

IMM Capacity Market Design Proposal

OPSI Spring Meeting
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IMM



Monitoring Analytics

Current Capacity Market Design

- **The Capacity Performance model is a failed experiment**
 - **Elliott is an example**
- **Creates risk and asks customers to pay for it**
- **Confuses energy and capacity market incentives**
- **FERC decision on market seller offer cap correctly captures costs, including risk.**
- **Increasing market seller offer cap would permit the exercise of market power.**
- **ELCC does not and cannot work.**

Capacity Market Basics

- **Why do we have a capacity market?**
 - **Identify energy requirements across all hours of the year**
 - **Provide opportunity for capacity resources to cover ACR**
 - Including energy and ancillary services net revenues
- **Design of capacity market should address these objectives**
- **Keep it as simple as possible**
- **The purpose of the capacity market is to make the energy market work.**

Key Elements of IMM Proposal

- 1. Capacity offered is ICAP * Modified Availability Factor (MAF).**
- 2. Capacity is paid only when available, by hour. Hourly price = annual price/8,760 hours in a year.**
- 3. Capacity market clearing prices per annual clearing based on hourly supply and demand.**
- 4. Must offer for all capacity resources.**
- 5. All cleared capacity resources must offer in the energy, ancillary services and reserve markets.**

Key Elements of IMM Proposal

- 6. Capacity resources must have firm fuel, including dual fuel or multiple pipelines and a firm commodity supply, or a defined number of days of onsite stored fuel. Intermittent, storage and demand side resources must have the equivalent obligation to be firm. All capacity resources must be tested weekly.**

See IMM RASTF memo for more details:

http://www.monitoringanalytics.com/reports/Presentations/2023/IMM_High_Level_Capacity_Market_Design_Proposal_20230210.pdf



Challenges

- **Significant retirements of fossil units**
- **RMRs**
- **Locational issues**
- **Identify source of new, reliable energy**
- **Gas/electric coordination**
- **Incorporate demand side flexibility in the market design without distorting market**

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