



2011/2012 RPM First Incremental Auction Results

Introduction

This document provides additional information for PJM stakeholders regarding the results of the 2011/2012 Reliability Pricing Model (RPM) First Incremental Auction. The 2011/2012 First Incremental Auction was held from June 1, 2009 to June 5, 2009.

The First Incremental Auction

RPM First Incremental Auctions provide capacity suppliers with an opportunity to sell or purchase capacity for the Delivery Year through a PJM-administered auction process. Resource-specific sell offers are submitted into this auction by suppliers with excess capacity beyond what is needed to satisfy their commitments from the Base Residual auction for the Delivery Year. All resource-specific sell offers into a First Incremental Auction are subject to market power mitigation through the application of the Three-Pivotal Supplier Test.

The purpose of the First Incremental Auctions conducted for Delivery Years prior to 2012/2013 is to allow resource owners to purchase replacement capacity. In First Incremental Auctions conducted for Delivery Years prior to 2012/2013, PJM does not procure additional capacity on behalf of load and the zonal capacity prices that LSEs in PJM pay for capacity are not affected by the results of this auction. Zonal capacity prices are only affected by the Base Residual and Second Incremental Auctions for Delivery Years prior to 2012/2013. Those prices are then finalized after the ILR Certification Period.

Any party that desires to purchase LDA-specific replacement capacity for the Delivery Year may do so by submitting a buy bid into the First Incremental Auction. Cleared Buy Bids purchased in a First Incremental Auction may be used as replacement capacity to cover Delivery Year commitment and compliance shortfalls. Those parties that do not clear buy bids in a First Incremental Auction but still desire to purchase capacity for the Delivery Year may do so in the Third Incremental Auction or through a bilateral purchase.

A First Incremental Auction is cleared in a similar fashion to that of a Base Residual Auction with the exception that no Variable Resource Requirement curve is utilized. The demand in a First Incremental Auction is composed of the LDA-specific buy bids submitted by participants who wish to purchase replacement capacity. The relative positions of supply and demand in each region will determine the resulting cleared MW and price quantities.



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Table 1 - 2011/2012 First Incremental Auction Results

	Total Supply (MW ICAP)	Total Supply (MW UCAP**)	Total Demand (MW UCAP)	Cleared Demand (MW UCAP)	Cleared Supply (MW UCAP)	Clearing Price (\$/MW-Day)
RTO *	3268.1	2842.5	11968.5	361.1	361.1	55.00

** Resource offers converted to UCAP using Offer EFORD

Table 1 contains a summary of the offer, bid and clearing data for 2011/2012 First Incremental Auction. No constrained LDAs were identified in the Planning Parameters, so all resource offers and buy bids are located in the RTO. Each column in this table is explained in more detail in the upcoming sections of this report.

Supply in the 2011/2012 First Incremental Auction

The 3268.1 MW of sell offers (supply) offered into the First Incremental Auction is composed of uncleared capacity from the 2011/2012 Base Residual Auction and new capacity in the form of uprates to existing resources or resources that were not previously capacity resources in PJM. All supply offers provided by sellers are quoted in Installed Capacity (ICAP) terms.

Each generation resource sell offer was converted to UCAP using the Sell Offer EFORD. As a result, 2842.5 MW of UCAP was offered into this auction.

Demand in the 2011/2012 First Incremental Auction

The demand in a First Incremental Auction is composed of LDA-specific buy bids submitted by participants. The buy bids are specified in UCAP terms and, if cleared, are binding commitments to purchase capacity for the entire Delivery Year. A total of 11968.5 MW of buy bids were submitted into this auction for capacity in the Unconstrained RTO LDA.



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2011/2012 First Incremental Auction Clearing Results

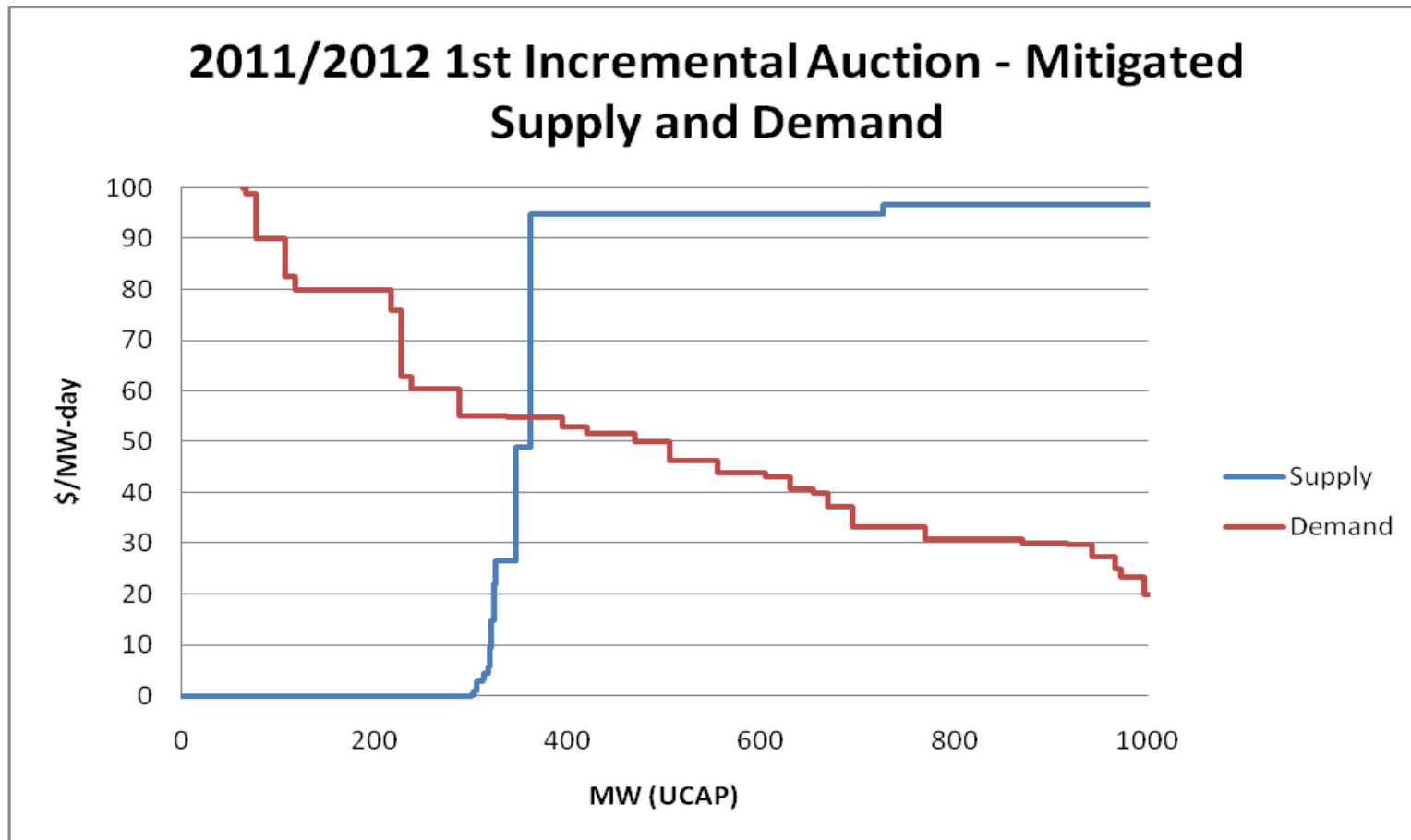
In the 2011/2012 First Incremental Auction, a total of 361.1MW of UCAP was cleared at a price of \$55.00/MW-Day.

Figure 1 shows the intersection of the RTO mitigated supply and demand curves. The plot below is truncated to show the intersection at \$55.00/MW-Day. The full RTO supply and demand curves are shown in Figure 2.



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Figure 1 – Truncated RTO Mitigated Supply and Demand Curves





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Figure 2 – Complete RTO Mitigated Supply and Demand Curve

