



DATE: July 11, 2025
TO: PJM ELCCSTF
FROM: IMM
SUBJECT: Executive Summary for the IMM Proposal

No proposal to change the capacity market design can solve all the issues in the capacity market or all the issues that affect the operation of the capacity market. The IMM proposal is designed to address several key issues in the capacity accreditation design in an incremental approach, building on the basic marginal approach implemented for the 2025/2026 Delivery Year. The proposal includes three primary changes:

- **Remove Winter Storm Elliot and Polar Vortex (2014) from the historical performance data for the 2027/2028 BRA**
- **All accreditation calculations should be resource specific**
- **Incorporate higher winter capability of unlimited resources in the resource adequacy and marginal ELCC calculations for the 2027/2028 BRA**

Winter Storm Elliot and the Polar Vortex performance data are not relevant for forward looking performance assessment and provide misleading implications for forward looking performance. For the two critical winter events since Winter Storm Elliott, PJM implemented conservative operations precisely to address the operational deficiencies observed during Winter Storm Elliot. PJM committed resources in advance of the day-ahead market and recognized real world operating constraints including minimum starting temperatures and gas nomination cycles. The cumulative effect of PJM conservative dispatcher actions resulted in substantially lower forced outage rates than occurred during Winter Storm Elliot when these constraints were not adequately accounted for.

Accreditation calculations should be resource specific. There is no reason to continue the technology class calculations, followed by a complex adjustment to reflect resource specific performance. PJM has stated there are no technical barriers to performing a resource specific marginal ELCC accreditation. A resource specific approach will better reflect each resource's capability and remove the concern that a resource's rating is being negatively affected by poor performing resources in the same class.

Higher winter capability of unlimited resources is a reality and should be incorporated in ELCC calculations that currently heavily weight winter performance. Recognizing this capability will provide a more realistic basis for assessing winter reliability. Reflecting the higher winter capability was part of the Market Monitor's Sustainable Capacity Market proposal in September 2023 and the Market Monitor stressed its importance in filings to FERC in Docket

No. ER24-99-000.¹ Scenario analysis by the Market Monitor shows that this capacity would have reduced the 2025/2026 RPM Base Residual Auction cost to load by \$2.7 to \$8.0 Billion, a decrease from 18.5 percent to 54.2 percent.² Due to the significant impact this capacity would have on upcoming delivery years, the Market Monitor's proposal includes a request that this be implemented for the 2027/2028 RPM Base Residual Auction.

The Market Monitor's proposal also rejects PJM's proposal to "align the weather days used to draw resource performance with the weather days used for each load scenario and weather rotation in the ELCC/RRS model." The impact of PJM's proposal is significant. PJM reports that the impacts include a 23 percent increase in winter risk, an 8 percent decrease in the ELCC rating for combined cycles, a 19 percent decrease in the ELCC rating for combustion turbines and 23 percent increase for onshore wind.³ These are very significant changes and require more detailed analysis, including the use of the "rotations" currently included in PJM's load forecast approach. The Market Monitor questions the use of the weather rotations to generate load forecasts. The Market Monitor's proposal creates two options, each a separate proposal based on this design component (#15 Weather Rotations). For proposal B1, the Market Monitor proposes the status quo with the understanding that additional study is needed regarding the impact of the weather rotations. For proposal B2, the Market Monitor proposes that the load forecasts used for the ELCC analysis eliminate the use of rotated weather data.

¹ See Protest of the Independent Market Monitor for PJM, Docket ER24-99-000, et al. (November 9, 2023); Comments on Response to Deficiency Notice, Answer and Motion for Leave to Answer of the Independent Market Monitor for PJM, Docket No. ER24-99-000 (December 21, 2023); Answer and Motion for Leave to Answer of the Independent Market Monitor for PJM, Docket No. ER24-99-000 (January 12, 2024); Answer and Motion for Leave to Answer of the Independent Market Monitor for PJM, Docket No. ER24-99-000 (January 24, 2024)

² See Table 3 in *Analysis of the 2025/2026 RPM Base Residual Auction Part A*, The Independent Market Monitor for PJM (September 20, 2024) <https://www.monitoringanalytics.com/reports/Reports/2024/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_A_20240920.pdf>.

³ *ELCC Accreditation Methodology: Update on Sensitivity Analyses* at 15, Item 2 in the meeting materials for ELCCSTF meeting on May 22, 2025, PJM Interconnection L.L.C. <<https://www.pjm.com/committees-and-groups/task-forces/elccstf>>.