

Issue Charge

Issue Source

The issue charge is presented by Governor Josh Shapiro, on behalf of the Commonwealth of Pennsylvania.

Issue Content

The current annual market auction structure with seasonal matching elements is suboptimal. PJM and external stakeholders have recognized the benefits of a comprehensive sub-annual capacity market auction structure for grid reliability and efficiency for many years. Other major RTOs/ISOs have already taken advantage of these significant benefits from a sub-annual approach, allowing every available megawatt of capacity to be called upon throughout the year by more accurately recognizing real-world conditions.

In an environment of significant projected load growth and resource constraints, there is a pressing need to implement a sub-annual capacity model, which could provide “near-term achievable improvements to the market’s ability to meet resource adequacy requirements in an efficient, least-cost manner.”¹ This issue charge is intended to require this group to investigate and pursue a solution that implements a fully sub-annual capacity model, that includes at minimum:

- Sub-annual reliability requirements, targets, and demand curves.
- Sub-annual CETL values.
- Sub-annual resource capacity ratings, resource accreditation, and resource qualifications.
- A sub-annual auction structure with sub-annual clearing prices.
- Sub-annual capacity obligations and charges.
- Cost allocation for the sub-annual market charges.

Key Work Activities & Scope

1. Education and comparison of PJM’s annual auction with sub-annual auctions and approaches used by other RTOs/ISOs.
2. Development of key design principles and criteria for a sub-annual capacity market model, including at minimum:
 - a. Sub-annual reliability requirements, targets, and demand curves.
 - b. Sub-annual CETL values.
 - c. Sub-annual resource capacity ratings, resource accreditation, and resource qualifications.
 - d. A sub-annual auction structure with sub-annual clearing prices.
 - e. Sub-annual capacity obligations and charges, including potential changes to planned maintenance and outage rules.
 - f. Sub-annual resource offer caps.

¹ PJM, *Capacity Market Reform: PJM’s Proposal* (2023) <https://www.pjm.com/-/media/DotCom/committees-groups/cifp-ra/2023/20230614/20230614-item-02---pjm-cifp-stage-3-proposal.pdf>.

3. Education and scenario analysis of proposed sub-annual capacity market models that have sufficient stakeholder support and can be implemented for the 2029/2030 delivery year.
4. Modified cost allocation for the sub-annual market charges.
5. Exploration of potential further reforms.
6. Development of proposal package(s) for vote, as appropriate, based on the above analysis, discussion, and findings.

Out of Scope

- Changes to the RPM unrelated to sub-annual market structure.

Expected Deliverables

1. Education and analysis as needed concerning items identified in the scope of work.
2. Proposed solution(s) to address the areas identified in the scope of work, and corresponding revisions to PJM's tariff, governing documents, and manuals as appropriate.
 - a. Corresponding revisions to PJM's Tariff and the Operating Agreement consistent with the solutions proposed will be brought to the MRC and MC for review and endorsement, resulting in a FERC filing. Proposed revisions to PJM Business Practice Manuals conforming to the FERC approved solution will be brought to the appropriate Standing Committees for review and endorsement. Each Key Work Activity product may be brought forward for vote separately, and items need not be voted and advanced together.

Decision-Making Method

Tier 1, consensus (unanimity) on a single proposal (preferred default option).

Stakeholder Group Assignment

The issue shall be considered expeditiously by a newly formed Sub-Annual Senior Task Force which shall report to the MRC.

Expected Duration of Work Timeline

Work on all topics should begin immediately and be completed and voted out of the Sub-Annual Senior Task Force in 6 months. The effort should be completed to support a necessary FERC filing by the end of Q1 2026.

Topic	Design Timeline	Need Timeline
Sub-annual reliability requirements, targets, and demand curves.	Start: Immediately Timeline: ~6 months	Q1 2026
Sub-annual CETL values.	Start: Immediately Timeline: ~6 months	Q1 2026
Sub-annual resource capacity ratings, resource	Start: Immediately Timeline: ~6 months	Q1 2026

accreditation, and resource qualifications.		
A sub-annual auction structure with sub-annual clearing prices.	Start: Immediately Timeline: ~6 months	Q1 2026
Sub-annual capacity obligations and charges.	Start: Immediately Timeline: ~6 months	Q1 2026
Cost allocation for sub-annual capacity charges	Start: Immediately Timeline: ~6 months	Q1 2026

- The effort should be completed for implementation before the 2029-2030 BRA.
- Priority Level: High
- Timing: Immediate
- Meeting Frequency: Weekly
- Charter: This document will serve as the Charter for a new group created by its approval.