



Quadrennial Review of VRR Curve Parameters: PJM Net E&AS Offset Recommendations and Impact

Market Implementation Committee
July 11, 2018

- Maintain Peak-Hour Dispatch methodology for determination of Net E&AS revenues for Reference Resource CT with the following updates:
 - Update Reference Resource characteristics and cost
 - Update natural gas pricing hubs (in review)
 - Include 10% cost adder in dispatch cost of Reference Resource
- Determine Net CONE of multi-zone LDAs as the median zonal Net CONE calculated for the zones located in the LDA versus current method of average zonal Net CONEs
- Determine annual Net E&AS revenues of the Reference Resource as sum of the median monthly revenues of each month of prior three year calendar period versus current method of using average revenues
- Determine the RTO Net CONE using the median zonal Net E&AS revenues calculated for all PJM zones versus current method of dispatching the Reference Resource CT against PJM RTO LMPs and a blend of RTO-wide gas price indices



Net E&AS Offset Recommendations: Impact

	RTO	MAAC	EMAAC	SWMAAC	PSEG	DPL-S	PEPCO	ATSI	COMED	BGE	PPL	DAYTON	DEOK
Gross CONE (2022/2023)	\$405	\$404	\$399	\$422	\$399	\$399	\$422	\$398	\$398	\$422	\$401	\$398	\$398
Update CT (2 F to 1 H)	-\$97	-\$95	-\$89	-\$106	-\$89	-\$89	-\$106	-\$95	-\$95	-\$106	-\$99	-\$95	-\$95
Revised Gross CONE	\$308	\$309	\$310	\$316	\$310	\$310	\$316	\$303	\$303	\$316	\$302	\$303	\$303
Change in Gross CONE	-24%	-23%	-22%	-25%	-22%	-22%	-25%	-24%	-24%	-25%	-25%	-24%	-24%
Net EAS Offset (based on 2015, 2016, 2017)	\$72	\$100	\$74	\$146	\$57	\$87	\$125	\$80	\$43	\$166	\$90	\$75	\$74
Update CT (2 F to 1 H)	\$14	\$13	\$11	\$21	\$10	\$14	\$19	\$11	\$6	\$23	\$11	\$12	\$10
Update Gas Hubs	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
10% Adder	-\$22	-\$20	-\$17	-\$29	-\$15	-\$20	-\$27	-\$19	-\$11	-\$30	-\$19	-\$21	-\$18
Multi-Zone LDA (med vs avg)		-\$11	-\$1										
3-yr monthly med	-\$8	-\$6	-\$6	-\$6	-\$5	-\$5	-\$7	-\$16	-\$4	-\$5	-\$10	-\$15	-\$17
RTO Change	\$0												
Revised Net EAS Offset	\$56	\$75	\$62	\$132	\$47	\$75	\$110	\$55	\$33	\$154	\$72	\$51	\$50
Change in NET EAS Offset	-22%	-25%	-16%	-9%	-17%	-14%	-12%	-31%	-23%	-7%	-20%	-32%	-33%
Net CONE	\$333	\$304	\$325	\$276	\$342	\$311	\$297	\$318	\$355	\$256	\$312	\$323	\$324
Revised Net CONE	\$251	\$233	\$248	\$183	\$263	\$234	\$205	\$248	\$270	\$161	\$231	\$252	\$253
Change in Net CONE	-24%	-23%	-24%	-34%	-23%	-25%	-31%	-22%	-24%	-37%	-26%	-22%	-22%

Note: All currency values expressed in \$/MW-day (UCAP)