

AMP's Views on a Seasonal Capacity Concept

Steven Lieberman

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Background

- AMP supports a holistic discussion of potential reforms to RPM as opposed to piecemeal approach
- No one size fits all approach
 - Seasonal designs in MISO and NY (may) work for them, but may not work for PJM
- Preferable to have a mix of capacity:
 - Annual Capacity
 - Sub-annual Capacity
- No reason to look solely at only 2 seasons (*i.e.*, winter, summer)
 - Shoulder months are unique with separate challenges from summer and winter months
 - Planned outages (generation, transmission) in spring, fall months

Background

- More granular auctions (*i.e.*, 12 or 4 vs 2) better recognizes:
 - Monthly or quarterly availability of resources
 - ELCC
 - Thermals
 - DR, EE, etc.
 - Monthly variation in resource capacity
 - Hydro
 - Thermals
 - Intermittent
 - Outages vary across year
 - Planned outages for maintenance
 - Unplanned outages
 - Varying load (demand) profile shape

Background

- AMP supports exploring the issue of a sub-annual design to complement, but not replace, the annual BRA
 - At least quarterly, if not monthly
 - Seasonal (winter and summer) is too broad
- AMP offers two approaches, each involving a modification to the quantity of annual capacity procured (cleared) in the BRA:
 - Option 1: Procure capacity up to Point B on the VRR curve
 - Option 2: Procure “baseload” quantity of capacity
- Sub-annual quantity of capacity procured would be dependent on above options
 - Option 1: Procure capacity between Point B and Point C on the VRR curve
 - Option 2: Procure capacity above “baseload” quantity up to the 3 year forward monthly forecasted peak, plus reserves

Background

Common elements to Option 1 and Option 2

- 3 year forward design (unless changed in other RASTF discussions)
- Sum of LOLE across all months ≤ 0.10 Annual LOLE
- Generation can offer:
 - Annual Capacity (would clear first)
 - Any uncleared capacity that has a must offer requirement must participate in the sub-annual auctions
 - Ensures no withholding
- Annual capacity sets ceiling price for monthly auctions
 - Ensures that 8,760 hourly capacity is no less valuable than monthly

Option 1

- Annual Capacity clears relative to a vertical line based on the VRR curve pegged at $IRM + X\%$ (e.g., Point B on VRR curve)
- Monthly capacity procured via declining clock auction
 - Quantity cleared based on quantity between Point B and Point C on VRR curve

Option 2

- Quantity of capacity procured based on remaining requirement between the “baseload” quantity cleared in the BRA and the sub-annual period’s peak (either monthly or quarterly) plus reserves
- Sub-annual capacity would clear based on declining clock auction

Summary

- These options would address the concerns offered to the PJM Board of Managers by the National Caucus of Environmental Legislators on Friday, June 16, 2022
 - <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20220616-state-legislator-letter-to-pjm-on-quadrennial-review.ashx>
- Consideration of monthly capacity auctions should also allow for additional changes to the design of RPM
- Allow LSEs to bilaterally contract for resources it desires
 - Least cost
 - Attributes
 - Other



THANK YOU

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