

Proposed Modifications to RPM

CMEC

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MMU Voting Issues

- **Performance incentives in RPM**
- **Obligation of RPM resources to make economic offers in the Day-Ahead Energy Market**



Performance Incentives in Capacity Market

- **Capacity market is a mechanism to collect scarcity revenues**
- **The capacity market incentive structure should match that of the energy market**
- **Zero performance (EFORp) should result in zero capacity payments**
- **Note that this does not mean that one failure to perform means no payment**
- **Payment should be proportional to performance**



Performance Incentives in Capacity Market

- **Attachment DD, Section 10 states that zero performance results in a payment reduction of no more than 50 percent of capacity payments.**
- **Section 10 also states that if the 50 percent is applied in a year that the year 2 maximum payment reduction is 75 percent and if the 50 percent is applied again that the year 3 maximum payment reduction is 100 percent.**
- **The higher level continues to apply until the 50 percent level is no longer applicable.**



Performance Incentives in Capacity Market

- **The current tariff language provides for payment to a resource that completely fails to perform**
- **This language should be modified to ensure that capacity resources receive payments directly proportional to their performance (EFORp)**
 - **Zero performance results in zero payment.**
 - **Fifty percent performance results in fifty percent payment.**
 - **One failure to perform has only a proportional impact on the payments.**



Performance Incentives in Capacity Market

- **The generation resource rating test failure charge should also be adjusted. (Attachment DD, 7.1 b)**
- **This charge should be reduced from the current tariff rate (Att DD, 7.1 b):**
 - **The Daily Deficiency Rate plus .20 times the weighted average Capacity Resource Clearing Price or \$20/MW-Day**
- **This charge should equal:**
 - **The Capacity Resource Clearing Price (as defined in Att DD, 7.1 b)**



Performance Incentives in Capacity Market

10. PEAK-HOUR-PERIOD AVAILABILITY CHARGES AND CREDITS

- (i) The shortfall determined for any Generation Capacity Resource shall not exceed an amount equal to ~~0.50~~ 1.00 times the Unforced Capacity of such resource. ~~.; provided, however, that if such limitation is triggered as to any Generation Capacity Resource for a Delivery Year, then the decimal multiplier for this calculation as to such resource in the immediately succeeding Delivery Year shall be increased to 0.75, and if such limitation again is triggered in such succeeding Delivery Year, then the multiplier shall be increased to 1.00. The multiplier shall remain at either such elevated level for each succeeding Delivery year until the shortfall experienced by such resource is less than 0.50 times the Unforced Capacity of such resource for three consecutive Delivery Years.~~



Economic Offers in Energy Market

- **Capacity market resources have an obligation to offer in the Day-Ahead Energy Market**
- **The energy market offers should be economic**
- **The energy market offers should not include max emergency resources**
- **Max emergency resources do not make economic offers into the Day-Ahead Energy Market and are available only in an emergency**
- **Prior settlement language on max emergency resources should be incorporated in tariff**



Economic Offers in Energy Market

- **Note: this is not a requirement to offer at marginal cost**
- **Note: this does not affect units that meet the criteria for max emergency resources under the scarcity provisions of the tariff**
- **Note: this provision is designed to prevent units that are in long term max emergency status from qualifying as capacity resources**



Settlement Language re Economic Offers in Energy Market

E. Clarification Regarding Offers in Day-Ahead Energy Market by Capacity Resources.

As set forth on the attached Operating Agreement amendments, Section 1.10.1A of Schedule 1 of the PJM Operating Agreement, and the corresponding provisions of the Appendix to Attachment K to the PJM Tariff, are amended to provide that Capacity Resources committed through the RPM or Fixed Resource Requirement shall offer their output in the PJM Day-ahead Energy Market on economic schedule if not on forced or maintenance outage, unless the criteria for a Maximum Emergency schedule offer are met, per Operating Agreement Schedule 1, Section 6A.1.3. To offer its output “on economic schedule” the seller must designate the unit as available for normal economic operation as opposed to only being available under emergency conditions.

