

Re-evaluation of Financial Parameters used in Cost of New Entry (CONE) for 2027/28 BRA

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Market Implementation Committee
June 24, 2024

- Most recent Quadrennial Review of the capacity market was filed September 30, 2022, and later accepted by FERC on February 14, 2023, to be effective with the 2026/27 BRA
- A key parameter reviewed in the Quadrennial Review process is the estimated Cost of New Entry (CONE) for the Reference Resource, which is used in setting prices on the demand curve
- Since the last review, there has been significant movement in economic indicators, particularly interest rates, that can impact the financial parameters used in the calculation of CONE
- PJM retained the Brattle Group to review the financial parameters and assumed cost components and escalation rates used in the prior study for calculating CONE of the Reference Resource

- Update Gross CONE to ensure valid price signals that support system reliability
- Keep existing auction schedule without any overlap on pre-auction activity for the 27/28 BRA
 - Pre-auction activity begins for the 27/28 BRA around January 2025
- Expanding scope introduces additional complexity and would slow down what can realistically be completed on the quick fix timeframe

In Scope

Review capital cost escalation rates against BLS indices

Review results from The Brattle Group for updated financial parameters

Review Quadrennial Review financial parameters used to calculate Gross CONE starting with the 26/27 BRA

Present updated financial parameters calculated by a consultant **and impact on Gross CONE**

Determine if an additional financial adjustment is necessary to account for changing financial parameters

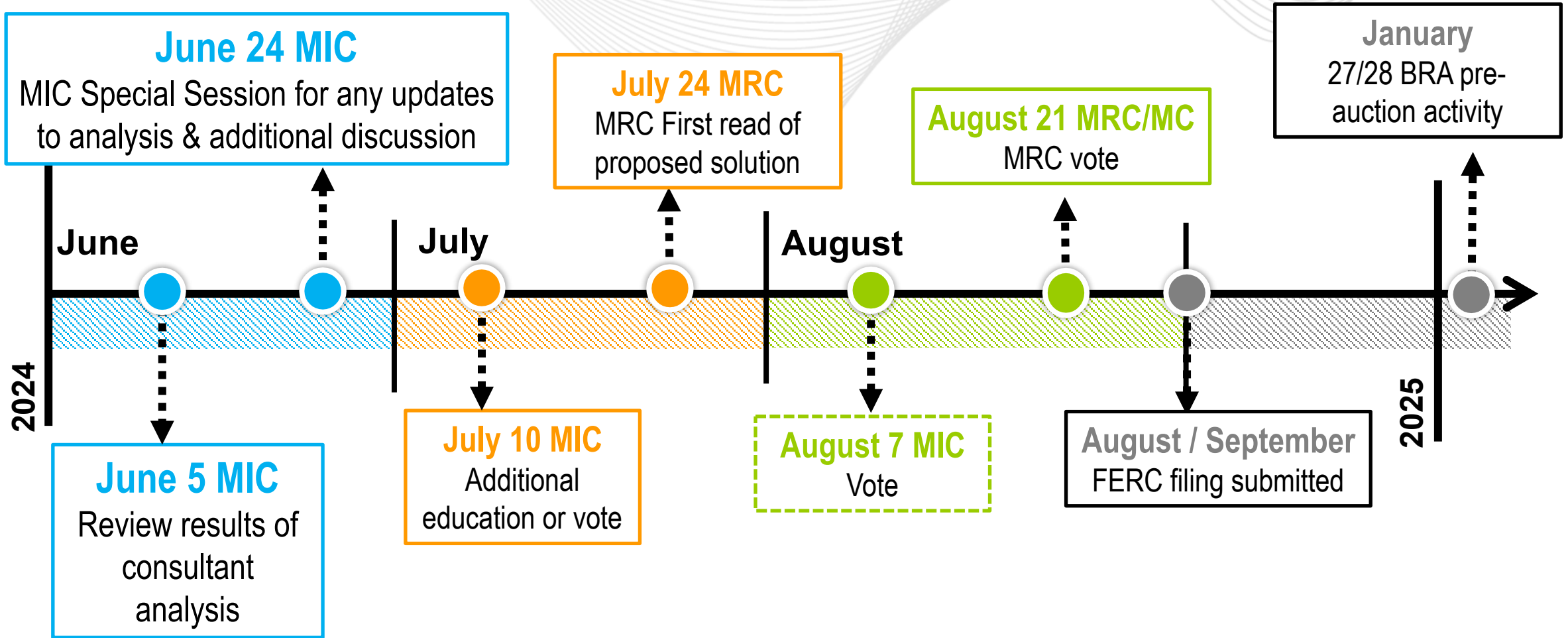
Determine if there is a need to update Gross CONE starting with the 27/28 Delivery Year

Out of Scope

Changes to E&AS Calculation

Changes to the VRR Curve

Scope is limited in order to maintain the current auction schedule



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<p>Re-evaluation of financial parameters will better align Gross CONE with current market conditions</p>	<p>All proposed changes should be implemented without causing further delays to the RPM auction schedule</p>	<p>Current proposed values and changes are preliminary and will be finalized at future meetings</p>

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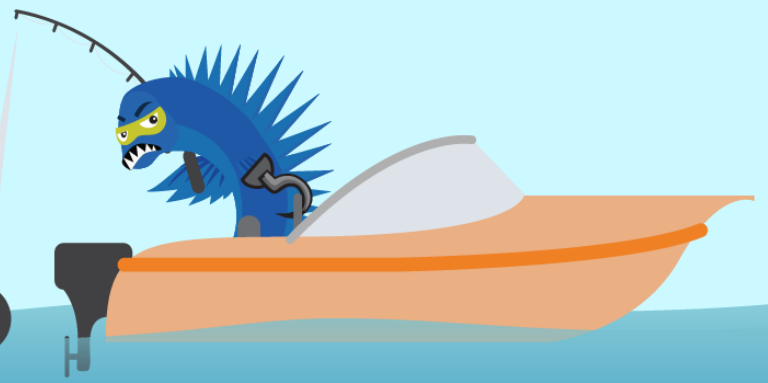
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