

# MN8 feedback on select RBP design components

#	Component	Position	Considerations
11	Supply Eligibility	<ul style="list-style-type: none"> <li>The incremental UCAP from surplus additions should be counted</li> </ul>	<ul style="list-style-type: none"> <li>Surplus additions are the fastest way to add new UCAP to the system</li> <li>Surplus additions enable already-provisioned CIRs to be used more effectively</li> <li>Surplus BESS additions will not pencil under current economics; RBP/BYONC is necessary for bringing these projects online</li> </ul>
12, 12a	Offer Structure / UCAP Range/Risk	<p>UCAP</p> <ul style="list-style-type: none"> <li>Option 1: Resources bid a single price in \$/MW UCAP-Day and leave volume unspecified. Resources are paid based on UCAP delivered that moves with class ELCC, but do not commit to a fixed level of UCAP.</li> <li>Option 2: Resources bid a single price in \$/MW UCAP-Day and specify volume based on a fixed class ELCC forecast determined by PJM before the RBP. For a DY, UCAP is the product of the resource's nameplate MW times the fixed ELCC for that DY times its resource performance adjustment. Resources incur penalties for UCAP shortfalls.</li> </ul>	<p>UCAP</p> <ul style="list-style-type: none"> <li>RBP is a one-time procurement meant to add capacity to get through the near-to mid-term reliability risk period</li> <li>RBP should be designed for effectiveness given commercial realities and constraints</li> <li>Option 1 ensures that sellers who don't perceive material regulatory uncertainty on accreditation can offer at the most competitive price</li> <li>Option 2 allows suppliers to manage regulatory uncertainty around accreditation</li> <li>Offering both options allows resources to effectively manage their particular set of risks - e.g., BESS to manage regulatory uncertainty around class ELCCs; gas to manage unit specific performance risk in a world with material uncertainty around what happens during PAIs given midstream delivery risks</li> </ul>

# The incremental UCAP from surplus resource additions should qualify under the RBP

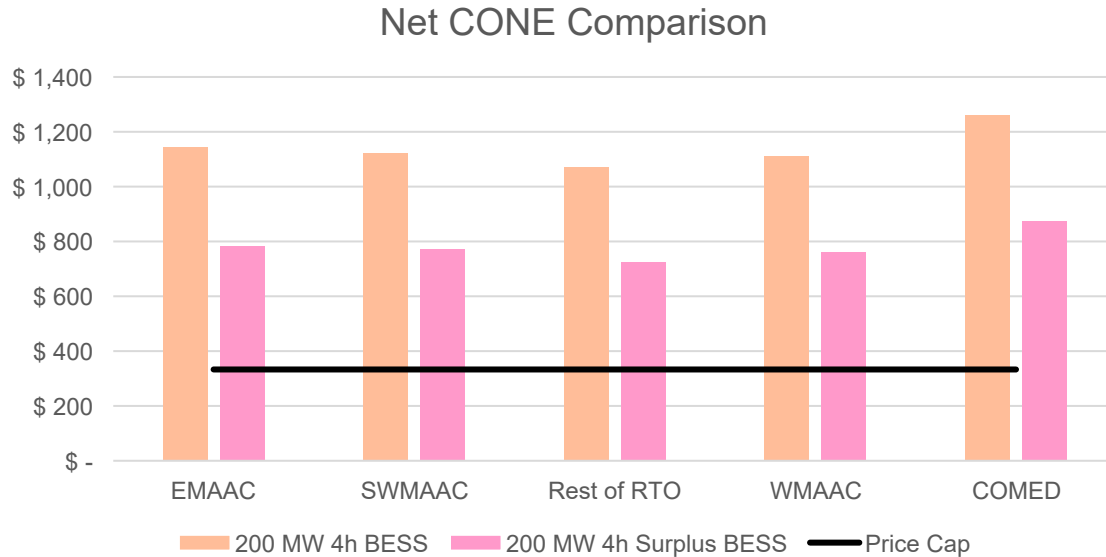


Chart above compares Net CONE for two 4h BESS:

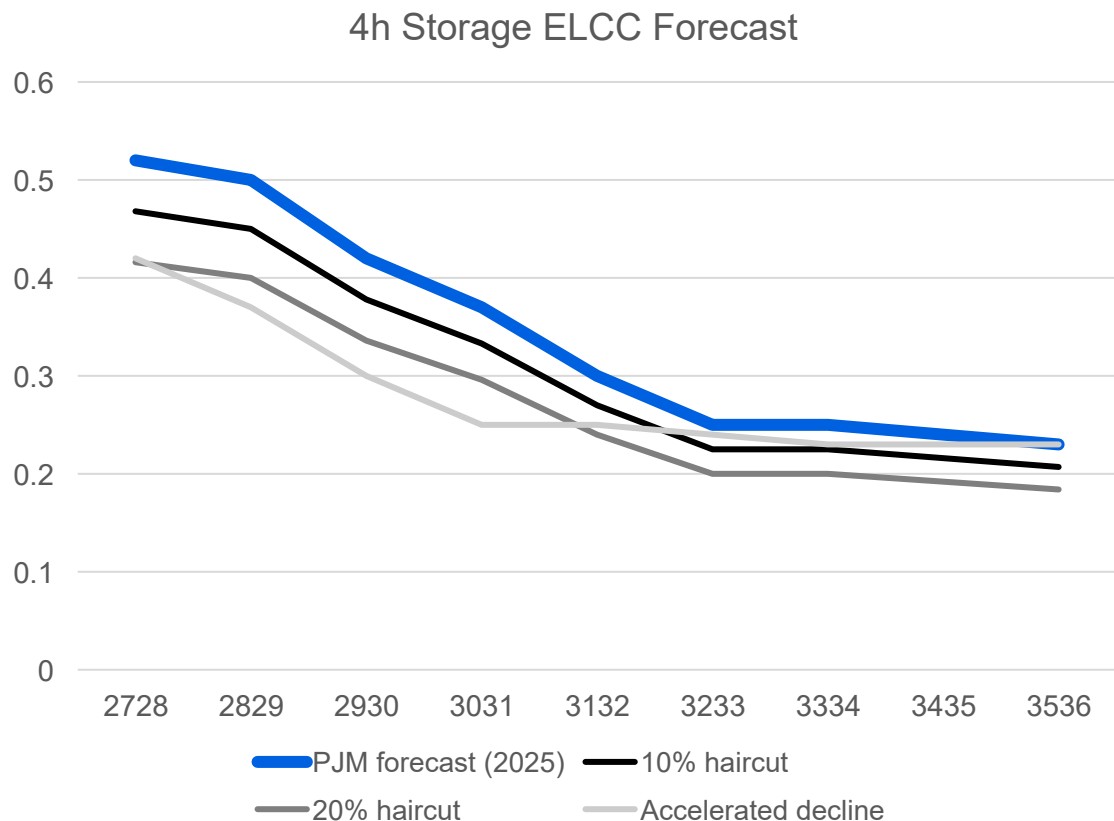
- **Orange bars** use Brattle defaults
- **Pink bars** assume 50% ITC and \$0 interconnection costs
- Both use 37% ELCC (present-value weighted PJM forecast starting in DY 27/28)

	Solar MW	BESS MW	CIRs	UCAP
Standalone solar	100	0	100	7
Hybrid	100	100	100	55
<b>Net</b>				<b>48</b>

In the simple example above, a 100 MW 4h BESS is added to an existing solar facility with 100 MW CIRs. The incremental UCAP should qualify for the RBP.

Even with free interconnection and 50% ITC, RPM price cap is insufficient revenue to attract new surplus BESS. PJM should extend eligibility to the incremental UCAP from new surplus resources.

# Fixed-for-floating ELCC swap enables project financing for suppliers and affords real upside on delivered UCAP to buyers



Scenario	Description	PV-weighted ELCC	Change on forecast	Impact on price $\frac{ELCC_{forecast}}{ELCC_{seller}}$
PJM forecast (2025)	ELCC forecast PJM published in August 2025	37%	0%	0%
10% haircut	Aug 2025 forecast minus 10 percent	33%	-10.0%	+11.1%
20% haircut	Aug 2025 forecast minus 20 percent	29%	-20.0%	+25.0%
Accelerated decline	Aug 2025 forecast pulled forward two DYs	29%	-19.8%	+25.2%

*Today's project financing environment necessitates conservative views on capacity attributes, which is reflected in higher bid prices*

If class ELCC is not fixed, suppliers will bid based on conservative forecasts (gray lines). In a fixed-for-floating swap, suppliers would bid based on PJM's forecast (blue line), with significant upside for buyers if PJM passes the reforms recommended in ELCCSTF.

PJM forecast posted on ELCC homepage: <https://www.pjm.com/-/media/DotCom/planning/res-adeq/elcc/preliminary-elcc-class-ratings.pdf>

Sensitivity weights from slide 12 of May 2025 Sensitivity Analysis: <https://www.pjm.com/-/media/DotCom/committees-groups/task-forces/elccstf/2025/20250617/20250617-informational-only---repost-of-may-30-2025-pjm-presentation-on-additional-sensitivity-analyses.pdf>

# PJM should offer contracting mechanisms that enable suppliers to manage outside-management-control class ELCC risk

## Option 1: Pay as delivered

- $\text{RBP Volume} = \text{ENC} \times \text{Class ELCC} \times \text{USPA}$
- $\text{RPM Volume} = \text{RBP Volume}$
- $\text{RBP Contract} = \text{RBP Bid Price} \times \text{RBP Volume} \times 365 \text{ days}$
- $\text{RPM Payment} = \text{RPM Clearing Price} \times \text{RPM Volume} \times 365 \text{ days}$
- $\text{RBP Payment} = \text{RBP Contract} - \text{RPM Payment}$

➤  $\text{ENC} = \text{Effective Nameplate Capacity}$

➤  $\text{USPA} = \text{Unit-Specific Performance Adjustment}$

## Option 2: Fixed-for-floating class ELCC

- $\text{RBP Volume} = \text{ENC} \times \text{Forecast Class ELCC} \times \text{USPA}$
- $\text{RPM Volume} = \text{ENC} \times \text{Actual Class ELCC} \times \text{USPA}$
- $\text{RBP Contract} = \text{RBP Bid Price} \times \text{RBP Volume} \times 365 \text{ days}$
- $\text{RPM Payment} = \text{RPM Clearing Price} \times \text{RPM Volume} \times 365 \text{ days}$
- $\text{RBP Payment} = \text{RBP Contract} - \text{RPM Payment}$

Option 2 is likely preferred by resources with significant class ELCC risk