Customized Energy Solutions – Questions/commentary on draft Brattle report

Executive Summary, A. Draft CONE Recommendations:

- Use of average of CC and CT reference technologies — Brattle says this "Avoids a full switch to CCs as new reference technology." Please explain why we wouldn't want to make that switch.
- Adopt level-real value for gross CONE — Brattle says that "Level-nominal likely understates future net revenues and overstate what developers need to enter." Please explain why the estimate of future revenues is different from one method to the other.
- For annual CONE updates, replace Handy-Whitman "Other" index with wage, materials, and turbine indices from BLS. Brattle says this will "Stabilize CONE updates by avoiding the anomalous patterns of the Handy-Whitman index currently used. Please explain what causes the anomalies in HWI and how they are avoided by the BLS indices.
- Please document the assumption that SWMAAC plants will acquire firm gas transportation due to pipeline issues. We'd like to know if this is prevailing practice for plants in SWMAAC now, and if there are any local regulatory requirements driving it.

Executive Summary, B. Draft E&AS Methodology Recommendations:

- Make E&AS simulations more realistic, starting by investigating why they significantly exceed actuals for CCs in all areas and for CTs in SWMAAC. Given the timeframe that stakeholders are on, it would have been very helpful for Brattle to have suggested why they think this is the case, as it could provide significant input into the development of a forward-looking methodology. If Brattle has thoughts on why E&AS has been overstated, please share them.

Executive Summary, C. Draft VRR Curve Recommendations:

- Right-shift point A to a quantity at 1-in-5 LOLE. Brattle says that the current VRR curve does not meet the 1-in-10 reliability objective on average. Please provide more detailed explanation of your modeling assumptions and results; the brief moments devoted to this in the CONE Triennial Review presentation were not nearly sufficient to explain this position. The assumption that load forecasts and Net CONE estimates are accurate are particularly questionable, given conclusions elsewhere that they are not. Also, please provide an analysis that considers the approved changes to Clearing of Limited DR, which ensures that procurement to the VRR curve and beyond is with Annual capacity resources, which PJM explained as providing greater reliability. We need to understand how that interacts with this proposal to systematically increase reliability requirements.
- Impose a minimum curve width equal to 25% of CETL. Please explain how 25% of CETL was determined to be the appropriate minimum curve width.

Other notes:

- Slide 50: Brattle states that LDA size approximately scales with CETL. Please provide documentation of this assertion.