



# Replacement Capacity: Cost Impacts of Settlement Adjustment/PJM Sell Offer Price

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## Two Component Solutions of Main Motion

- PJM Sell Offer Price
  - PJM Sell Offer Price would be formed using an upward sloping offer curve that was floored at the BRA clearing price (offer price could be equal to or greater than the BRA price, but not lower)
- IA Settlement Adjustment
  - Cleared buy bids settle against the IA CP *plus pay the difference between the BRA clearing price for the relevant Delivery Year and the IA CP for the cleared buy bid quantity*. The total amount paid by IA buyers is allocated zonally to LSEs proportionally based on their daily share of the total reliability charges.



## Cost Impact of Proposed Component Solutions in Main Motion

- To estimate cost impact of the PJM sell offer price component, PJM has re-run all IAs for 12/13, 13/14 and 14/15 DYs with all inputs held exactly as they were with exception that the PJM sell offer price was reset to the BRA CP if original sell offer price was below the BRA CP
  - All other IA inputs were maintained exactly as they were including participant buy bid quantities and bid prices, participant sell offer quantities and offer prices, PJM buy bid quantities and bid prices, PJM sell offer quantities (only PJM sell offer price was changed) and LDA import limits
- An IA Settlement Adjustment charge was determined for the cleared buy bid MWs of the IA simulations described above based on the difference between the BRA CPs and the simulated IA CPs



## Status-Quo Cost vs Main Motion Cost 12/13, 13/14, 14/15 Delivery Year Auctions

Load Payments column is amount collected from load needed to pay BRA resource credits minus Net IA Impact. Net IA Impact is equal to payments collected from cleared participant IA buy bids minus credits owed to cleared participant IA sell offers.

Net IA Impact detailed on next 3 slides.

Main motion results of table below include IA Settlement Adjustment charges which are collected from cleared participant buys bids and allocated to load.

### Status-Quo: Actual Values

Delivery Year	BRA Resource Credits (\$/Day)	Net IA Impact (\$/Day)	Load Payments (\$/Day)
2012/13	\$10,352,568	-\$113,087	\$10,465,654
2013/14	\$18,376,206	\$162,906	\$18,213,299
2014/15	\$19,870,628	\$40,618	\$19,830,010

### Main Motion: PJM Sell Price floored at BRA Price + IA Settlement Adjustment

Delivery Year	BRA Resource Credits (\$/Day)	Net IA Impact (\$/Day)	IA Settlement Adjustment (\$/Day)	Load Payments (\$/Day)	Amount of Load Payment Reduction vs. Status Quo (\$/Day)
2012/13	\$10,352,568	-\$120,098	\$290,391	\$10,182,275	\$283,379
2013/14	\$18,376,206	\$16,695	\$523,959	\$17,835,552	\$377,747
2014/15	\$19,870,628	-\$41,481	\$752,866	\$19,159,243	\$670,767



- Net IA Impacts of the status-quo and main motion are detailed on next 2 slides
- Expressed in MW quantity and dollars based on cleared participant IA buy bids minus cleared participant IA sell offers
- Net IA Impact (quantity and dollars) is a function of cleared PJM IA sell offers and PJM IA buy bids, as well as, if necessary, the procurement and offsetting release of capacity to resolve reduced LDA import limits introduced by removal of Backbone Projects from the model
- positive Net IA Impact MW quantity indicates a net PJM release of capacity and negative MW quantity indicates a net PJM purchase of capacity
- positive Net IA Impact \$ amount reduces required load payments and negative \$ amount increases required load payments

Delivery Year	Cleared Participant IA Sell Offers		Cleared Participant IA Buy Bids		Net IA Impact	
		Credits		Charges		Charges
	MW	(\$/Day)	MW	(\$/Day)	MW	(\$/Day)
2012/13	4,930	\$212,287	9,346	\$99,200	4,416	-\$113,087
2013/14	7,087	\$249,871	13,649	\$412,778	6,562	\$162,907
2014/15	7,149	\$199,395	11,326	\$240,017	4,178	\$40,622

- Table above shows actual aggregated MW and \$ values from all 3 IAs of 12/13 & 13/14 and first 2 IAs of 14/15
- Net IA Impact (MW and \$) equal to cleared participant buy bids minus cleared participant sell offers





## Main Motion Simulation – Net IA Impact

Delivery Year	Cleared Participant IA Sell Offers		Cleared Participant IA Buy Bids		Net IA Impact		IA Settlement Adjustment (\$/Day)
	MW	Credits (\$/Day)	MW	Charges (\$/Day)	MW	Charges (\$/Day)	
2012/13	6,852	\$346,347	8,082	\$226,249	1,231	-\$120,098	\$511,944
2013/14	9,316	\$465,047	9,992	\$481,743	676	\$16,695	\$1,048,007
2014/15	8,015	\$309,321	7,854	\$267,840	-161	-\$41,481	\$1,223,894

- Table above shows aggregated MW and \$ values from simulations of all 3 IAs of 12/13 & 13/14 and first 2 IAs of 14/15
- Net IA Impact (MW and \$) equal to cleared participant buy bids minus cleared participant sell offers
- IA Settlement Adjustment based on cleared participant buy bid MWs times (BRA CP minus IA CP)