Cost Development Subcommittee
CONSENSUS PROPOSAL REPORT

Non-Regulatory and Energy Market Opportunity Cost

11/08/2011

This proposal brings forward manual language changes for Manual 15: Cost Development Guidelines to support the concepts that were approved by the MRC on June 23, 2010 and the required PJM compliance filing by FERC on October 6, 2011.

The proposal described below is being recommended by the Cost Development Subcommittee. Consensus was achieved by acclimation. This report was developed in accordance with procedures documented in Section 7 of the PJM Stakeholder Process Manual (Manual 34).

1. Recommended Proposal

This change to Manual 15 incorporates previously approved concepts for Non-Regulatory and Energy Market Opportunity Costs. Opportunity Cost in Manual 15 is the value associated with a specific generating unit's lost opportunity to produce energy during a higher valued period of time occurring within the compliance period. There are two types of opportunity costs in Manual 15:

1. Energy Market Opportunity Cost is applicable to the cost offer when a specific generating unit only has a limited number of available run hours due to limitations imposed on the unit by Applicable Laws and Regulations, for example, restrictions do to emissions limitations. (Approved by FERC on 10/25/2010)

2. Non-Regulatory Opportunity Cost is applicable to the cost offer when specific generating unit only has a limited number of starts or available run hours resulting from (i) the physical equipment limitations of the unit, for up to one year, due to original equipment manufacturer recommendations or insurance carrier restrictions, (ii) a fuel supply limitation, for up to one year, resulting from an event of force majeure (Approved by FERC on 10/6/2011)

There are two methods for calculating opportunity cost in Manual 15: the long term method (up to one year) and the short term method (less than 30 days). The long term method was approved and is already in Manual 15. Short Term method was approved by FERC on 10/6/2011 and is included in this revision. The short term method removes intra-month fuel volatility and uses Day Ahead prices for fuel and electricity in the calculation.

2. Stakeholder Process Summary

This language was reviewed and endorsed by CDS at the October 2011 meeting.

3. Appendix II: Stakeholder Participation

A list is provided here of the task force or subcommittee members who participated at the meeting where the final vetting of options/alternatives was completed, and those members who regularly participated at group meetings.

MEMBERS IN ATTENDANCE:

Williams, Stan (Chair)	PJM Interconnection	Not Applicable
Ciampaglio, Tony	Constellation Energy Commodities Group, Inc.	Other Supplier
Gomez, Luis	Exelon Generation Co., LLC	Transmission Owner
Lopez, Johny	PSEG Energy Resources and Trade LLC	Transmission Owner
Palcic, Ron	FirstEnergy Solutions Corp.	Transmission Owner
Walter, Laura (Secretary)	PJM Interconnection	Not Applicable

ALSO IN ATTENDANCE:

Dugan, William	Monitoring Analytics, LLC	Not Applicable
Hauske, Tom	PJM Interconnection	Not Applicable
Modi, Vikram	Monitoring Analytics LLC	Not Applicable

IN ATTENDANCE VIA WEB EX / TELECONFERENCE:

Filomena, Guy	Customized Energy Solutions, Ltd.*	Not Applicable
Hoag, Richard	FirstEnergy Solutions Corp.	Transmission Owner
Horstmann, John	Dayton Power & Light Company (The)	Transmission Owner
Miller, Rod	PPL Generation, LLC	Transmission Owner
Schofield, Bill	Customized Energy Solutions, Ltd.*	Not Applicable
Siegrist, Hal	GenOn Energy Management, LLC	Generation Owner

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