Accreditation Reform Proposal

On behalf of

East Kentucky Power Cooperative

ADDED CLARIFYING LANGUAGE IS IN RED

Tuesday, July 22, 2025

DAYMARK® ENERGY ADVISORS

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 ELCC 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 meet winter hardening criteria: operating protocols, capital investments and fuel arrangements made to target winter operating risk
- The selected criteria would be sufficiently robust that if a resource experiences an outage during a winter weather event, it should not because of the weather, but rather a random forced outage as can be expected from time to time of power plants
- Upon demonstration of winter hardening and being placed in the class, from there forward class-member resource performance would be collected
- Any winter performance history before the resource demonstrates meeting the winter hardened class requirements would not be ignored (a resource's forced outage rate would still apply), but that performance would be treated as uncorrelated with the winter weather variables in the model
- 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

This list of evidence types is a framework for developing criteria are strict enough to give PJM and the market confidence, but not so strict as to add excessive administrative or cost burden that cannot be justified by the incremental revenue a generator might reasonably expect from the resulting higher ELCC value.

- 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
- Recommend CCGT, SCGT, and steam hardened classes be created for the purpose of marginal ELCC calculations
- Resource specific UCAP adjustments will continue to apply
- Resources that fail to perform during a PJM Man. 13 cold weather alert (temp. ≤ 10°F) will be required to perform a root cause analysis to determine if the outage was weather induced. If yes, the resource will be removed from class unless immediate remedial action is taken. After two weather induced failures, the resource is removed from class permanently

Thank you

Let’s continue the conversation

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