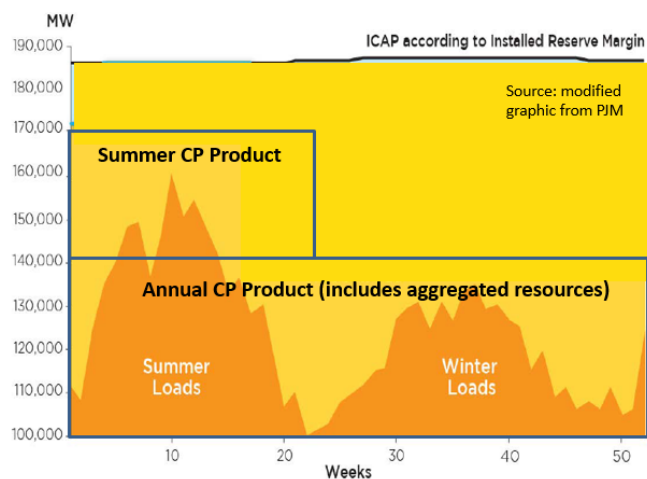


Sustainable FERC Project CAPPSTF Proposal 10/16/17

The PJM CAPPSTF Charter and Issue Charge state the Task Force’s intention to “ensure potential state public policy initiatives and RPM objectives are not at odds” and “develop modifications to RPM that could accommodate/address both capacity construct objectives and state actions.”

The Sustainable FERC Project notes that many resources state public policies seek to promote have seasonal characteristics (e.g., wind, solar, and demand response) but many have been limited from participating in RPM despite PJM’s attempts to improve the ability of Summer CP and Winter CP resources to aggregate into an Annual CP product. This is largely due to the relative abundance of Summer CP compared to Winter CP resources so that many Summer CP resources cannot find a corresponding Winter CP resources with which to aggregate. Because most regions in PJM are summer-peaking and Summer CP resources could more cost-effectively and reliably contribute to meeting capacity needs in these regions, enabling their participation is in line with RPM objectives.

While the repricing proposals focus on the alleged price impacts of public policy resources,¹ they do not address the fact that RPM currently imposes barriers to cost-effective and reliable capacity resources promoted by state policies. The Sustainable FERC Project proposes to enable such capacity resources to participate by enabling RPM to procure more Summer CP product in summer-peaking regions and adjusting the Annual CP product down to avoid overprocurement.



PJM can procure Summer CP resources as it did with summer-only demand response prior to CP rule changes. The difference now is that Summer CP carries CP penalties. No changes to capacity cost allocation need to be made.

¹ We do not think state environmental programs paying for environmental attributes distort RPM prices. Rather, these programs pay for the environmental attributes RPM is not designed to compensate. RPM only procures and compensates capacity megawatts needed to satisfy basic resource adequacy requirements at the lowest price. RPM does not procure or compensate capacity attributes like carbon-free capacity. If a state wants to pay for the attribute and leave it to RPM to pay for the basic capacity of that resource, it should be able to do so. See <https://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=14637357>.