

MMU Incremental Auction Recommendation – Package B

IASTF
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Joe Bowring



Monitoring Analytics

Number of Incremental Auctions (1)

- **One IA held 3 months prior to start of DY**
- **Adopt the PJM language for First IA and Second IA on timing and conditions, except that clarity is needed regarding changes in CETL and applicability to LDAs**
- **Reducing the number of IAs will limit speculative opportunities and eliminate unnecessary auctions**

Capacity Resource Must Offer (3)

- **Must Offer provisions are in place to prevent the exercise of market power by market participants against other market participants**
- **Must Offer provisions are in place to prevent withholding**
- **Must Offer provisions are consistent with competitive markets**
- **The combination of Must Offer and Must Buy provisions ensure that the capacity market produces competitive results**

PJM Sell Offers (7,8,9)

- **PJM will review the release of capacity if the updated reliability requirement is less than the prior utilized reliability requirement by more than three percent.**
- **The default should be to release no capacity**

PJM Sell Offers (7,8,9)

- **PJM will release capacity in cases that increase the overall welfare of capacity market sellers and buyers**
- **The determination of release quantities and prices must incorporate consideration for both capacity and energy market benefits.**
- **The cost benefit study should be similar to the analysis used to produce the PJM CP Initiative report published on October 23, 2014**

Mitigation (10)

- **Market power mitigation is a necessary component of capacity market auctions due to endemic structural market power in the capacity market**
- **Market power mitigation is required for competitive results in the capacity market**

Monitoring Analytics, LLC

2621 Van Buren Avenue

Suite 160

Eagleville, PA

19403

(610) 271-8050

MA@monitoringanalytics.com

www.MonitoringAnalytics.com

