



Problem / Opportunity Statement

Address ~~state public policy and environmental mandate~~governmental action impacts on RPM-PJM capacity and energy markets

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The Reliability Pricing Model (RPM) became effective in 2007. The initial version of this resource adequacy construct was the result of intense multiparty negotiations among the PJM stakeholders and PJM during the settlement process at the Federal Energy Regulatory Commission.

Ten years later, RPM has continually evolved either in reaction to unforeseen events or as part of design improvements.

Despite RPM's evolution, in 2015, RPM was again challenged by unforeseen events, specifically the power purchase agreements in Ohio, as some states and load-serving entities attempt to take a more active role in guiding the resource mix and that others view as out of market threats to RPM. Complaints were filed at both the state and federal levels, and PJM and affected parties have asked for various levels of relief ranging from imposing the Minimum Offer Price Rule (MOPR) on existing generation to requiring PJM to make a compliance filing to address this problem, to dismissing the complaint.

As with the scenario described above, the failure to successfully anticipate these occurrences, resulted in important policy debates circumventing the PJM stakeholder process and going directly to litigation at FERC. The sponsors of this Problem Statement believe the stakeholder process forum is the appropriate place for these discussions. It is apparent to the Problem Statement sponsors that each state has its environmental, political and policy goals that will be impacting RPM. ~~Also, additional significant change is on the horizon with the EPA's Clean Power Plan.~~

~~Subsidized resources~~Governmental actions can also have an impact on the energy market. To the extent that prices are suppressed in the energy market, energy revenues will fall thereby impacting the capacity market as well. The PJM community through its stakeholder process needs to proactively embark on an assessment of RPM and the energy market to ensure the issue of ~~outside-outside-the-the~~ market incentives is thoroughly vetted and if deemed appropriate, that changes to the RPM construct and energy market are made in advance of their need. This collaborative effort will allow RPM to be more resilient in the face of this very foreseeable requirement.