PJM Reliability Backstop Auction (RBA) Market Risk Components

PJM Reliability Backstop Procurement Workshop

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On behalf of: Southern Maryland Electric Cooperative, Inc.

Reliability Backstop Auction (RBA) Market Risk Components

Topic: Should PJM Direct-Assign, or otherwise flow-thru RBA Costs, Revenues/Credits & Risk via a PJM subsidiary other than PJM Settlement, Inc.?

Category	Description	Current Market Rule Details	Potential RBA equivalent
Planned Resource COD Risk	Credit Posting requirement	Planned Financed Generation Capacity Resource credit requirement: Max (i) $20/MW-day or (ii) 0.5 x Net CONE for modeled LDA, adjusted by times RPM Credit Adjustment Factor.	Credit requirement would presumably be enhanced to account for 15-year RBA Solicitation Price (RSP), e.g., $620 MW-day.
Capacity Payment Charges	Allocation of capacity charges	Locational Reliability Charge = UCAP MW × Final Zonal Capacity Price.	Load-specific RBA Charge = UCAP MW × 365 x RBA Solicitation Price (RSP).
RBA Load Forecasting Uncertainty	Procured-for Load does not materialize	Currently 'socialized' intra-zonally, based on in-zone EDC shares of 5 coincident peaks in 12 months ending previous September 30.	Procured-for RBA Load does not show up. 3-year example: 1,000 MW x 365 x 3 yrs. x $620 MW-day RSP = $678,900,000.
Capacity Performance (CP) Stop-Loss	Max Annual CP Charges	Stop-Loss Limit (SLL): 1.5 times BRA price for Modeled LDA in which resource resides.	SLL presumably would be enhanced to account for RSP: 1.5 x RSP x 365 days, or $339,400 MW-yr.
Market Operations Risk	DA Energy market buyback Risk	Common to all generating capacity resources.	In case of a concentrated resource(s), DA/RT buyback may present special risk(s).

Sources: PJM Manual 18; Credit Overview and Supplement to the PJM Credit Risk Management Policy; PJM Manual 19, *et al.*