

RPM Incremental Auction FAQs

1. What is the purpose of an RPM Incremental Auction?

Prior to the 2012/2013 Delivery Year: The First and Third Incremental Auctions are conducted to allow for replacement resource procurement. The Second Incremental Auction is conducted to allow for an incremental procurement of resource commitments when there is an increase in the region's unforced capacity obligation as a result of a load forecast increase.

Effective with the 2012/13 Delivery Year: The First, Second, and Third Incremental Auctions are conducted to allow for replacement resource procurement, increases (procurement) and decreases (selling excess) in resource commitments due to reliability requirement adjustments, and deferred short-term resource procurement. A Conditional Incremental Auction may be conducted if a Backbone transmission upgrade is delayed and results in the need for PJM to procure additional capacity in a Locational Deliverability Area to address a reliability criteria violation.

2. How can I confirm that an RPM Incremental Auction is being held?

You can confirm that an RPM Incremental Auction is being held by viewing the RPM Schedule posted on the RPM Auction User Information web page. The schedule for all RPM Auctions is posted on the RPM Auction User Information web page under the link titled "RPM Schedule".

<http://www.pjm.com/markets-and-operations/rpm/rpm-auction-user-info.aspx>

3. What time does the auction bidding window open on the first day of the auction?

The RPM Auction bidding window opens at 12:01 AM EPT on the first day of the auction bidding window.

4. What times does the auction bidding window close on the last day of the auction?

The RPM Auction bidding window closes at 5:00 PM EPT on the last day of the auction bidding window.

5. When will the auction results be posted?

The RPM Auction results will be posted between 4:00 PM and 5:00 PM EPT on the last day of the auction clearing week.

6. If I am projected to have a short resource position, must I submit a buy bid in an Incremental Auction?

There is no mandatory buy bid requirement. A Market Participant may submit buy bids in Incremental Auctions regardless of their projected resource position, but is not required to do so.

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7. Does the EFORd Offer Segment apply for Incremental Auctions?

Effective with the March 26, 2009 FERC Order on RPM, the EFORd Offer Segment has been eliminated. The EFORd Segment box will still be visible on the Resource Offer screen in the eRPM, but will no longer be editable.

8. What MW amount of my resource is required to offer in an Incremental Auction for the Delivery Year?

The eRPM system will calculate Minimum Available ICAP, Maximum Available ICAP, and Current Available ICAP positions for a generation resource on the Resource Offer Screen. If you have a positive Minimum Available ICAP position, you will be expected to offer at least the Minimum Available MWs into the Incremental Auction. If you have a negative or zero Minimum Available ICAP value, you will not be expected to offer any MWs into the Incremental Auction.

See the screen shot below:

TEST GENERATOR

EFORd:

EFORd Limit: **2.4**

New Unit:

Pricing

EFORd Segment

Min MW	(null)
Max MW	(null)
Price	(null)

Available ICAP MW

Current	0
Max	1
Min	-2.6

	1	2	3
Min MW	(null)	(null)	(null)
Max MW	(null)	(null)	(null)
Price	(null)	(null)	(null)
Scheduling Option	(null)	(null)	(null)

The Minimum, Maximum, and Current Available MWs are displayed on the Resource Offer screen. You need to submit a resource offer at least equal to the positive Min Available ICAP value, and no greater than your Max Available ICAP MW value.

9. How is the Minimum Available ICAP position calculated?

The Minimum Available ICAP position is the minimum amount of capacity in ICAP terms that ***must*** be offered into the auction.

Minimum Avail ICAP Position = Min (Daily Min Avail ICAP) in the Delivery Year

Daily Min Avail ICAP = Daily ICAP Owned – Daily Unoffered ICAP – [Daily Cleared UCAP/(1 – Max (BRA EFORd_{1 yr}, BRA EFORd_{5 yr}, BRA Sell Offer EFORd))] – Daily FRR ICAP Commitment

BRA EFORd_{1 yr} = EFORd_{1 yr} as known at time of the Base Residual Auction (BRA)

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BRA EFORd_{5 yr} = EFORd_{5 yr} as known at time of BRA

BRA Sell Offer EFORd = EFORd value submitted by party in BRA Sell Offer

For the BRA and 3rd IA, a party's Minimum Available ICAP position will equal to the party's Current Available ICAP position for such unit.

10. How is the Maximum Available ICAP position calculated?

The Maximum Available ICAP position is the maximum amount of capacity in ICAP terms that **may** be offered into the auction.

Maximum Avail ICAP Position = Min (Daily Max Avail ICAP) in the Delivery Year

Daily Max Avail ICAP = Daily ICAP Owned – Daily Unoffered ICAP – [Daily Cleared UCAP/(1 – 0)] – Daily FRR ICAP Commitment

BRA EFORd_{1 yr} = EFORd_{1 yr} as known at time of the Base Residual Auction (BRA)

BRA EFORd_{5 yr} = EFORd_{5 yr} as known at time of BRA

BRA Sell Offer EFORd = EFORd value submitted by party in BRA Sell Offer

For the BRA and 3rd IA, a party's Maximum Available ICAP position will equal to the party's Current Available ICAP position for such unit.

11. How is the Current Available ICAP position calculated?

The Current Available ICAP position is the capacity value of the unit, in ICAP terms, that is not otherwise committed or ineligible to receive capacity revenue, using the most current available outage data.

Current Avail ICAP Position = Min (Daily Avail ICAP) in the Delivery Year

Daily Avail ICAP = Daily ICAP Owned – Daily Unoffered ICAP – [Daily Cleared UCAP/(1 – Effective EFORd)] – Daily FRR ICAP Commitment

Effective EFORd = The EFORd based on forced outage data for 12 month ending September 30 prior to the RPM Auction. For the Third Incremental Auction, the Effective EFORd will be the Final EFORd for the DY.

For the BRA and the Third Incremental Auction, the Current Available ICAP Position, Minimum Available ICAP Position, and Maximum Available ICAP Position will be equal.

12. What EFORd value may I submit in an Incremental Auction generation resource offer?

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For the First or Second Incremental Auction, the minimum EFORd that may be submitted in a generation resource offer is 0.

For the First or Second Incremental Auction, the maximum EFORd that may be submitted in a generation resource offer is the maximum of the BRA EFORd_{1 yr}, BRA EFORd_{5 yr}, and BRA Sell Offer EFORd.

BRA EFORd_{1 yr} = EFORd_{1 yr} as known at time of the Base Residual Auction (BRA)

BRA EFORd_{5 yr} = EFORd_{5 yr} as known at time of BRA

BRA Sell Offer EFORd = EFORd value submitted by party in BRA Sell Offer

The Maximum allowable Offer EFORd is displayed on the Resource Offer Screen. See the screen shot below:

The screenshot shows a form with the following fields:

- EFORd: null
- Max Offer EFORd: 0.00843
- New Unit Pricing:
- EFORd Segment: EFORd Limit: null
- Min MW: (null)
- Max MW: (null)
- Price: (null)
- Available ICAP MW:
 - Current: 9.7
 - Max: 9.9
 - Min: 0

Resource owners must receive permission from the Market Monitor in order to enter a sell offer EFORd that exceeds the BRA EFORd_{1 yr}, BRA EFORd_{5 yr}, and BRA Sell Offer EFORd.

For the Third Incremental Auction, the only EFORd that may be submitted in a generation resource offer is the Final EFORd for the Delivery Year. PJM will preload the Final EFORd values in the resource offer screen. If you have a question regarding the pre-populated value, please contact the RPM Hotline at: RPM_Hotline@pjm.com.

13. What default Avoidable Cost Rate (ACR) values are applicable for the Incremental Auction?

Default ACR values that are applicable for a Delivery Year Incremental Auction are posted on PJM RPM Auction User Information Page via this link <http://www.pjm.com/markets-and-operations/rpm/rpm-auction-user-info.aspx>. The Default ACR values are available under the applicable Delivery Year heading.

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14. How is the generation resource offer cap value for an Incremental Auction determined?

After participants submit data in the RPM/ACR system, Monitoring Analytics calculates and posts the options for offer cap values to the “Offer Cap Data” screen the RPM/ACR system. Participants must affirmatively enter on the “Offer Cap Data” screen the offer cap value(s) that they wish to apply to the auction. The list of deadline dates associated with RPM/ACR activities for a specific RPM Auction is available on Monitoring Analytics web site’s “Tools” page at <http://www.monitoringanalytics.com/tools/tools.shtml>.

Offer cap options include (per section 6.4 of Attachment DD of the PJM OATT):

- An ACR based offer cap which is calculated as ACR less net revenues, where the ACR is either the default ACR or calculated unit specific ACR. This option requires the participant to input data into the RPM/ACR system, provide any supporting documentation to Monitoring Analytics, and request net revenues by emailing RPMNetRevenue@monitoringanalytcs.com.
- An opportunity cost based offer cap which is the documented price available to an existing generation resource in a market external to PJM. This option requires the participant to input an opportunity cost based offer cap in the RPM/ACR system and submit a calculation of opportunity cost along with detailed supporting documentation to Monitoring Analytics.
- An alternative offer cap as approved by Monitoring Analytics and FERC.
- Election of 1.1 times the Base Residual Auction clearing price for the Third Incremental Auction.

15. What is the offer cap for existing demand resources and energy efficiency resources?

Existing demand resources and energy efficiency resources are no longer subject to offer caps in RPM Auctions.

16. Can Unoffered MWs be offered into an Incremental Auction?

Unoffered capacity is capacity that was available, but not offered into a prior RPM Auction for the Delivery Year and is ***not*** eligible to be offered into a subsequent Incremental Auction for the same Delivery Year.

17. Why am I receiving the following error message when I try to submit my resource offer in the Incremental Auction, “Failed to submit: Offers may not be submitted until all resource information is confirmed for Delivery Year....”?

Prior to any RPM Auction, RPM suppliers must confirm the modeling of each of their capacity resources in the eRPM system. RPM suppliers must verify the following characteristics for

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generation, DR, or EE resources for which they have a positive Available ICAP position for the RPM Auction: Zone Assignment and LDA Assignment. For generation resources, RPM suppliers must also verify Unit Location by State, Unit Type, and Unit Fuel Type.

For instructions on how to confirm the modeling of your capacity resources, please refer to Task 1: Resource Confirmation in the Auctions section of the eRPM User Guide posted on the eTools eRPM web page at <http://www.pjm.com/markets-and-operations/etools/~media/markets-ops/rpm/erpm-user-guide.ashx>.

18. How can I confirm that my Sell Offer or Buy Bid has been successfully submitted in the eRPM system?

If you click the “Refresh” button on the Auction/ Resource Offer or Auction/ Capacity Bid screens in the eRPM system and the offer/bid data that you entered is displaying in the offer segments/bid segments, your offer/bid has been successfully submitted in the eRPM system.

You may also download this information by clicking “Download CSV” or “Download XML” on the same pages in the eRPM system.

19. What restrictions are placed on Locational UCAP transactions prior to an Incremental Auction?

Prior to the locking of the final EFORd for the Delivery Year (i.e., November 30th prior to the Delivery Year), Locational UCAP transactions will not be accepted in the eRPM system. Therefore, Locational UCAP transactions will not be accepted prior to a First or Second Incremental Auction.

After the locking of the final EFORd for the Delivery Year, but before the Third Incremental Auction opens, locational UCAP transactions will be accepted; however, the Buyer of the Locational UCAP transaction must demonstrate prior to the Third Incremental Auction that the Locational UCAP was used in a replacement capacity transaction.

If you purchased Locational UCAP from another party prior to the Third Incremental Auction, you must create a replacement transaction in eRPM and use the locational UCAP to reduce the commitment on an RPM committed resource before the start of the Third Incremental Auction. If the Locational UCAP capacity is not used by the Buyer in a replacement capacity transaction by the opening of the Third Incremental Auction bidding window, PJM will deny the Locational UCAP transaction and the Seller of the denied Locational UCAP transaction would be required to offer any resulting available capacity into the Third Incremental Auction.

20. How can I use a Cleared Buy Bid from an Incremental Auction?

A Cleared Buy Bid from an Incremental Auction for the Delivery Year may be used as replacement capacity during such Delivery Year through the use of a replacement capacity

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transaction. A Cleared Buy Bid may also be transferred to another party in a Cleared Buy Bid transaction. For further details on replacement capacity transactions and Cleared Buy Bid transactions, please see the PJM Capacity Market Manual (M-18) and the eRPM User Guide.

21. Do the positive available MWs on one generator automatically help offset a negative position on another resource?

Commitment compliance is **not** calculated on a portfolio basis. All negative available resource positions in effect for a given operating day will be assessed a commitment compliance penalty. In order to cure a particular resource's negative position with a positive position on another resource in your portfolio, a replacement transaction must be created in eRPM.

22. May I submit a transaction in the eRPM system during an Incremental Auction?

The eRPM system will not accept any type of eRPM transaction (Unit specific, Auction Specific MW, Replacement Capacity, Locational UCAP, Cleared Buy Bid, Capacity Modification, Demand Resource Modifications, Energy Efficiency Modification transactions) from the time the Incremental Auction bidding window is open through the time the Incremental Auction results are posted.

23. If an LDA was modeled in the Base Residual Auction but did not bind, can it still have a separate clearing price in the Incremental Auctions for that Delivery Year?

Yes. LDAs that were modeled in the BRA will also be modeled in the Incremental Auctions for that Delivery Year. The Capacity Emergency Transfer Limit (CETL) will be adjusted in the Incremental Auctions to account for the import capability that was utilized during the clearing of the Base Residual Auction. If in the clearing process that limit is reached, there could be price separation between the LDAs.