Proposed Lost Opportunity Credit (LOC) Tariff Change Example

April 17 2015

Generation	1	MW
Incr+NL	$ 35	/MWH
Startup Cost	$ 100	/Start

	DA LMP	DA Gen	DA Revenue	RT LMP	RT Gen	Incr+ NL	Startup for LOC	Incurred Startup	RT Buyback	LOC	Incurred Fuel Expense	Profit if RT MW = DA MW
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12	80	1	80	50	0	35	10		-50	5		$ (55)
13	80	1	80	50	0	35	10		-50	5		45
14	80	1	80	50	0	35	10		-50	5		45
15	80	1	80	50	0	35	10		-50	5		45
16	80	1	80	50	0	35	10		-50	5		45
17	80	1	80	150	1	35	10	-100	0	0	-35	45
18	80	1	80	150	1	35	10		0	0	-35	45
19	80	1	80	50	0	35	10		-50	5		45
20	80	1	80	50	0	35	10		-50	5		45
21	80	1	80	50	0	35	10		-50	5		45
22												
23												
24												
Cash Flow			800					-100	-400	40	-70	350

BOR Credit= 0 because the unit made money

Profit if followed PJM Direction	270
Profit if ran to DA Schedule	350

Key Takeaways

- The proposed tariff language subtracts startup cost from LOC credits even if the unit incurred startup cost in real time by running part of the Day Ahead commitment.
  - The rationale for changing LOC formula was "because the unit didn't incur startup".
- As a result the resource owner may not be made whole to their DA profit.