

Capacity Construct Public Policy Senior Task Force

Proposal Breakout Sessions – August 17, 2017

Proposal Grouping: Repricing Proposals

Pros/Benefits:

PJM –

- No commitment of in between resources lessens energy market impact
- Makes an effort to remove the impact to price from subsidies

LS POWER –

- Fixes the cost to load based on market clearing with offers as submitted (competitive offers)
- All resources are paid the same price
- Does a better job of simulating bidding behavior then other repricing proposals
- Allows optionality for non-subsidized resource owners, not the market design, to determine if they want to clear despite the existence of subsidies impacting price

NRG –

- Matches offers with clearing price so that bids are rationally cleared

ODEC –

- Assumes that subsidizes resource offers would have been in the competitive range
- Eliminates use of discrete reference price

Exelon –

- No repricing unless there are reliability concerns

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Cons:

- Does it incentivize further subsidies?
- What is the effect of leakage from one state to another?

PJM –

- Resources with offers below the clearing price that are not cleared
- Two-stage process may not represent the truly competitive supply stack – for example, usage of reference prices
- May incentivize race to the bottom due to economic offers that do not clear
- More administrative rules in the capacity market
- Does this proposal incentivize subsidies in any way to ensure resources clear?

LS POWER –

- Resource owner can opt out of taking a commitment which may result in a higher price (portfolio effect)
- Possibility for manipulation due to iterative clearing
- Additional complexity and administration
- Race to the bottom for select resources
- More resources committed will have more impact on the energy market than other repricing proposals

NRG –

- Scaled down capacity commitments would result in lower DA must offer levels
- Proration of MW commitment will lead to overstating of capacity capability
- Proration of MW commitment will lead to escalation in bid prices to maintain revenue sufficiency
- Discriminatory payments for the same product
- Could incentivize subsidies

ODEC –

- Could incentivize subsidies

Exelon –

- Similar cons to PJM proposal with reference price use and uncleared, economic offers although more limited
- Potential for volatility due to use of Net CONE * B as reference

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Open Items/Unanswered questions:

Definition of a subsidy (this applies to all)

- Are there better ways to incorporate state-desired attributes in the wholesale markets?

PJM –

- Does this proposal incentivize subsidies in any way?
- Does this proposal provide incentives to either mask or promote subsidies?
- Would this proposal frustrate the states' ability to meet policy objectives?
- Could states determine the rate paid by the PJM capacity market?
- What is the impact of the reference price = Net CONE * B
- What is the result of further administrative rules in the capacity market? (for example, manipulation of the construct)

LS POWER –

- Treatment of subsidized resources in this proposal (discussion)

NRG –

- EFORd floor?

Potential Poll Questions:

- How should “in between” resources be treated in repricing proposals?
- Should all resources, subsidized or not, be paid the same clearing price?
- What reference price should be used?
- Is a reliability trigger preferred?
- If you are adjusting price/quantity, which should be adjusted?
- If no reference price used, should there be an attempt to recreate a competitive supply stack?
- What modifications can be made to make the proposal more palatable?
- Should generators be able to opt-out during iterative processes like in NRG and LS POWER proposals?