

Sources for Heat Rate Improvement Assumptions

- The heat rate improvements implemented to represent generator efficiency are based on previous work on competitive electric power markets.
- The specific 6% heat rate improvement used in this study was taken from the Environmental Assessment for FERC Order No. 2000. Similar assumptions were used in the Environmental Impact Statement for FERC Order No. 888 and the Department of Energy's Supporting Analysis for the Comprehensive Electricity Competition Act.
- The methodology supporting these heat rate improvement assumptions is based on best practice analysis, an analytic method often employed in engineering and corporate finance contexts. The approach relies upon statistical analysis of performance indicators.
- A complete report that documents the basis for the Department of Energy's heat rate improvement assumptions can be obtained from <http://www.onlocationinc.com/hreport.htm>. The report is titled Efficient Heat Rate Benchmarks for Coal-Fired Generating Units. The potential for heat rate improvement under competitive incentives is estimated to be 8% in this study.