DC-OPC Energy Price Formation Proposal

Markets & Reliability Committee
December 20, 2018
Office of the People’s Counsel for the District of Columbia
Guiding Principles

- Reforms must bring value to consumers through enhanced resource responsiveness and appropriate pricing of needed reserves
- Energy markets should be designed to reward transparency and resource flexibility
- Increases in energy market revenue must be examined in light of total market revenue with other revenue streams appropriately reduced
- Any changes must be supported by facts and simulations provided to stakeholders in a reasonable time
Consolidation of Tier 1 and Tier 2 Synchronized Reserves

- Consolidation of Tier 1 and Tier 2 Reserves will bring greater resource responsiveness to the system
- Must Offer Penalty and penalties for non-performance are necessary to ensure resource responsiveness
Locational Reserves

- Keep existing RTO reserve sub-zone structure, but define several possible reserve sub-zones
Day-ahead and Real-time Energy Markets Alignment

- Examining possible options for alignment of day-ahead and real-time energy markets
Support the ORDC proposed by PJM at the November 28 EPFSTF employing $850/MWh penalty factor

This curve will more appropriately value needed reserves
Penalty Factor

- Current penalty factor of $850/MWh is appropriate to compensate needed reserves at this time.
- Any increase in the penalty factor must be limited and based on empirical evidence that reserves are not being met.
Transition Mechanism

- Transition mechanism is necessary to ensure consumers do not pay twice for resources in the first years of implementation.
- Examining transition mechanism based on a forward looking E&AS offset and circuit breaker provision to protect consumers.