



DRAFT

# Accreditation Reform Proposal

On behalf of

East Kentucky Power Cooperative

# Background

- The purpose of accreditation is to estimate the contributions resources that clear the market are reasonably expected to make in the delivery year
- Because of subsequent changes in winter operating protocols, capital investments, fuel arrangement, etc., basing accreditation values solely on limited historical winter data produces questionable estimates of future ELCCs
- The focus of accreditation reforms should be simplicity and predictability
- The current accreditation framework impacts capital planning, risk management, and revenues available to existing resources

# Observed Impacts of Marginal ELCC Implementation

- **Model-Driven Volatility** | Marginal ELCC relies on a complex assumption-laden model; changes to inputs can produce large unexpected outcomes
- **Counterintuitive/Declining Accreditation** | Gas units saw lower accredited capacity despite no performance failures (changes in load forecast pushed more risk into the winter)
- **Investment Unrewarded** | Capital investments (e.g., dual-fuel systems) and changes to operating practices to address post-failure root cause findings are not reflected in accreditation until future reliability events validate them
- **Opaque & Complex** | Most stakeholders lack full visibility into how assumptions drive results, impeding informed planning

# Strategic Concerns

EKPC supports improving accreditation for all resource types.

However, EKPC does not believe the current application of marginal ELCC to thermal resources is supporting desired market or reliability outcomes

- **Undermines Investment Incentives** | The model does not capture the expected reliability benefit of capital investments, especially critical for gas generators
- **Forecasting Challenges** | Self-supply LSEs like EKPC face uncertainty aligning capacity portfolios with future load needs
- **Risk of Market Distortion** | Current accreditation method may understate reliability value of the thermal fleet (or a subset thereof), leading to higher prices, investment distortions, and exacerbating near term market challenges

# EKPC Proposal

- Create a "**winter hardened**" asset class
- Class members would demonstrate administratively that have made winter hardened capital investments and fuel arrangements
- This Winter Hardened class would not be subject to the winter weather correlates in the ELCC model; would be subject to unit resource specific performance adjustments would also be calculated assuming “winter hardened “ characteristics
- Preferably this approach would be adopted as soon as possible, prior to the 28/29 auction

# Winter Hardened -- Demonstration Evidence

Suggested Evidence Type	Key Requirements Addressed
Dual-Fuel Capability	Mitigate gas-supply risk; demonstrate fuel security and switching readiness
Winterization Audit or Inspection Reports	Identify freeze risks; verify and document installed protections
Cold Weather Procedures & Training Logs	Develop cold weather plans; conduct annual staff training
OEM Cold Weather Design Specs & Guarantees (if available)	Document cold-weather capability of new or upgraded equipment

- Evidence of actions taken to harden against winter events would have stricter requirements than PJM's cold weather check list
- Annually generator owners would submit to PJM documentary evidence supporting ongoing compliance with winter readiness standards and best practices
- All generators that meet the evidentiary burden will be treated as a class for the purpose of marginal ELCC calculations
- Unit specific UCAP adjustments will continue to apply
- Resources that fail to perform over two consecutive cold weather events (temp.  $\leq 10^{\circ}\text{F}$ ) will be excluded from the class until incremental cold weather improvements to the resource are demonstrated

# Thank you

## Let's continue the conversation

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