

## Critical Issue Fast Path – Resource Adequacy

### Issue Source

The PJM Board issued a [letter](#) on February 24, 2023 in which the Board initiated the Critical Issue Path process delineated in Manual 34: PJM Stakeholder Process section 8.6.4.

### Issue Content

The scope of work to be considered in this process is included in the Board's February 24 letter. The Board noted the work of the Resource Adequacy Sr. Task Force (RASTF) as it set forth the scope for this activity:

“While the scope and complexity of the issues in the RASTF are significant, the Board’s primary focus in this effort is to resolve key issues that we believe would have a direct benefit to reliability. The Board is certainly open to considering holistic proposals containing any items of scope in the RASTF on which stakeholders are able to reach consensus on within the time frame of this CIPF process, but requests that stakeholder proposals include improvements in the following key capacity market areas:

1. **Enhanced risk modeling.** In particular, the Board would like to improve the way PJM accounts for winter risk and correlated outages in its reliability planning.
2. **Evaluation of potential modifications to the Capacity Performance construct and alignment of permitted offers to the risk taken by suppliers.** The Board believes that it is appropriate to evaluate whether changes are needed to the Capacity Performance construct and to ensure that market sellers are able to reflect the risk of taking on a capacity obligation in their capacity market offers.
3. **Improved accreditation.** The Board believes that it is necessary to enhance PJM’s accreditation approach to ensure that the reliability contribution of each resource is accurately determined and aligned with compensation.
4. **Synchronization between the RPM and Fixed Resource Requirement (FRR) rules.** The Board would like any changes in RPM rules to also be mapped to FRR rules to ensure that supply resources and consumers are held to comparable standards.

The Board believes enhancements in these areas are necessary to improve the operation of the capacity market; however, in recognition of the interrelated nature of many topics within the RASTF’s scope, the Board recognizes that topics such as the reliability metric, winterization or firm fuel requirements for capacity resources and rules regarding performance assessments, and others, could be related to the listed scope above and therefore may be a part of a solution.”

For reference, the RASTF scope included the following key work activities:

1. Determine whether a forward procurement of clean resource attributes should be pursued, and investigate the inclusion of the Social Cost of Carbon in PJM markets. *[Note this item was completed with the approval of the issue charge initiating the Clean Attribute Procurement Sr. Task Force]*
2. Determine the types of reliability risks and risk drivers to be considered by the capacity market and how they should be accounted for. *[This is related to Board item 1 above.]*

3. Determine the desired procurement metric and level to maintain the desired level of reliability. *[This is related to Board item 1 above.]*
4. Determine the performance expected from a capacity resource. *[This is related to Board item 2 above.]*
5. Determine the qualification and accreditation of capacity resources. *[This is related to Board item 3 above.]*
6. Determine the desired obligations of capacity resources. *[This is related to Board item 2 above.]*
7. Determine if there are needed enhancements to the capacity procurement process.
8. As applicable, determine any remaining design details for a seasonal capacity market construct not addressed in other KWAs.
9. Determine if supply-side market power mitigation rules in the capacity market need to be enhanced. *[The Market Seller Offer Cap aspect of market power mitigation is related to Board item 2 above.]*
10. Determine if the Fixed Resource Requirement (FRR) rules need to be synchronized with any changes made. *[This is related to Board item 4 above.]*

A solution will be sought that addresses the four items mentioned in the Board letter at a minimum, but may include up to and including the entirety of the RASTF scope.

Background on this issue may be found in the associated Problem Statement, as well as in the materials on the Resource Adequacy Sr. Task Force [page](#) of [pjm.com](#)

Additional information is posted on the Critical Issue Fast Path Resource Adequacy ([CIFP-RA](#)) page of [pjm.com](#).

### Key Work Activities and Scope

1. PJM will conduct a “pre-CIFP” meeting in which additional background information will be shared, including the following:
  - a. A draft Problem Statement and Issue Charge.
  - b. A draft Matrix comprising draft design components and status quo.
  - c. Discussion of potential alternate timelines for the 2025/26 and 2026/27 Base Residual Auctions that the Board could consider to allow application of any rule changes developed through this process to those auctions.
2. The following stages will be conducted in accordance with the requirements of Manual 34, section 8.6.4:
  - a. CIFP Stage 1: PJM will provide the final Problem Statement and issue Charge and Matrix, including considered options and an initial preferred solution.
  - b. Stage 2 – Stakeholders will offer additional options to resolve design components in the matrix.
  - c. Stage 3 – Stakeholder will offer solution packages, and PJM will finalize its proposal.
  - d. Stage 4 – The Stage 4 meeting will be held to present the matrix and alternative proposals to members of the PJM Board of Managers in accordance with Manual 34 requirements.
  - e. Members Committee meeting following the Stage 4 meeting for the purpose of voting on alternative

## Expected Deliverables

Expected deliverables include the following:

1. Problem Statement and Issue Charge<sup>1</sup>
2. Draft Matrix, including options considered and PJM's preferred solution.
3. Additional stakeholder design criteria options.
4. Additional stakeholder solution packages
5. Final PJM and stakeholder proposals.
6. Members Committee advisory vote on all proposals.

## Decision-Making Method

This effort will be accomplished via the CIFP process in accordance with Manual 34, section 8.6.4. Following the Stage 4 meeting, a Members Committee meeting is expected to be convened for the purpose of advisory voting on proposals developed via the CIFP (truncated voting will not apply). Ultimately a decision on a filing with the FERC will be made by the PJM Board. As it is expected that the entirety of this issue is to be contained in the PJM Open Access Transmission Tariff and Reliability Assurance Agreement, such filing is anticipated to be submitted pursuant to FPA section 205.

## Stakeholder Group Assignment

This issue will be evaluated and developed in special meetings designated as the [CIFP-RA](#). Dates reserved for pre-existing meetings of the RASTF will be repurposed for this activity. Additional meetings may be scheduled.

## Expected Duration of Work Timeline

This issue was initiated by the PJM Board on February 24, 2023; the Board provided a goal of filing with the Federal Energy Regulatory Commission a proposal to address the associated issues by October 1, 2023. To that end, the following work plan has been established.

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<sup>1</sup> Note that in accordance with Manual 34, the Problem Statement and Issue Charge are provided for information, not approval.

RASTF/Pre-CIFP	
Discussions	February 28 March 15
Formal Process	
<b>Stage 1:</b> PJM PS/IC & proposal	March 29
<b>Stage 2:</b> PJM and stakeholder development of the matrix (options)	April 19, 26 May 17, 30 June 14
<b>Stage 3:</b> PJM and stakeholders finalize proposals	June 28 July 10, 27
<b>Stage 4:</b> Final meeting MC Meeting (MC vote)	August 23 (morning) August 23 (afternoon)
Board review	
Feedback to members	
Filing	October 1

Start Date	Priority Level	Timing	Meeting Frequency
Click here to enter a date.	<input checked="" type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low	<input checked="" type="checkbox"/> Immediate <input type="checkbox"/> Near Term <input type="checkbox"/> Far Term	<input checked="" type="checkbox"/> Weekly <input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Quarterly

## Charter

(check one box)

<input checked="" type="checkbox"/>	This document will serve as the Charter for a new group created by its approval.
<input type="checkbox"/>	This work will be handled in an existing group with its own Charter (and applicable amendments).

More detail available in [M34: PJM Stakeholder Process](#), Sections 6 and 8.6.4.