

# PJM Capacity Market Workshop #2

Office of the People's Counsel for the District of Columbia  
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# Overview of DC OPC

- By law, DC OPC is the statutory advocate for consumers of regulated utility service in the District of Columbia.
- **DISCLAIMER-** Presentation is for discussion purposes only and does not reflect the policies or positions the Office or the People's Counsel may take on any specific matter.

# General Considerations

- Utility service is an essential service and provision of utility service and rates charged for such service must remain just and reasonable.
- All market costs ultimately flow down to the consumers; end-use customers do not have unlimited funds to pay for energy service.
- While market-based solutions have produced benefits for consumers, the capacity market is not a “true” market. Rather, it is an administrative construct.
- The District has robust de-carbonization goals including a 100% RPS requirement by 2032 and full carbon neutrality by 2050.

# Resource Adequacy Principles

- (1) Markets must be designed holistically
- (2) States and their consumers should have an active role in determining acceptable levels of risk
- (3) The Resource Adequacy construct must be adaptive
- (4) The Resource Adequacy construct must be nimble
- (5) The Resource Adequacy construct must be designed on sound data

# Markets must be designed holistically

- Competitive, market-based solutions are the foundation for addressing resource adequacy
- Energy, Capacity, and other markets do not operate in silos
- Changes to one market will impact and should be reflected in the others
- Total costs of all markets are passed to ratepayers

# **States and their consumers should have an active role in determining acceptable levels of risk**

- Resource Adequacy addresses the level of acceptable risk
- Can not prevent 100% of risk, reach a point of diminishing returns
- As the generation portfolio and transmission and distribution topology changes so will both the risks and the tools for addressing them
- The determination of what is acceptable must be made in concert with states and consumers who will both: (1) bear costs and (2) bear the impact of an interruption in service

# The Resource Adequacy construct must be adaptive

- States must balance multiple concerns including ensuring reliable utility service; protecting health, safety and welfare; and addressing environmental and climate impacts
- State policies will continue to evolve

**“States, of course, may regulate within the domain Congress assigned to them even when their laws incidentally affect areas within FERC’s domain.”**

***Hughes v. Talen,  
136 S. Ct. 1288, 1298 (2016)***

# The Resource Adequacy construct must be adaptive

- PJM's market construct should be adaptive to accommodate state goals, rather than be at odds
- If leakage issues are addressed, they should be designed to avoid blunting the intrastate effects of a state's policies
- Uncertainty in the market harms all sectors



# The Resource Adequacy construct must be nimble

- Technologies are evolving rapidly
- Market must recognize the reliability value of new technologies and allow for their smooth integration
- “One size fits all” construct may be neither efficient or workable and seasonal/regional differences should be addressed

# The Resource Adequacy construct must be designed on sound data

- Focus on the quality not just the quantity of resources
- Accurate forecasting provides accurate price signals and cost-efficient resource deployment for the benefit of consumers
- Technical parameters, including the reference resource, should be subject to regular and comprehensive review and revision
- High reserve margins are only beneficial if the cost/benefit favors consumers

# Questions?

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