



PJM Priorities for RASTF

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PJM's initial priorities are focused on reliability:

1. Ensure risk assessment reasonably captures scenarios of concern and target reliability metrics reflect desired reliability across scenarios
2. Ensure portfolio of capacity procured has necessary attributes to meet both summer and winter risks
3. Accredit resources according to their contribution to system reliability
4. Align incentives for performance when needed through improved performance assessment
5. Ensure resources can offer at levels consistent with their economic costs of providing capacity product(s)
6. Explore opportunities for the regional procurement of clean resource attributes

- The recent FERC/NERC report on February 2021 cold weather event provides recommendations that focus on winter reliability that are relevant to the capacity market discussion
- PJM believes the recommendations that tie to the capacity market must be considered as part of the RASTF. Other recommendations may be discussed in other venues.
- Exposure to winter reliability events in PJM merits closer look to ensure market elements support desired levels of reliability across all scenarios

Ensure risk assessment reasonably captures scenarios of concern and target reliability metrics reflect desired reliability across scenarios

- Potential for extreme events may be difficult to estimate, but we should do our best to plan for them
- Risk assessment should facilitate informed decisions on tradeoffs between costs and benefits of increased reliability
- Reliability metrics and targets should reflect going-forward preferences, not historical standards

Ensure portfolio of capacity procured has necessary attributes to meet both summer and winter risks

- Winterization and/or fuel security standards may be necessary for all or a portion of the capacity portfolio to address winter risks
- Capacity market must be able to enforce these requirements and provide appropriate market incentives to undertake necessary investments

Accredit resources according to their contribution to system reliability

- Any gaps between resources' accredited value and their value to supporting system reliability reduces market's ability to meet the reliability target at lowest cost
- Correlated performance across resources may affect reliability value to an extent not captured in accreditation today

Align incentives for performance when needed through improved performance assessment

- Capacity performance incentives can be improved to provided stronger, clearer, incentives during reliability events. Under the current rules:
 - A significant number of excusals are granted
 - Performance penalty/incentive rate are based on assumptions that have not proved true
 - Signals from capacity performance and energy prices may not align
- Improved performance incentives are necessary but not sufficient to support reliability outcomes

Ensure resources can offer at levels consistent with their economic costs of providing capacity product(s)

- Purpose of market power mitigation is to return market to outcomes that would prevail under competitive offers
- If market participants are prevented from reflecting their economic costs and risks in capacity market offers, misalignment between supply/demand fundamentals and market outcomes could cause downward pressure on market prices and lead to uneconomic retirements
- Reliability is threatened when economic resources retire or are not built

Explore opportunities for the regional procurement of clean resource attributes

- Regional procurement of clean resource attributes through a competitive process could help reduce costs to consumers to meet decarbonization objectives
- PJM believes that the implementation of the Social Cost of Carbon in PJM's markets will require state or federal regulatory action

- PJM is committed to a holistic review of the capacity market in Phase 2
- Given value of addressing potential reliability concerns we recommend check-ins with RASTF to assess whether portions of scope can be moved forward for earlier delivery years

Delivery Year	Auction Run Date	Filing Required By	Check In By
2025/26	Feb. 2023	June 2022	Mar. 2022
2026/27	Aug. 2023	Dec. 2022	Sept. 2022
2027/28	May 2024	Sept. 2023	June 2023
2028/29	May 2025	Sept. 2024	

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