

# View Point – Capacity Performance Assessment Intervals

## Ensuring that Energy Flows When It's Needed Most

PJM implemented Capacity Performance to ensure that energy is available when it's needed the most, such as in severe cold snaps and heat waves and other extreme weather events. PJM implemented Capacity Performance in response to capacity shortfalls that occurred during the Polar Vortex of winter 2014.

Under Capacity Performance, capacity resources that fail to meet their commitment during these emergencies are assessed a substantial penalty. Those that exceed their performance obligation, and those that perform during an emergency despite having no capacity obligation, are entitled to receive some of the funds collected from underperforming units.

### Capacity Resources, Performance Assessment Intervals and Triggers

Capacity resources are those that cleared in the capacity auction with a Capacity Performance, or “pay-for-performance,” requirement. All of the resources that cleared in the 2020/2021 capacity auction are Capacity Performance resources and will be subject to performance assessment during that delivery year.

The rules of Capacity Performance require that capacity resources meet their commitments to deliver electricity during power system emergencies. The performance of these resources is assessed during emergency intervals, called Performance Assessment Intervals.

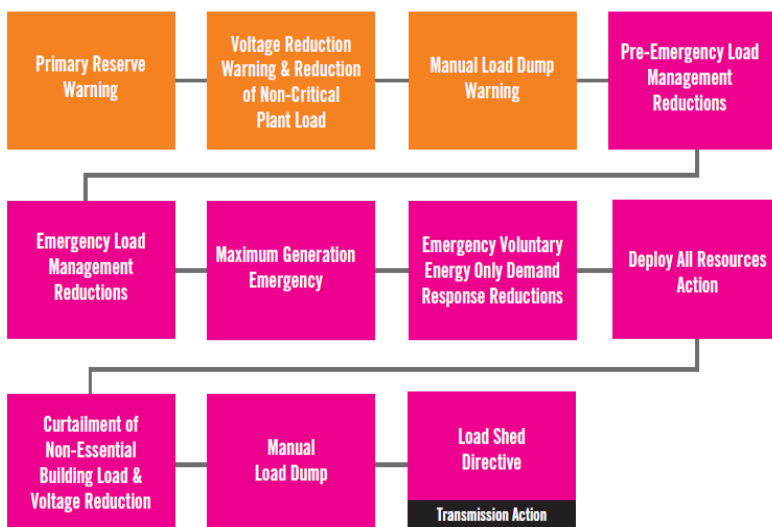
Performance Assessment Intervals are triggered when PJM declares an Emergency Action (see chart). Emergency Warnings and Actions do not need to occur sequentially.

#### Key Points

- Capacity Performance went into effect on June 1, 2016.
- Capacity Performance resources are assessed penalties for non-performance only during Performance Assessment Intervals.
- Resources that exceed their obligation and those that perform without a capacity obligation are entitled to some of the funds collected from penalties on underperforming units.

#### PJM Emergency Warnings and Actions

■ Warnings ■ Actions



### Non-Performance Assessments

Non-performance is assessed based on the response of resources to fulfill their capacity commitments during a Performance Assessment Interval. The shortfall/excess is calculated separately for each resource and each Performance Assessment Interval. Portfolio netting – the use of multiple resources to satisfy the capacity commitment of a single resource – is not permitted.

### After-the-Fact Reporting

A performance report is available approximately three days after a Performance Assessment Interval is declared. The report contains data such as trigger locations and times, load forecast, hourly generation by fuel type, and transmission outages.