

DRAFT

Consideration of Performance Assessment Recommendations in Support of the Reliability Pricing Model

Problem / Opportunity Statement

The PJM Open Access Transmission Tariff, in Attachment DD – Section 17.6, requires a performance assessment of the Reliability Pricing Model (RPM) be provided to the Federal Energy Regulatory Commission (FERC) within six months of the conclusion of the fourth delivery year. PJM contracted The Brattle Group to perform the performance assessment. Several recommendations were presented by Brattle to the stakeholder body and summarized in a report posted on the PJM website on August 26, 2011. PJM stakeholders are interested in immediately considering recommendations from the performance assessment that are listed in Key Work Activities section of this document as well as other recommendations at a later date. This charge reflects the items that members would like to address for filing with FERC on November 30 and for implementation for the 2015/16 Base Residual Auction.

Issue Source

RPM performance assessment from Brattle and feedback from Markets and Reliability Committee (MRC) members.

Stakeholder Group Assignment

Special working sessions of the Markets and Reliability Committee for short term items. However, a special task force will be developed to take up recommendations earmarked for a later date.

Key Work Activities

The key work activities that will be handled by the MRC are listed below it is recognized that these discussions could become broad, and the group will endeavor to limit these items to that which can be completed in the time allotted for the FERC filing. Longer term discussions will be deferred to the senior task force that is contemplated in this issue charge.

Activities include consideration for the following recommendations from the performance assessment provided by Brattle.

1. Investigate and provide recommendations regarding the Brattle recommendations to reduce volatility and unpredictability associated with CETL determination limited to the following:
 - a. Provide CETL Forecasts within 5 and 10 year RTEP outlook;
 - b. Provide uncertainty ranges around CETL values;
 - c. Provide CETL model to stakeholders; and,
 - d. Identify successive limiting elements;
2. Load forecast: Provide estimates of forecast uncertainty and provide semi-annual forecast updates.
3. Voluntary Auction: Develop a voluntary, long-term auction with recognition that a transition plan may be needed to incorporate into the BRA.
4. Incorporate Brattle recommendations for 2.5% holdback: Maintain 2.5% deferred supply from total resource requirement but eliminate 2.5% deferred supply from minimum annual and extended summer resource requirement. Consider interaction with assumptions regarding DR saturation analysis.

Expected Deliverables

The special working sessions of the MRC will provide details for implementation of the key work activities and any supporting documentation changes in time for a FERC filing on November 30, 2011.

Expected Overall Duration of Work

This effort would conclude in time for a November 30, 2011 compliance filing.

Decision-making Method

Stakeholders will seek Tier 1, consensus (unanimity) on a single proposal (preferred default option), or if not able to reach consensus, Tier 2, multiple alternatives.