

To: David Anders, Walter Graf, Pat Bruno.  
PJM Critical Issue Fast Path (CIFP), stakeholder coordinators and subject matter experts

From: Maryland Office of People’s Counsel (OPC) (William Fields, Philip Sussler)

Re: OPC questions to PJM subject matter experts re PJM CIFP proposal package

Date: August 11, 2023.

---

OPC submits the following questions directed to PJM staff concerning PJM’s proposal development in the CIFP process. OPC has monitored closely and intends to continue to monitor and participate in the CIFP process as it evolves. These questions reflect OPC’s understanding of the PJM proposals as of the last CIFP stage 3 meeting held on August 7, 2023. OPC reserves the right to amend and/or add to these questions as the process advances.

OPC is mindful that the CIFP scope is ambitious and is being conducted on an accelerated time-frame. OPC submits these questions in writing to document better its concerns and questions about the substantive matters to be addressed in the CIFP, at its current juncture. OPC requests that they be included in the record of PJM’s stakeholder deliberations and posted for public review (conforming to the posting to the PJM web-site of written questions posed to PJM by stakeholders – available under the tab on the PJM CIFP web-page labelled “questions received from stakeholders” (accessed on Aug. 11, 2023).

- Risk Modeling
  - In PJM’s proposed updated risk modeling methodology, how much of an impact would the climate change adjustment (for Method A and Method B) have on the risk modeling using data since 1993?
- Auction structure and clearing
  - Why is PJM proposing to use status quo VRR capacity demand curves composed of two line segments rather than smooth curves?
  - How will CETL values change as part of PJM’s proposal? Will CETL values be calculated based on transfer capabilities during the hours of the year with greatest reliability risks?
  - In addition to seasonal CP penalty risks, can PJM provide examples of costs that would be expected to go specifically into the seasonal and annual components of a resource’s offer in the seasonal market clearing mechanism?

- Can PJM provide additional examples of the auction clearing mechanism, such as with multiple resources that each have summer, winter, and annual components?
- Marginal accreditation
  - With a marginal accreditation approach, PJM may procure a smaller number of MWs of capacity than peak load. For example, see slide 6 here ([20230807-item-02g---pjm-proposal-2.ashx](#)) where PJM describes an example where peak load is 151,000 MW and the annual reliability requirement is 146,000 MW. Does PJM have any concerns about reliability during peak load hours in this situation, when there may not be enough total capacity obligations to cover the peak load?
- MSOC and CPQR calculations
  - Has PJM considered the impacts of the proposed changes to the calculation of MSOCs (e.g., inclusion of CPQRs, exclusion of net E&AS revenues from CPQRs, increase of MSOCs for each season to allow for annual cost recovery) on constrained LDAs? If yes, what is the impact on constrained LDAs?
  - Does PJM plan to publish annual and season-specific default gross ACR for resource classes under its seasonal capacity market proposal?
  - In the delivery years 2023/2024 and 2024/2025, approximately what share of thermal resources had a MSOC of zero?
  - Will PJM consider alternative CPQR methodologies other than the proposed “risk cost x extreme value” (as explained on slide 31, [here](#)). If yes, please provide an explanation of the alternative methodologies.
  - How large of an impact did Winter Storm Elliott have on the proposed CPQR calculation methodology? Can PJM provide summary statistics (including 10<sup>th</sup> percentile, mean, and 90<sup>th</sup> percentile) of the CPQR values for each class of resources as calculated both before and after Winter Storm Elliott?
  - Will the season-specific CPQR calculation only include modeled PAIs specific to the season in question?
  - What are the CP design changes that tend to equalize penalty and bonus rate, and how do they do so (see slide 31, [here](#))? Please describe any situations in which the mean net PAI charges/bonuses for a resource would be different from \$0. Would a mean value different from \$0 impact the CPQR value for that resource?
  - Please describe how the extreme value (\$/MW-d) of the annual penalties a resource could face is determined for the purposes of the CPQR calculation (as outlined in slide 31, [here](#)). How did PJM select the 95<sup>th</sup> percentile worst annual outcome relative to other potential values such as the 90<sup>th</sup> percentile worst annual outcome?
  - How did PJM select 10% as the cost of risk in the CPQR calculation?
- Assessing the impacts of the proposal

- We appreciate PJM's efforts to evaluate the impacts of the proposed changes on the market clearing for the 2024/2025 BRA. We urge PJM to incorporate two important effects that impact Maryland consumers: (1) differentiated prices in constrained LDAs, such as SWMAAC, BGE, PEPCO, EMAAC, and DPL, and (2) changes in CPQR calculations resulting from the inclusion of data from Winter Storm Elliott.
- PJM Proposal #2
  - At the August 7 CIFP meeting, PJM put forward its Proposal #2 that excludes the seasonal capacity market design in the original PJM proposal. In the same presentation, PJM indicated an interest in moving toward a seasonal design, but with more time for stakeholder review. Does PJM have an (approximate) anticipated schedule for when a seasonal market (or other more granular market) would be phased in? Given the additional time, would PJM be able to present a more complete assessment of the impacts of this change on consumer costs?