



Refiling Certain Components of Docket No. ER24-98

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In October 2023, PJM submitted two filings with FERC proposing enhancements to the capacity market rules stemming from the CIFP-RA stakeholder process (Docket Nos. ER24-99 and ER24-98)

ER24-99 Filing	ER24-98 Filing
Focused on enhancements to: <ul style="list-style-type: none">• Resource adequacy risk modeling• Capacity accreditation• Generation testing requirements• Annual stop-loss of PAI charges	Focused on enhancements to: <ul style="list-style-type: none">• Market power mitigation rules (offer caps)• Capacity performance rules• Energy and ancillary services (E&AS) revenue offset calculation used in offer caps and floor prices
Accepted by FERC (effective with the 2025/26 BRA)	Rejected with guidance in FERC's Feb. 2024 Order

Although the ER24-98 filing was rejected in its entirety, the Commission agreed in principle on certain fundamental aspects of the proposal and offered limited guidance to address certain deficiencies, while remaining silent on a number of other areas of proposed reform

PJM is considering refiling certain components of the ER24-98 CIFP filing, primarily those where FERC was supportive in principle and provided guidance, or was silent on the issue, with updates to account for FERC's guidance

- The following slides provide PJM's initial thoughts on scope to include or exclude in the ER24-98 refiling for stakeholder review and feedback
- PJM plans to schedule additional time over the next couple months for further stakeholder review and discussion
- Targeting implementation with the 2027/28 BRA scheduled to open in June 2025
 - Planning to refile by late summer to allow for sufficient time for the FERC proceeding and implementation ahead of the 2027/28 BRA pre-auction activities



Recommended Scope to Include in Refiling

Topic	FERC Position	PJM Recommendation
<p>Allow for the incremental costs of taking on a capacity obligation to be reflected in unit-specific offer caps for units that plan to continue operating if not cleared in the capacity market (e.g. allow for a standalone CPQR)</p>	<p>Provided general agreement on the issue, but required greater specificity on the includable costs.</p> <p><i>“We agree that, as a general matter, a competitive offer in the capacity market may reasonably reflect only incremental costs that are avoidable if the resource does not receive a capacity commitment.”</i></p>	<p>Include in refiling with updates to address the Commission’s guidance on this topic for greater specificity.</p>
<p>Clarifying revisions to CPQR definition (e.g. including costs of “managing the risk”, use of insurance quotes, etc.)</p>	<p>Largely silent on the proposed clarifying revisions</p>	<p>Include in refiling</p>
<p>Allow requests for segmented offer caps</p>	<p>Silent on the proposed revisions</p>	<p>Include in refiling</p>
<p>Updates to offer cap rules for Planned Generation Capacity Resources to better enable sellers to reflect their costs of new entry when applicable</p>	<p>Silent on the proposed revisions</p>	<p>Include in refiling</p>



Recommended Scope to Include in Refiling (cont'd)

Topic	FERC Position	PJM Recommendation
<p>Proposed reforms to the Capacity Performance rules:</p> <ul style="list-style-type: none">• Clarifying updates and cleanup of outdated provisions• Revisions to the rules regarding excusals of offline generation resources• Allowing for transfers of PAI obligations on a more granular time interval• Revisions to the balancing ratio formula to account for excused MW	Silent on the proposed revisions	Include in refiling
Adopt a forward-looking E&AS offset calculation for purposes of market seller offer caps and minimum offer price rules	Silent on this topic in the ER24-98 Order, but the Commission has previously accepted a forward-looking approach multiple times for PJM in other dockets	Include in refiling



Recommended Scope to Exclude from Refiling

Topic	FERC Position	PJM Recommendation
Allow for PJM to approve an alternative offer cap level when reviewing unit-specific offer cap requests	Majority rejected noting that the IMM has exclusive authority to determine whether the level of an offer raises market power concerns (Clements dissented).	Exclude from refiling at this time. PJM requested rehearing on this issue.
Third-party CPQR review in unit-specific offer cap submissions	Generally agreed that sellers may submit documentation from third-party consultants supporting their proposed CPQR value (even today), but expressed concern that the language as proposed could bypass the IMM and PJM review, and that greater specificity was needed for accepting a third-party evaluation of CPQR.	Exclude from refiling. FERC acknowledged that third-party support can be acceptable today in providing documentation for CPQR. Rather than detailing specific criteria that any third-party consultant must meet in the Tariff, continue to evaluate any third-party support provided on a case-specific basis.
Standardized CPQR calculation in Tariff	Supported in principle but rejected for lack of clarity	Exclude from refiling given the concerns raised in the Order.



Recommended Scope to Exclude from Refiling (cont'd)

Topic	FERC Position	PJM Recommendation
Limiting the pool of PAI bonus revenues to only committed capacity resources	Rejected with concern that it removed real-time performance incentives for non-committed resources, which could harm reliability	Exclude from refiling: no new evidence or arguments to make on this issue at this time.
Treatment of PAI excusals when price-based offer exceeds cost-based offer	Rejected as the Commission found that the existing provision that relied on cost-based offers was still appropriate to preserve CP incentives	Exclude from refiling: no new evidence or arguments to make on this issue at this time.
Align RPM and FRR resource assessments during PAIs (removal of the “physical” penalty option that is currently allowed for FRR Entities)	Majority rejected noting that FRR Entities are uniquely situated in long-term planning processes and may have difficulty recovering penalty charges in retail rates (Clements dissented).	Exclude from refiling at this time. Other parties have requested rehearing on this issue.

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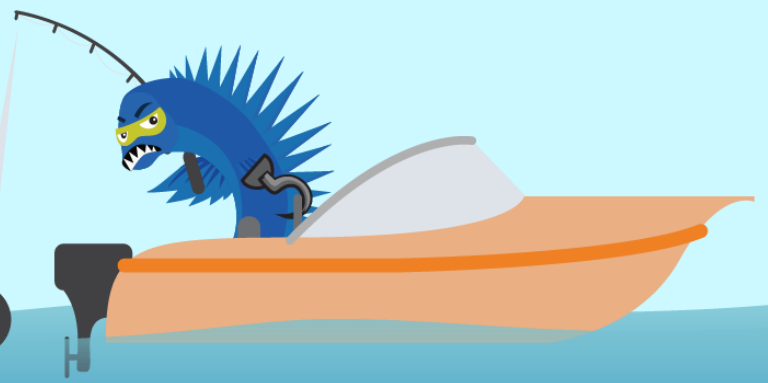
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