Enhancements to Deactivation Rules

Problem / Opportunity Statement

Part V of the PJM Tariff contains the provisions governing generation deactivation requests. The current provisions detail the process and timeline by which such deactivation requests are submitted, evaluated for reliability and market power concerns, and by which PJM may request that a unit remain in operation beyond the requested deactivation date. Part V also contains two options by which a Market Seller requesting deactivation of a generation resource may be compensated if PJM requests that the generator operate beyond the deactivation date. Given the anticipated volume of generation resource retirements expected in the coming years and confusion about how the current compensation mechanisms operate and should operate, both PJM and the IMM believe that there are areas where the provisions of Part V and potentially other provisions of the Tariff need to be reevaluated.

PJM Tariff Part V

Specifically, PJM and the IMM believe that the deactivation notification timeline should be revisited. The current Tariff requires as little as 90 days' notice to submit a deactivation request to PJM and the IMM to be analyzed. PJM batches all such requests on a quarterly basis and then has 60 days following the end of the quarter to perform the reliability analysis, and the IMM has the same time period to perform the market power analysis. PJM and the IMM believe that stakeholders should consider extending the prior notice period for generation deactivations to increase the opportunity for any required transmission upgrades to be completed, to allow potential new competitive entry, and allow the deactivation to proceed as requested.

PJM and the IMM also believe the compensation mechanism for resources agreeing to operate beyond their requested deactivation date at PJM's request needs to be redesigned. The current mechanism allows two options from which the Market Seller may choose: a formulaic Avoidable Cost Rate or a revenue requirement filing with FERC. The existence of these two options leads to confusion as well as uncertainty on the part of both the Market Seller and the load to which the cost will be allocated as to how Part V service should be compensated. Market Sellers' election of the revenue requirement filing at FERC option has also led to protracted litigation at FERC as to the appropriate goals for compensation and the appropriate level of compensation.