AMP's Views on PJM's RPM Enhancement Proposal

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Agenda

- In the interest of time (allotted 10 minutes) comments will focus on Consultation Topic #1: Proposed Capacity *Construct* Adjustments:
  - Selection of the Reference Technology
  - Non-Performance Charge Rates
  - Resource Adequacy Contributions of Reliability Must-Run Units
- In the interest of time deferring comments on Consultation Topic #2: Removal of Reactive Service Component of the E&AS Offset

Proposed Capacity *Construct* Adjustments

General Observations

- AMP opposes expedited stakeholder processes because:
  - Does not allow for PJM to file a well-vetted proposal.
  - Under FPA § 205, FERC is essentially limited to a thumbs up or down decision.
  - Imposes potentially significant litigation costs, delays, appeals, etc., which exacerbate regulatory uncertainty, the basis for PJM's delay to the BRAs for the 26/27 DY and later delivery years.
- AMP supports holistic discussions, but:
  - PJM consistently says we do not have time for holistic discussion.
  - PJM consistently files unsupported proposals (e.g., CP, ELCC) that lead to protracted efforts to address flaws: *see* CIFP-RA, ELCC Senior Task Force.

"There is never enough time to do it right, but there is always enough time to do it over." *John W. Bergman*

Proposed Capacity *Construct* Adjustments

Reference Technology

- History Lesson: the September 29, 2006 filing of the Settlement Agreement in Docket Nos. ER05-1410 and EL05-148.
- Part D. Forward Commitment of Capacity:
  - "As explained by Mr. Ott in his accompanying affidavit, three years remains sufficient to meet **the essential purpose of forward commitment, i.e., to provide a credible prospect of new entry. The unrebutted record supports this conclusion**. PJM' s witness Mr. Raymond L. Pasteris presented a detailed development timeline for a combustion turbine plant configuration typical of new entry units in the PJM Region.…Therefore, **a three-year forward auction schedule still allows a typical new entry combustion turbine to offer into the auction and credibly commit to be in service by the Delivery Year."** (emphasis added)
- **Conclusion:**
  - *With a generator interconnection study process of 2 years and new entry build (based on a CT) of about 1 ½ years, BRAs should be held no less than 3 ½ years in advance to provide meaningful and credible pricing signals.*

Proposed Capacity *Construct* Adjustments

Reference Technology (cont.)

- Based on the current forward curves, a CCGT results in Point B = $0/MW-day → **BAD**
- Per PJM, a CT has a non-zero probability of Point B = $0/MW-day → **NOT GOOD**
- Simply switching from one technology to the other does not necessarily fix the issue.
- PJM believes selecting a reference technology (CT) that is reliant on capacity revenue makes sense, but this begs the question:
  - If the reference technology cannot (or will not) be built in certain RTO regions (LDAs), what is the purpose of the pricing signal?
- **Conclusion:**
  - *The reference technology must be 1) commercially feasible, 2) provide necessary operational attributes, and 3) provide consumers with confidence that pricing signals are meaningful.*

Proposed Capacity *Construct* Adjustments

Non-Performance Charge Rates (NPCR)

- The obvious solution is the correct solution: Tether the NPCR to the BRA clearing price.
  - Sets clear expectations for all resources with a Capacity Obligation what NPCR will apply during Performance Assessment Intervals (PAI).
  - Avoids solutions that are complicated or meritless.
- PJM has shared concerns that a PAI penalty based on a “low” clearing price will not incent performance.
  - During Winter Storm Elliott the penalty structure was based on Net CONE, yet outages were as bad or worse than during the pre-CP Polar Vortex of 2014.
    - High penalty rates are not the performance incentive stick that PJM imagines.
- **Conclusion:**
  - *Tethering the NPCR to the LDA BRA clearing price was vetted by stakeholders, voted on, and approved by a 2/3 sector-weighted vote. This is the just and reasonable and least contentious solution (see May 11, 2023 Special Members Committee)*

Proposed Capacity *Construct* Adjustments

Resource Adequacy Contributions of Reliability Must-Run Units

- RMR units are not like resources with a Capacity Performance obligation.
- An RMR agreement reflects a best-guess of when the resource will no longer be needed to satisfy the identified reliability violation which initiated the RMR agreement in the first place.
  - *See:* Indian River Unit 4: original RMR agreement through 2026, then 2025, and now 2024.
    - In this instance, what would happen to the associated MWs if it was included in a BRA?
- AMP understands the economics of paying a resource via an RMR agreement but not receiving value for it in RPM.
- **Conclusion:**
  - *RMRs reflect a failure of holistic and proactive planning. RMRs should remain outside of RPM unless or until the frequency of RMR agreement changes (as PJM notes, the expectation of "few and far between" has "played out over time".)*

Conclusions

- PJM's proposed adjustments to RPM are ill-placed Band-Aids, but tourniquets are badly needed.

- Wholesale changes to the capacity construct and the generator interconnection queue that will result in the new entry we need for reliability must be made ASAP.

- The PJM Board should direct PJM staff to halt all non-essential stakeholder activity and focus available resources on open and inclusive discussions solely addressing reliability-focused initiatives until the projected reliability concerns are cured.

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