July 29, 2014

**Attachment A**

**Capacity Senior Task Force**

**Triennial Review of Reliability Pricing Model**

**MD PSC Matrix Solutions Package**

Matrix Element MD PSC Solutions Statement

Line 1 Gross CONE CONE Area 2 (SWMAAC) Gross CONE proposed by PJM/Brattle

($148,400) may require adjustment to correct an overstatement caused by relying upon only higher cost labor markets to obtain Maryland labor rates and to reflect IMM presented evidence that CT equipment costs are overstated. Potential downward adjustment is understood to be approximately 15 to 20%.

Line 2 Levelization Method Reject level-nominal method. Adopt level-real method. Level-nominal is inconsistent with PJM proposed revenue offset calculations, is opposed by Brattle, not used by NYISO or ISO-NE and should be rejected for additional reasons stated in Brattle’s 2011 & 2013 Reports. Rejection of level-nominal reduces Gross CONE by about 15% to $126,000.

Line 3 Reference Resource Status Quo – Combustion Turbine (CT) GE Frame 7FA with SCR Technology and Dual Fuel capability

Line 4 Net E & AS Revenue At present, pending additional data to be supplied by PJM, MD

Offset Methodology PSC supports continuation of existing historical 3-year backward looking average method. MD PSC may be willing to consider Brattle recommended forward looking method adopted by ISO-NE.

Line 5 VRR Curve Shape - Status Quo except that MD PSC is still studying the pros/cons of

System moving Point “a” to quantity = IRM – 0.2%, price + greater (CONE or 1.5x Net CONE).

Line 6 VRR Curve Same as System Recommendation of MD PSC as stated in Line 5

 Shape – Local above.

Line 7 Index Used for Bureau of Labor Statistics indices for wages, materials and turbine

CONE escalation with weighting

Line 8 RTO-Wide Gross Use Average of CONE Area. MD PSC takes no position on

CONE retention of CONE Area 5.

Line 9 Method for Do not determine a Net CONE for each CONE Area, instead determine a

 Calculating Net CONE for each zone using the Gross CONE of the CONE Area to Net CONE which the zone is assigned minus the Net EAS for each zone

 For Each using peak-period dispatch against the applicable zonal LMP.

CONE Area

Line 10 Method for Status Quo

 Calculating

 Net CONE

 For RTO

Line 11 Method for For Zonal or sub-zonal LDAs, use the Net CONE calculated for that Zone.

 Calculating For LDAs that comprise multiple zones, use the average of the Net CONE

 Net CONE determined for each of the applicable Zones. Reject substitution of Parent

 For each LDA LDA Net CONE.