

# FERC Order Rejecting ELCC Proposal and Next Steps

Thomas DeVita

Sr. Counsel, Office of the General Counsel

Andrew Levitt

Market Design and Economics Dep't

May 11, 2021 Planning Committee Meeting

- On April 30, FERC found that PJM's proposed ELCC transition mechanism was unjust and unreasonable, and FERC therefore rejected PJM's entire March 1 ELCC proposal.
- This triggered the reopening of a paper hearing under Section 206 that had been held in abeyance during the development of the ELCC proposal.
- FERC also gave PJM the option to file a revised ELCC proposal under Section 205, and thereby continue to hold the paper hearing in abeyance. In order to qualify for this option, PJM would need to file its intent by no later than May 14, and would need to make the new Section 205 filing by no later than June 1.

FERC in April 30 Order: *"While we reject the ELCC proposal because we find the proposed transition mechanism to be unjust and unreasonable and unduly discriminatory, we note that PJM's ELCC framework, without the transition mechanism, appears to be a just and reasonable approach to determining the accredited capacity value of Variable Resources, Limited Duration Resources, and Combination Resources."* (P 17)...

*"PJM is under no obligation to implement a revised method for determining the capacity capability of Capacity Storage Resources, or any other resource type, prior to the next BRA. However, as discussed above, we have specified an expedient paper hearing schedule to investigate the justness and reasonableness of PJM's existing capacity valuation methods as soon as possible."* (P 123)

PJM is considering whether to meet FERC's requirements for holding the paper hearing in abeyance, which include filing a revised ELCC proposal on June 1, and filing our intent to do so on May 14. PJM would like feedback from members prior to proceeding.

- May 11: PC – consult with stakeholders on paper hearing
- May 13: MIC – consult with stakeholders on paper hearing
- May 14: deadline for PJM to file intent to submit revised ELCC proposal
- May 14: consult with stakeholders on ELCC solutions
- May 26: informational update at MRC
- June 1: deadline to file revised ELCC proposal with FERC in order to hold paper hearing in abeyance

Note: ELCC provisions in the PJM governing documents are mainly in the Reliability Assurance Agreement (RAA), with minor provisions in the Tariff. There are no provisions in the Operating Agreement.

- PJM has 205 filing rights over the RAA. The PJM Board must approve all such changes.
- PJM has 205 filing rights over the applicable portions of the Tariff. PJM must consult with the Members Committee 7 days prior to filing any changes.

- The Commission found that PJM’s proposed formulaic ELCC methodology “appears to largely strike the appropriate balance” between providing sufficient detail in its Tariff vs manuals. (P 66)
  - One exception:  
*“[T]he Commission’s rule of reason policy would likely require PJM to include the definitions of the ELCC Classes in the RAA. In contrast to modeling assumptions such as weather patterns, load shapes and resource output profiles that PJM should have the flexibility to adjust in consultation with stakeholders, we find that the ELCC Classes should be specified in the RAA.” (P 66)*

Facilitator:  
David Souder  
David.Souder@pjm.com

Secretary:  
Molly Mooney  
Molly.Mooney@pjm.com

SME/Presenter:  
Thomas DeVita,  
Thomas.Devita@pjm.com

## **FERC Order Rejecting ELCC Proposal and PJM Plans for June 1 Revised ELCC Filing**



### Member Hotline

(610) 666 – 8980

(866) 400 – 8980

custsvc@pjm.com

# Appendix: Additional Details



# Guidance on Non-Transition Aspects of Proposal

- “[W]e concur with PJM that the ELCC analysis to determine the UCAP of the entire set of ELCC Resources does not need to account for the locational nature of resources and transmission constraints within the PJM footprint.” (P 52)
- “We agree with PJM that it is similarly appropriate to exclude transmission constraints for the purposes of determining the UCAP of the entire set of ELCC Resources and therefore find that PJM’s proposed approach would be appropriate.” (P 52)
- “[W]e agree with PJM that an adjusted class average approach is appropriate because it: (1) applies uniform capacity obligations on similarly situated resources based on their class average contribution to system resource adequacy; and (2) ensures that the sum of resource class’s accredited capacity values is equal to the aggregate reliability value of the ELCC Resource portfolio.” (P 54)
- “The IMM claims that ex ante calculation of the ELCC values before knowing the precise quantity of ELCC Resources that will clear the market will lead to incorrect capacity valuation. However, we find that this approach appears to be appropriate because we find that PJM generally can predict the resource quantities by class prior to making a final ELCC Class Rating determination such that its ex ante ELCC analysis is sufficiently accurate.” (P 55)
- “The preliminary ELCC Class Rating for 4-hour electric storage resources provided in PJM’s Deficiency Letter Response (79%) is reasonable and roughly aligns with the Commission-accepted ELCC values that NYISO determined for 4-hour electric storage resources.” (P 56)
- “We find that PJM’s proposed formulaic ELCC methodology appears to largely strike the appropriate balance between providing sufficient detail in its Tariff, while leaving PJM and stakeholders with sufficient discretion to improve various implementation details over time as they gain experience with the ELCC methodology.” (P 66)
- “We are not persuaded by commenters’ claims that the inability to precisely reproduce PJM’s determination of ELCC Class Ratings and Accredited UCAP values would necessarily render the proposal unjust and unreasonable or insufficiently transparent. Rather, we believe that PJM has provided a clear explanation of the process for determining these values, which only PJM as the market operator would be able to produce using the proprietary market and resource-specific data available to PJM.” (P 67)
- “We agree with PJM and supportive commenters that its proposed approach would ensure that reliability is not at risk by appropriately limiting the total capacity in a resource’s capacity market offer to be no greater than its CIR, which reflects the resource’s deliverable capacity to the PJM market during peak conditions.” (P 78)

“I believe that PJM’s current ELCC proposal, while an improvement over the status quo, can and will be improved. I hope that parties will use the opportunities provided by today’s order to offer additional comment on how the ELCC construct can be made more accurate, including particularly addressing any necessary post hoc reporting requirements that detail actual performance versus the ex ante ELCC values, how such data can and will be used to adjust values, and the functioning of performance penalties to ensure consumers are not forced to pay for capacity that turned out to be over-valued by the ELCC formula in actual performance.”