

Multi-Year Pricing Mechanism Background

The Brattle Group presented several recommendations to PJM's stakeholder body at the conclusions of their performance assessment of the Reliability Pricing Model (RPM). A summary report was posted on the PJM website on August 26, 2011. At that time, stakeholders indicated interest in identifying and pursuing some of the longer-term recommendations of the Brattle Assessment, as well as other stakeholder identified longer-term issues and one of the issues identified was development of a multi-year pricing mechanism.

An Issue Charge was approved by the MRC on March 29, 2012 and the Capacity Senior Task Force (CSTF) was created to commence work on this issue. The CSTF was asked to provide business rules for a Long-Term Capacity Auction, or alternative Multi-Year Pricing Mechanism as a supplement to, or replacement of, the existing New Entry Price Adjustment (NEPA) provision and any supporting documentation changes in time for a FERC filing on May 31, 2013.

Recommended Proposal

The Capacity Senior Task Force has reached Tier 1 consensus (see survey results in Supplemental Documents), where all consenting parties can accept or will not object to the proposed solution. The key component of the solution includes an update to the current tariff provisions to allow participants to advise if the sell offer is conditioned on clearing the 3-year price assurance. The purpose of this change is to provide participants with a mechanism to avoid clearing for one year if they require multi-year price assurance to be a viable project.

If approved, this tariff change will be filed with FERC on March 1, 2013 in order to allow for implementation by the May 2013 Base Residual Auction. After reviewing the results of the 2013 Auction, the CSTF will determine if any additional changes are required.

Supplemental Documents

1. [Solutions Matrix](#) (this proposal is represented in Package 5)
2. [Draft Tariff Language](#)
3. [Survey Results](#)

After the January 23 CSTF meeting, an online survey was issued to participants to vote 'Yes' or 'No' on making a change to the notification requirement in the current NEPA provision as listed below for the 2013 Base Residual Auction. From 138 votes, 100 participants voted in favor of the change.

Current NEPA provision:

When submitting sell offer in 1st year Base Residual Auction (BRA), eligible participants must request NEPA consideration.

Proposed change to the NEPA provision:

When submitting sell offer in 1st year Base Residual Auction (BRA), eligible participants must request NEPA consideration and advise if the sell offer is conditioned on clearing the 3-year price assurance.