

Reform of PJM's Resource Adequacy Market

Buckeye Power

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Common Design Components

- Most components are the same as the PJM Package
- Subsequent slides illustrate components different than the PJM Package

Performance Assessment

- Modifications:
 - Non-Performance Charge Rate
 - Based on BRA Clearing Price instead of Net CONE
 - Stop-Loss for Non-Performance Charges
 - Based on BRA Clearing Price instead of Net CONE
- Rationale:
 - Majority support and approval by members at the MC
 - PJM proposing additional physical requirements (testing and winterization)
 - Original PJM concern during MC process
 - High incentives still guaranteed during PAI
 - Proposed PAI trigger changes tied to capacity shortages will result in shortage prices

Performance Assessment - continued

- Penalty rates and stop losses not connected to BRA auction prices creates excessive market impact and disruptions
 - December 23 & 24 Events
- Self-correcting if aligned with BRA auction prices
 - Capacity shortages and high BRA clearing prices translate to high penalty rates and stop losses

Energy Market Must Offer

- Modifications:
 - All Capacity Resources have a must offer obligation in the energy market
 - All Capacity Resources with non-zero offers must have an approved Fuel Cost Policy
 - All Capacity Resources must provide hourly operating parameters
 - Demand response reduction based on guaranteed load drop

Energy Market Must Offer - continued

- Rationale:
 - Need to ensure market participants do not have market power with their energy offers. Requiring a FCP allows the IMM and PJM to review all cost-based offer parameters.
 - PJM needs to know how much dispatchable and actionable generation / demand response is available at any time for reliability.
 - PJM winter report: In total on Dec. 23, approximately 74% of DR that PJM operators dispatched and expected to reduce load did not.

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