



S&P 500	2,171	+25	+1.09
GlobalDow	17,104	+13	+1.14
Gold	1,965	+30	+1.53
Oil	1,165	+18	+1.56
	77.66	0.69	0.12

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AMP's Views on the Reserve Pricing Filing

Presented to: June 10, 2020, Special Session of the MIC

By: Steven Lieberman



AMP's Views on Order

- Disagree with the May 21, 2020, Order
- Comments provided are in response to PJM's request, not to be perceived as supportive of the Order
- AMP's comments herein are focused on the E&AS offset
- AMP was an active participant in the initial Stakeholder discussions
- ***AMP is concerned this is yet another non-market, administrative construct***
- This Order combined with the MOPR order and PJM's overall trend towards attempting to increase prices in all "markets" will lead to further splintering rather than attempting to unify and strengthen a centrally organized marketplace administered by a truly independent organization.

Forward Looking E&AS Offset

- AMP has argued for the development of a properly developed, ***inclusive of Stakeholder input***, forward-looking E&AS offset for quite some time
 - Quadrennial Review
 - Energy Price/Reserve Price Formation
- Concur with Para. 324 (*i.e.*, do not let perfect be the enemy of the good.)
 - “We agree with all parties arguing that an E&AS Offset is not designed, nor should it be required, to match actual revenues received by a given resource in the E&AS markets in the relevant delivery year. We disagree that this renders a prospective E&AS Offset inappropriate. A forward-looking E&AS Offset is the best expectation of energy and ancillary services revenues in the given delivery year and should therefore include the effects of any large market changes that are expected to be in place in the given delivery year. We do not expect these numbers to line up precisely.”

Concur with Commissioner Glick (emphasis added):

- 26. Given the enormous costs imposed by today's order, I am pleased to see that the Commission is at least requiring PJM to implement a forward-looking energy and ancillary services offset (E&AS Offset). In theory, that should mitigate some of the enormous costs imposed by this proposal by reducing capacity market prices accordingly.⁵³ But getting a forward-looking E&AS Offset right is ***no mean feat***. And getting it right is ***critical to properly establishing the Net CONE*** value that is used to anchor the VRR Curve⁵⁴ and that plays a central role in the sweeping administrative scheme imposed by the Commission's recent MOPR Order.⁵⁵ I strongly urge PJM to ***consider multiple options*** for developing this forward-looking offset and provide the relevant details to the PJM stakeholders ***as transparently as possible***. Any proposal PJM makes on compliance must be ***properly vetted by PJM's stakeholders***.

Concur with Commissioner Glick:

- 27. Finally, I note that the implication of the Commission's adoption of an E&AS offset is that, without such an offset reflecting the changes imposed by today's order, capacity market inputs that depend on E&AS, including Net CONE, could well be unjust and unreasonable. Accordingly, it would seem that any offset would have to be in place before the next capacity auction if the results are to be deemed just and reasonable under the Commission's own reasoning.

Questions?

Thank you.

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