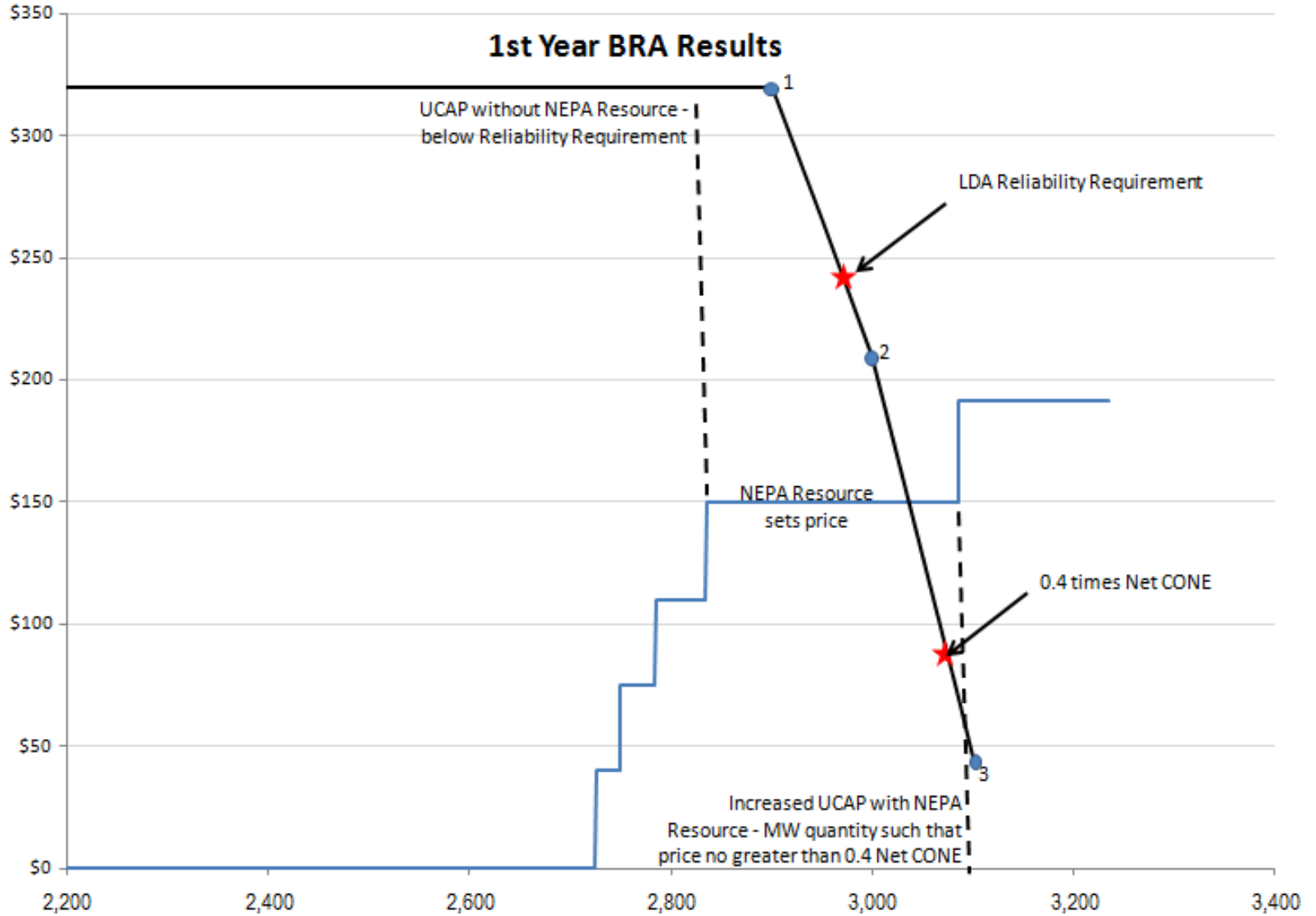




# PJM Proposal for NEPA Revisions

Capacity Senior Task Force (CSTF)  
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- PJM OATT describes NEPA available to:
  - Planned generation (DD, 5.14.c)
  - Energy efficiency (DD-1, M.4)
  - Existing generation submitting a sell offer with an Avoidable Project Investment Recovery Rate (APIR) component that is based on a project investment of at least \$450/kW (DD, 6.8.a)
- Eligible new entrants must provide notification of NEPA election when it submits sell offer in BRA for 1<sup>st</sup> delivery year (5.14.c.1)
- Acceptance of such offer in 1<sup>st</sup> BRA must increase total UCAP in LDA from a MW quantity below LDA reliability requirement to MW quantity corresponding to point on VRR curve where price is no greater than 0.4 times Net CONE (see illustration on next slide) (5.14.c.2)
- Resource must be marginal and set price in 1<sup>st</sup> BRA (5.14.c.3(i))



## Minimum Resource Size Needed to Qualify for NEPA

- In order to qualify for NEPA, acceptance of offer in 1<sup>st</sup> BRA must increase total UCAP in LDA from a MW quantity below LDA reliability requirement to MW quantity corresponding to point on VRR curve where price is no greater than 0.4 times Net CONE
- Table below shows the minimum resource size needed to qualify for NEPA based on 2014/2015 BRA parameters

LDA	Reliability Requirement (excluding STRPT) (MW)	MW Quantity @ 40% of Net CONE (MW)	Minimum resource Size to Qualify as NEPA (MW)
MAAC	70,519.7	73,024.0	2,504.3
EMAAC	39,084.9	40,472.4	1,387.5
SWMAAC	16,968.8	17,571.0	602.2
PS	12,804.4	13,258.9	454.4
PS NORTH	6,077.0	6,292.4	215.5
DPL SOUTH	2,954.0	3,058.7	104.7
PEPCO	8,761.9	9,072.5	310.5

- Resources meeting the 1<sup>st</sup> delivery year requirements are eligible for NEPA in the BRAs for the two immediately succeeding delivery years
- Sell offers in next two BRAs equal to lesser of
  - 1<sup>st</sup> year offer price, or
  - 0.9 times the then-current Net CONE (5.14.c.3)
- If resource clears then it receives the RCP for the LDA (5.14.c.3(ii))
- If resource does not clear then as per 5.14.c.3(ii):
  - Resource is resubmitted at highest price at which it will clear all NEPA MW
  - RCP and cleared resources re-determined to reflect resubmission
  - NEPA resource is paid at its sell offer price for the BRA
  - Difference between sell offer price and RCP is treated as a resource make-whole payment which is collected pro-rata from all buyers in the LDA

- Qualification requirements regarding size of resource are complicated and results are not transparent
  - The resource size and supply circumstances of the LDA in which the resource is located should be a qualification consideration but a more simple and clear approach is needed
- Qualification requirement that the resource be marginal in the first-year clearing is unnecessarily restrictive and does not recognize reliability contribution of similarly-situated resources
  - does not recognize that reliability impact of resource(s) clearing below the RCP are same as those at the margin
  - Current qualification requirement that the resource be marginal limits qualification to a single resource and does not recognize the reliability provided by similarly-situated resources

- PJM proposal simplifies the 1<sup>st</sup> year clearing qualification requirements while recognizing LDA shortage situations:
  - the resource must clear in the 1st year BRA and the LDA in which the resource is located would have cleared below Point B of the VRR Curve absent the resource
- PJM proposal recognizes reliability contribution of similarly-situated resources:
  - Current provisions only compensate the single marginal resource and provides no incentive for similarly situated resources
  - PJM proposal compensates all similarly-situated qualifying resources
- PJM proposal relaxes some of the qualification requirements for price assurance but strengthens conditions for continuation of price assurance:
  - PJM proposal introduces a requirement for continuing qualification to increase assurance that the qualifying resource remains committed for the qualification period