

Proposed Capacity Market Adjustments and Alignment of Capacity Market Rules to Effectuate the Removal of Reactive Service Revenues

MC

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IMM



Monitoring Analytics

Capacity Market Design

IMM BRA Recommendations

1. **Modify ELCC to balance winter and summer risks**
2. **Add RMR capacity to capacity supply**
 - Full UCAP
 - Zero price
 - Not including capacity obligations: must offer in energy market; PAI risk/bonus payments
3. **Add must offer obligation for all capacity resources**
 - Categorically exempt
4. **Modify ELCC to reflect winter ratings for thermal units**
5. **Set CT as reference resource**
6. **Maximum price on VRR curve = $1.5 * CT \text{ Net CONE}$**

Capacity Market Analysis

- The IMM has posted three reports on capacity market design issues:
- See reports analyzing the 2025/2026 RPM Base Residual Auction, “Analysis of the 2025/2026 RPM Base Residual Auction - Part A,” (Sep. 20, 2024), “Analysis of the 2025/2026 RPM Base Residual Auction - Part B,” (Oct. 15, 2024), “Analysis of the 2025/2026 RPM Base Residual Auction - Part C,” (Nov. 6, 2024). These reports can be found at <https://www.monitoringanalytics.com/reports/Reports/2024.shtml>.

Reactive Revenues and VRR Curve

Reactive Revenues in RPM

- **The VRR curve includes reactive revenues in Net CONE**
 - **Gross CONE – Net Revenues = Net CONE**
 - **Reactive revenues = \$2,199 per MW-year; \$6.02 per MW-day**
- **If $1.5 * \text{Net CONE} > \text{Gross CONE}$**
 - **$1.5 * \text{Net CONE}$ defines point A on VRR curve**
- **If $1.5 * \text{Net CONE}$ defines point A on VRR curve**
 - **Inclusion of reactive revenues reduces capacity market prices**

Reactive Revenues

- **FERC Order 904 set reactive capability revenues to zero.**
 - **Effective date 10.17.2024**
- **Implementation coordination with net revenue offset in VRR curve in RPM**
- **Cap legacy reactive capability payments to existing units at lesser of legacy rate or \$2,199 per MW-year until all legacy payments ended.**
 - **Do not provide reactive capability payments to any new resources**

Timing

- **All legacy reactive payments should end on May 31, 2025**
 - **Last day of 24/25 DY**
 - **Gross CONE used in price separated LDAs in 25/26 BRA**
 - Net CONE not used for point A on VRR curve
 - No effect of reactive revenue offset on Point A
 - **Any RPM price impact from Point B is negligible.**
- **Reactive revenues should be removed from net revenues for 26/27 BRA based on Order 904**

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