Overview of Cost Allocation for Reliability Must-Run (RMR) Units

Jessica Lynch, Associate General Counsel

Transmission Expansion Advisory Committee
June 4, 2024

Cost Allocation Due to Generator Deactivations

Tariff, Part V, section 120 provides that:

Costs incurred to compensate a unit needed for reliability (RMR unit) are additional transmission charges allocated to the load in the Zone(s) of the Transmission Owner(s) that are designated financial responsibility for the reliability upgrades resulting from the generator deactivation.

Such charges are collected monthly from such load(s) in addition to all other charges for transmission service to such load(s).

Tariff, Schedule 12(b) sets forth the:

Cost allocation methodologies for transmission enhancements or expansions included in the PJM RTEP

Costs for upgrades needed to address reliability violations resulting from generator deactivations are **allocated pursuant to the reliability cost allocation methodologies** in Schedule 12(b)(i) and (ii)(A).

Appendix A

Hypothetical RMR Cost Allocation Example

- Two baseline upgrades are required without a proposed deactivation and can't be completed on time
- Upgrade 1
  - Cost estimate: $10M
  - Schedule 12 cost allocation: DPL 100%
- Upgrade 2:
  - Cost estimate: $20M
  - Schedule 12 cost allocation: DPL 50%, PECO 50%
- RMR allocation
  - DPL Zone: 66.67% = (($10M * 100%) + ($20M * 50%)) / ($10M + $20M)
  - PECO Zone: 33.33% = (($10M * 0%) + ($20M * 50%))/ ($10M + $20M)

Contact

Facilitator:
Jason Connell, Jason.Connell@pjm.com

Secretary:
Tarik Bensala, Tarik.Bensala@pjm.com

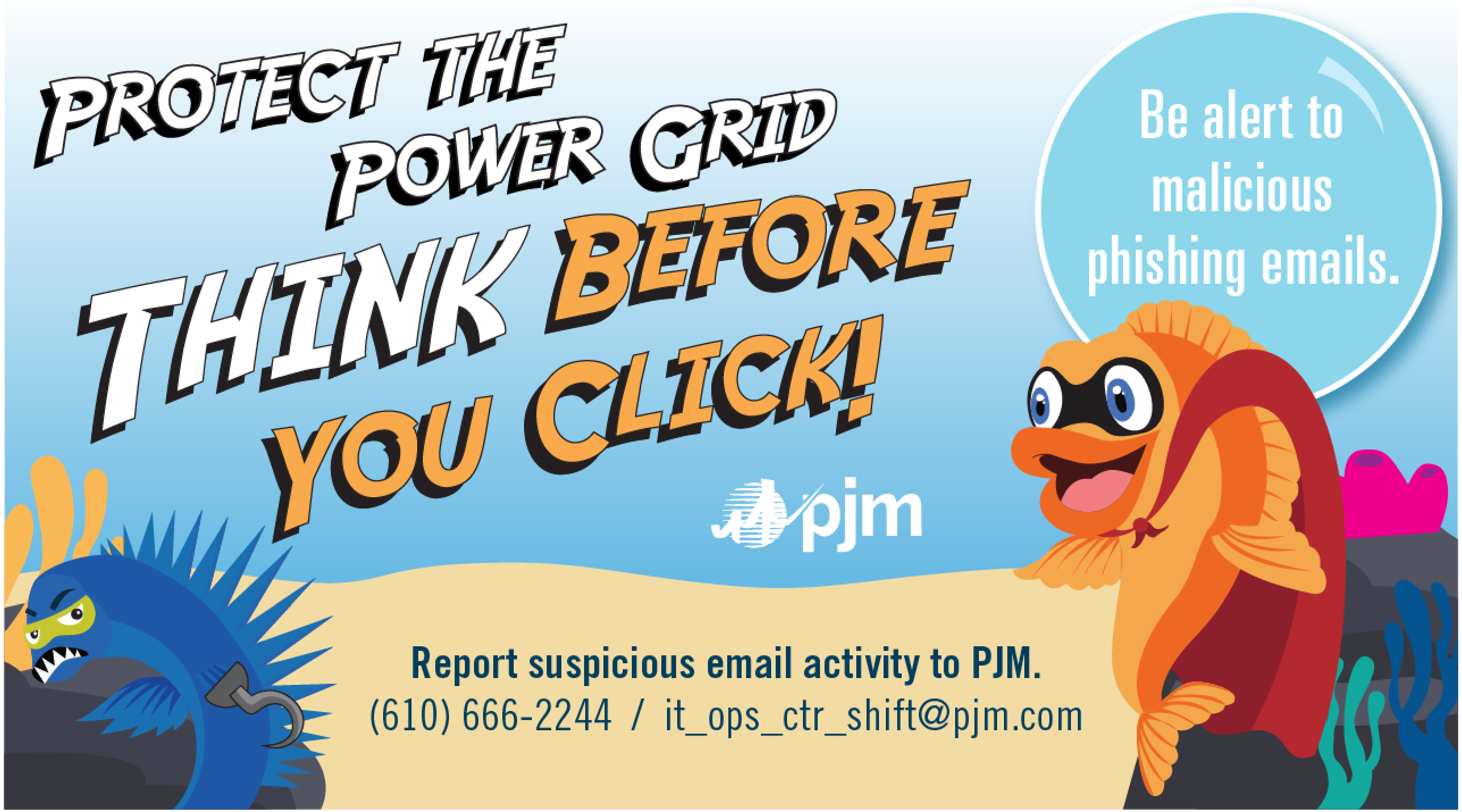
SME/Presenter:
Jessica Lynch, Jessica.Lynch@pjm.com

Member Hotline

(610) 666-8980

(866) 400-8980

custsvc@pjm.com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