

RPM Related Issues MRC Agenda Item 3

Adrien Ford
October 12, 2011

Triennial Review

October 31 – inform Board

December 1 - modifications, if any, approved by Board and filed with FERC

MRC Charges

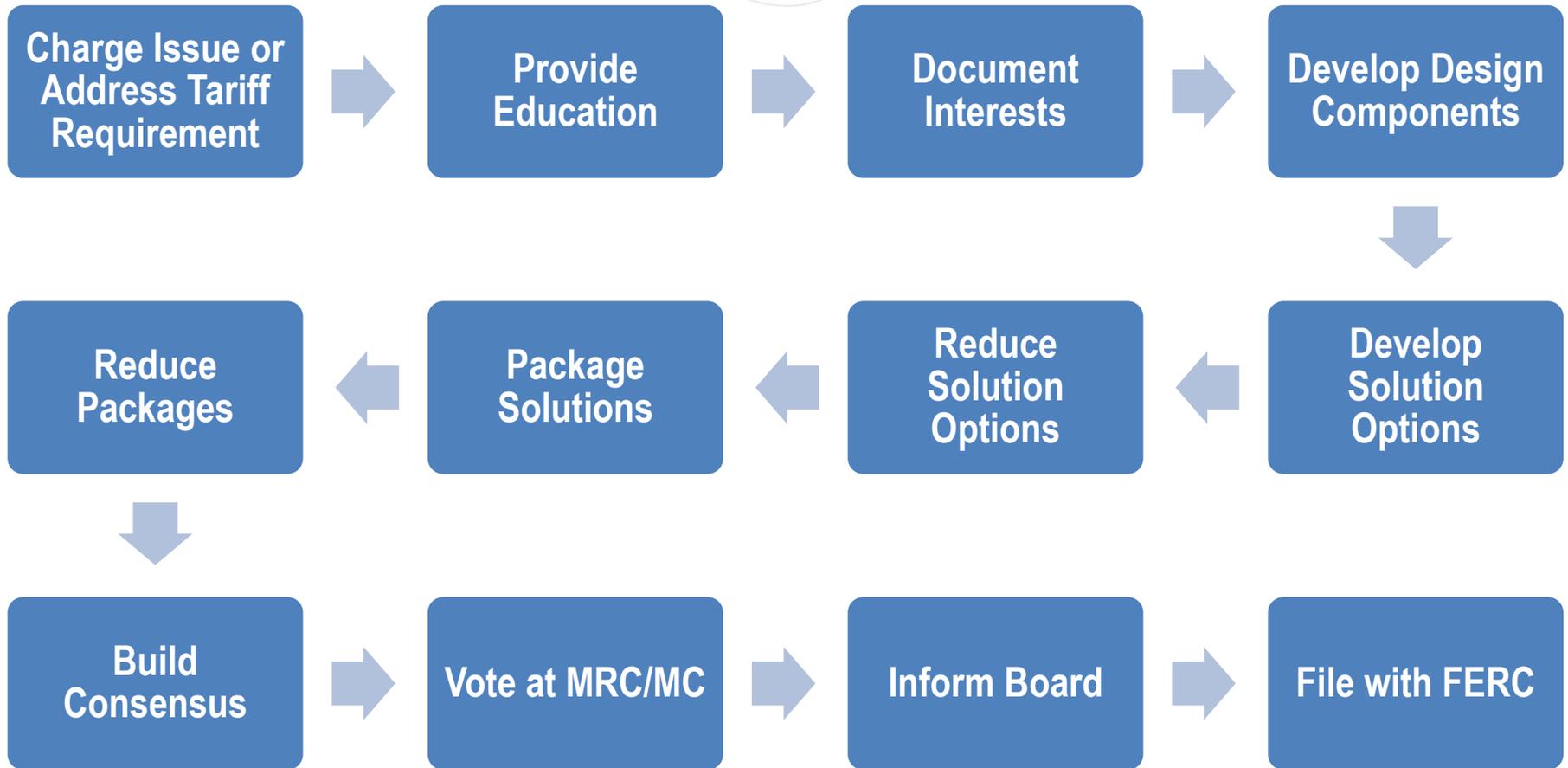
October 1 - NEPA Filing - if progress being made it will be informational

December 1 – proposals filed with FERC

Performance Assessment

November 30 - proposals for 2015/16 BRA filed with FERC

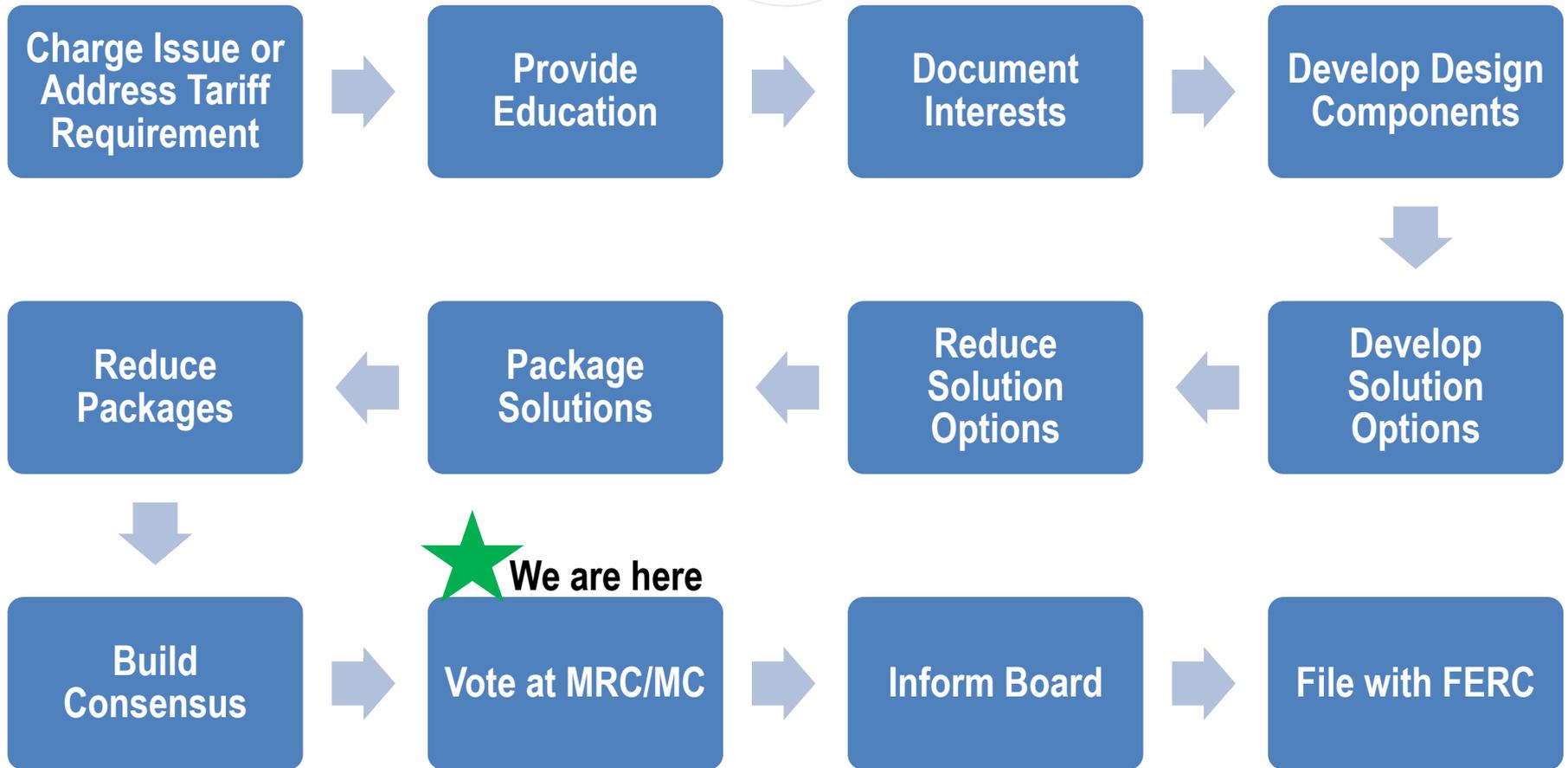
After December 1 – items identified for further stakeholder review to appropriate committees



- Problem Statement approved May 24, 2011
 - Consideration of Changes to RPM and FRR Rules
- Combined with portions of the RPM related problem statement approved January 19, 2011
- Detailed discussions conducted at special teleconference sessions of the MRC throughout the summer
- Brattle Report
 - August 18 presentations from Brattle and PJM
 - August 24 and 26 – reports from Brattle and recommendations from PJM
 - August 30 and September 9 – stakeholder feedback sessions
 - Performance assessment charges on September 15, 2011 for short-term topics
- Conducting special sessions of the MRC in person

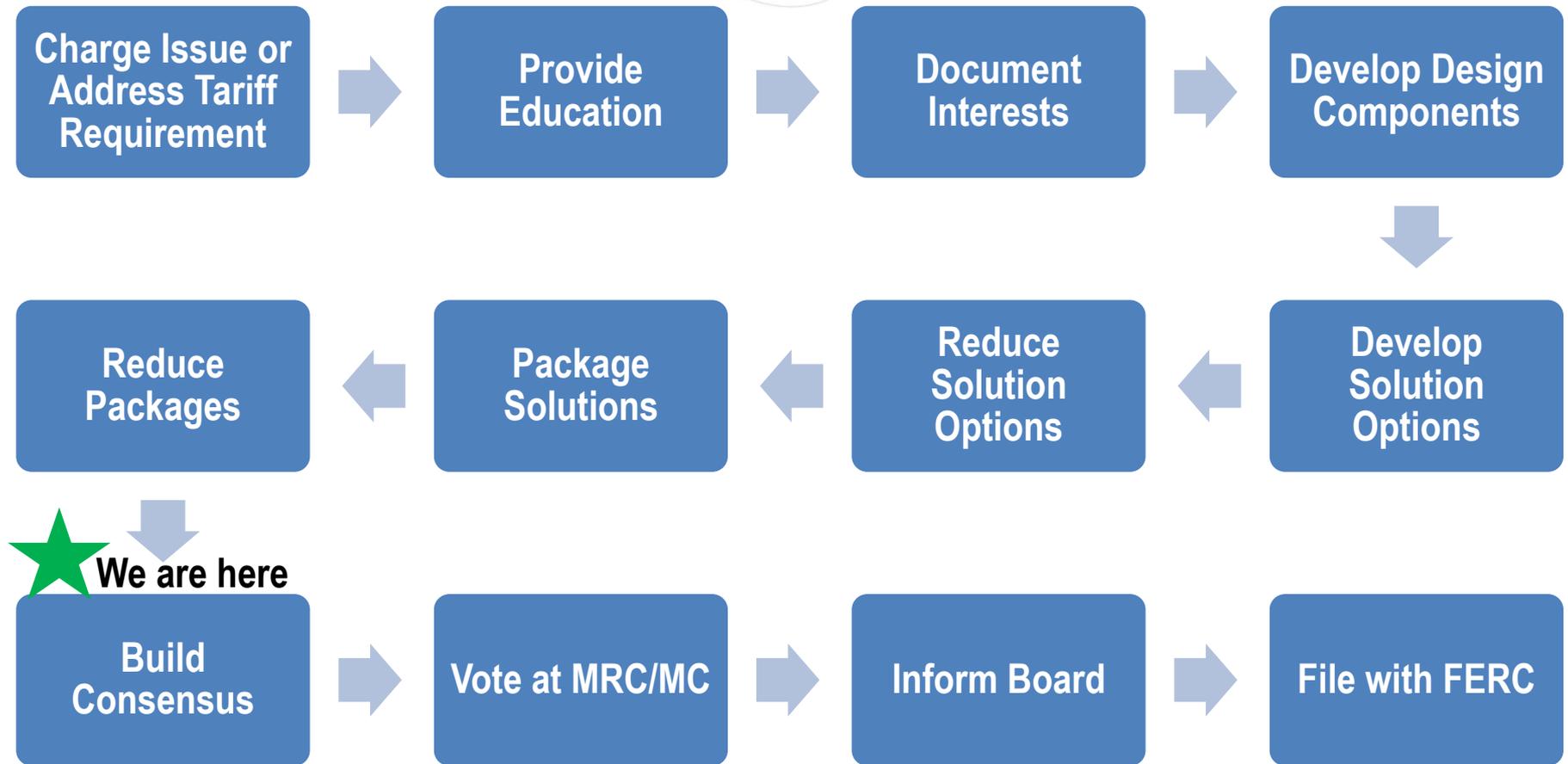
- Perform triennial review of the:
 - Shape of the Variable Resource Requirement curve
 - Cost of New Entry
 - Energy and Ancillary Service revenue offset methodology
- Triennial review and PJM recommendations must be shared with stakeholders by September 1 with member feedback by October 31 and Board approval for a December 1 filing
- Endorsement being sought today

Steps to Completion Triennial Review Track



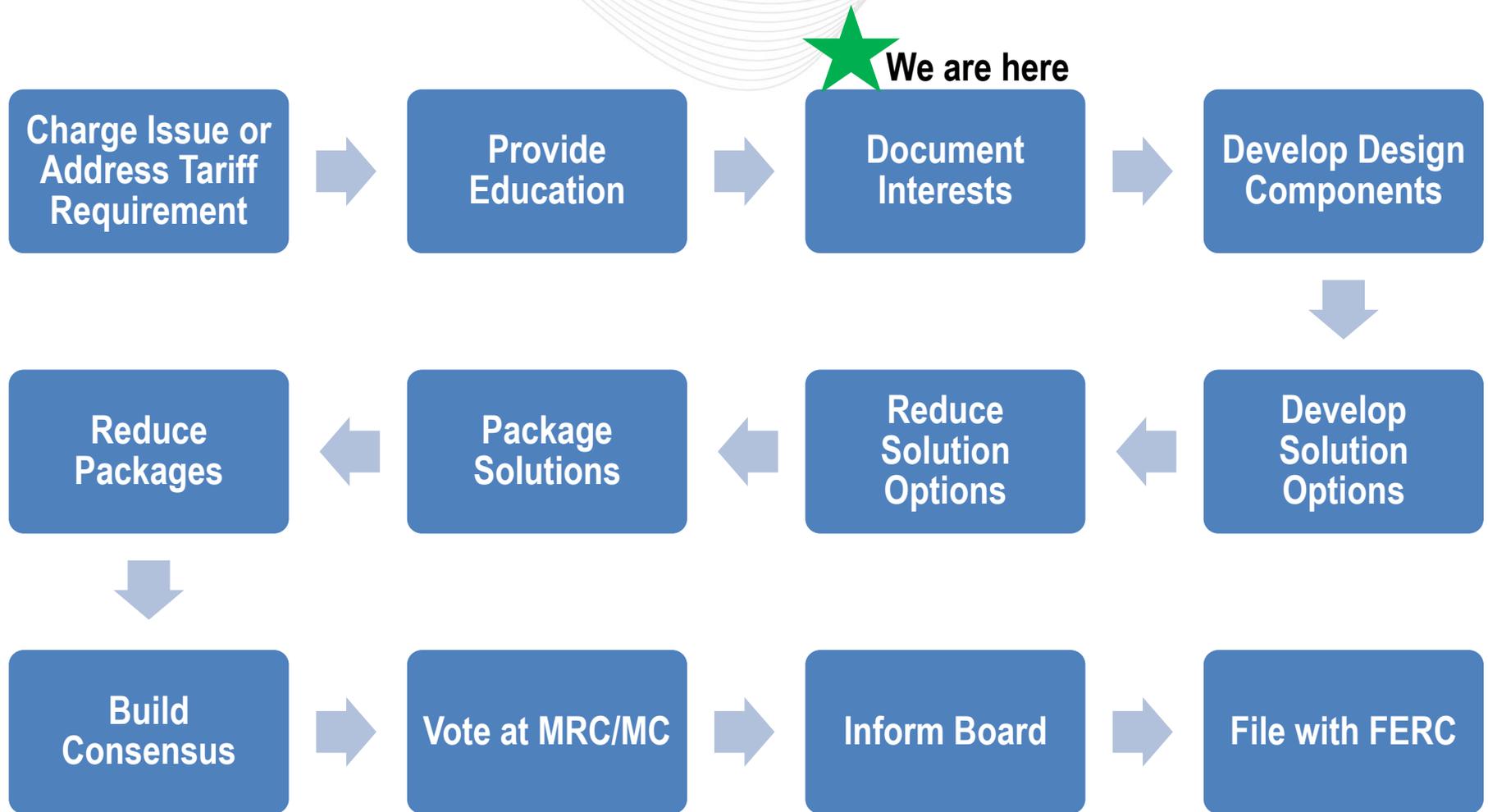
- New Entry Pricing Adjustment – October 1 Compliance Filing
 - Consider modifications to provide greater certainty of payment streams to encourage new investment.
- Fixed Resource Requirement
 - Identify if potential changes can make FRR Alternative viable for offering self-supply in RPM Auctions
- Self Supply
 - Identify potential changes to allow assured clearing that is not intended to manipulate clearing prices.
- Energy and Ancillary Service Offset
 - Identify benefits and costs of changing from real-time to day-ahead LMP.
- Minimum Offer Price Rule Exception Process
 - Explore opportunities for a less administratively burdensome process.

Steps to Completion MRC Charge Track



- Assess RPM performance within six months of the conclusion of the fourth delivery year
- Assessment due to FERC by November 30
- Short-term topics charged by the MRC on September 15
- Other topics can be charged and addressed but will not be included in the November 30 filing

Steps to Completion Performance Assessment Track



Triennial Review Special Session Feedback and Voting

- August 18 - presentations from Brattle and PJM
- August 24 and 26 – reports from Brattle and recommendations from PJM
- August 30 and September 9 – stakeholder feedback sessions
- September 15 – update to MRC
- September 22 – update to MC
- September 26 – special session of the MRC
 - Five solution packages including no change and PJM recommendation
 - New package received
- October 12 – endorsement sought by MRC
- October 20 – endorsement sought by MC

Package Preference	Yes	No	Potential	Yes and Potential
No Change	5.9%	76.5%	17.7%	23.5%
PJM Recommendation	13.5%	50.8%	35.7%	49.2%
Package 10	39.8%	55.3%	5.0%	44.8%
Package 11	43.4%	48.1%	8.5%	51.9%
Package 12	48.0%	43.5%	8.5%	56.5%

Gross CONE

- Gross Cost of New Entry - packages 10 and 12 with most support
- Levelization Method - fairly evenly split
- Reference Resource Technology - fairly evenly split between CT or lowest of CT or CCGT

EAS Offset

- Net Energy and Ancillary Services Offset Methodology - super-majority support for method to reflect actual dispatch operations

VRR Curve Shape

- Variable Resource Requirement Curve Shape - no change and PJM recommendation with most support
- Net Cost of New Entry - full support for no limits on annual change in Net CONE
- RTO Region-wide Gross Cost of New Entry - majority support for minimum Net CONE area followed by use of median value of areas with an SCR

Package	Vote
No Change	Yes, No or Abstain
PJM Recommendation	Yes, No or Abstain
Package 10	Yes, No or Abstain
Package 11	Yes, No or Abstain
Package 12	Yes, No or Abstain
Package 13	Yes, No or Abstain

Design Component Detailed Poll Results



Poll Results

Gross Cost of New Entry

Solution Option	Package					
	No Change	PJM	10	11	12	Total
CONE values for 12/13 BRA (kW-year): CONE Area 1: \$122.040 CONE Area 2: \$112.868 CONE Area 3: \$115.479 CONE Area 4: \$112.868 CONE Area 5: \$112.868 Adjusted annually by HWI	7.9%					7.9%
Update CONE values for 15/16 BRA (kW-year): CONE Area 1: \$134.00 CONE Area 2: \$123.70 CONE Area 3: \$123.50 CONE Area 4: \$130.10 CONE Area 5: \$111.00		13.2%		0.0%		13.2%
PJM Recommended CONE estimates with 11 additional considerations to account for missing costs and locational differences.			37.0%			37.0%
Update CONE values for 15/16 BRA (kW-year): CONE Area 1: \$134.00 CONE Area 2: \$123.70 CONE Area 3: \$123.50 CONE Area 4: \$130.10 CONE Area 5: \$111.00 Update to include: 1. Continue to escalate with HWI until next Triennial Review 2. Use Gross CONE with SCR cost excluded					42.0%	42.0%

Poll Results

Levelization Method

Solution Option	Package					
	No Change	PJM	10	11	12	Total
Level-nominal method	2.0%	22.7%	28.5%	0.0%		53.2%
Real levelization method					46.8%	46.8%

Poll Results

Reference Resource Technology

Solution Option	Package					
	No Change	PJM	10	11	12	Total
Combustion Turbine (CT)	0.0%	20.7%	30.5%	0.0%		51.2%
Lower of CT or CCGT					48.8%	48.8%

Poll Results

Net Energy and Ancillary Services Offset

Solution Option	Package					
	No Change	PJM	10	11	12	Total
Revise peak-hour dispatch method to reflect actual dispatch operations (i.e. dispatch CT first against DA LMPs and then against RT LMPs if DA LMPs do not support CT commitment)		13.7%	30.5%		27.7%	71.9%
Peak-hour dispatch method using RT LMPs	7.9%			20.3%		28.1%

Poll Results

VRR Curve Shape

Solution Option	Package					
	No Change	PJM	10	11	12	Total
(1.5 X Net CONE) point "a"	7.9%			37.6%		45.5%
Raise Point "a" to (1.0 x CONE) above Point "b"		13.7%	30.5%			44.2%
Set point "a" greater of (1.5 Net CONE) or, (Gross CONE [if nominal Gross CONE; if real 1.15 * Gross CONE])					10.4%	10.4%

Solution Option	Package					
	No Change	PJM	10	11	12	Total
There should be no limits on the annual change in net CONE	7.9%	15.0%	29.2%	1.3%	46.6%	100.0%

Poll Results

RTO Region-wide Gross CONE

Solution Option	Package					
	No Change	PJM	10	11	12	Total
CONE value for 12/13 BRA (kW-year): \$ 112.868 Adjusted annually by HWI	0.0%					0.0%
CONE value for 15/16 BRA (kW-year): \$123.50 Adjusted annually by HWI		10.5%				10.5%
Use median value of Net CONE for areas that include SCR.			33.7%			33.7%
Minimum of gross CONE areas for RTO (in this case CONE Area 5)				2.0%		2.0%
Minimum of net CONE areas for RTO (in this case CONE Area 5)					53.8%	53.8%



Work Plan Calendar

September 2011

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
				1	2	3
4	5 Holiday	6	7	8	9 Special MRC Feedback 10 - 12, WebEx	10
11	12 Special MRC 9:30 – 4:00 Chase/WebEx	13	14 Special MRC 9:30 – 4:00 Chase/WebEx	15 Full MRC 9:30 – 3:00 Chase/WebEx	16	17
18	19	20	21	22 Full MC 9:30 – 3:00 Chase/WebEx	23	24
25	26 TR & MRC 10:00 – 4:00 Chase/WebEx	27	28	29	30	

October 2011

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
						1 FERC Deadline NEPA
2	3	4	5	6	7 MRC, & PA 9:30 – 3:00 Sheraton/WebEx	8
9	10	11	12 Full MRC 9:30 – 3:00 Chase/WebEx	13	14 MRC & PA 9:30 – 3:00 Sheraton/WebEx	15
16	17	18	19	20 Full MC (new) 9:30 – 3:00 Chase/WebEx	21	22
23	24	25 MRC & PA 9:30 – 4:00 Chase/WebEx	26 MRC & PA 9:30 – 4:00 Chase/WebEx	27	28	29
30	31 Deadline to Board Triennial Review					

November 2011

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1	2 Special MRC 9:30 – 4:00 <i>(If Needed)</i>	3	4	5
6	7	8	9	10	11	12
13	14	15	16 Full MRC 9:30 – 3:00 Chase/WebEx	17	18	19
20	21	22 Full MC 9:30 – 3:00 Chase/WebEx	23	24 Holiday	25 Holiday	26
27	28	29	30 FERC Deadline Performance Assessment			

December 2011

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
				1 FERC Deadline Changes for 2015/16 BRA	2	3
4	5	6	7	8	9	10
11	12	12	14	15	16	17
18	19	20	21	22 Full MRC 9:30 – 3:00 Chase/WebEx	23	24
25	26 Holiday	27	28	29	30	31