

**Panel 3:
What Changes Can and Should be
Made to RPM Over the Next 3 to 5
Years**

Long Term Capacity
Issues Symposium
January 27, 2010

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Capacity Market Basics

- **Get the product right**
- **Get the price right**



Get the Product Right

- **Definition of capacity**
 - **Must offer in day-ahead energy market**
 - **Energy must be recallable**
 - **Energy must be deliverable**
 - **Outage data must be provided**
- **Generation offers in energy market**
 - **Competitive offers**
 - **Offers in all hours**
- **Demand side offers in energy market**
 - **Competitive offers**
 - **Offers in all hours**



Get the Price Right

- **Structure of the capacity auctions**
 - **Mandatory market for all load**
 - **Mandatory market for all generation**
- **Implications**
 - **No artificial reductions in demand for capacity**
 - **All resources make offers in BRA**
 - **No out of market generation**
- **Performance incentives**
 - **Match energy market incentives**
- **Scarcity pricing in energy market**
 - **Capacity revenues are scarcity revenues**
 - **Offset mechanism required**



Get the Price Right

- **Market prices for capacity must reflect actual supply and demand conditions**
- **Offers**
 - **Reflect forward looking requirements**
- **CONE**
 - **Reflect market realities**
- **Locational prices**
 - **CETO/CETL**
 - **Retirements**
 - **Reflect actual reliability needs of system**



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