



# Frequently Mitigated Unit Adders

Market Implementation Committee  
April 9, 2014

Units that are frequently offer capped are allowed to include an adder in their cost-based offers.

The Independent Market Monitor presented a problem statement seeking to review the appropriateness of the adders. The problem statement was approved by PJM Stakeholders in April of 2013.

This is at MIC for first read, with a vote in May

- The original intent of the adders was provide revenues to help cover the going forward costs of units that were frequently mitigated and hence did not have the opportunity to make infra-marginal rents.
- The adders were put in place before the RPM Capacity Market was created.
- Changing system conditions have resulted in some units becoming eligible for FMU adders for reasons that were not originally envisioned. These reasons include reactive support and Automatic Load Rejection (ALR) for black start service.

PJM and the IMM have proposed a compromise package with the following main elements

- Adder levels remain as they are today, but a check will be made each month. Only units whose net revenues are not covering their going-forward costs (ACR) will be eligible for an adder
- FRR units will not be eligible for adders

RPM has diminished the need for the adders but there are cases where they are still appropriate.

The monthly test will make sure adders are only used when they serve the intended purpose.

## Other packages proposed:

- Complete elimination of FMU adders
- Minor change to Tier 2 adder level
- Changing adders to a percentage of the cost-based offer for units with over 500 run hours
- Decreasing adder amounts when adder revenue exceeds 12% of gross CONE
- Decreasing adders proportionally once a unit exceeds 2000 run hours

Analysis of FMUs in 2013 show that under the PJM/IMM proposal, there would be approximately 28 FMUs. Of those units, 23 have already announced their intention to retire.

Key elements	Status Quo/ Package H	PJM/IMM compromise (Package A)	Package D	Package E	Package F	Package G
Adder level	\$40/\$30*/\$20	\$40/\$30/\$20	For units less than 2000 run hours, \$40/\$30*/\$20. For units with run hours > 2000, multiply by the fraction (2000 / unit run hours)	None	\$40/\$30/\$20 for under 500 run hours. 25%/20%/15% if over 500 run hours	\$40/\$30/\$20 limited to 12% of gross CONE for that unit's LDA
Hours run for reactive/ALR counted?	Reactive: Yes ALR: Yes	Reactive: Yes ALR: Yes	Reactive: Yes ALR: No	No adders	Reactive: Yes ALR: Yes	Reactive: Yes ALR: Yes
RMR units eligible?	Yes	No	No	No adders	No	No
Adders for FRR units?	Yes	No	Yes	No adders	No	No
Adders for non-capacity resources?	Yes	Yes	Yes	No adders	No	No



	Status Quo	PJM/IMM compromise (Package A)	Package D	Package E	Package F	Package G	Package H
Yes	56%	27%	0%	25%	68%	71%	71%
No	38%	72%	100%	75%	32%	29%	29%
Maybe	7%	1%	0%	0%	0%	0%	0%

Poll responses are of 22 unique responders representing 138 entities