

## Problem Statement/Issue Charge – Quick Fix Process

### CP Non-Performance Penalty Stop Loss and Emergency Action Changes

#### Issue Source

This Issue Charge is presented by LS Power to address the misalignment between the recent BRA Clearing Prices and the Capacity Performance Non-Performance Charge Rate. This misalignment can be attributed to changes to the Reliability Pricing Model including Minimum Offer Price Rule (“MOPR”) and changes to the Market Seller Offer Cap (“MSOC”). The change to the MOPR allows a set of resources that were formerly subject to having to offer into the Base Residual Auction (“BRA”) at a minimum offer price to no longer be subjected to that requirement if they satisfy certain criteria. This change is bearish on BRA clearing prices. The change to the MSOC resulted in the shift of basing the MSOC on Net CONE (formerly Net CONE \* B) to Net ACR. However, when that change was implemented, the Capacity Performance Non-Performance Charge Rate remained based on Net CONE. The table shows the BRA Clearing Prices both before and after the implementation of the Net ACR-based MSOC. As the table shows, RPM Clearing Prices have been decreasing while the Capacity Performance Non-Performance Charge Rate has been increasing since the onset of the changes to RPM.

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

The lower BRA Clearing Prices and the increasing Capacity Performance Non-Performance Penalty Rate indicates that the Penalty Rate has become draconian rather than an incentive for performance and could be attributable to the disconnect of basing the MSOC on Net ACR while the Penalty Rate remains based on Net CONE. 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.

#### 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 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.

## Stop Loss Interim Change Only

The change to the Capacity Performance Stop Loss as shown below will be in effect starting with the 2023/2024 Delivery Year through and including the 2024/2025 Delivery Year unless replaced with changes to either the MSOC or the CP Penalty Rate from the CFP stakeholder process prior to the end of the 2024/2025 Delivery Year.

The change to the Emergency Action as shown below will be in effect starting with the 2023/2024 Delivery Year and subsequent Delivery Years.

NOTE – there is no proposed change to the Capacity Performance Non-Performance Charge Rate in OATT, Att DD, Section 10A(e) and it will remain based on Net CONE.

## Proposed OATT Changes

1. CP Non-Performance Stop Loss - OATT, Att DD, Section 10A(f) –

For Delivery Years through and including the 2024/2025 Delivery Year ~~The 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 1.5 times the Net Cost of New Entry Base Residual Auction clearing price for the applicable LDA and Delivery Year times the megawatts of Unforced Capacity committed by such resource or such PRD Provider times the number of days in the Delivery Year. ~~All references to Net Cost of New Entry in this section 10A shall be to the Net Cost of New Entry for the LDA and Delivery Year for which the calculation is performed. The total Non-Performance Charges for each Base Capacity Resource (including Locational UCAP from such a resource) for a Delivery Year shall not exceed a Non-Performance Charge Limit equal to the total payments due such Capacity Resource or Locational UCAP under Tariff, Attachment DD, section 5.14 for such Delivery Year. For~~ Delivery Years through and including the 2024/2025 Delivery Year ~~The the~~ Non-Performance Charges for each Seasonal Capacity Performance Resource for a Delivery Year

shall not exceed a Non-Performance Charge Limit equal to 1.5 times the Net Cost of New Entry-Base Residual Auction clearing price for the applicable LDA and Delivery Year times the megawatts of Unforced Capacity committed by such resource times the number of days in the season applicable to such resource.

“Clean’ Version –

For Delivery Years through and including the 2024/2025 Delivery Year 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 1.5 times the Base Residual Auction clearing price for the applicable LDA and Delivery Year times the megawatts of Unforced Capacity committed by such resource or such PRD Provider times the number of days in the Delivery Year.. For Delivery Years through and including the 2024/2025 Delivery Year the Non-Performance Charges for each Seasonal Capacity Performance Resource for a Delivery Year shall not exceed a Non-Performance Charge Limit equal to 1.5 times the Base Residual Auction clearing price for the applicable LDA and Delivery Year times the megawatts of Unforced Capacity committed by such resource times the number of days in the season applicable to such resource.

2. Revise the PAI trigger as proposed by PJM in the PJM CIPF proposal OATT Definition -

**Emergency Action:**

“Emergency Action” shall mean the implementation of any shortage pricing in real-time for a Reserve Zone or Sub-zone as described in Operating Agreement, Schedule 1, section 2.1.5 and parallel provisions of Tariff, Attachment K-Appendix, section 2.5.2, for the Primary Reserve or Synchronized Reserve products where there is also an active emergency action that encompasses such Reserve Zone or Sub-zone that for locational or system-wide capacity shortages that either utilizes pre-emergency mandatory load management reductions or other emergency capacity, not including pre-emergency demand response, or PJM initiates a more severe action including, but not limited to, a Voltage Reduction Warning, Voltage Reduction Action, Manual Load Dump Warning, or Manual Load Dump Action.

“Clean” Version –

“Emergency Action” shall mean the implementation of any shortage pricing in real-time for a Reserve Zone or Sub-zone as described in Operating Agreement, Schedule 1, section 2.1.5 and parallel provisions of Tariff, Attachment K-Appendix, section 2.5.2, for the Primary Reserve or Synchronized Reserve products where there is also an active emergency action that encompasses such Reserve Zone or Sub-zone that utilizes emergency capacity, not including pre-emergency demand response, or PJM initiates a more severe action including, but not limited to, a Voltage Reduction Warning, Voltage Reduction Action, Manual Load Dump Warning, or Manual Load Dump Action.

Manual changes will be required.