



Balancing Ratio Determination

Problem / Opportunity Statement

Section 6.4(a) of Attachment DD of the PJM OATT sets the default Market Seller Offer Cap (“MSOC”) for any Capacity Performance (“CP”) Resource equal to the product of the Net CONE (applicable for the Delivery Year and Locational Deliverability Area for which such Capacity Performance Resource is offered) times the average of the Balancing Ratios in the three consecutive calendar years during the Performance Assessment *Intervals* in such calendar years that precede the Base Residual Auction for such Delivery Year. This requirement creates a problem for the upcoming 2021/2022 BRA because no Performance Assessment Intervals have occurred for the relevant time period (i.e., calendar years 2015, 2016 and 2017) thereby making impossible a determination of the Balancing Ratio value needed to calculate the default MSOC for a CP Resource applicable to the 2020/2021 BRA. Even if Performance Assessment Intervals were to occur by the end of the 2017 calendar year, the Balancing Ratio associated with such intervals may not be known in a timely manner because default MSOC values are posted in mid-December in order to inform the resource-specific MSOC process for which all data and documentation must be provided by no later than 120 days prior to the opening of the sell offer period of the BRA (i.e., no later than mid-January prior to the BRA).

As part of the discussion of this problem/opportunity statement at the September MIC, some members indicated a desire to discuss the number of Performance Assessment Hours assumed to occur in an average year. This number is used in the determination of the Non-Performance Charge Rate for resources that have a Performance Shortfall. The interested members indicated that the number of Performance Assessment Hours used in the determination of the Non-Performance Charge Rate should be consistent with the determination of the Balancing Ratio used in the default MSOC. Currently the number of hours used to calculate the Non-Performance Charge Rate is 30, however, there have been no Performance Assessment Hours since CP was implemented.

The calculation of the Non-Performance Charge rate is contained in Section 10A(e) of Attachment DD of the PJM OATT.