

advanced power



Advanced Power **Lower Carbon**

Advancing a sustainable energy future

CIFP - LLA Proposal

41 million
metric tons of CO₂
emissions avoided



11 GW
in development,
construction or
operations



Proposal Fundamentals

- Demand Response (DR) needs to be the capacity product that is procured to fairly distribute capacity as a scarce resource to load that most values capacity backed generation service.
- The cleared price of the incremental Demand Response needs to be a market derived price that accurately reflects the value of capacity to load.
- Market clearing of Demand Response provides the opportunity for price sensitive load customers to save on energy bills improving affordability in periods of tight supply and load conditions.

Proposed Adjustments to Incremental Auction #1

- If the BRA Action clears insufficient UCAP to meet the reliability requirement, the BRA results will stand and the subsequent Incremental Auction (IA) will be run with the updated load forecast and a higher price cap of 2x BRA price cap to procure additional capacity.
- Benefits:
 - Higher price cap encourages DR participation that may be willing to clear the market at a price higher than the BRA offer cap.
 - Market clears at a price that reflects value of capacity backed service in PJM; valuable price discovery for market participants.
 - Incremental auctions adjust load forecast so load forecast uncertainty declines as the scheduled incremental auctions approach the delivery date.
 - New or existing load that values capacity backed service will receive capacity.
 - Load willing to forgo capacity backed service as DR, has opportunity to receive significant cost savings as a DR resource.

Proposed Adjustments to Incremental Auction #2

- If an incremental auction clears at prices above the BRA price caps, the next scheduled BRA will be run with a price cap that reflects the clearing price of the Incremental Auction.
- Benefits:
 - Higher price cap in BRA accurately reflects a market price that load is willing to pay for capacity.
 - The potential of a future higher price caps encourages LSE's to identify price competitive DR products to prevent increases in future BRA price caps.
 - Higher price caps encourage new capacity supply to enter the market.

Proposed Adjustments to Incremental Auction #3

- If the BRA Action clears insufficient UCAP to meet the reliability requirement and there is a decrease in ELCC accreditation factors for UCAP suppliers for the IA, supplier's UCAP positions will remain consistent with BRA UCAP value. If there is an increase in ELCC accreditation factors for supply, UCAP suppliers can bid additional MW UCAP in the IA with exiting MSOCs.
- Benefits:
 - Capacity suppliers are protected from the need to procure UCAP to cover shortfalls caused by ELCC accreditation factor changes at potentially very high IA prices due to higher price caps.
 - Capacity suppliers that may have additional UCAP due to ELCC accreditation factor changes have the opportunity to sell UCAP to meet the reliability requirement at prices that reflect value of capacity to load.

Questions?



For more information about Advanced Power
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