



Electricity resources that participate in PJM’s capacity market must perform when called upon by PJM to provide power or reduce demand during a system emergency.

Resources that fail to meet their commitment are assessed a substantial penalty. Those that exceed their performance obligation are entitled to receive some of the funds from underperforming units.

Performance Assessment Intervals

PJM assesses resources’ performance during defined emergency periods. These are called Performance Assessment Intervals, or PAIs.

There are two sets of conditions that trigger a PAI. Condition 1 includes procedures implemented to avoid elevated emergency levels and must be accompanied by a Primary Reserve Shortage.

Condition 2 applies to four elevated levels of emergency, each of which triggers a PAI.

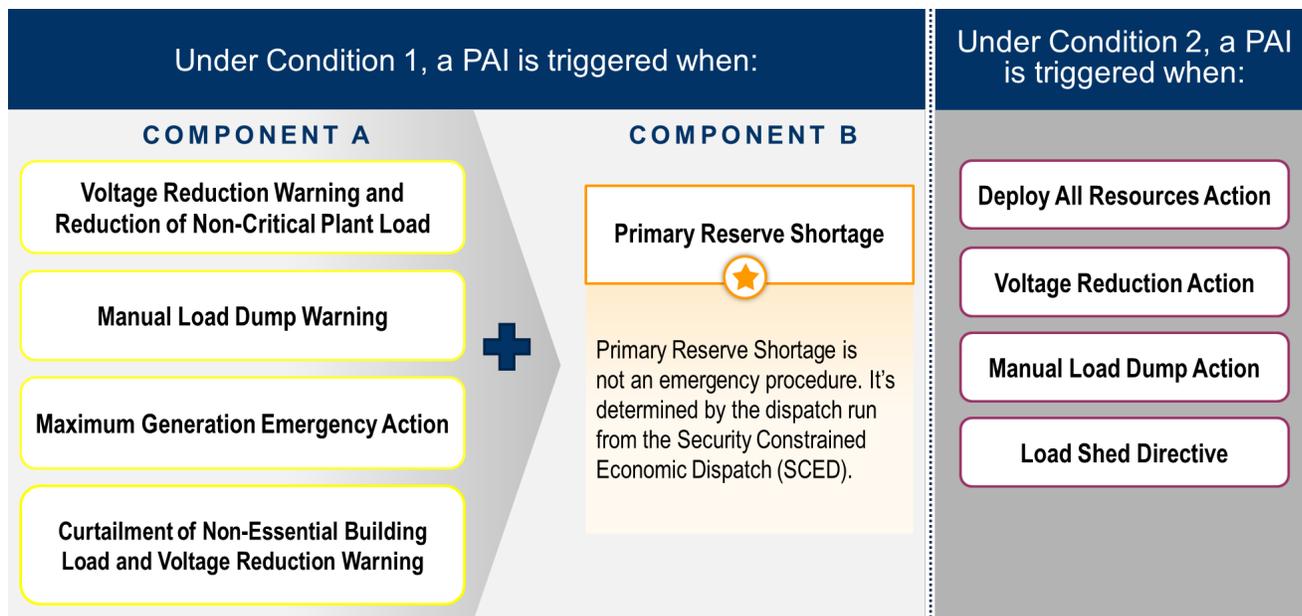
These conditions only trigger a PAI if they apply to an entire zone or sub-zone. Smaller areas may be affected by one or more of these conditions without triggering a PAI.

How Resources Are Assessed

The shortfall/excess is calculated separately for each resource and each PAI. Portfolio netting – the use of multiple resources to satisfy the capacity commitment of a single resource – is not permitted, with limited exceptions.

Key Facts

- Electricity resources that participate in PJM’s capacity market must perform when called upon to do so during a system emergency.
- Those that fail to meet their obligation face charges; those that over-perform may be entitled to bonus payments.
- Resources’ performance is assessed during Performance Assessment Intervals.
- The Capacity Performance requirement was implemented in the capacity auction in 2016, following capacity shortfalls during the 2014 Polar Vortex.





A Balancing Ratio is used to set the expected performance level of generation and storage capacity resources within the emergency action area during the PAI.

The Balancing Ratio for a PAI represents the percentage share of total generation and storage capacity commitments needed to support the load and reserves on the system within the emergency action area during the interval.

Capacity Performance

This “pay-for-performance,” or Capacity Performance, requirement was implemented in the capacity auction in 2016 in response to capacity shortfalls that occurred during the 2014 Polar Vortex.

The requirement provides an incentive for capacity resources to make investments to help ensure energy is available when it’s needed the most, such as in severe cold snaps, heat waves and other extreme weather events.

After-the-Fact Reporting

PJM will provide an overview of operating conditions that led to a PAI at the first Operating Committee meeting following an event. A preliminary report subsequently will be released.

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