

Market Monitor Report

MC Webinar

October 26, 2020

IMM



Monitoring Analytics

CRF Issues

- **CRF: capital recovery factor**
 - **A rate, multiplied by the investment, which provides for a return on and of capital over a defined time period**
 - **CRFs are calculated using a standard financial model that accounts for the weighted average cost of capital and its components, including depreciation and taxes.**
 - **For example, a five year CRF will allow the recovery of 100 percent of the investment plus a return over five years.**



CRF History

- **The CRF table was created in 2007 as part of the new RPM capacity market design**
 - **The CRF table provided for the accelerated return of incremental investment in capacity resources based on concerns about the fact that some old units would be making substantial investments related to pollution control.**
 - **Applied to APIR which is part of ACR.**
 - **Current CRF values overstates APIR, which overstates ACR, which overstates MOPR floors.**
 - **The same CRF table was used in the black start rules.**

CRF Issues

- **The CRF table includes assumptions that are no longer correct. The CRF values are significantly too high.**
 - **Tax depreciation rules reduce taxes**
 - **Corporate tax rate lower**
- **Issue needs to be addressed for capacity market in Attachment DD to OATT**
 - **Offer caps (in excess of Net CONE time B)**
 - **Offer floors (MOPR)**
- **Issue needs to be addressed for black start payments**

FTR Bid Limits

- **PJM has a bid limit by auction participant at the parent/affiliate level.**
- **10,000 bid per period limit.**
- **Persistent violation of limits by affiliated companies.**
- **The MMU has contacted the companies.**

Retroactive Replacements

- **Under the RPM rules, a capacity market seller may request a retroactive replacement capacity transaction for capacity committed to RPM within three business days after a Performance Assessment Interval (PAI).**
- **This rule change was endorsed as part of revisions to “PJM Manual 18: PJM Capacity Market” related to Capacity Performance at the July 23, 2015, meeting of the PJM Markets and Reliability Committee.**

Retroactive Replacements

- **The MMU continues to recommend that retroactive replacement transactions associated with a failure to perform during a PAI not be allowed and that, more generally, retroactive replacement capacity transactions not be permitted.**
- **Such replacement transactions undermine the fundamental incentives of the capacity performance construct.**
- **Retroactive replacement transactions reduce the pool of dollars available for bonus performance payments.**



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