

## IROL Critical CIP Cost Recovery

### Issue Source

This issue charge is being brought forth by PJM.

### Issue Content

Under NERC Critical Infrastructure Protection (CIP) Reliability Standards, the Reliability Coordinator (RC), Planning Coordinator (PC), or Transmission Planner (TP) are responsible for identifying critical facilities and their associated contingencies for the planning area. In the event that PJM, functioning as the RC/PC/TP identifies generation facilities during its annual CIP (CIP-002-5.1) critical facilities derivation of Interconnection Reliability Operating Limits (IROLs) and their associated contingencies, Generator Owners (GO) may face significant incremental compliance costs ~~with no existing means to recover the costs.~~

### Key Work Activities and Scope

1. Provide education on topics, but not limited to:
  - a. North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP) standards, specifically CIP-002-5.1, and their implementation plans
  - b. Review how a generator's status is determined by PJM and how it can change status from "non-critical" to "IROL-critical".
  - c. Review types of costs that generators will incur when status goes from "non-critical" to "IROL -critical" status, and the timing in which identified generation assets must comply with the standards.
  - d. Recovery of Interconnection Reliability Operating Limits-Critical Infrastructure Protection (IROL-CIP) Costs under Schedule 17 of the ISO New England Open Access Transmission Tariff (OATT)
2. Discuss ~~whether how~~ costs should be recovered under a cost of service approach.
  - a. Discuss whether cost of service based cost recovery is the appropriate approach in a competitive market.
  - b. Discuss existing tariff rules for inclusion of costs in competitive market capacity or energy offers.
3. If members vote in favor of cost recovery:
  - a. Define metric for determining whether costs are recovered via existing market revenues.
  - a.b. Determine process to evaluate which costs should be recovered.
  - b.c. Determine cost recovery mechanism through which capital and recurring costs could be recovered, allocated, and the appropriate transparency of payments.

3.4. Areas to be addressed:

- a. Tariff language change to accommodate CIP upgrade cost recovery as seen fit
- b. Allow for possible future recurring costs for units currently on the list as well as capital and recurring costs for units added in future analysis

4.5. Areas not to be addressed:

- a. Modifications to IROL Critical List derivation process
- b. ~~Modifications to capacity offers, cost-based energy offers and fuel cost policies.~~

## Expected Deliverables

1. A recommendation to the MRC on whether cost of service based cost recovery is the appropriate approach in a competitive market.

4.2. A recommendation to the MRC on a proposed market rule change that would define a metric for determining whether costs are recovered via existing market revenues and whether to implement a cost recovery mechanism for non-recurring and recurring costs associated for generation owners required to meet an “IROL-Critical” designation made by PJM.

- a. If the stakeholders determine that costs should be recovered under a cost of service mechanism, update the PJM Manuals, Operating Agreement and Tariff to reflect changes.
- b. Determine the documentation required to be submitted by the impacted generators to PJM, the IMM, and the FERC if necessary, to support costs. Potential clarifications to critical facilities derivation of Interconnection Reliability Operating Limits (IROLs) and their associated contingencies.

## Decision-Making Method

Tier 1

## Stakeholder Group Assignment

This Group will be reporting to the OC with updates to the MIC.

## Expected Duration of Work Timeline

It is estimated that this work effort would take 3-6 months. This process would begin in early 2021 as soon as practical following stakeholder approval of this Issue Charge.

Start Date	Priority Level	Timing	Meeting Frequency
5/14/2021	<input type="checkbox"/> High <input checked="" 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 checked="" type="checkbox"/> Monthly <input type="checkbox"/> Quarterly

## Charter

(check one box)

<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*