Gas Cost Recovery
in the PJM Capacity Market

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RPM Structure

- **Base Residual Auction**: May
- **Conditional Incremental Auction**: May be scheduled at any time prior to DY
- **First Incremental Auction**: Sept
- **Second Incremental Auction**: July
- **Third Incremental Auction**: Feb.
- **EFORd Fixed**: EFORd Fixed
- **Ongoing Bilateral Market**: June 1 to May 31
- **Delivery Year**: June 1

- **3 Years**
- **20 months**
- **10 months**
- **3 months**
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
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 it’s 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
What is ACR?

- 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
• Delivery charges may be recoverable in energy market cost offers if the charge is variable ($/mmBtu)
• All cost offers must conform to Manual 15: Cost Development Guidelines