



# Cap Review Senior Task Force First Read

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August 21, 2014

- Problem Statement and Issue Charge
  - Approved April 24, 2014
- Cap Review Senior Task Force (CRSTF) charged with developing a permanent solution, if necessary, related to the temporary waivers associated with FERC ER14-1144 and ER14-1145
  - Filings from January to allow generators to recover costs above \$1,000/MWh

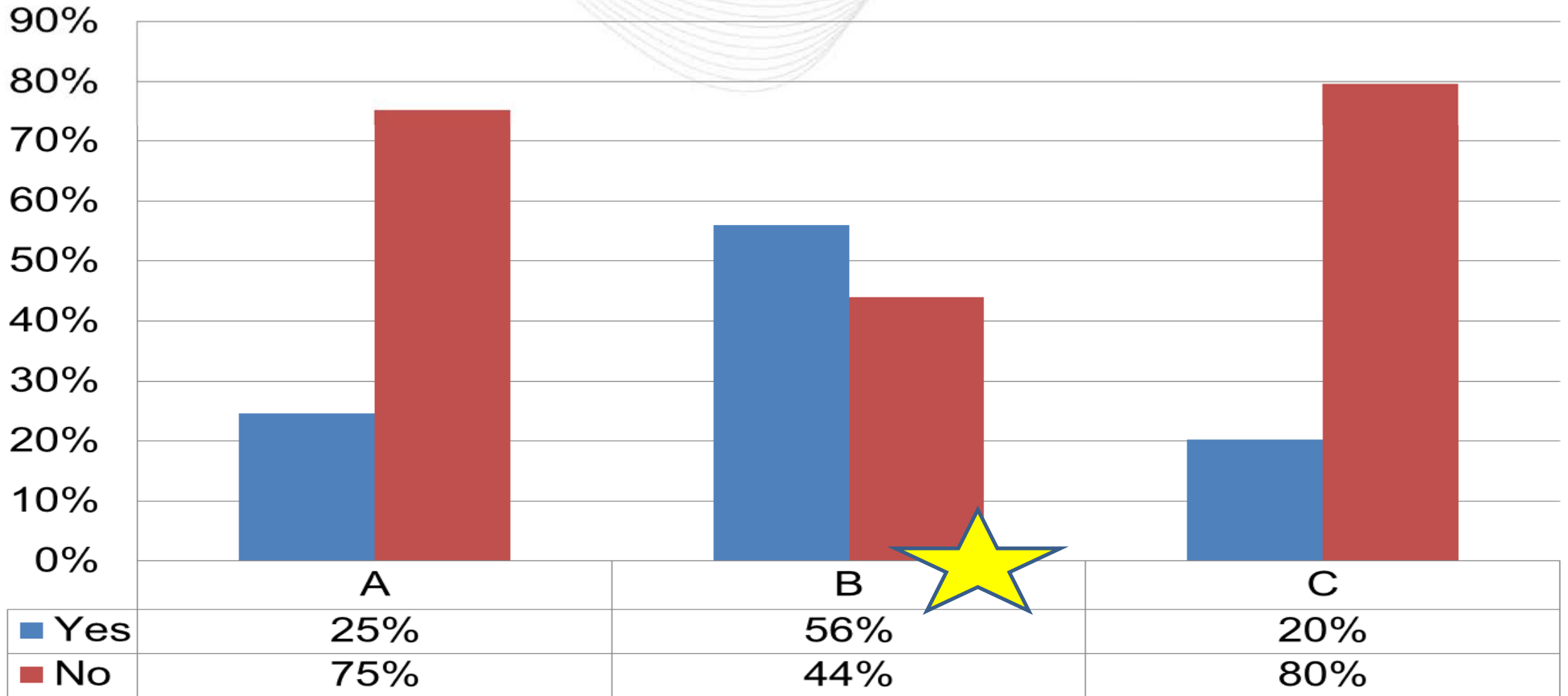
- Target filing date of October 31, 2014
- Six meetings throughout spring and summer
- Market-based offer cap deferred
  - Market-based, or price-based, offers for an individual unit must be less than or equal to cost-based offers for such unit when cost-based offers are greater than \$1000/MWh

- Package A –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 purposes of recovery, (Cost+) = production cost + 10%; marginal cost of producing energy; generally fuel costs, plus Variable Operations & Maintenance (per M15)
- If (Cost+)  $\leq$  \$,1000 then capped Cost+ otherwise, if (Cost+)  $>$  \$1,000 then capped at higher of \$1,000/MWh or Cost (per M15) as defined above without 10% adder and subject to PJM/IMM review

- Cost Based Incremental energy offer limited to the lower of
  - production cost + 10%
  - production cost + \$90.
- Marginal cost of producing energy; generally fuel costs, plus Variable Operations & Maintenance (per Cost Development Guidelines)
- The 10% adder is limited to \$90 and no Frequently Mitigated Unit or Associated Unit adder will apply above \$1,000/MWh

- Cost based offers for all cost components = actual costs (incremental, start-up, and no-load). DA gas costs index must be clearly defined.
- Heat rates must be pre-approved by MMU.
- All offers will be reviewed after the fact. MMU will provide a report for members after the first winter, based on actual experience.
- For cost based offers  $> \$1,000/\text{MWh}$ , there will be no 10% adder.

- 142 companies represented
- 31 respondents
- One package received greater than 50% support, Package B





- September 18, 2014 – MRC Vote
- October 30, 2014 – MC Vote
- October 31, 2014 – FERC Filing Target