Q. Does NERA believe that in general, the upper limit to the unit cost of providing generating capacity reserves should be based on the cost of a simple cycle combustion turbine peaking unit? (NERA Marginal Cost Study)

A. NERA has provided the following response to this Request For Information:

In general, the full cost of a simple cycle combustion turbine (CT) peaking unit represents the least expensive capacity that a utility would install to provide reserves. However, there can be features of the system that make CTs unsuitable as peaking resources. For example, we have encountered situations where fuel supply was an issue and the utility did not consider a CT sufficiently reliable. In addition, the marginal cost of generation capacity can rise above the cost of a CT in the near-term in a case where there is a shortage of capacity.