

Problem Statement

The experience and results of the first Base Residual Auction under the CP rules raise concern about the ability of certain resources with different seasonal availabilities to participate at meaningful levels as Capacity Resources. Recognizing the reliability value of different types of resources during varying peak periods, the ability to procure a least-cost mix of resources to meet system needs may be affected.

Specifically, certain changes in PJM's capacity market resulting from the transition to CP may have the result of creating a barrier for resources with seasonal differences, ~~including summer-only DR, energy efficiency, and renewable resources,~~ to be able to contribute to satisfy the region's installed reserve margin in the future. This risk arises due to the elimination of Base Capacity effective with the 2020/2021 Delivery Year, and the changes to measurement and verification for non-summer Capacity Performance demand resources. Through these two changes, demand resources, energy efficiency, solar, and other resources that are either exclusively or primarily available in the summer season, may no longer be able to meaningfully participate in PJM's capacity market.

Comment [KG1]: Redline offered by a member as a friendly amendment

When Capacity Performance was originally structured by PJM, the opportunity for Aggregation was intended to serve as the structural vehicle for capturing seasonal resources in the capacity market. However, no aggregated offers were submitted in the first BRA with CP. Given PJM states and national energy policies that support demand response, energy efficiency, and renewable resources, it warrants exploring whether PJM's capacity market could incorporate more meaningfully ~~those~~ resources with such seasonal differences.

Comment [KG2]: Redline offered by a member as a friendly amendment

This Problem Statement is offered now because if changes to PJM's Aggregation rules or other rule changes to facilitate participation of resources with different seasonal availabilities are found to be appropriate, such changes would need to occur before the BRA for the 2020/2021 Delivery Year, which is scheduled for May 2017.

Key Work Activities

1. Evaluate the current CP rules to assess the terms under which seasonal resources may participate as capacity resources in the 2020/2021 Delivery Year and beyond. Evaluate the limited experience to date with seasonal resources as CP resources.
2. Analyze alternatives to requiring 100% annual Capacity Performance Resources for meeting reliability requirements such as, but not limited to, creating annual resources from combinations of sub-annual resources as part of the auction process, addressing via measurement and verification, etc.
3. In considering various alternatives, evaluate and consider, at a minimum, potential impact on operational flexibility, reliability, and economic impact on capacity and energy markets.
4. Determine whether barriers to entry for seasonal resources exist in the 2020/2021 Delivery Year and beyond, and identify whether any such identified barriers may be removed while maintaining the commitment of 100% CP resources for the entire Delivery Year.