

## ***Business Rules for Capacity Performance Transition Incremental Auctions***

1. Capacity Performance Transition Incremental Auctions will be conducted for the 2016/2017 and 2017/2018 Delivery Years to procure Capacity Performance Resources in quantities up to 60 and 70 percent of the updated Reliability Requirement, respectively, in those auctions. The quantity of Capacity Performance Resources to be procured for the 2016/2017 and 2017/2018 Delivery Years is 95,097 MW and 112,176 MW, respectively.
2. The Capacity Performance Transition Incremental Auctions will be conducted sequentially and will be complete prior to the opening of the offer window for the 2018/2019 Base Residual Auction; the 2016/2017 Transition Incremental Auction will be held in April followed by the 2017/2018 Transition Incremental Auction which will be held in early May. Tentative dates for the Transition Auctions: for 2016/2017 auction, offer window opens on Monday, April 27, and closes at 4 PM on Tuesday, April 28, and results will be posted after 4:00 PM on Thursday, April 30; for 2017/2018 auction, offer window opens on Monday, May 4, and closes at 4 PM on Tuesday, May 5, and results will be posted after 4:00 PM on Thursday, May 7.
3. Participation is voluntary; any generation capacity resource that can meet the requirements of a Capacity Performance Resource may be offered, regardless of whether it is already committed to provide capacity for the relevant Delivery Year.
4. External Generation Capacity Resources that have an accepted CIL exception prior to the opening of the auction may offer into these auctions; however, given the relative short time (one to two years) before the applicable Delivery Years, such resources are eligible only if the resource is reasonably expected to be pseudo-tied by the applicable Delivery Year.
5. Planned Generation Capacity Resources that have an executed Interconnection Service Agreement prior to the opening of the auction may offer into these auctions.
6. No locational requirements will be modeled in the Capacity Performance Transition Incremental Auctions. PJM will procure a percentage of the PJM Region's Reliability Requirement for that Delivery Year as Capacity Performance Resources without regard for where the resource is located.
7. The clearing price cap and the market seller offer cap for resources that offer into the Capacity Performance Transition Incremental Auction for the 2016/2017 Delivery Year is 50 percent of the Net CONE for the PJM Region as established for the 2016/2017 BRA which is equal to \$165.27/MW-Day.
8. The clearing price cap and the market seller offer cap for resources that offer into the Capacity Performance Transition Incremental Auction for the 2017/2018 Delivery Year is 60 percent of the Net CONE for the PJM Region as established for the 2017/2018 BRA which is equal to \$210.83/MW-Day.

9. The clearing price for each Capacity Performance Transition Incremental Auction will be set by the marginal resource offers when PJM procures the target amount of Capacity Performance Resources. If the target amount of Capacity Performance Resources is not cleared, then the clearing price will equal the clearing price cap.
10. If two or more sell offers submitted into the auction include the same offer price, and some, but not all of the Unforced Capacity is required to clear the auction, then the auction will be cleared to minimize total costs including make-whole payments by first clearing such offers that have a flexible MW quantity and therefore require no make-whole. When some but not all of such equal-priced flexible quantities are required to clear the auction, such offers will clear pro-rata based on the flexible MW quantities offered.
11. Capacity payments for resources with prior commitments for the Delivery Year will be based on the clearing price of the Capacity Performance Transition Incremental Auction, replacing the previous commitment.
12. The performance charge/credit assessment structure of new section 10A of Attachment DD will apply to all resources committed as Capacity Performance Resources; however the magnitude of non-performance charges is reduced to 50 percent of the 2018/2019 values for the 2016/2017 Delivery Year and to 60 percent of such values for the 2017/2018 Delivery Year; and, maximum Non-Performance Charge exposure in the stop-loss calculation is correspondingly reduced such that for 2016/2017 the stop-loss is based on 0.75 times Net CONE for the PJM Region and for 2017/2018, the stop-loss is based on 0.9 times Net CONE for the PJM Region.
  - a. For 2016/2017, the RTO Net CONE in ICAP terms is \$311.72/MW-day, therefore the Non-Performance Charge Rate equals  $[(0.5)*(\$311.72/\text{MW-day})*(365 \text{ days})/30 \text{ hours}]$ , or \$1,896.30/MWhr; the monthly stop-loss equals  $[(0.25)*(\$311.72/\text{MW-day})*(365 \text{ days})]$ , or \$28,444.57 times the resource's committed UCAP MW; and, the annual stop-loss equals  $[(0.75)*(\$311.72/\text{MW-day})*(365 \text{ days})]$ , or \$85,333.70 times the resource's committed UCAP MW.
  - b. For 2017/2018, the RTO Net CONE in ICAP terms is \$331.54/MW-day, therefore the Non-Performance Charge Rate equals  $[(0.6)*(\$331.54/\text{MW-day})*(365 \text{ days})/30 \text{ hours}]$ , or \$2,420.23/MWhr; the monthly stop-loss equals  $[(0.3)*(\$331.54/\text{MW-day})*(365 \text{ days})]$ , or \$36,303.41 times the resource's committed UCAP MW; and, the annual stop-loss equals  $[(0.75)*(\$331.54/\text{MW-day})*(365 \text{ days})]$ , or \$108,910.23 times the resource's committed UCAP MW.
13. The Final Zonal Capacity Price and total procured capacity for the 2016/2017 and 2017/2018 Delivery Years will reflect the results of the Transition Incremental Auctions and all Incremental Auctions for that delivery year; therefore, the cost of the transitional auctions for 2016/17 and 2017/18 will be recovered in the same manner that the costs of regular Incremental Auctions are recovered.