



Capacity Senior Task Force Status Report July 23, 2014

The Capacity Senior Task Force (CSTF) will analyze and evaluate PJM's capacity market as directed by the Markets and Reliability Committee. This status report documents progress made since last reported on the issue(s) charged to this PJM stakeholder group.

1. Capacity Market Triennial Review

A. Issue Description:

B. PJM is currently undergoing a review of key parameters in its Capacity Market as mandated by the PJM Open Access Transmission Tariff (Tariff). Section 5.10 a) of Attachment DD of the PJM Tariff contains requirements for a periodic, on-going assessment of the: Shape of the VRR Curve, which can affect price stability and the reflection of capacity value beyond the reliability requirement, Cost of New Entry (CONE) which provides pricing points along the VRR Curve based on resources procured, and the methodology for determining the Net Energy and Ancillary Services Revenue Offset (E&AS Offset), which is used in combination with CONE for providing pricing points on the VRR Curve. Following the development and presentation of PJM's preliminary parameter recommendations, through the CSTF, stakeholders will assess PJM's recommendations to maintain or change components of the VRR with a deadline for gaining consensus of August 31, 2014.

B. Issue Tracking Status: Solution Alternatives Proposed

C. Target Completion: August 31, 2014

D. Progress Update: Education is ongoing. The group has finished gathering component options for the matrix and has begun packaging options. Packages will be reviewed at the July 25 CSTF meeting.

E. Action Requested: None.

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