

## PJM Won't Commit to Capacity Construct Decision

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By Rory D. Sweeney

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VALLEY FORGE, Pa. — The results are in, but will they make a difference?

At its final scheduled meeting, PJM's Capacity Construct/Public Policy Senior Task Force (CCPPSTF) last week reviewed the results of a vote on proposals to re-envision the RTO's capacity market structure. With 63% in favor, the Independent Market Monitor's extended minimum offer price rule (MOPR) was the only proposal to receive a simple majority. The closest contender was PJM's two-stage repricing proposal, which received 26.1% approval. (See *PJM Drops MOPR in Capacity Talks; Dayton Withdraws.*)



Left to right: Dave Scarpignato, Calpine; Tom Hoatson, LS Power; Adrien Ford, ODEC; Susan Bruce, Attorney for the PJM Industrial Customer Coalition; Ruth Anne Price, Division of the Public Advocate of the State of Delaware; Carl Johnson, representing the PJM Public Power Coalition; Sharon Midgley, Exelon; Jason Barker, Exelon; Luis Fondacci, NCEMC and Ken Foladare, Tangibl at an August meeting of the CCPPSTF | © RTO Insider

Because the vote was binding, the Monitor's package will have a first read at the Dec. 7 meeting of the Markets and Reliability Committee with an endorsement vote planned for the next MRC on Dec. 21. No other proposal can be considered until the Monitor's package is voted down. PJM is holding two MRC meetings in December because the November meeting was pushed into next month to account for the Thanksgiving holiday.

The popularity of the Monitor's proposal is somewhat deceiving. As part of the vote, stakeholders also responded to a nonbinding poll on whether making a change was preferable to maintaining the status quo. That poll found 64% in favor of maintaining the status quo.

The results suggest that after more than a year of debate on the issue, stakeholders feel they haven't found anything better than the current situation, but they continue to fear their preference won't prevent PJM from filing something for approval from FERC. PJM's Stu Bresler balked when asked whether the RTO would commit to the status quo.

"Out-of-market subsidies present a threat to the ability for the wholesale market to perform its intended function," Bresler said. "We have a strong desire to protect the market. ... If I'm asked to interpret the results of the poll ... I don't think necessarily it would keep PJM from taking action that needs to be taken at FERC to defend the market from these kinds of actions."

He said it "remains to be seen ... whether we'll be able to indicate prior to the vote what PJM's recommendation" to the Board of Managers will be.

PJM's Dave Anders, who coordinates the CCPSTF, suggested stakeholders voice their preferences directly to board members at the MRC or by writing letters to the board.



PJM's Dave Anders (right) talks with PJM's Stu Bresler | © RTO Insider

Although the Monitor's proposal had shown strength in an earlier poll, some stakeholders seemed surprised at its continued support in the final vote. (See *PJM Pressed on Plans to File Capacity Changes*.) Calpine's David "Scarp" Scarpignato asked if there is any remaining opportunity to revise the MOPR proposal before seeking MRC endorsement. Anders said the plan would follow the usual path of proposals, meaning that any proposed changes would need to occur at the MRC.

Duquesne Light's Tonja Wicks confirmed that her company maintained its support for the status quo, a position she had previously enunciated.



Ford | © *RTO Insider*

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“We voted down every single proposal because we wanted to vote our conscience,” she said.

Adrien Ford of Old Dominion Electric Cooperative said the results indicate support for “a more pure approach” to securing the market than a two-stage repricing mechanism that “de-links” the offer price from the probability of clearing the auction.

Susan Bruce, who represents the PJM Industrial Customer Coalition, noted “a lot of discomfort” with the two-stage proposals because “once that gets imbedded into the market, there’s no going back.”



Borgatti | © *RTO Insider*

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Gabel Associates’ Mike Borgatti said the extended MOPR creates a “pathway” that doesn’t currently exist for states to ensure their competitive renewable portfolio standard policies meet the Monitor’s standards without “running afoul” of the MOPR.



Bruce | © *RTO Insider*

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“There certainly [could be] programs that would not qualify under that pathway,” so MOPR rules may eventually need to be revised, but “I think this is an incremental first step,” he said. “It’s important to recognize that this gives state policymakers, PJM and market [participants] a level of regulatory clarity that does not exist today.”

Jason Barker of Exelon, which proposed a repricing variant, cautioned that the MOPR is “really stepping on a slippery slope ... because all cost or revenue advantages conveyed by any level of government affect the market outcomes in exactly the same way” and would be “unduly discriminatory” if it allows “some subsidized competitors to participate unimpeded while mitigating others.

“One thing that needs to be balanced here is whether or not the mitigation that is being applied is being done so in an impartial fashion,” he said.