

# DC-OPC Energy Price Formation Proposal

Markets & Reliability Committee

December 20, 2018

Office of the People's Counsel for the District of Columbia



## Guiding Principles

- ❖ Reforms must bring value to consumers through enhanced resource responsiveness and appropriate pricing of needed reserves
- ❖ Energy markets should be designed to reward transparency and resource flexibility
- ❖ Increases in energy market revenue must be examined in light of total market revenue with other revenue streams appropriately reduced
- ❖ Any changes must be supported by facts and simulations provided to stakeholders in a reasonable time

# Consolidation of Tier 1 and Tier 2 Synchronized Reserves

- ❖ Consolidation of Tier 1 and Tier 2 Reserves will bring greater resource responsiveness to the system
- ❖ Must Offer Penalty and penalties for non-performance are necessary to ensure resource responsiveness

## Locational Reserves

- ❖ Keep existing RTO reserve sub-zone structure, but define several possible reserve sub-zones

# Day-ahead and Real-time Energy Markets Alignment

- ❖ Examining possible options for alignment of day-ahead and real-time energy markets

# Operating Reserve Demand Curve

- ❖ Support the ORDC proposed by PJM at the November 28 EPFSTF employing \$850/MWh penalty factor
- ❖ This curve will more appropriately value needed reserves

## Penalty Factor

- ❖ Current penalty factor of \$850/MWh is appropriate to compensate needed reserves at this time
- ❖ Any increase in the penalty factor must be limited and based on empirical evidence that reserves are not being met

# Transition Mechanism

- ❖ Transition mechanism is necessary to ensure consumers do not pay twice for resources in the first years of implementation
- ❖ Examining transition mechanism based on a forward looking E&AS offset and circuit breaker provision to protect consumers