

Capacity Transfer Rights in RPM Problem Statement/Issue Charge

**PJM Market Implementation Committee
March 10, 2021**

Sponsor: Buckeye Power

Capacity Transfer Rights in RPM – Issue Content

- Within the context of PJM's current Reliability Pricing Model (“RPM”), capacity market congestion occurs when there is a difference between clearing prices paid by load for capacity and the market revenue received by cleared capacity resources.
- Capacity Transfer Rights (“CTRs”) return such RPM congestion revenues to load serving entities (“LSEs”).
- Across a constrained Locational Delivery Area (“LDA”) or zone, CTRs permit LSEs to receive a credit for the importation of capacity from a lower-priced region such as the RTO LDA to the constrained LDA.

Capacity Transfer Rights in RPM – Issue Content

- PJM’s current RPM rules allocate CTRs on a pro-rata basis to the LSEs in a constrained LDA.
- The current method does not account for designated historic network resources and network load identified in a LSE’s Network Integration Transmission Service Agreement (“NITSA”).
- Mismatch between current CTR allocation and the LSE’s constrained LDA Network Service Obligation exposes LSEs serving load in a constrained LDA to price separation.

Capacity Transfer Rights in RPM – Scope

- **Key Work Activities**

- The following are some key work activities that should be undertaken to address the above stated problem.

- **KWA # 1:** Education on the current capacity market rules regarding how CTRs are allocated to LSEs in a constrained LDA.
 - **KWA # 2:** Explore potential enhancements to the allocation of CTRs to recognize designated historic network resources (pre-RPM) and network load identified in a NITSA, without changing the total amount of available CTRs or the ICTR allocation.

Proposed MIC Stakeholder Process

- Expected Deliverables
 - Tariff (Attachment DD) and Manual 18 language, as necessary.
- Decision-Making Method
 - Tier 1, consensus (unanimity) on a single proposal.
- Stakeholder Group Assignment
 - Sponsor proposes that the MIC is the appropriate venue discussing this issue.

Proposed MIC Stakeholder Process

- Expected Duration of Work Timeline
 - KWA # 1 - Education: 2 months
 - KWA # 2 – Discussion & Exploration of enhancements to CTR allocation rules
- Sponsor's objective is for PJM to make a FPA Section 205 FERC filing in 2021.

Questions?

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