

Enhancements to Deactivation Rules

Issue Source

PJM/IMM (Revisions proposed by the Maryland Office of the People's Counsel, Illinois Citizens Utility Board, and PJM)

Issue Content

Given the anticipated volume of generation resource retirements expected in the coming years, there are areas where the provisions of the Tariff need to be reevaluated.

Key Work Activities and Scope

1. Provide education around the general deactivation process and the provisions in the Tariff, mostly Part V, regarding requests for units to operate beyond their desired deactivation date, including, but not limited to, how units requested to operate beyond their desired deactivation date are included in the capacity and energy supply stack, and the criteria for and mechanism to account for units operating beyond their desired deactivation date in capacity market auctions.
2. Provide education around the current issues associated with situations where units have been requested to operate beyond their desired deactivation date.
3. Provide education around processes used by other transmission system operators to evaluate alternatives to retaining existing generators that have announced deactivation.
4. Provide education around the potential for alternative transmission technologies, such as reconductoring and grid-enhancing technologies, as well as energy storage, to address reliability violations associated with generator deactivation, including the time for deployment and cost relative to conventional transmission solutions.
5. Receive updates on any applicable work and account for outcomes of the Enhancing Capacity Interconnection Rights (CIR) Transfer Efficiency workstream.
6. Develop solution options for addressing the identified issues, including a process to consider and implement potential cost-effective alternatives to Reliability Must Run (RMR) arrangements.
7. Provide education regarding supply resource investment and retention impacts of counting RMR resources in the capacity market.
8. Develop longer-term solution options effective with the 2028/2029 Delivery Year to recognize resource adequacy contributions of RMR resources in the capacity market through a pro forma RMR arrangement
9. Review and discuss proposed solutions.
10. Refine proposed solutions. Partial solutions are acceptable.

Areas in scope:

1. Compensation: Compensation mechanism for units agreeing to operate beyond their desired deactivation date. This includes how resources requested to operate beyond their requested deactivation date are offered and modeled in the capacity and energy markets.
2. Timing: Deactivation notification timeline and when and under what circumstances a unit is no longer needed to continue to operate beyond its desired deactivation date.
3. Transparency: Ensure any rules developed in relation to all in-scope items include consideration of transparency of information.
4. Potential to accelerate completion of long-term transmission solutions: Develop procedures for PJM to evaluate grid-enhancing technologies, reconductoring, other alternative transmission technologies, demand-side management, and energy storage, upon receipt of such solutions from developers, when reliability violations are identified by PJM under OATT Part V. Develop procedures for PJM to account for any RMR costs avoided by shorter lead-time transmission solutions when comparing the costs of competing transmission solutions.
5. Alternatives to Part V arrangements with deactivating generators: Development of process to identify, evaluate, and procure alternative solutions to reliability violations, in lieu of a Part V arrangement with the deactivating generator, including mechanisms for compensation. Such solutions could involve, but are not limited to, new generation assets, energy storage, demand-side solutions, and transmission system enhancements including alternative transmission technologies. This process may include, but is not limited to, consideration of generation replacement proposals submitted by a deactivating generator (i.e., CIR transfers), or accelerated interconnection processing for resources that would alleviate short-term, local reliability issues. Different procurement structures, including request for proposals, should be considered, as well as the respective roles for PJM and states in administering the procurement. A framework for evaluating competing solutions should be developed, including methods to compare costs and benefits across resource types.
6. Pro Forma RMR Arrangements: Development of a pro forma RMR arrangement and accompanying updates to capacity market rules for deactivating generators that may need to be temporarily retained to maintain reliability.

Areas not in scope:

1. Capacity market changes. Any capacity market (with the exception of rules related to recognizing resource adequacy contributions of RMR resources in the capacity market) and/or existing reliability backstop auction issues identified will be assigned separately to the appropriate stakeholder group.
2. Expanding justifications for RMRs beyond the current policies (e.g., to include resource adequacy)

[No changes proposed to subsequent sections of approved Issue Charge]

Issue Charge

*Final revised version as of July 24,
2024*