

CCPPSTF Proposals: Responses to Questions PJM Proposal

1. How do you define the problem that you are trying to solve with your proposal?
Response: The proposal addresses two issues: how to accommodate resources with state government preferences and how to maintain a competitive capacity clearing price.
2. Does your proposal accommodate resources with state government preferences on a non-discriminatory basis? How?
Response: Yes, by clearing resources “as offered” to establish the MW commitments (Stage 1 clearing).
3. Will your proposal encourage or frustrate state policy objectives or other subsidies?
Response: Neither. The proposal gives flexibility to states to manage the capacity settlement to subsidized resources and load charges in the state.
4. What is your definition of an actionable subsidy (you may include specific factors such as MW or economic thresholds, timing of payment, rate and reasons for the subsidy, etc.)?
Response: Proposed a MW threshold at RTO level but PJM is open to consider a separate LDA MW threshold as well as MW based on impact on clearing price. PJM defines actionable subsidy as one that impacts the offer price for the relevant Delivery Year even if the actual payment does not occur in the Delivery Year. Payment rate can be \$/MW-day, \$/MWh, a lump sum, or some other option but the subsidy is actionable if the annual subsidy value exceeds 1% of anticipated capacity, net energy, and ancillary revenues. See Slides 3-6 of Sept 11, 2017 presentation. PJM also proposes that only non-federal subsidies would be considered actionable, and only those focused directly on supply-side participation in the PJM capacity market (including demand response and energy efficiency that offers into RPM on the supply side.)
5. What impact does your proposal have on energy markets?
Response: PJM proposal does not depress energy prices as the method does not commit excess capacity by including “in between” resources.
6. Will your proposal result in or mitigate long term price suppression in the capacity market and/or the energy market?
Response: PJM proposal mitigates capacity price suppression. See Response #5 on effect on energy prices.
7. How do you think your proposal will impact bidding behavior?
Response: Minimum impact as the MW commitment is based on “as offered” with no adjustments.
8. Please address the effects of your proposal on potential market manipulation.
Response: PJM proposal should not result in any market manipulation as the MW commitment is based on auction clearing at unadjusted prices and repricing uses reference prices based on known subsidies or Net CONE * B as default.
9. Please address the potential for “leakage” (the effects of one jurisdiction’s actions on other jurisdictions).
Response: Actionable subsidy is defined based on MW and percent revenue threshold and not on jurisdiction of the subsidy so “leakage” should not be an issue.
10. What is the preferred implementation timing?
Response: Effective BRA 2021-2022.

11. For repricing proposals, please explain your treatment for “in between” resources and why you believe it is the right approach (“in between” resources are those that did not clear in one stage of a repricing proposal but offered at a level less than the final clearing price determined in a second stage).

Response: “In Between” resources are not committed. PJM believes this is the right approach because it results in the commitment of the same quantity of resources that would have been committed absent the existence of the actionable subsidies, but also results in the competitive clearing price that would have resulted absent the actionable subsidies.

12. How would your proposal address RPS, RGGI, RECs, and ZECs?

Response: Resources that receive RECs used to meet State Renewable Portfolio Standards (RPS) and ZECs would be repriced if the annual subsidy exceeds 1% of anticipated capacity, net energy, and ancillary resource revenues. RGGI is a tax on carbon and not a subsidy. However, repricing may apply if a clean resource receives a distribution of funds collected under RGGI similar to a subsidy.