

Problem Statement/Issue Charge – Quick Fix Process

CP Non-Performance Penalty Rate Alignment with Net ACR MSOC Determination

Issue Source

This Issue Charge is being presented by LS Power to address the misalignment between the MSOC Net ACR method and the Capacity Performance Non-Performance Charge Rate.

On September 2, 2021, FERC approved a change to the Market Seller Offer Cap (MSOC), un-tethering the MSOC from Net CONE (Net CONE * B) and shifting it to Net ACR. Starting with the 2023/2024 BRA conducted in June, 2022, it was very difficult to include a Capacity Performance risk component in the Net ACR to reflect the risk of taking on the Capacity Performance risk (CPQR). As a result, many default MSOCs are at or close to \$0.00/MWD (many were actually negative). As expected, this change resulted in a reduction in RTO clearing prices over the last few BRAs –

DY	BRA Date	RTO Clearing Price \$/MWD	Net CONE \$/MWD	Penalty Rate \$/MWhr
2021/2022	May 10, 2018	\$140.00	\$302.63	\$3,682.00
MSOC Complaint Filed Feb 21, 2019				
2022/2023	May 19, 2021	\$50.00	\$247.26	\$3,008.37
FERC Order Sept 2, 2021				
2023/2024	June 8, 2022	\$34.13	\$261.10	\$3,176.71
2024/2025	Dec 7, 2022	\$28.92	\$278.47	\$3,388.04

However, at the time the MSOC was changed from Net CONE * B to Net ACR, the Capacity Performance Non-Performance Penalty Rate was not changed and remains tethered to Net CONE creating a significant disconnect between the BRA Clearing Price and the Non-Performance Charge Rate. To put this disconnect into perspective, it would only take a less than 2 hour CP event in the 2023/2024 DY to wipeout the entire years' worth of capacity payments. If a CP event similar to WSE would occur in the 2024/2025 DY the non-performance penalty would equate to over 5 YEARS of capacity payments.

Issue Content

The work will finalize a simple Open Access Transmission Tariff (OATT) revision to address the misalignment between the Net ACR MSOC process implemented with the 23/24 BRA and the Non-Performance Penalty Rate.

Key Work Activities and Scope

The stakeholders will review the proposed, simple OATT revisions below, presenting the finalized version to relevant stakeholder committees.

Expected Deliverables

Provide updated OATT and Manual language changes to relevant stakeholder groups.

Decision-Making Method

Tier 1, consensus

Stakeholder Group Assignment

This issue will use the Quick Fix (QF) process in accordance with Manual 34 section 8.6.1, and will be presented to the Markets & Reliability Committee (MRC) for approval.

Expected Duration of Work Timeline

Seeking stakeholder and FERC approval for the simple OATT revision for implementation prior to the onset of the 2023/2024 DY winter, and subsequent BRAs only until changes to either the MSOC or CP Penalty Rate are implemented as a result of the CIFP process underway.

Proposed OATT Changes

OATT, Att DD, Section 10A(e) –

For Capacity Performance Resources and Seasonal Capacity Performance Resources, the Non-Performance Charge Rate = (**0.5** x 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).

OATT, Att DD, Section 10A(f) –

The Non-Performance Charges for each Capacity Performance Resource (including Locational UCAP from such a resource) and each PRD Provider for a Delivery Year shall not exceed a Non-Performance Charge Limit equal to **2** times the **Net-Cost-of-New-Entry** **BRA Clearing Price** times the megawatts of Unforced Capacity committed by such resource or such PRD Provider times the number of days in the Delivery Year.

Other Change (not necessarily embedded exclusively in the OATT):

Revise the PAI trigger as proposed by PJM in the PJM CIFP proposal:

PAI only triggered for all intervals where there is i) a real-time reserve shortages AND ii) declaration of a real-time emergency procedure more severe than Pre-Emergency DR

Manual changes will be required.