



# Frequently Mitigated Unit Adders

Members Committee  
June 26, 2014

Units that are frequently offer capped are allowed to include an adder in their cost-based offers.

This solution was endorsed at the May 2014 MRC with 3.46 in favor and is before the MC for approval.

- The IMM offered a problem statement which was approved by stakeholders in April, 2013. The problem statement sought to review the appropriateness of the adders which had not been examined since 2005 despite many market changes since.
- Work began in November 2013
- In late 2013, PJM observed new operational trends that caused concern and PJM accelerated the schedule for this issue.

- The original intent of the adders was provide revenues to help cover the going forward costs of units that were frequently mitigated and hence did not have the opportunity to make infra-marginal rents.
- The adders were created in 2005 and last modified in early 2006.
- The adders were put in place before the RPM Capacity Market was created.
- Changing system conditions have resulted in some units becoming eligible for FMU adders for reasons that were not originally envisioned. These reasons include reactive support and Automatic Load Rejection (ALR) for black start service.

PJM and the IMM have offered a compromise package with the following main elements:

- Adder levels remain as they are today, but a check will be made each month. Only units whose net revenues are not covering their going-forward costs (ACR) will be eligible for an adder
- FRR units will not be eligible for adders
- External units are not eligible

This package was endorsed by the MRC.

Key elements	Status Quo	Package A (PJM/IMM compromise)
Adder level	\$40/\$30*/\$20	\$40/\$30/\$20
RMR units eligible?	Yes	No
Adders for FRR units?	Yes	No
External units?	Yes	No
Adders apply to Reactive?	Yes	Yes
Adders apply to ALR?		Yes
Additional screens?	No	Adders applicable only if unit's net revenues do not cover ACR