

Capacity Market Workshop #2

Framing the Issue

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Defining the problem



- The MOPR is controversial.
- We agree with PJM that the MOPR isn't a long term durable solution.
- And we also want a long term durable solution.

- The problem with the current MOPR is that it doesn't try to balance the competing objectives of competitive markets and state policies.
 - It just decides that competitive markets are important and state policies aren't.
- By the same logic, we do not think that simply eliminating the MOPR is a long term durable solution.
 - Will participants be able to rely on market signals if those signals can be undercut at any time by a state decision?
 - We hope that market signals will contribute to bringing online new clean resources, as well as new efficient balancing resources as needed.
 - Orderly exit is difficult if existing generators need to guess when state decisions will have a material impact on the capacity price.
- Is the reason we're having this debate again that we landed on the wrong solution, or that we were trying to answer the wrong question?

- Environmental goals are not delivered through the market.
 - Failure to jointly optimize reliability, cost, and environmental characteristics.
 - State mandates might be workable for a small quantity of resources, but they are less workable when applied to most of the resources on the system (more costly and looks like reregulation).
 - We agree that there is a need to harness the PJM markets to direct the resource mix in a cleaner direction, and think implementing a usable solution is critical to a long term durable market design.

- Shifting risk from consumers to producers is fundamental to driving down customer cost and driving the technological innovation needed to meet decarbonization goals.
- The value of any carbon-related attribute should not mute energy market signals, which provide differentiated value according to when and where energy is needed; any new design for valuing a carbon attribute should be designed to scale up with decarbonization goals.
- Any market design that does not incorporate the state's environment goals into the market is unsustainable because the market and the state will inevitably be moving in two different directions.
- Resource adequacy is a real reliability need and PJM should not be cavalier about actions that would drive disorderly exit that may undermine resource adequacy.

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