



# Cost Review Senior Task Force Final Proposal Report

August 21, 2014

## Issue Summary

[Offer Cap Review Problem Statement](#)  
[Offer Cap Review Issue Charge](#)  
[Cap Review Senior Task Force Charter](#)

Problem Statement/Issue Charge approved at Markets and Reliability Committee on April 24, 2014

Number of Meetings covering this topic: 6

### 1. Recommended Proposal

Proposal B limits the cost based incremental energy offer to the lower of:

1. production cost + 10%
2. production cost + \$90

Production cost refers to the costs as defined by Cost Development Guidelines. In this proposal the 10% adder is limited to \$90 and the Frequently Mitigated Adder and Associated Unit adder would not apply above \$1,000/MWh. Should cost based offers exceed \$1,000/MWh PJM would report out on an aggregate level to stakeholders. To ensure adequate and correct mitigation, market-based or price-based offers must be less than or equal to cost-based offers when cost-based offers are greater than \$1,000 per MWh.

### Appendix I: Proposals Not Meeting the Threshold

Proposal A is Status Quo, with a pre-determined PJM/IMM review process for cost recovery above offer cap due to circumstances as reflected in metrics addressing weather, generation/transmission operations, fuel availability, other. For cost offers exceeding \$1000 would be compensated in uplift in an ex-post review with no 10% adder based on actual verified costs out of market. This proposal is similar to the first PJM waiver but without a FERC filing. There would be an ongoing reporting requirement by PJM and the IMM and a review of the cap would be triggered if the market experiences systemic repetitive costs above the cap.

Proposal C includes a cap on all components = actual costs (incremental, start-up, and no-load). Day ahead gas costs index must be clearly defined. Heat rates must be pre-approved by the Market Monitoring Unit. All offers will be reviewed after the fact. The market monitor will provide a report for members after the first winter, based on actual experience. Cost-based offers greater than \$1,000 per MWh will not include a ten percent adder or an FMU or AU adder a. The ten percent adder will slowly decrease as the cost offer approaches \$1000 and there will be no 10% adders above \$1000/MWh.



## Appendix II: Voting Report

Summary results	#
Individual Respondents	31
Member Companies	142

Package A	#	Percentage
Yes	31	25%
No	95	
Abstain	16	

Package B	#	Percentage
Yes	79	56%
No	62	
Abstain	1	

Package C	#	Percentage
Yes	28	20%
No	110	
Abstain	4	

## Appendix III: Supplemental Documents

[CRSTF Education Document](#)