

# Consultation: Capacity Market Demand Curve Adjustments Pursuant to Proposed Settlement

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Special MC/TOA-AC

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1. Review the settlement in principle reached between PJM and Gov. Shapiro's Office, subject to consultation with members and approval by the PJM Board.
2. Consult with members regarding a proposed 205 filing to implement the settlement.

- On December 30, 2024 the Governor of PA's office filed a complaint against the PJM Tariff.
- The thrust of the complaint was that the price cap on the demand curve is too high given the lower expectation for new entry in the near-term
- The complainant proposed a remedy that lowered the cap to 1.5 \* Net CONE and removed reliance on Gross CONE.
- PJM and the Governor of PA's office engaged in confidential settlement discussions as indicated at the January 23, 2025 Members Committee.

- PJM and the Governor of PA's office agreed in principle to a price cap and floor for the 2026/27 and 2027/28 BRAs.
  - Price cap ~ \$325/MW-day UCAP.
  - Price floor ~ \$175/MW-day UCAP.
- These values will be adjusted only for any changes in the level of accreditation of the reference resource.
- The above agreed upon values are based on an assumed accreditation of a dual fuel CT of 79%.

- The settlement removes the uncertainty over the 2026/27 and 2027/28 auctions if accepted by FERC.
  - Avoids the risk of potentially significant further auction delays.
  - Avoids the risk of running the auction subject to refund.
- The settlement protects consumers via the lower price cap and suppliers by setting a price floor.
  - Supports the need for near term investment by setting the cap above Net CONE.
  - Represents a two year compromise. Future increases in CONE will be addressed in the Quadrennial Review.
- PJM strongly supports moving forward with the settlement.

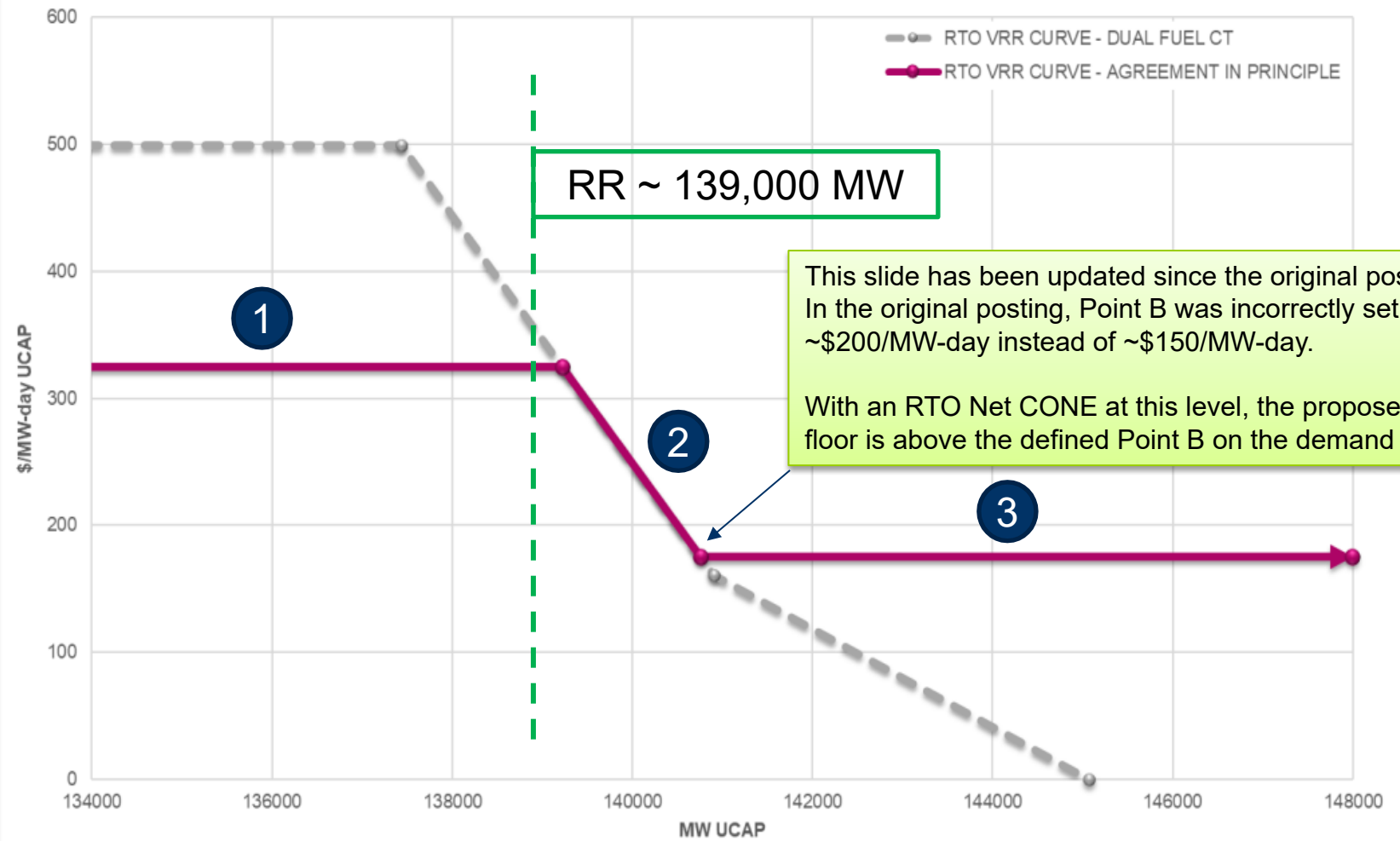
- In ICAP terms:
  - Cap = \$256.75/MW-day ( $\$325/\text{MW-day} * 79\%$ )
  - Floor = \$138.25/MW-day ( $\$175/\text{MW-day} * 79\%$ )
- These values (or the same values in \$/MW-year form) will be filed in the Tariff as the ICAP cap/floor for 2026/27 and 2027/28.
- As mentioned, these will be converted to UCAP using the applicable year's class average ELCC for the reference unit. The UCAP equivalents will vary from the estimated values if accreditation for the reference resource is different than 79%.

# Implications to the Demand Curve

## 2026/27 Illustrative Example

- The gray hashed curve represents the estimated RTO VRR assuming FERC accepts PJM's filing to retain the dual fuel CT as the reference technology. **This curve will not be used and is here for illustrative purposes only.**
- The solid purple curve represents the general curve that will be proposed for the next 2 auctions.
  - Prices will be capped at \$325/MW-day (adjusted for final accreditation) for the 2026/2027 BRA. No resources with offers above this level will clear.
  - Prices will follow the slope of the existing curve between the cap and the floor.
  - Prices will be floored at approximately \$175/MW-day (adjusted for final accreditation) for the 2026/27 BRA. All resources with offers at or below this level will clear.
- This logic will be applied to all LDA curves and the 2027/28 auction.

Demand Curve Changes Pursuant to Agreement in Principle



All values used on this slide are estimates for illustrative purposes.  
DO NOT assume these values will apply to the 2026/27 BRA.

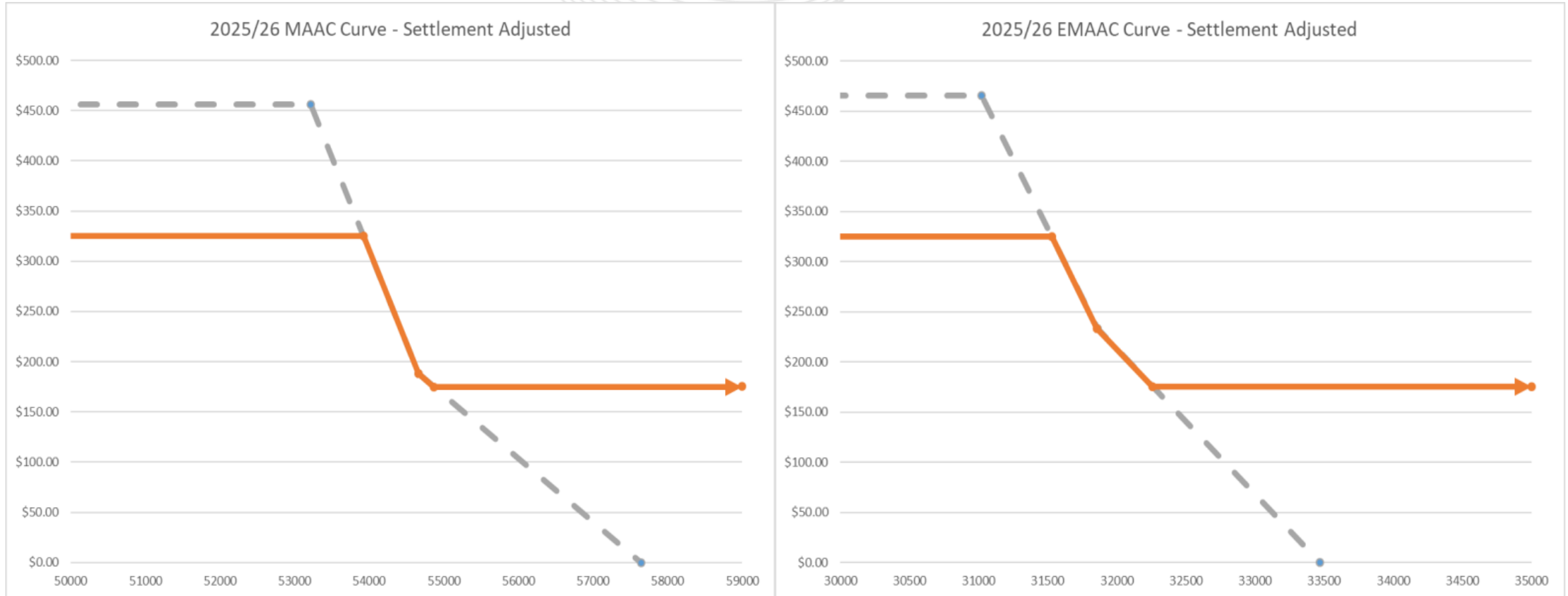
- Simplest implementation of the cap and floor PJM has come up with at this time.
- Will not allow resources with offers above the stated price cap to clear.
- Will clear all resources available with offers at or below the price floor.
- Clearing results will adhere to CETL limitations like prior auction results.
- Clearing results will be a point on the demand curve.



## **The same process will be applied to determine the LDA demand curves.**

1. Start with the curve currently defined in the Tariff.
2. At the price level of ~\$325/MW-day, extend the curve left to the y-axis to set the price cap.
3. At the price level of ~\$175/MW-day, extend the curve to the right to clear all resources available at or below the price floor.

# LDA Curve Illustrative Examples Using the 2025/26 BRA Curves



- Seek member feedback today.
- **Next week:** Discuss feedback from this session internally and with the Board.
- **Feb. 14:** Target filing date
- **Auction schedule:**
  - We intend to do our best to keep the 2026/27 auction on schedule for July 2025 and 2027/28 in December 2025.
  - This may result in us delaying the posting of the 2026/27 planning parameters (currently scheduled for March 31) a couple of weeks.
  - It may also require some flexibility in the MSOC process given the IMM's deadline to provide MSOCs is April 10.