

# *Capacity Choice*

Proposed Solution for PJM CCPPSTF

July 31, 2017

# Background for Proposal

- FRR has worked without creating any price distortion issues with RPM clearing price.
- FRR is FERC approved and in the PJM Tariff
- FRR was designed to prevent the mixing of non-market and market resources
- FRR has accepted rules to prevent gaming with requirements for minimum stays and stay out periods.

# Capacity Choice Proposal

- Allow LSE's to determine how to hedge their capacity obligation.
  - Fully – 100% with today's FRR
  - Partially – any percentage, LSE choice, 1% to 99% using a combination of FRR and RPM.
  - Annual Auction – use RPM for full requirements just like today with no changes.
- Everyone gets to manage their capacity obligation as they want!

# Requirements

- FRR election/exit/process requirements are respected for partial FRR.
- All current and future generation receiving 'out of market' revenues must choose a FRR option, full or partial depending on their supply/demand portfolio.
- State Subsidized generation is automatically placed in FRR with a load obligation.

# Benefits

- RPM Market prices form without any non-market offers.
- Eliminates the need to synthetically create equivalence between market and non-market offers. No additional administrative interventions.
- Allows each LSE to add or subtract hedged load annually.
- Fosters opportunity for bilateral contracts by utilizing the initial 5 yr lock requirement for FRR.
- MOPR changes are not required to implement.

# Open Items

- What is the appropriate IRM target for partial FRR's?
- What are the rules for non-market resources to participate in RPM? Are current thresholds still appropriate or the same for full/partial?
- Is a minimum mw threshold (50,000mw?) required to sustain RPM market liquidity?
- Is current non-linear VRR curve shape correct for possible lower RPM volumes?

# Summary

- Concept is based on results of successful FRR separation from markets to establish RPM clearing price.
- Minor Tariff modifications required to implement.
- LSE's finally have choice to use their own generation, add multi-year contracts, or use RPM market for fulfilling and balancing their obligations.
- Resolves treatment of state subsidies. Everyone knows the rules upfront.
- Eliminates need for additional administrative intervention in markets.