

BUCKEYE POWER, INC. CIFP PROPOSAL **EXECUTIVE SUMMARY**

Buckeye is offering two CIFP proposals that largely mirror the two PJM CIFP proposals (seasonal and annual). We have focused on two key areas where we think the PJM proposals need to be refined.

Modification #1: Performance Assessment

- Non-Performance Charge Rate
 - *Align the Non-Performance Charge Rate with the BRA clearing price (relevant LDA for capacity resources), instead of Net CONE*
- Stop Loss for Non-Performance Charges
 - *Align the Stop-Loss with the BRA clearing price (relevant LDA for capacity resources), instead of Net CONE*

Rationale

- This proposed change had majority support at the May MC meeting.¹
- PJM's CIFP proposals include additional physical and testing requirements which will provide incentive for resources to be physically available for dispatch during peak load and emergency conditions. These new requirements, paired with Buckeye's proposed changes to the Non-Performance Charge Rate will provide sufficient incentive for resource performance and address the concerns PJM staff expressed during the May MC meeting.
- Strong incentives for resource performance will still exist during the critical periods due to the new PAI triggers being tied to shortage pricing. The high LMPs that will occur during capacity performance events are sufficient to incentivize capacity resources to perform without the need for excessive penalties in addition to shortage prices.
- The proposed changes are "self-correcting." If there is a capacity shortage in certain LDA's, this will result in high BRA clearing prices that translate to high penalty rates and stop losses.

¹ PJM, Minutes from Special Members Committee Meeting (May 11, 2023), <https://www.pjm.com/-/media/committees-groups/committees/mc/2023/20230531/20230531-consent-agenda-b---draft-special-mc-minutes--5112023.ashx>. The proposed change was endorsed with 3.489 in support.

Modification #2: Obligations of Capacity Resources (Energy Market Must Offer)

- All Capacity Resources must have an energy market must offer obligation.
- All Capacity Resources with non-zero offers must have an approved Fuel Cost Policy.
- All Capacity Resources must provide updated hourly operating parameters.
- All Capacity Resources must provide real-time telemetry.
 - Demand Response: either Firm Service Level (FSL) or Guaranteed Load Drop (GLD) with the same requirements.
- Note: These proposed modifications only apply to Capacity Resources. Buckeye retains the status quo to allow categorical exemptions from the capacity must offer for intermittent and demand response.

Rationale

- Buckeye is proposing changes to the Energy Market must offer obligation. This modification has been supported by multiple parties, including the IMM.²
- Buckeye is proposing that all capacity resources provide real-time telemetry and operating parameters to PJM for improved visibility and situational awareness.
- PJM’s Winter Storm Elliott report highlights the reliability concerns around the lack of visibility into demand response resources and provides clear evidence why improvements are needed in the near-term. During the event, PJM was expecting 3,000 to 5,000 MW of additional demand response reduction and relied on information provided by Curtailment Service Providers to inform PJM’s dispatch.³ However, many demand response resources were already offline and could not provide PJM any dispatchable load reduction during the event.⁴ PJM had no way of knowing whether these demand response resources were already offline or whether they were able to provide load reduction when needed.⁵ By incorporating the changes proposed by Buckeye, this situation would have been prevented.

² As suggested by the IMM, demand response resources should be treated like any supply side resource and should have must-offer requirements in both the energy and capacity markets, a definition of cost-based capacity and energy offers, a definition of capacity offered, and elimination of the strike price. *See* IMM’s Memo dated June 13, 2023, to RASTF/CIFP re Capacity market design proposal: Sustainable Capacity Market (SCM), at 11.

³ Winter Storm Elliott, Event Analysis and Recommendation Report, PJM, July 17, 2023, at 42, available at <https://pjm.com/-/media/library/reports-notices/special-reports/2023/20230717-winter-storm-elliott-event-analysis-and-recommendation-report.ashxp>. Curtailment Service Providers (CSPs) indicated to PJM on December 23 that 4,336 MW of load would be available to be reduced. The actual load reductions after the fact were only 1,100 MW. On December 24, CSPs estimated that 7,400 MW of load would be reduced, but only 2,400 MW were actually reduced. PJM noted in its Winter Storm Elliott report that “[t]he significant difference between the data provided to PJM about load curtailment capability and the actual performance clearly identify an opportunity and need to improve the rules and processes regarding Load Management capability estimates.”

⁴ *Id.*

⁵ 2023 State of the Market Report for PJM (January through June), Monitoring Analytics, LLC (August 10, 2023) at 54, available at https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2023/2023q2-som-pjm.pdf. The IMM explains the issue as follows: “If a demand resource location was already at a reduced load level when PJM called a PAI, the demand resource would be deemed to have performed if the PLC [the amount of capacity paid for in the capacity market] less the metered load level was equal to the ICAP sold in the capacity market. The standard reporting of demand side response is therefore misleading because it includes loads that were already lower for any reason as a response. That is exactly what happened during Elliott.”