

Proposed Manual 18 Revisions: Replacement Resource Transactions

PRESENTED TO:

PJM Markets & Reliability Committee & Members Committee

PRESENTED BY:

Eagle Point Power Generation LLC

November 16, 2022

Michael R. Borgatti

Vice President RTO Services & Regulatory Affairs

O: (732) 296-0770 | C: (848) 459-6436 | F: (732) 296-0799

Michael.Borgatti@gabelassociates.com



Gabel Associates, Inc.

Energy, Environmental and Public Utility Consulting
Highland Park, New Jersey | Philadelphia, Pennsylvania

O: (732) 296-0770 • F: (732) 296-0799

www.gabelassociates.com



Proposed Revision to Manual 18 Sec. 8.8: Capacity Replacement Transactions Before The Third Incremental Auction (“IA”)

Early Retirement Issue Charge Background

Manual 18 Sec. 8.8 Replacement Resources

- Allows capacity replacements before the Third IA by providing “transparent and verifiable evidence to support the final physical position of the resource at the time of the request”
- M18 identifies certain scenarios that are acceptable reasons for early replacement
 - Generator deactivation
 - Request to remove generator capacity resource status
 - Withdraw/cancellation of interconnection request
 - Delay in COD for a planned generator
 - Permanent departure of DR/EE load
- Early replacement rules intend to limit speculation in the BRA and were developed in the context of an auction cycle with three I

Capacity Must Offer Obligation for External Capacity Transactions (OATT Att. DD Sec. 6.6(g))

- Waiver of must-offer obligation for sellers that demonstrate a financially and physically firm commitment to an external capacity sale
- M18 does not identify external capacity transaction as a basis for early replacement before Third IA
- No means for effective early replacement in Delivery Years with just one IA due to compressed RPM auction cycle

Proposed Solution

- ✓ Allow resources that would meet standards for a must offer exception to enter replacement before third IA
- ✓ Limiting eligibility to delivery years with just one IA closes gap created by compressed auction schedule
- ✓ Only applies to cases where sellers with transparent and verifiable evidence supporting the physical position for the resource
- ✓ Concern with speculative transactions eliminated because proof of bona fide external capacity sale provided

Auction	Auction Opening Date
2024/25 BRA	12/7/22
2023/24 3IA	3/21/23
2025/26 BRA	6/14/23
2026/27 BRA	November 2023
2024/25 3IA	February 2024
2025/26 3IA	February 2025
2026/27 2IA	July 2025
2026/27 3IA	February 2026