



Black Start Compensation

Tariff Schedule 6A Revisions - Minimum Incentive Compensation Proposal

Markets and Reliability Committee

January 30, 2014



- The incentive factor ("Z") in the formula is redefined to be greater of 10% or \$25,000 as shown on pages 5 and 10 of posted Tariff language:

The formula for calculating a generator's annual Black Start Service revenue requirement is:

$$\{(\text{Fixed BSSC}) + (\text{Variable BSSC}) + (\text{Training Costs}) + (\text{Fuel Storage Costs})\} * (1 + Z)$$

For units that have the demonstrated ability to operate at reduced levels when automatically disconnected from the grid, the formula is revised to:

$$(\text{Training Costs}) * (1 + Z)$$

Z

Z shall be an incentive factor solely for Black Start Units with a commitment established under section 5 above and shall be the greater of [ten percent * (Fixed BSSC + Variable BSSC + Training Costs + Fuel Storage Costs)] or \$25,000. For those Black Start Units that elect to recover new or additional Black Start Capital Costs under section 6 above, the incentive factor, Z, shall be equal to zero.

- MW amount based on RFP accepted MWs for Energy Resources and ICAP for Capacity Resources as shown on page 6 of posted Tariff language:

“Black Start Unit Capacity” is either: (i) the Black Start Unit’s installed capacity, expressed in MW, for those Black Start Units that are Generation Capacity Resources; or (ii) the offered awarded MWs in the Transmission Provider’s request for proposal process under the PJM manuals, for those Black Start Units that are Energy Resources.

- Automatic Load Rejection permitted to recover NERC compliance costs where documented as shown on page 9 of posted Tariff language:

Black Start Units with the demonstrated ability to automatically remain operating, at reduced levels, when disconnected from the grid may receive NERC Compliance associated with providing Black Start Service costs in addition to the formula above, if approved in accordance with the procedures in Paragraph 17.



- Compensation for fuel storage for fuels other than oil as shown on pages 9 and 10 of posted Tariff language:

Fuel Storage Costs:

- ~~Black Start Units that cannot use oil for fuel shall calculate Fuel Storage Costs or "FSC" as zero. Except as provided for Hydro units as discussed below, Black Start Units that store can use oil for fuel on site shall calculate Fuel Storage Costs in accordance with the following formula:~~

$$\{MTSL + [(\# \text{ Run Hours}) * (\text{Fuel Burn Rate})]\} * \\ (12 \text{ Month Forward Strip} + \text{Basis}) * (\text{Bond Rate})$$

Hydro units may be eligible to receive storage costs if used for Black Start Service and approved in accordance with the procedures in Paragraph 17.

- PJM review of formula every five years as shown on page 10 of posted Tariff language:

~~At least Every two five years~~, PJM shall review the formula and its costs components set forth in this section, and report on the results of that review to stakeholders.