Gas Cost Recovery
in the PJM Capacity Market

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RPM Structure

- **Base Residual Auction**
- **Residual Auction**
  - Delivery Year:
    - **First Incremental Auction**: May
    - **Second Incremental Auction**: Feb.
    - **Third Incremental Auction**: July

- **Conditional Incremental Auction**: May be scheduled at any time prior to DY

- **EFORd Fixed**

- **Ongoing Bilateral Market**

Timelines:
- **3 Years**
- **20 months**
- **10 months**
- **3 months**

- **June 1**
- **May 31**
2015/2016 Base Residual Auction
Clearing Prices ($/MMV-Day)

RTO MCP = $136

MAAC MCP = $167.46

ATSI MCP = $357

RTO MCP = $136
The Variable Resource Requirement (VRR) Curve is based on:

- Target level of capacity
- Cost of New Entry
- Net Energy and Ancillary Services (E&AS) Offset
Illustrative Example of the VRR curve

A VRR Curve is defined for the PJM Region.
Individual VRR Curves are defined for each Constrained LDA.
A generator’s maximum allowable offer into RPM is based on its Avoidable Cost Rate (ACR) less projected revenues from other PJM markets.

Generators can:
- Provide unit specific ACR data to the Market Monitor
- Choose to use a Default Unit ACR value
• Avoidable costs are defined as the incremental costs of being a capacity resource and the fixed annual operating expenses that would not be incurred if a unit were not a capacity resource for a year.
• Avoidable Variable Expenses (AVE)
  – Gas – not for power generation
• Avoidable Carrying Costs (ACC)
  – Costs of keeping spare parts and fuel inventory on site.
Currently not explicitly recoverable in:
  - Capacity (ACR)
    • OATT/ OA
    • M18

Possibly recoverable in:
  - Marginal rent
Questions?