PJM MRC

# New Entry Pricing Adjustment

Consider modifications to provide greater certainty of payment streams to encourage new investment.

Updated August 8, 2011

| ID | Design Component | Importance | Component Solution Options | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Status Quo | A | B | C | D | E | F | G |
| 1 | Duration of new entry price | High | 3 years | multi-year (e.g. 5, 7, 9 years) | 5 year | 10 years | subject to state objectives meeting "public policy" as defined under FERC Order 1000 | 7 years | | |
| 2 | Eligibility requirement (e.g. location, type of resource, price impact, LDA constraint, impact of retirement) | High | Planned or existing generation with Avoidable Project Investment Recovery at least $450/kW and energy efficiency resources<br>Large resource size relative to LDA size | all resources - cleared demand and supply would be exempt from the BRA | trigger - but for NEPA the LDA would be below the reliability requirement | any Planned Generation resources who clear - MOPR screen must be passed - no price impact threshold | all generation resources meeting the state defined criteria (volume, emissions, etc.) within the area/zone specified by the state - MOPR screen must be passed - no price impact threshold | not to exceed 10% of reliability requirement with aggregate of all NEPA units in an LDA | | |
| 3 | Pricing structure (e.g. floor for offer or clearing) | High | Offers in next two year at lesser of first year offer price or 90% of then-applicable Net CONE<br>Resource receives higher of first-year offer price or clearing price for subsequent two years (payment to seller above clearing price collected from loads as make-whole) | auction matching with standardized terms | NEPA award establishes floor price for all similarly situated resources (those willing to commit to same term as NEPA) | clearing price set for 10 years - no upside potential | Option A: ○ All resources that clear the constraint receive an adder, similar to what Unlimited Resources received as of 14/15. ○ All other clearing units receive the non-constrained clearing price. ○ Total costs are socialized across all load in zone where unit(s) cleared. Option B: ○ All units receive the same clearing price as the units that cleared the constraint. ○ Costs are socialized across all load in the zone where units cleared | fixed price as offered for all years | offers in years 2 – X (where X is duration of new entry price) at lesser of first year offer price or 90% of then-applicable Net CONE<br>resource receives first-year clearing price until the end of the new entry price period.<br>*(Calpine submission - not yet covered during meeting)* | |
| 4 | Level of discrimination between NEPA resources and other resources in an LDA | High | Only the NEPA resource receives the higher clearing price make-whole payments) | no discrimination | while only available to planned generation resources, pricing mechanism mitigates any perceived discrimination - price adder for planned resources similar to what is currently done for limited and unlimited resources | no discrimination - criteria for constraint established by state policy | | | | |
| 5 | Adjustments to Demand Curve to Account for NEPA Resources | High | not applicable | shift | do not shift | | | | | |
| 6 | Length of time in advance of the delivery year | High | 3 years (BRA) | over 3 years - auction prior to BRA | elected at point of bid submission | established as part of the planning parameters for the BRA, therefore 3.5 years out | | | | |
| 7 | Auction Construct (e.g. within current BRA, separate auction, mandatory/voluntary) | High | BRA | separate and voluntary | additional layer to the current BRA auction mechanism | | | | | |
| 8 | Limits on participation | High | Planned or existing with APIR at least $450/kW, and energy efficiency | none | must pass MOPR screen and be a planned generation resource that has characteristics to solve constraint and meet other existing requirements for bidding in the BRA | must pass MOPR screen to be eligible to satisfy established constraint and meet all other existing requirements to be an eligible bidder in the BRA | LDA-specific buy bids would be limited to (Reliability Req't – CETL) for that LDA<br>*(Calpine submission - not yet covered during meeting)* | | | |