

PJM Capacity Workshop Session #3

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What problem are we trying to solve through this effort?

- The “problem” is broader than just the MOPR
- The issue is one requiring an holistic review of RPM
- 30+ major rule changes since inception
- Perhaps easier to identify what is not a problem
 - PJM’s calculation of the FPR and IRM
 - Mandatory participation for all resources
 - Maintaining locational aspect

What problem are we trying to solve through this effort?

- Problems with current construct:
 - Consistent and persistent over procurement of capacity
 - MOPR crude and blunt instrument
 - Insufficient opportunities for LSEs and states to actively pursue bilateral transactions to procure necessary capacity obligations outside of the BRA
 - Does not recognize consumer/voter preference as powerful market driver
 - Inability to procure specific resource types within the BRA
 - “Capacity” is not an indistinguishable commodity
 - 3 year forward approach for 1 year commitment

Do you agree with PJM that we should be attempting to advance this discussion at this time?

- Absolutely, but with a caveat...
 - While Workshops may be helpful to frame an emerging issue, proposed changes to market design or PJM governing documents need to respect the Stakeholder Process
 - Our best and most enduring rule changes have resulted from a fulsome process
 - Not a foregone conclusion we can't come to a consensus
 - Support for a traditional, standard stakeholder process
 - No support for Enhanced Liaison Committee (ELC)
 - No support for Critical Issue Fast Path (CIFP)
 - Recognize potential for overlap with FERC's direction via February 18th open meeting for technical conferences (end of March?)
 - Stakeholders need to be meaningfully involved

What are the principles that possible enhancement should be built upon?

- If a market, it should be one that people actually want to participate in
- If a construct, needs to be simple and focused on Reliability at least cost
- States rights to procure desired capacity in accordance to the preferences of their constituents
- BRA = genuine residual auction
- Accommodates different business models
 - Public power
 - IPPs
- No withholdings
 - Economic
 - Physical
- Timely transition
- Maintain inter-relationship with E&AS markets (i.e., offset)
- Stop the constant rule changes

Do you have particular issues or a proposed prioritization that you would like to propose?

- Consensus on overarching principles for next capacity construct is necessary to enable us to identify and prioritize steps to achieve
- Eliminate MOPR
- Restore and expand self-supply
- BRA = residual auction
- Forward view & commitment period (3 years forward for 1 year)
- PJM facilitate collaborative and meaningful process to develop a consensus proposal



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