Proposed Revised Tariff Language – Vistra

Reference Resource

Current Version:

Reference Resource:

"Reference Resource" shall mean a combustion turbine generating station, configured with a single General Electric Frame 7HA turbine with evaporative cooling, Selective Catalytic Reduction technology all CONE Areas, dual fuel capability, and a heat rate of 9.1~~89~~34 Mmbtu/ MWh.

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"Reference Resource" shall mean a combustion turbine generating station, configured with a single General Electric Frame 7HA turbine with evaporative cooling, Selective Catalytic Reduction technology all CONE Areas, single ~~dual~~ fuel capability, and a heat rate of 9.1~~89~~34 Mmbtu/ MWh.

Notes:

The reference resource proposed here relies on the technical specifications of the CT configuration reviewed by Brattle in its "PJM CONE 2026/2027 Report" for the 2022 Quadrennial Review. This represents the resource configuration that is most likely able to be built across the footprint and serve capacity market needs. Additionally, the more robust investment signal offered by the single fuel CT is appropriate at a time when the PJM capacity market needs to add additional megawatts to the system.

Non-Performance Charge Rate

Current Version:

Non-Performance Charge = Performance Shortfall * Non-Performance Charge Rate

Where

Through the 2025/2026 Delivery Year, Ffor Capacity Performance Resources and Seasonal Capacity Performance Resources, the Non-Performance Charge Rate = (Net Cost of New Entry (stated in terms of installed capacity) for the LDA and Delivery Year for which such calculation is performed * (the number of days in the Delivery Year / 30) / (the number of Real-Time Settlement Intervals in an hour).

Effective with the 2026/2027 Delivery Year and subsequent Delivery Years, Capacity Performance Resources and Seasonal Capacity Performance Resources, the Non-Performance Charge Rate = (Net Cost of New Entry (stated in terms of installed capacity) for the RTO and Delivery Year for which such calculation is performed * (the number of days in the Delivery Year / 30) / (the number of Real-Time Settlement Intervals in an hour).

~~and for Base Capacity Resources the Non-Performance Charge Rate = (Weighted Average Resource Clearing Price applicable to the resource * (the number of days in the Delivery Year / 30) (the number of Real-Time Settlement Intervals in an hour)~~

Proposed Revised Tariff Language:

Non-Performance Charge = Performance Shortfall * Non-Performance Charge Rate

Where

For Capacity Performance Resources and Seasonal Capacity Performance Resources, the Non-Performance Charge Rate = (Net Cost of New Entry (stated in terms of installed capacity) for the LDA and Delivery Year for which such calculation is performed * (the number of days in the Delivery Year / 30) / (the number of Real-Time Settlement Intervals in an hour).

~~and for Base Capacity Resources the Non-Performance Charge Rate = (Weighted Average Resource Clearing Price applicable to the resource * (the number of days in the Delivery Year / 30) (the number of Real-Time Settlement Intervals in an hour)~~

Effective for the 2026/2027 Base Residual Auction and all subsequent RPM auctions the penalty rate used for the assessment of non-performance charges and for the payment of bonus credits will be set based on the highest Parent LDA's penalty rate that is also actively under PAI. Effective for the 2026/2027 PJM shall establish a floor for the non-performance charge rate set to $2,500/MWh. The bonus credit rate shall be set equal to the non-performance charge rate.

Notes:

The proposed language here leaves in place PJM's current LDA-specific penalty rate while addressing two items:

1) A penalty floor of $2,500/MWh which guards against the scenario where a $0 or very low Net CONE would undermine the penalty and bonus structure critical to incentivizing performance. While PJM's current proposal, including a single RTO-wide penalty rate, greatly diminishes the chance for a $0 or very low Net CONE, it does not eliminate it. A penalty floor would eliminate this risk while sending a strong and consistent signal regarding the value of generator performance. A $2,500/MWh floor is comparable to recent Non-Performance Charge Rates and could be defended at FERC as necessary to incent generators to preform (and to prepare to preform), especially in comparison to a potential $0 of very low Net CONE which would undermine those performance incentives.

2) Retaining the existing LDA-specific penalty rate makes sense because it allows PJM to account for variation in costs and economic signals across the footprint. Because of the new PAI triggers approved in 2023, PAI(s) are not expected to occur at the LDA level but to ensure a consistent economic signal both for system-wide or for more localized emergency events the penalty rate used in settlement should be based on the non-performance charge rate associated with the highest parent LDA that is simultaneously experiencing a PAI. This will ensure that all the units expected to respond to the PAI receive the same price signal for a MW of shortfall or bonus performance.

   For example:
   - If BGE has a PAI, and SWMAAC which is the parent LDA for both BGE and PEPCO is also under a PAI then all units within SWMAAC should be subject to the SWMAAC penalty rate.
   - Likewise, if MAAC region and RTO are both experiencing a PAI, then all capacity resources in PJM should be subject to the same penalty rate equivalent to the RTO non-performance charge rate.
   - If BGE is experiencing a PAI, and PSEG is experiencing a PAI then the respective LDA non-performance charge rate for BGE and PSEG would apply since neither BGE nor PSEG can provide assistance to the other LDA.