



# **PJM LONG TERM CAPACITY ISSUES SYMPOSIUM**

**Panel 3: The 3 to 5 Year Outlook**

**January 27, 2010**

Robert A. Weishaar, Jr.  
McNees Wallace & Nurick LLC  
777 N. Capitol Street, NE, Suite 401  
Washington, DC 20002-4292  
Phone: 202-898-5700  
Fax: 717-260-1765

# CRITICISMS OF CURRENT STRUCTURE

- **Prices are too volatile (suppliers and consumers)**
- **Price certainty is not sufficiently long-term (suppliers and consumers)**
- **Prices are too high, standing alone and particularly when considered with other revenue streams (consumers)**
- **Prices never seem to be high enough (suppliers)**

# **LONG-TERM FIX #1 – "RPM" SHOULD EFFECTIVELY BE THE "RESIDUAL PRICING MODEL"**

- **Expansion of opt-out opportunities for states and load-serving entities that commit to resource adequacy**
- **Pricing mechanisms should facilitate state and LSE initiatives to self-supply load**
- **RPM should be used only to procure what states and LSEs are not self-providing**

# **LONG-TERM FIX #2 – STAGGERED PORTFOLIO PROCURED THROUGH COMPETITIVE RFP**

- **For defined residual load (i.e., load for which LSEs have not committed resources), PJM obtains capacity through competitive RFP**
- **X% of residual requirement procured via longer-term (e.g., 5-year) contracts**
- **X% of residual requirement procured via medium-term (e.g., 3-year) contracts**

# **LONG-TERM FIX #2 – STAGGERED PORTFOLIO PROCURED THROUGH COMPETITIVE RFP**

- **X% of residual requirement procured via short-term (e.g., 1-year) contracts**
- **Like most competitive procurement RFPs, lowest-bid resources are selected and paid on an "as-bid" basis**
- **If market power is a concern, then bids capped at difference between a unit's annual revenue requirement and some proxy for energy and ancillary service revenue**