

Options Toward CIFP Consensus

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Overview

- The PJM Board's determination that a centralized procurement must occur in September requires modifications to most proposals.
- The AMP Proposal focused on bilateral or multilateral contracting with the benefits of:
 - Direct Cost Allocation
 - Specific Identification of BYONC Large Loads
 - Specific Identification of Connect and Manage Loads
- PJM's centralized procurement poses the problem of identifying which specific loads have "BYONC" for Connect and Manage purposes.
 - AMP proposes options to address this aspect of the Centralized Procurement.
 - Bilaterals-second approach deepens this need.
- The purpose of this presentation is to seek feedback regarding what if any changes might improve AMP or PJM's Proposals.

Possible Changes to the AMP Proposal

- Two adjustments were made to the AMP Proposal prior to the Board's amended issue charge.
 - Included in the posted matrix, we create a safe harbor for smaller load growth and clarify the Plan Inaccuracy Charge is only applicable while Connect and Manage election is allowed.
- Based on feedback received at the Stage 2 CIFP, AMP is considering reducing the 10-year term for FRR-LL to 7 or 8 years.
 - The first 4 years would allow Connect and Manage election.
 - Intended to minimize how “holistic” the AMP Proposal is.
 - Bear in mind, a registry or identification of which loads are subject to Connect and Manage would be necessary in any successful proposal.

Possible Changes to the AMP Proposal (Cont.)

- AMP is considering adding a centralized auction mirroring the PJM Board's clear desire to hold an auction in September.
- The centralized auction could identify which Large Loads are assigned the resultant generation in at least two ways. AMP is considering:
 - 1) Allow the Large Loads or their LSEs to bid in a demand curve in the September auction, instead of a PJM determined quantity.
 - 2) PJM determines the quantity procured following their proposal processes, but a second auction is held for Large Loads/LSEs to buy that capacity.

Methods of Allocating Centralized Auction Capacity

- Allowing LSEs to set a demand curve is the preferred option.
 - LSEs can determine price quantity pairs, resulting in a clear delineation of which LSEs procured centralized capacity and which did not.
 - This cleared generation is not bilaterally matched, but the quantity of MWs procured would be automatically subtracted from the FRR-LL plan obligation starting in DY 28/29.
- A second auction is not preferred but may be necessary if PJM's choice is to assert tight control over the quantity procured in the centralized auction.
 - Downside of this method is that there is no guarantee that the centralized procurement would be fully funded by buyers in the second auction.
 - Any underfunded result would be subject to cost allocation to the Large Loads based on PJM's proposal.
 - This method may reduce the costs that must be allocated instead of assigned directly.

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