Capacity Market
Triennial Review
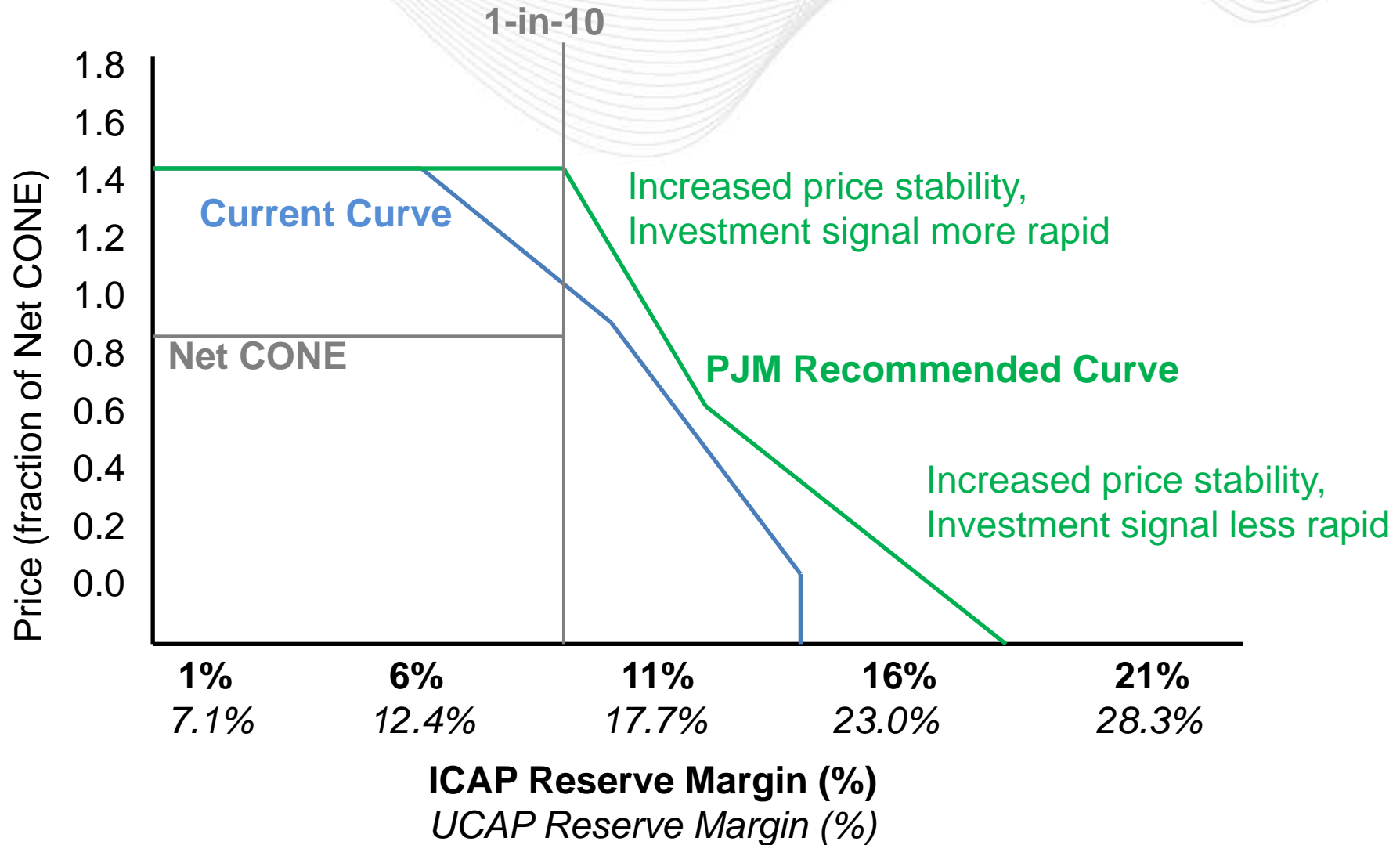
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July 31, 2014

- **Variable Resource Requirement (VRR), or demand curve** shape which can affect price stability and provides an investment signal for capacity

- **Cost of New Entry (CONE)** based on an engineering analysis which provides an estimation of the cost of new construction of the reference technology

- **Net Energy and Ancillary Services Revenue Offset (E&AS Offset)** methodology which provides an estimate of the non-capacity revenues that a generator can expect to earn

	PJM Recommendation	Member Recommendation	Board Action and FERC Filing
Current Process (4 ½ months)	May 15	August 31	October 1
Old Process (3 months)	September 1	October 31	December 1

Triennial Review - 2014 Work Plan	4/29	5/9	5/15*	5/23	6/2	6/13	6/30	7/11	7/18	7/25	7/31	8/1	8/8	8/14	8/21	8/22
Stakeholder Feedback Session (Brattle on 4/29 and PJM on 5/9)	X	X														
Review Work Plan		X														
PJM Initial Recommendations / Education			X	X												
Continued Education						X	X	X								
Interest Validation				X												
Design Components				X	X											
Develop Solution Options					X	X	X	X	X	X						
Develop & Refine Component Options						X	X	X	X	X						
Develop & Refine Solution Packages						X	X	X	X	X		X				
Build Consensus							X	X	X	X		X	X	X		X
MRC First Read - Preview											X					
MRC/MC Vote															X	
* Electronic delivery of materials																

VRR Curve Shape

- Right-shift point "a"
  - PJM staff: right-shift plus 1% further from Brattle recommendation
- Stretch the VRR curve into a convex shape
- Local only - Increase the LDA price cap to 1.7 X Net CONE
  - PJM staff : Make local curves the same as the system curve
- Local only - Impose a minimum curve width equal to 25% of CETL
  - PJM staff: Make local curves the same as the system curve

Cost of New Entry

- Adopt updated CONE estimates
- Adopt level-real CONE for yearly escalation of values
    - PJM staff: Maintain level-nominal
- Consider replacing the Handy-Whitman Index
- Review CONE areas to align more closely to modeled LDAs
- Consider introducing a test for a separate Gross CONE for small LDAs-
    - PJM staff: Not adopted.
- Consider adopting the average of CC and CT net CONE values defining the VRR curve
    - PJM staff: Continue to use the CT as reference resource

E&AS Offset

- Calibrate historical E&AS estimates to reflect plan actuals
- Develop a forward-looking E&AS calculation methodology
- Align E&AS Offset and Net CONE calculations more closely to modeled LDAs
- Consider imposing the parent-LDA Net CONE values as a minimum for sub-LDA Net CONE values

Design Component	A	B	C	D
Gross CONE	Updated PJM	Higher WACC	PJM - ~15%	PJM - ~15% for SWMAAC
Levelization Method	Level-Nominal	Level-Nominal	Level-Nominal	Level-Real
Reference Resource	CT	CT	CT	CT
Net E&AS Offset	Forward Looking	Historical 3 Year	Forward Looking	Historical 3 Year
VRR Shape – System	Convex, shift right Brattle + 1%	Convex, shift right Brattle + 2%	Forthcoming	Status Quo or Something Left
VRR Shape – Local	Same as System	Same as System	Same as System	Same as System
CONE Escalation Index	BLS	BLS	BLS	BLS
RTO Wide Gross CONE	Average CONE Areas	Average CONE Areas	Lowest	Average CONE Areas
Net CONE Method – CONE Area	CONE Area – Zone E&AS	CONE Area – Zone E&AS	Forthcoming	CONE Area – Zone E&AS
Net CONE Method – RTO	RTO-Wide Gross CONE - PJM wtd-avg LMP	RTO-Wide Gross CONE - PJM wtd-avg LMP	Minimum	RTO-Wide Gross CONE - PJM wtd-avg LMP
Net CONE Method – LDA	Updated PJM	Updated PJM	Forthcoming	Updated PJM

- Continue to build consensus on packages at the CSTF
  - August 1, August 8 and August 14
- Upcoming votes at the MRC and MC
  - August 21