Reliability Pricing Model (RPM) Credit Requirement for At-risk Existing Resources

Problem / Opportunity Statement

The current credit policy does not address potential exposure to committed existing capacity resources that are at increased risk of default on their RPM commitments for which replacement capacity, if required, might cost more than the RPM commitments of the resource at risk of defaulting on its RPM commitments.

- The credit policy establishes RPM credit requirements for “materially increased risk of non-performance.”
- The current definition of such resources is limited to planned resources and existing external resources that do not have firm transmission sufficient to satisfy the delivery requirements of the Reliability Assurance Agreement.
- Since the RPM credit requirements were first formulated, retirements of existing generation resources have increased.
- Retirements to date have been orderly, from an RPM perspective, but financial pressure on existing generation resources has been increasing over time.
- With increased financial pressure on existing generation resources, the chance of committed existing resources defaulting on their capacity obligations has increased.
- To date, there has been sufficient capacity in PJM for RPM committed resources to purchase replacement capacity without an increased cost to load serving entities. That may not always be the situation in the future.
- The PJM stakeholders should consider whether, and under what criteria, RPM credit requirements should be established for generation resources at risk of defaulting on their RPM commitments.