



PJM Proposal #2: Phased in Seasonal Capacity Market

CIFP-Resource Adequacy

PJM Team

August 7, 2023

- The proposal we have today is intended to be a simplified, annual, version of the current seasonal proposal we have put forth.
- This proposal is being made in addition to the existing seasonal proposal for stakeholder consideration, comment and feedback.
- We believe having both proposals available for stakeholder consideration and eventual vote is appropriate to inform the Board.
- We continue to believe that moving to a seasonal capacity market has reliability and efficiency benefits but want to be responsive to the feedback about the large scope of that change and fast pace of this process.
- Our intention with this annual proposal is still to transition to a seasonal (or other beneficial more granular) design as soon as practicable.
- This will allow more time for analysis and stakeholder discussion.

- All parts of this proposal are the same as the seasonal proposal **EXCEPT:**
 - Accredited capacity levels are annual using annual ELCC factors
 - Winter/Summer VRR curves are replaced with a single annual one
 - Winter/Summer FRR requirements become annual
 - LDA Reliability Requirements and CETL values are annual
 - Auction offers are annual with no seasonal components
 - Cleared UCAP and associated obligations are annual
 - Cost allocation is annual
 - Commercial and Facilitated Aggregation remains in place

Component	Seasonal Proposal	Annual Proposal
Auction periods <ul style="list-style-type: none"> VRR curves / commitment periods / prices 	Two (summer and winter)	One (annual)
Reliability Requirement(s)	Two (summer and winter); <ul style="list-style-type: none"> $PeakLoad_{Season} * FPR_{Season}$ 	One (annual); <ul style="list-style-type: none"> $PeakLoad_{Annual} * FPR_{Annual}$
FRR Requirements(s)	Two (summer and winter); <ul style="list-style-type: none"> $PeakLoad_{Season} * FPR_{Season}$ 	One (annual); <ul style="list-style-type: none"> $PeakLoad_{Annual} * FPR_{Annual}$
Capacity Emergency Transfer Limit (CETL)	Two (summer and winter CETLs)	One (annual CETL)
Resource Accreditation	Two (summer and winter ELCC)	One (annual ELCC)
Supply Offer Structure	Three-part bid; <ul style="list-style-type: none"> Net ACR (does not incl. CPQR) Winter capacity incremental marginal costs (incl. seasonal CPQR) Summer capacity incremental marginal costs (incl. seasonal CPQR) 	Single-part bid plus PJM MSOC enhancements; <ul style="list-style-type: none"> Net ACR plus CPQR
Cost Allocation	Seasonal*	Status quo
Seasonal Aggregation	N/A	Status quo

- In the July 27 meeting presentation ([slide 61](#)), PJM provided seasonal ELCC factors in addition to annual values.
- The annual values are risk-weighted across the entire year.
- These values, or an updated version of them, would be used as the annual ELCC factors for accreditation.
- Note that the annual ELCC factor for the Gas CC will be used to calculate the Net CONE for use in the VRR curve.



Annual Demand Curve Parameters

- The annual demand curve will follow the current shape, but with the following updates:
 - The gross and net CONE of the reference resource will be converted to UCAP using the applicable ELCC factor.
 - The Reliability Requirement will be calculated using the forecast 50/50 peak load and the annual FPR resulting from the new reliability analysis.
 - Note that the FPR from the new reliability analysis incorporates marginal accreditation and is an EUE-weighted version of the seasonal FPRs.
 - This FPR will be lower than what has been used previously to account for the effects of marginal accreditation.

Example	Summer	Winter	Annual
Annual Forecast Peak Load	151k MW		
FPR relative to annual peak load	1.08	0.89	0.97
UCAP at annual criterion (Annual Forecast Peak Load * FPR)	163k	134k	146k

~ 40/60 Summer/Winter EUE weighting

- The seasonal proposal contained an annual offer components and seasonal components.
- In the annual proposal, offer structures would be similar to how they exists currently but with PJM's proposed enhancements to the MSOC applied annually ([slides 28-31](#)).
 - Net ACR will not include CPQR.
 - PJM-proposed CPQR enhancements will be applied annually.
 - E&AS Offset is still proposed to be forward-looking

- The seasonal proposal naturally has a seasonal cost allocation although PJM is open to a transition on this issue.
- In the annual proposal, cost allocation is status quo.

- This capability was not needed in the seasonal market proposal and therefore was removed.
- In the annual proposal, the ability for seasonal resources to aggregate would continue as done under the current rules.