



CP Penalty Compromise Proposal

May 2023

Attributes of the Trigger-Only Proposal

- Better Aligned with Ensuring Reliability
 - Preserves the fundamental CP market-based, carrot/stick approach to incent strong resource performance during emergencies
- Stakeholder Agreement through Settlement
 - Settlement would reduce litigation risk
 - Eliminates need for PJM to justify that reduced Penalty and Stop-Loss Levels will be sufficient to ensure grid reliability
- Forward Focus is Consistent with CIFP Process. This change is consistent with:
 - Future market expectations and investment decisions
 - Clear direction from the Board in the CIFP
- Apparent Consensus Among Stakeholders for a Trigger-Only Solution

While we do not support changes to rules for auctions that are already complete, as a settlement compromise, we propose a going forward change (consistent with the going-forward intent of the CIFP). In connection with a settlement, Constellation would not oppose application in the forthcoming 2023/24 and 2024/25 delivery years to enable the attributes described above.

Trigger Proposal

A PAI will be triggered for a reserve zone and/or reserve subzone when conditions (a) and (b) are both met or condition (c) is met. Would apply in perpetuity.

- a) PJM is short primary reserves for a reserve zone and/or a reserve sub-zone.
 - i. A primary reserve shortage is when the assigned MW are less than the requirement in the dispatch run of the RT SCED.
 - ii. The requirement includes 150 percent of the synchronized reserve requirement, defined to be the largest contingency plus any adjustments made to manage system conditions.
- b) There is an emergency procedure from the list below in effect for the entire reserve zone and/or reserve subzone experiencing the reserve shortage.
 - i. Voltage Reduction Warning and Reduction of Non-Critical Plant Load
 - ii. Manual Load Dump Warning
 - iii. Simultaneous call of a Maximum Emergency Generation Action and Emergency Load Management Reduction Action

- c) The following emergencies will automatically trigger a PAI if they are called for an entire reserve zone or reserve subzone.
 - i. Deploy All Resources Action
 - ii. Voltage Reduction Action
 - iii. Manual Load Dump Action
 - iv. Load Shed Directive

The following emergency procedures will not be used in the determination of a PAI:

- Unit Startup Notification Alert
- Maximum Generation Emergency/Load Management Alert
- Primary Reserve Alert
- Voltage Reduction Alert
- Primary Reserve Warning
- Pre-Emergency Load Management Reduction
- Emergency Voluntary Energy Only Demand Response Reductions
- Local Load Shed Directive

These triggers were developed and agreed to by PJM and the IMM