



Capacity Senior Task Force Status Report September 10, 2014

The Capacity Senior Task Force (CSTF) will analyze and evaluate PJM's capacity market as directed by the Markets and Reliability Committee. This status report documents progress made since last reported on the issue(s) charged to this PJM stakeholder group.

1. Capacity Market Triennial Review

A. Issue Description:

B. PJM is currently undergoing a review of key parameters in its Capacity Market as mandated by the PJM Open Access Transmission Tariff (Tariff). Section 5.10 a) of Attachment DD of the PJM Tariff contains requirements for a periodic, on-going assessment of the: Shape of the VRR Curve, which can affect price stability and the reflection of capacity value beyond the reliability requirement, Cost of New Entry (CONE) which provides pricing points along the VRR Curve based on resources procured, and the methodology for determining the Net Energy and Ancillary Services Revenue Offset (E&AS Offset), which is used in combination with CONE for providing pricing points on the VRR Curve. Following the development and presentation of PJM's preliminary parameter recommendations, through the CSTF, stakeholders will assess PJM's recommendations to maintain or change components of the VRR with a deadline for gaining consensus of August 31, 2014.

B. Issue Tracking Status: Awaiting Senior Committee Approval

C. Target Completion: August 31, 2014

D. Progress Update: All packages were voted on by the Task Force participants, and package B and package I received simple majority in favor. These packages, along with the Status Quo package and PJM package were taken to the MRC for endorsement on August 21, 2014. All four packages failed the sector-weighted vote. As such, an alternate package was introduced. This package was a hybrid of the PJM package with the Status Quo E&AS offset. This package also failed the sector-weighted vote. All packages, as well as the results of the votes taken at the MRC, are currently being reviewed by the PJM Board.

E. Action Requested: None.

Author: Amanda Egan
September 10, 2014