

## Clarification to Performance Assessment Interval Agreement Language

### Issue Source

This issue charge is being brought forth by PJM.

### Issue Content

The governing document language related to the measurement and settlement of Performance Assessment Intervals (PAI) was drafted as part of the Capacity Performance initiative discussed at the Enhanced Liaison Committee meetings in 2014. The first Performance Assessment Interval that resulted in settlement did not occur until October 2, 2019. During the preparation and completion of the settlement calculations for the individual PAIs, PJM staff noted a lack of clarity and detail in the governing documents to provide sufficient transparency into the process.

To promote transparency to the calculations PJM used to settle the October 2, 2019 PAI as well as the process PJM will continue to follow should another PAI occur, a market notice was posted on the Capacity Market (RPM) webpage. The market notice details how PJM settled the charges and credits.

The goal of this effort is to seek stakeholder input on the existing business rules lacking detail in the governing documents and ultimately memorialize the business rules in the appropriate agreement or Manual. This effort is not meant to change the substance of Capacity Performance business rules.

### Key Work Activities and Scope

In Scope:

- 1) Provide education on the PAI Settlement Process.
- 2) Review and identify existing business rules that would benefit from more transparency, clarification or additional detail. This includes, but is not limited to, the following:
  - a. Identification of assessed resources: The existing agreement language indicates resources located in the area defined by the Emergency Action shall be subject to assessment. The existing language does not account for the resources to be assessed in the event of transmission constraint-related PAIs that impact a transmission line or area that does not correlate to the pre-defined transmission zones or LDAs similar to the event on July 17, 2018 (Load Shed directive to mitigate overloads on Low Voltage at Lonesome in AEP).
  - b. Calculation of real-time reserve and regulation assignment: The existing agreement language adds a resource's real-time reserve and regulation assignments to Actual Performance, but fails to provide enough detail to account for required decreases in output to provide such service (for example, units need to back down from economic basepoint to provide Tier 2 Synchronized Reserves or enter Regulation range).
  - c. Calculation of scheduled MW for non-performance and bonus determinations: The OATT appropriately memorializes FERC's directive prohibiting the excusal of resources from non-performance penalties for MW that were not scheduled or scheduled down by PJM due to operating parameter limitations submitted in the resource's energy market offers or due to having a market-based offer greater than the cost-based offer, however does not provide adequate transparency into the scheduled MW calculation. Transparency to the determination of scheduled

MW will additionally provide clarification on how negative generation bus LMPs are considered in the non-performance assessment. In addition, inadequate language exists to explain how the scheduled MW is calculated for resources that do not have energy offers.

- d. Non-Performance Assessment when an FRR Entity has a resource with both RPM and FRR commitments: The existing language in the RAA assumes FRR Entities solely have FRR commitments and is silent on how to allocate a resource's shortfall or bonus MWs to RPM or FRR when the FRR Entity's resource is committed to both RPM and FRR
  - e. Retroactive Replacement for FRR commitments: Manual 18 language is not clear that FRR Entities may retroactively adjust FRR commitments in their FRR Capacity Plan in a manner comparable to RPM retroactive replacement transactions.
  - f. The existing language fails to describe settlements methodologies for determining and allocating actual performance and excusals when modeling differences exist between the capacity market and the energy market and/or outage reporting system.
- 3) Develop updates for governing documents and manuals as needed.

Out of Scope:

- 1) Substantive changes to the Performance Assessment Interval Settlement process that are not in line with the intent of Capacity Performance.
- 2) Changes to address areas that were overlooked as part of the Capacity Performance filings and/or any subsequent filings that affected the Capacity Performance rules.
- 3) Changes to the operational aspects of Performance Assessment Intervals, such as the triggers of PAIs, etc.

**Expected Deliverables**

- 1) Revisions to the governing documents and manuals, as applicable.

**Decision-Making Method**

Tier 1, consensus on a single proposal

**Stakeholder Group Assignment**

Special Session of Market Implementation Committee

**Expected Duration of Work Timeline**

It is expected that this effort will last 6 months.

Start Date	Priority Level	Timing	Meeting Frequency
9/1/2020	<input type="checkbox"/> High <input checked="" type="checkbox"/> Medium <input type="checkbox"/> Low	<input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Near Term <input type="checkbox"/> Far Term	<input type="checkbox"/> Weekly <input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Quarterly

**Charter**

(check one box)

<input type="checkbox"/>	This document will serve as the Charter for a new group created by its approval.
<input checked="" type="checkbox"/>	This work will be handled in an existing group with its own Charter (and applicable amendments).

More detail available in M34; Section 6