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TO: MIC
FROM: Joe Bowring
SUBJECT: Obligations of generation capacity resources

Obligations of Generation Capacity Resources

The sale of a generating unit as a capacity resource within PJM entails obligations for the generation owner. The first four of these requirements, listed below, are essential to the definition of a capacity resource and contribute directly to system reliability.

Energy Recall Right. PJM rules specify that when a generation owner sells capacity resources from a unit, the seller is contractually obligated to allow PJM to recall the energy generated by that unit if the energy is sold outside of PJM. This right enables PJM to recall energy exports from capacity resources when it invokes emergency procedures. The recall right establishes a link between capacity and actual delivery of energy when it is needed. Thus, PJM can call upon energy from all capacity resources to serve load. When PJM invokes the recall right, the energy supplier is paid the PJM Real-Time Energy Market price.

Day-Ahead Energy Market Offer Requirement. Market sellers owning or controlling the output of a generation capacity resource that was committed in an FRR Capacity Plan, self-supplied, offered and cleared in any RPM auction, or designated as replacement capacity, and that is not unavailable due to an outage are required to offer into PJM's Day-Ahead Energy Market.¹ When LSEs purchase capacity, they ensure that resources are available to provide energy on a daily basis, not just in emergencies. Since day-ahead offers are financially binding, PJM capacity resource owners must provide the offered energy at the offered price if the offer is accepted in the Day-Ahead Energy Market. This energy can be provided by the specific unit offered, by a bilateral energy purchase, or by an energy purchase from the Real-Time Energy Market.

Deliverability. To qualify as a PJM capacity resource, energy from the generating unit must be deliverable to load in PJM. Capacity resources must be deliverable, consistent with a loss of load expectation as specified by the reliability principles and standards, to the total system load, including portion(s) of the system that may have a capacity deficiency.² In addition, for

¹ See PJM. "Operating Agreement of PJM Interconnection, L.L.C.," Sixth Revised Sheet No. 93 (Effective June 1, 2008), Schedule 1, section 1.10.1A (d).

² Deliverable per PJM. "Reliability Assurance Agreement among Load-Serving Entities in the PJM Region," Original Sheet No. 50 (Effective June 1, 2007), Schedule 10.

external capacity resources used to meet an accounted for obligation within PJM, capacity and energy must be delivered to the metered, PJM boundaries through firm transmission service.

Generator Outage Reporting Requirement. Owners of PJM capacity resources are required to submit historical outage data to PJM pursuant to Schedule 12 of the RAA.³

³ See PJM. "Reliability Assurance Agreement among Load-Serving Entities in the PJM Region," Original Sheet No. 53 (Effective June 1, 2007), Schedule 11.