

Executive Summary for Package E – December 8, 2016

Overview

Package E seeks to make necessary enhancements to the process by which PJM qualifies external resources to participate in the capacity market while balancing the need to recognize the commitments of existing external capacity resources. The package is broken up into two major components, 1) rules applied to external resources which have not yet cleared and are seeking to participate in the Base Residual Auction for the 2020/2021 Delivery Year or subsequent Delivery Years (“new external resources”) and, 2) rules that apply to external capacity resources with pre-existing commitments prior to the 2020/2021 delivery year (“existing resources”).

Rules Applied to New External Resources

Under Package E, external resource owners that wish to sell capacity into PJM for the first time will be subject to additional requirements beginning with the 2020/2021 Base Residual Auction which will be conducted in May 2017. The changes to the requirements are intended to better align the prerequisites for external resources with those of internal resources. The primary changes are provided below.

- 1. External resources must have firm transmission service with rollover rights out of their native region studied at PJM’s standards.** This change will ensure that external resources are required to upgrade their delivery path to PJM to the level of reliability that the PJM system is designed.
- 2. External resources must meet specific operational and market modeling requirements.** This change will ensure that PJM is able to model the external resources without jeopardizing the integrity of its operational systems, avoid discrepancies with neighboring systems or incur congestion costs that cannot be controlled and would be borne by other PJM members.

Rules Applied to Existing Resources

Package E also proposes changes for existing resources. The changes in this area have several goals:

1. Ensure that existing resources can reliably provide energy to PJM in real-time operations.
2. Respect the existing capacity commitments and transmission service reservations for a reasonable transition period.
3. Respect the long-term commitments of LSEs in PJM who have contracted bilaterally with external generation resources for their energy and capacity needs.

PJM will determine on an annual basis whether existing resources can be operated reliably in real-time. If they can, those resources will be permitted to continue participation in the PJM capacity market until June 1, 2022. If the resource is determined not to be operationally deliverable at any point during the transition years, the resource owner will be provided the option to either build the required upgrades to

maintain the capacity status of the resource or declare the megawatts as non-viable thereby opting out of the capacity commitment and being held harmless from that commitment.

The proposal also contains an additional transition clause for existing resources that are operationally deliverable and have a long-term agreement with internal PJM load. Resources that meet these requirements can maintain capacity status for the life of the asset so long as the resource is operationally deliverable.