

***Areas defined as out-of-scope:***

Start Costs and No Load Costs are dependent in the cost offer calculation; however, Start Costs should not be changed as part of the proposal.

***Expected Deliverables:***

A proposal with the CDTF preferred modifications to Manual 15 that addresses the No Load definition and calculation of No Load costs for all types of generating units including combined cycle units will be presented to the MRC and the MC.

***Expected Milestones and Deadlines:***

Meeting	Activity
CDTF: January 31, 2011	Review Problem Statement
CDTF: February 28, 2011	Education and Fact Finding
CDTF: March 21, 2011	Identify and Explore Interest
CDTF: April 25, 2011	Develop Options for Each Component
CDTF: May 23, 2011	Develop Comprehensive Changes
CDTF: June 20, 2011	Develop Recommendations (including consensus and multiple options)
MRC: June 22, 2011	Report to Senior Committee
MRC: July 20, 2011	Endorsement vote at MRC
MC: August 25, 2011	Endorsement vote by MC

Approval by the PJM Board of Managers will follow the endorsement of the MC.