



Replacement Capacity: Main Motion, Summary of Changes

MRC

February 27, 2014



Capacity Resource Deficiency Charge

Status Quo: Resource Clearing Price (RCP) + the greater of (20% of RCP or \$20)

Change: Resource Clearing Price (RCP) + the greater of (50% of RCP or \$50)

Change impacts the credit requirement for Planned Resources, increasing pre-auction credit rate by 2.5x. No change to the Deficiency Charge calculation for Qualified Transmission Upgrades or their credit rate.



Number of Incremental Auctions

Status Quo: Three auctions

Change: One Scheduled Auction at the time of the current 3rd IA. Two conditional auctions (20 month and 10 month) if reliability requirement increases by certain threshold. Conditional auctions are for PJM buy bids and capacity market sellers only. Capacity market buyers participate in Scheduled Auction *only*.



Status Quo: upward sloping offer curve with the starting price determined based on intersection of the updated VRR curve and a vertical line at the current commitment level

Change: upward sloping offer curve with the starting price determined based on intersection of the updated VRR curve and a vertical line at the current commitment level, *but floored at BRA clearing price for the relevant Delivery Year.*



Incremental Auction Settlement Calculation

Status Quo: Cleared sell offers and buy bids settle against IA clearing price (CP).

Change: Cleared sell offers settle against IA CP. Cleared buy bids settle against IA CP *plus pay the difference between the BRA clearing price and the IA CP for cleared buy bid quantity*. If the IA clearing price is greater than the BRA price, there is no settlement adjustment.



Additional Requirements for BRA Participation

Change: Generation Imports sign letter of Non-Recallability between generation resource owner *and host balancing authority*

Change: All resources sign a Non-Diversion letter, indicating that replacing their commitment for the purposes of selling to another market is prohibited.

Change: Planned Generation Resources greater than 20 MW must have an executed Facilities Study Agreement, if needed, in order to offer into a BRA held after June 1, 2014.

Status Quo: Existing generation capacity is subject to same mitigation as in BRA; may elect Market Seller Offer Cap (MSOC) of 1.1 times BRA CP for 3rd IA

Change: Existing generation capacity may elect MSOC of the greater of 1 times BRA CP or their MSOC in first and second IAs, and may elect MSOC of 1.1 times BRA CP for the Scheduled IA. Planned generation capacity resources are not subject to any offer capping.



All changes are applicable to RPM auctions associated with the 17/18 Delivery Year and beyond, with exception of:

- "PJM Sell Offer Price" and "Mitigation" components, which become effective immediately upon FERC approval, and;
- New requirement for Planned Generation to have an executed Facilities Study Agreement as a prerequisite for offering into a BRA, which becomes effective for the 2015 BRA and beyond.