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April 18, 2025

The Honorable Debbie-Anne A. Reese
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426-0001

Re: *PJM Interconnection L.L.C., Docket No. ER25-2002-000, Proposal to Mitigate Impacts From Updates to ELCC Accreditation between the Base Residual Auction and the Final ELCC Accreditation Values*

Dear Secretary Reese:

Pursuant to section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and the Federal Energy Regulatory Commission's ("Commission") Regulations,[1] PJM Interconnection, L.L.C. ("PJM") hereby submits revisions to the PJM Open Access Transmission Tariff ("Tariff") to mitigate the impacts that final effective load carrying capability ("ELCC") and Accredited Unforced Capacity ("UCAP") values may have on capacity commitments that were made based on earlier ELCC values that were utilized in prior Reliability Pricing Model ("RPM") Auctions for a given Delivery Year.[2] Specifically, this proposal mitigates the impact of potential ELCC variability on capacity commitments from the Base Residual Auction as a result of updates to the relevant ELCC Class Rating and/or ELCC Resource Performance Adjustments that are used to calculate a Capacity Resource's Accredited UCAP during the Delivery Year.

[1] 18 C.F.R. Part 35.

[2] For the purpose of this filing, capitalized terms not defined herein shall have the meaning as contained in the PJM Open Access Transmission Tariff, Amended and Restated Operating Agreement, and the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region.

As further explained below, such updated ELCC values reflect changes in resource mix on the PJM system, updates to the load forecast, and generator performance data during the hours of highest risk.[3] These ELCC values directly impact a resource's Accredited UCAP, which is the relevant metric for a resource's ability to take on and fulfill capacity commitments. As such, changes between ELCC values at the time of the Base Residual Auction and the final ELCC values that are applicable to a Capacity Resource are not solely a function of such resource's performance, and may not entirely be within the control of the Capacity Market Seller. Accordingly, this proposal addresses the concern that Capacity Market Sellers of committed Capacity Resources may be assessed a Capacity Resource Deficiency Charge during the Delivery Year due to changes in the final ELCC values that may be outside of their control. More particularly, PJM proposes to limit the Capacity Resource Deficiency Charges associated with shortfalls caused by the variability of ELCC updates to be 100% of the resource's relevant clearing price instead of 120%.[4] This approach effectively removes the additional 20% charge and caps risk associated with ELCC variability for resources at a level commensurate to the compensation received as a result of clearing capacity in an RPM Auction.

This proposal was endorsed by a supermajority of PJM's stakeholders at the Markets and Reliability Committee ("MRC") on March 19, 2025 with a sector-weighted vote of 4.036 out of

[3] While PJM updates ELCC values prior to each RPM Auction, the final ELCC values must be posted by PJM "no later than five months prior to the start of the target Delivery Year," which typically occurs prior to the Third Incremental Auction for that Delivery Year. RAA, Schedule 9.2, section J ("The Office of the Interconnection shall post final ELCC Class Rating values at least once per year").

[4] Tariff, Attachment DD, section 7.1(b-1) provides that the "Daily Deficiency Rate shall equal the Capacity Resource Clearing Price… plus the greater of (iii) 0.20 times such weighted average Capacity Resource Clearing Price; or (iv) $20/MW-Day." The "$20/MW-Day" adder in subsection (iv) is treated as a backstop in situations where the Capacity Resource Clearing Price is less than $100/MW-Day, which is not the case for currently expected market conditions. To avoid any doubt, while this filing discusses the issue being addressed in terms of the "0.20 times" adder instead of the "$20/MW-Day" adder, the instant proposal effectively removes both potential adders from any Daily Deficiency Rate associated with a change in Accredited UCAP Factor that resulted from updates to the relevant ELCC Class Rating and/or ELCC Resource Performance Adjustments.

5.[5] Thereafter, PJM's Members Committee ("MC") also endorsed the proposed revisions by acclamation with no objections and 19 abstentions.[6] PJM requests that the Commission issue an order by June 17, 2025, with an effective date of June 18, 2025.

I. BACKGROUND

A. Capacity Commitments in the RPM Auctions Must be Maintained Throughout the Delivery Year.

Capacity Resources that receive a commitment from the RPM Auctions are expected to be available to deliver Unforced Capacity ("UCAP") during the relevant Delivery Year. Under the existing capacity market rules, a Capacity Resource Deficiency Charge is assessed on Capacity Market Sellers that have committed a Capacity Resource[7] and are unable or unavailable to deliver UCAP for all or any part of such Delivery Year unless replacement UCAP meeting the same requirements, characteristics, and megawatt quantity required to satisfy the commitment is obtained.[8] The existing framework provides a non-exhaustive list of reasons for which a Capacity Resource Deficiency Charge may be charged for a resource that is unable to meet its commitment, including when a Capacity Resource's "capacity value is derated prior to or during the Delivery Year."[9] Thus, a Capacity Market Seller would be assessed a Capacity Resource Deficiency Charge for a Capacity Resource that receives a capacity commitment through the RPM Auctions, if that

[5] The vote tally from PJM's March 19, 2025 MRC are available at https://www.pjm.com/-/media/DotCom/committees-groups/committees/mrc/2025/20250319/20250319-mrc-summarized-voting-results.pdf.

[6] The draft minutes from PJM's March 19, 2025 MC are available at https://www.pjm.com/-/media/DotCom/committees-groups/committees/mc/2025/20250423/20250423-consent-agenda-a---draft-mc-minutes---03192025.pdf.

[7] This requirement, as well as the revisions proposed herein, also apply to bilateral commitments such as any Locational UCAP Seller that sells Locational UCAP for a Delivery Year based on a Generation Capacity Resource. Tariff, Attachment DD, section 8.1.

[8] *Id.*

[9] Tariff, Attachment DD, section 8.1(a).

resource's final Accredited UCAP value is reduced between the initial commitment and the start of the relevant Delivery Year.[10]

The Tariff further explains that a Capacity Resource Deficiency Charge shall equal the Daily Deficiency Rate[11] multiplied by the megawatt ("MW") quantity of deficiency below the level of capacity committed in an RPM Auction or through a bilateral transaction, and is assessed for each day such seller is deficient.[12] The Daily Deficiency Rate for such resources is currently equal to the applicable weighted average Capacity Resource Clearing Price for the Locational Deliverability Area in which such resource is located "plus the greater of (iii) 0.20 times such weighted average Capacity Resource Clearing Price; or (iv) $20/MW-Day."[13] This provision works in tandem with the above requirement to maintain the incentive for Capacity Market Sellers to fulfill the capacity commitments that were made for the relevant Delivery Year.

B. ELCC Determines Accredited UCAP

To accredit the capacity capability for Capacity Resources, PJM employs an ELCC methodology, which, as a general matter, is a technology-neutral probabilistic approach to simulate loss-of-load probability across scenarios designed to determine resources' effective contribution to resource adequacy.[14] Using probabilistic modeling, the ELCC analysis evaluates a resource's

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[10] However, Capacity Market Sellers may obtain or provide replacement capacity through a bilateral replacement transaction to avoid a Capacity Resource Deficiency Charge.

[11] The Daily Deficiency Rate, which is the rate employed to assess certain deficiency charges, is detailed in Tariff, Attachment DD, section 7.

[12] Tariff, Attachment DD, section 8.2. A resource that is subject to a charge under this section that is also subject to a Performance Shortfall charge under Tariff, Attachment DD, section 10A during one or more Performance Assessment Intervals occurring during the period of resource deficiency addressed by this section shall be assessed a charge equal to the greater of the charge determined under this section and the charge determined under Tariff, Attachment DD, section 10A, but shall not be assessed a charge under both this section and Tariff, Attachment DD, section 10A for such simultaneous occurrence of a resource deficiency and Performance Shortfall. *Id.*

[13] Tariff Attachment DD, section 7.1(b-1).

[14] RAA, Schedule 9.2; *see PJM Interconnection, L.L.C.*, Capacity Market Reforms to Accommodate the Energy Transition While Maintaining Resource Adequacy, Docket No. ER24-99-000 (Oct. 13, 2023) ("2023 ELCC Filing").

contribution to system reliability and distinguishes among generators with differing levels of reliability, size, and hourly output profiles to determine an ELCC rating for a given resource or a class of resources (an "ELCC Class Rating").

The ELCC methodology recognizes and accounts for the unique characteristics of diverse resource types. It compares the expected hourly output of a resource (or resource class) against expected hourly load for all hours of a planned year. It captures variations in hourly variable resource availability, any correlation in hourly output with load patterns, seasonal variations, and the limited duration characteristic associated with resources with a storage component. PJM's ELCC methodology accounts for this interrelationship between the output of different resources within distinct categories, resources outside of those categories, and load.[15] As a result, resources that are able to consistently produce energy during hours with load shed risk in the analysis have a higher ELCC rating than resources less able to do so. In short, a resource's Accredited UCAP reflects the resource's expected performance during hours where resource adequacy risk is highest.

The capacity capability determined through the ELCC approach, i.e., a resource's "Accredited UCAP," is a function of the resource's installed capacity and its expected individual performance during expected periods of resource adequacy risk. In general, Accredited UCAP is the product of: (1) the maximum physical output capability of the resource; (2) the output of the ELCC analysis (by way of the class rating); and, as applicable, (3) the resource's performance relative to other members of the ELCC Resource's class. A resource's marginal reliability contribution may change as the result of factors specific to the resource (e.g., resource performance and outage data during the hours of highest risk) and also external factors (e.g., changes in patterns

[15] 2023 ELCC Filing, Attachment E, Affidavit of Dr. Patricio Rocha-Garrido on Behalf of PJM Interconnection, L.L.C. ¶¶ 27 ("Rocha-Garrido Affidavit").

of resource adequacy risk on the PJM system, driven by changes in resource mix and updates to load forecasts).[16] Accordingly, to produce ELCC values that reflect the latest data, PJM performs a reevaluation of ELCC that impacts each resource's Accredited UCAP prior to each RPM Auction.[17]

C. ELCC and Accredited UCAP are Updated in Advance of Each RPM Auction

As described above, a resource's Accredited UCAP value is updated prior to each RPM Auction based on the latest ELCC analysis for the relevant Delivery Year, with the final value being determined "no later than five months prior to the start of the target Delivery Year."[18] Under the current framework, if the final Accredited UCAP value falls below the amount previously committed in RPM Auctions, which may be driven by factors unrelated to a decrease in Installed Capacity ("ICAP") or changes in the performance of the resource, then a resource owner would be subject to deficiency charges at 120% of their capacity revenue for the shortfall MW if they are unable to procure replacement capacity prior to the start of the relevant Delivery Year.

The Accredited UCAP values may vary from the initial Base Residual Auction due to changes in the: (1) unit performance, both in absolute terms and relative to other resources in the class; and (2) expected patterns of resource adequacy risk on the system, which may be driven by a myriad of factors including updates to the projected resource mix due to new entry and/or retirements of existing resources, changes in the performance of other resources and resource

[16] *PJM Interconnection, L.L.C.*, Docket No. ER23-99-000, at 30 (Oct. 13, 2023). Prior to the implementation of the revisions in Docket No. ER23-99, PJM traditionally employed a metric for most resources that simply quantified the average time a resource was on a forced outage while in demand, known as the "Equivalent Forced Outage Rate" or "EFORd," to establish the UCAP value of such resources. *Id.* at 35-36.

[17] The final ELCC values must be posted by PJM "no later than five months prior to the start of the target Delivery Year," which typically occurs prior to the Third Incremental Auction for that Delivery Year. RAA, Schedule 9.2, section J ("The Office of the Interconnection shall post final ELCC Class Rating values at least once per year").

[18] RAA, Schedule 9.2, section J.

classes, and changes in the load forecast (including both peak load forecasts as well as forecasted load profiles and the relationship with rare extreme weather). The ELCC model currently takes all of these factors into account as part of the updates to ELCC accreditation. Accordingly, the final ELCC ratings that impact resources' Accredited UCAP are driven by complex interactions of system-wide factors that are often interdependent, and the reductions caused by the performance of an individual resource cannot be simply isolated in such a way as to derive meaningful value from them. As a result, there is currently no identified and consistently workable or practical approach to reasonably isolate changes in the individual unit performance's impact on accreditation that would be uniform among all instances of accreditation changes.[19]

D. The Must-Offer Requirement Compels Resources to Offer the Entirety of their Accredited UCAP Regardless of Potential Changes in Accreditation

Existing Generation Capacity Resources have a "must-offer" requirement to protect against physical withholding by requiring such resources to offer their full available Accredited UCAP value, as determined by PJM at the time of the relevant RPM Auction, into the RPM.[20] As a resource's Accredited UCAP value at the time of the Base Residual Auction is determined using the ELCC analysis run prior to a given year's Base Residual Auction,[21] Existing Generation Capacity Resources are not able to hedge or mitigate against potential drops in their final Accredited UCAP by offering to commit less capacity during the Base Residual Auction. Given

[19] It would be unclear how to assess Capacity Resource Deficiency Charges on a unit whose individual accreditation moved counter to the overall change in ELCC Class Rating. As one example, if a resource class' performance increases but an individual resource's performance decreases such that the resource's overall Accredited UCAP increases, then there would be no shortfall on which to assess daily deficiency charges at either rate.

[20] Tariff, Attachment DD, section 6.6A(a).

[21] Tariff, Attachment DD, section 6.6(a) ("Determinations of EFORd, Accredited UCAP, and Unforced Capacity made under this Tariff, Attachment DD, section 6.6 as to a Generation Capacity Resource shall govern the offers required under this section as to the same Generation Capacity Resource."); Tariff, Attachment DD, section 6.6A(b) ("Starting with the 2025/2026 Delivery Year, the Unforced Capacity of such resource is determined using the effective Accredited UCAP Factor for that resource.").

that the Accredited UCAP value between RPM Auctions for a given Delivery Year could vary for reasons beyond the control of the resource owner, and that a reduction in the Accredited UCAP can cause deficiency charges, PJM and its stakeholders considered various proposals to mitigate against the deficiency risk of changes to the Accredited UCAP value, particularly as it may become increasingly difficult to procure the replacement capacity when system conditions are tight, as can be observed today.[22]

To illustrate, a generator accredited at 100 MW UCAP that clears that full amount in the Base Residual Auction at a clearing price of $250/MW-day may have their accreditation later updated prior to the Third Incremental Auction due to changes in system risk profiles that results in a final accreditation of 90 MW UCAP. If unable to procure replacement capacity, the resource owner would be subject to a daily deficiency charge for the 10 MW UCAP shortfall times $300/MW-day (which is 120% of the price at which that resource cleared the Base Residual Auction).

II. PJM PROPOSES TO MITIGATE THE IMPACT TO CAPACITY COMMITMENTS CAUSED BY POTENTIAL VARIABILITY OF ACCREDITED UCAP VALUES

PJM proposes to address the problem described above and mitigate against potential variability in Accredited UCAP values that may impact a resource's ability to fulfill capacity commitments during the Delivery Year given the possibility that the resource's Accredited UCAP

[22] Only 24.5 MW of annual capacity across the entire PJM footprint did not clear the 2025/2026 Third Incremental Auction. *See* PJM, 2025/2026 RPM Third Incremental Auction Results, https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2025-2026/2025-2026-3ia-report.pdf.

could be reduced when the final ELCC values are updated five months prior to the start of the relevant Delivery Year.[23]

A. PJM Proposes to Limit Capacity Resource Deficiency Charges Driven by Changes in the Accredited UCAP Factor to the Applicable Capacity Resource Clearing Price

To limit the potential for a resource to be charged in excess of its cleared dollar per MW-day award in an RPM Auction when such deficiency is driven by updates to the Accredited UCAP Factor, PJM proposes to specify that, effective with the 2026/2027 Delivery Year, any capacity deficiency that is caused by a reduction of a Capacity Resource's Accredited UCAP Factor between the Base Residual Auction and the start of the Delivery Year due to changes in ELCC Class Ratings or ELCC Resource Performance Adjustments would be subject to a Capacity Resource Deficiency Charges that would no longer include the 20% adder and shall instead be limited to the resource's clearing price in the Base Residual Auction. This is achieved by updating the Capacity Resource Deficiency Charges in such scenario to be based on the weighted average Capacity Resource Clearing Price applicable to the Capacity Resource multiplied by the megawatt quantity of deficiency below the level of capacity committed in that Delivery Year. The additional provision is fully demonstrated below:

Tariff, Attachment DD, section 8.2

> Provided further, effective with the 2026/2027 Delivery Year and for all subsequent Delivery Years, the Capacity Resource Deficiency Charge due to a reduction of a Capacity Resource's Accredited UCAP Factor between the Base Residual Auction and the start of the Delivery Year due to changes in ELCC Class Ratings or ELCC Resource Performance Adjustments shall be the weighted average Capacity Resource Clearing Price applicable to the

[23] This proposal focuses on scenarios where a resource's Accredited UCAP is reduced in subsequent Incremental Auctions relative to the value used in the Base Residual Auction. If a resource's Accredited UCAP increases in subsequent Incremental Auctions, the additional accredited UCAP that previously did not clear an RPM Auction would be eligible to be offered (and required to be offered for Existing Generation Capacity Resources) in subsequent Incremental Auctions.

> Capacity Resource (for purposes of replacement capacity, including Locational UCAP transactions, the applicable Capacity Resource Clearing Price shall be the clearing price for the Locational Deliverability Area in which such resource is located) multiplied by the megawatt quantity of deficiency below the level of capacity committed in the relevant Delivery Year.

This proposed approach allows PJM to routinely continue to update ELCC Class Ratings and Accredited UCAP Factors, thereby providing the most accurate and up to date reflection of a resource's expected capacity capability prior to the Third Incremental Auction. This proposal also mitigates sellers' concerns on the impacts of the variability of Accredited UCAP Factors between RPM Auction commitments and the start of the Delivery Year, given the potential risk that such change may result in unfulfillable capacity commitments. More particularly, under this proposal, sellers will incur a lower charge for any deficient MW, based on 100% of the resource's clearing price without the additional 20% charge for any commitment deficiencies driven by lower Accredited UCAP Factors.

This approach has the important benefit of updating the Accredited UCAP for all resources based on the latest information available. Specifically, this proposal recognizes that Accredited UCAP values may be updated based on both factors related to unit performance and external factors that include the projected resource mix given new entries and retirements, changes in the performance of other resources and resource classes, and changes in the load forecast. In other words, PJM will continue to update ELCC values to most accurately reflect each resource's contribution to resource adequacy ahead of the Third Incremental Auction and ahead of going into a Delivery Year, which sends appropriate market signals reflecting the need for investment through the RPM and allows PJM to better maintain resource adequacy and reliability during emergency events.

Additionally, this proposal appropriately maintains the ability of any resources whose capacity value increases to sell that additional resource adequacy value to other Capacity Market Sellers seeking to procure replacement capacity or to PJM load when PJM seeks to purchase additional capacity through an Incremental Auction. For resources that see a reduction in final Accredited UCAP value that would therefore be subject to deficiency charges absent procuring replacement capacity, this proposal appropriately continues to incentivize such resources to seek replacement capacity through an Incremental Auction or bilateral transaction to cover their deficient position. If unable to do so, this approach appropriately refunds load for the costs incurred in earlier auctions (either during the Base Residual Auction or earlier Incremental Auctions) corresponding to resource adequacy value that is no longer provided. In other words, if the final ELCC results in the overall reduction of available capacity that cannot be replaced, then the Capacity Resource Deficiency Charge that is assessed to resource owners will be credited back to load entities that paid for that capacity.

To be clear, deficiencies driven by a decrease in ICAP, such as when a planned generator clears the Base Residual Auction but then fails to come online in time, will continue to be subject to an existing charge rate based off the sum of the Capacity Resource Clearing Price plus the higher of 20% of that clearing price or $20/MW-day.[24] Additionally, deficiency charges stemming from generation resource rating test failure or operation test failure would also continue to be assessed at the same rate.[25] It is only those deficiencies that are driven by a lower final Accredited UCAP value than what was used when clearing the RPM Auction that the Capacity Resource Deficiency

[24] Tariff, Attachment DD, section 7.1(b-1).

[25] *Id.*

Charge rate would be reduced to 100% of the resource's clearing price.[26] This proposal appropriately continues to expose sellers to updates in ELCC accreditation values between the Base Residual Auction and Incremental Auctions, which could go up or down, regardless of the driver of those change, but balances this by removing exposure to deficiency charges that exceed the auction revenues being paid for the shortfall MW when that deficiency is driven by a lower Accredited UCAP Factor. This protects resources from being charged for risk that they may not be able to adequately mitigate while still allowing them to benefit from prudent investment and operation of the resource. At the same time, Capacity Market Sellers are still incentivized to seek replacement capacity prior to the start of the Delivery Year because committed Capacity Resources are still expected to perform up to the full committed UCAP equivalent in the event there is a Performance Assessment Interval or be subject to much more significant Non-Performance Charges.

Further, under this proposal, those revenues for unrealized capacity will appropriately result in costs refunded to load when the ELCC ratings and Accredited UCAP of resources drops and replacement capacity is not procured, thereby requiring consumers to only pay for capacity that is available during the Delivery Year. In other words, this approach prevents consumers from paying for capacity that does not exist because setting the Capacity Resource Deficiency Charge Rate to 100% of the resource clearing price would effectively refund, via the allocation of said

[26] This proposal is limited to Capacity Resource Deficiency Charges that are assessed on resources that are either bilaterally committed or receive a commitment through the RPM Auctions. PJM is not proposing any amendments to alter the existing Fixed Resource Requirement ("FRR") Capacity Deficiency Charge rate specified in RAA, Schedule 8.1.F(2) because FRR commitment shortfalls that are assessed to FRR Entities are made on a portfolio basis and the shortfall is a comparison to the FRR Entities' load obligation, which is based on the Forecast Pool Requirement. Since the Forecast Pool Requirement is a function of the pool-wide average Accredited UCAP Factor as specified in RAA, Schedule 4.1(C), reductions in the accreditation of the fleet are captured in the Forecast Pool Requirement and reflected in a lower load UCAP obligation. As a result, it is not necessary to further reduce the FRR Capacity Deficiency Charge in these scenarios.

deficiency charges back to load, any capacity payments that load would have paid for the cleared capacity associated with such committed resources. In short, this proposal prevents load from bearing that financial burden, and mitigates the impact on sellers caused by the potential variability of ELCC values that may be outside of their control. Accordingly, PJM's proposal to reduce the Capacity Resource Deficiency Charge rate to 100% of the weighted average Capacity Resource Clearing Price applicable to such resource for deficiencies driven by variability in Accredited UCAP Factors is just and reasonable and strikes an appropriate balance between maintaining the accuracy of ELCC with the most updated analysis and information while mitigating the additional variability in revenues caused by the 20% or $20/MW-Day adder to any potential Daily Deficiency Rate that may be applied.

B. Examples of Implementation

To illustrate application of the above changes, a few examples are provided with this proposal. First, examine a hypothetical generator with 100 MW of ICAP with an Accredited UCAP of 90 MW that the resource clears in the Base Residual Auction, assuming no change during the First and Second Incremental Auctions or through bilateral commitments, and whose final accreditation is updated to 80 MW UCAP (*i.e.*, a 10 MW decrease in Accredited UCAP) prior to the Third Incremental Auction due to changes in ELCC Class Ratings or ELCC Resource Performance Adjustments. Under the status quo, such a facility would need to procure 10 MW of replacement or otherwise face a 10 MW daily deficiency charge at the higher of 120% of its clearing price or its clearing price plus $20/MW-Day if the clearing price is less than $100/MW-Day, as well as a Performance Assessment Interval obligation based on its 90 MW UCAP. Under this proposal, however, the resource's daily deficiency charge would be 100% of its clearing price.

A committed Capacity Resource's obligation during Performance Assessment Intervals would continue to be based on its initial 90 MW UCAP obligation.

Second, examine the same hypothetical 100 MW ICAP generator with 90 MW of Accredited UCAP cleared in the Base Residual Auction, and assuming no change during the First and Second Incremental Auctions or through bilateral commitments, but now consider the effect of the resource's final Accredited UCAP *rising* to 95 MW prior to the Third Incremental Auction. As with the status quo, the resource would face no daily deficiency charge and would be able and required to sell the additional 5 MW in the Third Incremental Auction. Such a resource's obligations during a Performance Assessment Interval would continue to be based on the 90 MW Accredited UCAP unless the additional 5 MW cleared in the Third Incremental Auction, at which point the obligation would increase to the 95 MW Accredited UCAP value.

As these examples demonstrate, this proposal mitigates the impacts caused by the potential variability of ELCC Class Rating or ELCC Resource Performance Adjustments for Capacity Market Sellers that may be assessed Capacity Resource Deficiency Charges for reductions that may be outside of their control by limiting the Capacity Resource Deficiency Charge and returning capacity payments to load for unrealized capacity without further charging sellers. This appropriately continues to place the burden of risk and benefit of reward with Capacity Market Sellers without subjecting such sellers to excess charges that may be beyond their ability to mitigate. This also prevents load from incurring capacity payments for capacity that was ultimately unrealized given changes in system conditions and resource profiles. Accordingly, the Commission should accept this proposal as providing a just and reasonable approach to mitigating existing uncertainty for sellers in the RPM whose resource's accreditation may change for a Delivery Year as ELCC values are updated.

C. PJM Proposes to Remove Reference to "EFORD Increases"

The existing framework provides a list of reasons that are inclusive but not limited for which a Capacity Resource Deficiency Charge may be charged for a unit that is unable to meet its commitment. This list currently includes "EFORD Increase," which describes the "Equivalent Forced Outage Rate for Demand" representing the portion of time a generating unit is unavailable due to a forced outage when it's in demand. The list describes "EFORD Increase" as a situation when a "Generation Capacity Resource and the EFORD value determined for such resource at least two (2) months prior to the Third Incremental Auction is higher than the EFORD value submitted in the Capacity Market Seller's cleared Sell Offer[.]"[27]

PJM proposes to remove this provision as part of this proposal because provisions specific to the Equivalent Forced Outage Rate of Demand are no longer relevant following the Commission's acceptance of the ELCC accreditation methodology proposed in PJM's October 13, 2023 Filing.[28]

III. STAKEHOLDER PROCESS

Review of this issue charge for ELCC accreditation methodology began on December 5, 2024.[29] This proposal was endorsed by the ELCC senior task force on February 10, 2025.[30] Subsequently, on March 19, 2025, this proposal was endorsed by PJM's Markets and Reliability

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[27] *Id.*, section 8.1(b).

[28] *PJM Interconnection, L.L.C.*, 186 FERC ¶ 61,080, at P 286 (2024) (agreeing with PJM that "under the marginal ELCC approach . . . there is no need for either the IMM or PJM to review requests to change a resource's EFORd").

[29] The issue charge for this proposal is available at: https://www.pjm.com/-/media/DotCom/committees-groups/task-forces/elccstf/2024/20241205/20241205-item-01---elcc-capacity-accreditation-methodology---issue-charge.pdf. The problem statement for this proposal is available at: https://www.pjm.com/-/media/DotCom/committees-groups/task-forces/elccstf/2024/20241205/20241205-item-01---elcc-capacity-accreditation-methodology---problem-statement.pdf.

[30] The voting results from the February 4, 2025 ELCC senior task force are available at: https://www.pjm.com/-/media/DotCom/committees-groups/task-forces/elccstf/2025/20250204/20250204-elccstf-voting-result-report.pdf.

Committee ("MRC") with a vote of 4.036 in favor,[31] and approved by PJM's Members Committee ("MC") by acclamation with no objections and 19 abstentions.[32]

IV. PROPOSED EFFECTIVE DATES

PJM proposes an effective date of June 18, 2025, for the proposed Tariff revisions referenced herein. PJM requests that the Commission issue an order on this filing by June 17, 2025.

V. DESCRIPTION OF SUBMITTAL

This filing consists of the following:

1. This transmittal letter;

2. Attachment A – Revisions to the Tariff, in redline format; and

3. Attachment B – Revisions to the Tariff, in clean format.

VI. CORRESPONDENCE

The following individuals are designated for inclusion on the official service list in this proceeding and for receipt of any communications regarding this filing:

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[31] The voting tally from PJM's March 19, 2025 MRC is available at https://www.pjm.com/-/media/DotCom/committees-groups/committees/mrc/2025/20250319/20250319-mrc-summarized-voting-results.pdf.

[32] The draft minutes from PJM's March 19, 2025 MC are available at https://www.pjm.com/-/media/DotCom/committees-groups/committees/mc/2025/20250423/20250423-consent-agenda-a---draft-mc-minutes---03192025.pdf.

VII. SERVICE

PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission's regulations,[33] PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: https://www.pjm.com/library/filing-order with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region[34] alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the FERC's eLibrary website located at the following link: http://www.ferc.gov/docsfiling/elibrary.asp in accordance with the Commission's regulations and Order No. 714.

[33] *See* 18 C.F.R. §§ 35.2(e) and 385.2010(f)(3).

[34] PJM already maintains, updates and regularly uses e-mail lists for all PJM Members and affected state commissions.

VIII. CONCLUSION

Based on the foregoing, PJM respectfully requests that the Commission accept these proposed amendments as filed.

Respectfully submitted,

/s/ Daniel Vinnik

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On behalf of
PJM Interconnection, L.L.C.

Attachment A

Revisions to the
PJM Open Access Transmission Tariff

(Marked / Redline Format)

8. CAPACITY RESOURCE DEFICIENCY CHARGE

8.1

A Capacity Resource Deficiency Charge shall be assessed on any Capacity Market Seller that commits a Capacity Resource, and on any Locational UCAP Seller that sells Locational UCAP for a Delivery Year based on a Generation Capacity Resource, for a Delivery Year that is unable or unavailable to deliver Unforced Capacity for all or any part of such Delivery Year for any reason, including but not limited to the following, and that does not obtain replacement Unforced Capacity meeting the same locational requirements and same or better temporal availability characteristics (i.e., Annual Resource) in the megawatt quantity required to satisfy the capacity committed from such resource by such seller as a result of all cleared Sell Offers from such seller based on such resource in any RPM Auctions for such Delivery Year, the reduction in any such commitment for such resource to the extent and for the time period of any replacement capacity committed in lieu of such resource, and the increase in any such commitment for such resource to the extent and for the time period that such resource is committed as replacement capacity for any other resource:

a) Unit Derating – Such Capacity Resource is a Generation Capacity Resource and its capacity value is derated prior to or during the Delivery Year;

~~b) EFORD Increase – Such Capacity Resource is a Generation Capacity Resource and the EFORD value determined for such resource at least two (2) months prior to the Third Incremental Auction is higher than the EFORD value submitted in the Capacity Market Seller's cleared Sell Offer;~~

b~~c~~) External Generation Resource – Such Capacity Resource is an Existing Generation Capacity Resource that is located outside of the PJM Control Area and arrangements for the firm delivery of the output of such resource to the interface with the PJM Region are not in place for such resource prior to the start of the Delivery Year;

c~~d~~) Planned Generation Resource – Such Capacity Resource is a Planned Generation Capacity Resource and Interconnection Service has not commenced as to such resource prior to the start of the Delivery Year;

d~~e~~) Planned Demand Resource - Such Capacity Resource is a Planned Demand Resource or an Energy Efficiency Resource and the associated demand response program or energy efficiency measure is not installed prior to the start of the Delivery Year; or

e~~f~~) Existing Demand Resource – Such Capacity Resource is an existing Demand Resource or Energy Efficiency Resource and, subject to section 8.4 below, is not capable of providing the megawatt quantity of load response specified in the cleared Sell Offer for the time periods of availability associated with the product type.

8.2. Capacity Resource Deficiency Charge

The Capacity Resource Deficiency Charge shall equal the Daily Deficiency Rate (as defined in Tariff, Attachment DD, section 7) multiplied by the megawatt quantity of deficiency below the level of capacity committed in such Capacity Market Seller's Sell Offer(s) or bilateral capacity commitments, or Locational UCAP Seller's Locational UCAP sale for each day such seller is deficient, provided, however, that a resource that is subject to a charge under this section that is also subject to a charge under Tariff, Attachment DD, section 10A hereof for a Performance Shortfall during one or more Performance Assessment Intervals occurring during the period of resource deficiency addressed by this section shall be assessed a charge equal to the greater of the charge determined under this section and the charge determined under Tariff, Attachment DD, section 10A, but shall not be assessed a charge under both this section and Tariff, Attachment DD, section 10A for such simultaneous occurrence of a resource deficiency and Performance Shortfall. Provided further, effective with the 2026/2027 Delivery Year and for all subsequent Delivery Years, the Capacity Resource Deficiency Charge due to a reduction of a Capacity Resource's Accredited UCAP Factor between the Base Residual Auction and the start of the Delivery Year due to changes in ELCC Class Ratings or ELCC Resource Performance Adjustments shall be the weighted average Capacity Resource Clearing Price applicable to the Capacity Resource (for purposes of replacement capacity, including Locational UCAP transactions, the applicable Capacity Resource Clearing Price shall be the clearing price for the Locational Deliverability Area in which such resource is located) multiplied by the megawatt quantity of deficiency below the level of capacity committed in the relevant Delivery Year.

8.3. Allocation of Revenue Collected from Capacity Resource Deficiency Charges

The revenue collected from the assessment of a Capacity Resource Deficiency Charge shall be distributed on a pro-rata basis to all LSEs that were charged a Locational Reliability Charge for the day for which such Capacity Resource Deficiency Charge was assessed. Such revenues shall be distributed on a pro-rata basis to such LSEs based on their Daily Unforced Capacity Obligations.

8.4 Relief from Charges

A Capacity Market Seller or Locational UCAP Seller that is otherwise subject to the Capacity Resource Deficiency Charge solely as a result of section 8.1(f) above may receive relief from such Charge if it demonstrates that the inability to provide the level of demand response specified in its Sell Offer is due to the permanent departure (due to plant closure, efficiency gains, or similar reasons) from the Transmission System of load that was relied upon for load response in such Sell Offer; provided, however, that such seller must provide the Office of the Interconnection with all information deemed necessary by the Office of the Interconnection to assess the merits of the request for relief. Such seller shall receive no RPM Auction Credit for the amount of reduction in the committed Existing Demand Resources.

Attachment B

Revisions to the
PJM Open Access Transmission Tariff

(Clean Format)

8. CAPACITY RESOURCE DEFICIENCY CHARGE

8.1

A Capacity Resource Deficiency Charge shall be assessed on any Capacity Market Seller that commits a Capacity Resource, and on any Locational UCAP Seller that sells Locational UCAP for a Delivery Year based on a Generation Capacity Resource, for a Delivery Year that is unable or unavailable to deliver Unforced Capacity for all or any part of such Delivery Year for any reason, including but not limited to the following, and that does not obtain replacement Unforced Capacity meeting the same locational requirements and same or better temporal availability characteristics (i.e., Annual Resource) in the megawatt quantity required to satisfy the capacity committed from such resource by such seller as a result of all cleared Sell Offers from such seller based on such resource in any RPM Auctions for such Delivery Year, the reduction in any such commitment for such resource to the extent and for the time period of any replacement capacity committed in lieu of such resource, and the increase in any such commitment for such resource to the extent and for the time period that such resource is committed as replacement capacity for any other resource:

a) Unit Derating – Such Capacity Resource is a Generation Capacity Resource and its capacity value is derated prior to or during the Delivery Year;

b) External Generation Resource – Such Capacity Resource is an Existing Generation Capacity Resource that is located outside of the PJM Control Area and arrangements for the firm delivery of the output of such resource to the interface with the PJM Region are not in place for such resource prior to the start of the Delivery Year;

c) Planned Generation Resource – Such Capacity Resource is a Planned Generation Capacity Resource and Interconnection Service has not commenced as to such resource prior to the start of the Delivery Year;

d) Planned Demand Resource - Such Capacity Resource is a Planned Demand Resource or an Energy Efficiency Resource and the associated demand response program or energy efficiency measure is not installed prior to the start of the Delivery Year; or

e) Existing Demand Resource – Such Capacity Resource is an existing Demand Resource or Energy Efficiency Resource and, subject to section 8.4 below, is not capable of providing the megawatt quantity of load response specified in the cleared Sell Offer for the time periods of availability associated with the product type.

8.2. Capacity Resource Deficiency Charge

The Capacity Resource Deficiency Charge shall equal the Daily Deficiency Rate (as defined in Tariff, Attachment DD, section 7) multiplied by the megawatt quantity of deficiency below the level of capacity committed in such Capacity Market Seller's Sell Offer(s) or bilateral capacity commitments, or Locational UCAP Seller's Locational UCAP sale for each day such seller is deficient, provided, however, that a resource that is subject to a charge under this section that is also subject to a charge under Tariff, Attachment DD, section 10A hereof for a Performance

Shortfall during one or more Performance Assessment Intervals occurring during the period of resource deficiency addressed by this section shall be assessed a charge equal to the greater of the charge determined under this section and the charge determined under Tariff, Attachment DD, section 10A, but shall not be assessed a charge under both this section and Tariff, Attachment DD, section 10A for such simultaneous occurrence of a resource deficiency and Performance Shortfall. Provided further, effective with the 2026/2027 Delivery Year and for all subsequent Delivery Years, the Capacity Resource Deficiency Charge due to a reduction of a Capacity Resource's Accredited UCAP Factor between the Base Residual Auction and the start of the Delivery Year due to changes in ELCC Class Ratings or ELCC Resource Performance Adjustments shall be the weighted average Capacity Resource Clearing Price applicable to the Capacity Resource (for purposes of replacement capacity, including Locational UCAP transactions, the applicable Capacity Resource Clearing Price shall be the clearing price for the Locational Deliverability Area in which such resource is located) multiplied by the megawatt quantity of deficiency below the level of capacity committed in the relevant Delivery Year.

8.3. Allocation of Revenue Collected from Capacity Resource Deficiency Charges

The revenue collected from the assessment of a Capacity Resource Deficiency Charge shall be distributed on a pro-rata basis to all LSEs that were charged a Locational Reliability Charge for the day for which such Capacity Resource Deficiency Charge was assessed. Such revenues shall be distributed on a pro-rata basis to such LSEs based on their Daily Unforced Capacity Obligations.

8.4 Relief from Charges

A Capacity Market Seller or Locational UCAP Seller that is otherwise subject to the Capacity Resource Deficiency Charge solely as a result of section 8.1(f) above may receive relief from such Charge if it demonstrates that the inability to provide the level of demand response specified in its Sell Offer is due to the permanent departure (due to plant closure, efficiency gains, or similar reasons) from the Transmission System of load that was relied upon for load response in such Sell Offer; provided, however, that such seller must provide the Office of the Interconnection with all information deemed necessary by the Office of the Interconnection to assess the merits of the request for relief. Such seller shall receive no RPM Auction Credit for the amount of reduction in the committed Existing Demand Resources.