Energy Price Formation

Compromise Proposal
Vistra Proposal

- The alternative proposal is identical to the PJM proposal except
  - The E&AS offset is not adjusted
  - The final penalty factor used is $1,000/MWh for all products on all days except those where a Hot or Cold Weather Alert is issued. On those days, $2,000/MWh will be used for all products.

- The alternative proposal will be implemented in a phased approach.
  - For the first two years following FERC approval $850/MWh will be used for all products in all hours.
  - In year three forward either $1,000/MWh or $2,000/MWh will be used.
PJM + Vistra + Additional Items

• Elimination of Capacity Transition Plan (In RPM, No E&AS adjustment based on simulations or projections)
• 20 minute instead of 30 minute time horizon included in the ORDC error distribution upon which ORDC probabilities are calculated
• Forced outage risk assumption - removed about 30 outlier units from the calculation of ORDC curves.
• Cap nested reserve pricing at $4,000/MWh
• DR Participation in Sync Reserve Market – up to 50% subject to reliability considerations
Requested Action

• Members Committee consideration and vote on proposal
• If approved, MRC/MC review of proposed Tariff and Operating Agreement revisions Prior to filing at FERC