

Problem Statement/Issue Charge – Quick Fix Process **Revised**

CP Non-Performance Penalty Rate Alignment with Net ACR MSOC Determination

Issue Source

This Issue Charge is presented by LS Power to address the misalignment between the recent BRA Clearing Prices and the Capacity Performance Non-Performance Charge Rate. This misalignment can be attributed to changes to the Reliability Pricing Model including changes to the Minimum Offer Price Rule (“MORP”) and Market Seller Offer Cap (“MSOC”). The change to the MSOC resulted in the shift of basing the MSOC on Net CONE (formerly Net CONE * B) to Net ACR. However, when that change was implemented, the Capacity Performance Non-Performance Charge Rate remained based on Net CONE. The table shows the BRA Clearing Prices both before and after the implementation of the Net ACR-based MSOC. As the table shows, RPM Clearing Prices have been decreasing while the Capacity Performance Non-Performance Charge Rate has been increasing since the onset of the changes to RPM.

DY	BRA Date	RTO Clearing Price \$/MWD	Net CONE \$/MWD	Penalty Rate \$/MWHr
2021/2022	May 10, 2018	\$140.00	\$302.63	\$3,682.00
MSOC Complaint Filed Feb 21, 2019				
2022/2023	May 19, 2021	\$50.00	\$247.26	\$3,008.37
FERC Order Sept 2, 2021				
2023/2024	June 8, 2022	\$34.13	\$261.10	\$3,176.71
2024/2025	Dec 7, 2022	\$28.92	\$278.47	\$3,388.04

The lower BRA Clearing Prices and the increasing Capacity Performance Non-Performance Penalty Rate indicates that the Penalty Rate has become draconian rather than an incentive for performance and could be attributable to the disconnect of basing the MSOC on Net ACR while the Penalty Rate remains based on Net CONE. To put this disconnect into perspective, it would only take a less than 2 hour CP event in the 2023/2024 DY to wipeout the entire years’ worth of capacity payments. **Issue Content**

The work will finalize a simple Open Access Transmission Tariff (OATT) revision to address the misalignment between the Net ACR MSOC process implemented with the 23/24 BRA and the Non-Performance Penalty Rate.

Key Work Activities and Scope

The stakeholders will review the proposed, simple OATT revisions below, presenting the finalized version to relevant stakeholder committees.

Expected Deliverables

Provide updated OATT and Manual language changes to relevant stakeholder groups.

Decision-Making Method

Tier 1, consensus

Stakeholder Group Assignment

This issue will use the Quick Fix (QF) process in accordance with Manual 34 section 8.6.1, and will be presented to the Markets & Reliability Committee (MRC) for approval.

Expected Duration of Work Timeline

Seeking stakeholder and FERC approval for the simple OATT revision for implementation prior to the onset of the 2023/2024 DY winter, and subsequent BRAs.

Interim Change Only

The changes below will be in effect starting with the 2023/2024 Delivery Year and only until changes to either the MSOC (either through the CIFP or the D.C. Circuit Case No. 21-1217 proceeding) or the CP Penalty Rate (through the CIFP) are implemented.

Proposed OATT Changes

OATT, Att DD, Section 10A(e) –

For Capacity Performance Resources and Seasonal Capacity Performance Resources, the Non-Performance Charge Rate = ~~(Net CONE Net Cost of New Entry BRA Clearing Price~~ (stated in terms of installed capacity) for the LDA and Delivery Year for which such calculation is Settlement Intervals in an hour).

OATT, Att DD, Section 10A(f) –

The Non-Performance Charges for each Capacity Performance Resource (including Locational UCAP from such a resource) and each PRD Provider for a Delivery Year shall not exceed a Non-Performance Charge Limit equal to 2 times the ~~Net Cost of New Entry BRA Clearing Price~~ times the megawatts of Unforced Capacity committed by such resource or such PRD Provider times the number of days in the Delivery Year.

Revise the PAI trigger as proposed by PJM in the PJM CIFP proposal:

Emergency Action

“Emergency Action” shall mean the implementation of any shortage pricing in real-time for a Reserve Zone or Sub-zone as described in Operating Agreement, Schedule 1, section 2.5.1, and the parallel provisions of Tariff, Attachment K-Appendix, section 2.5.1, where there is also an active emergency action that encompasses such Reserve Zone or Sub-zone that ~~for locational or system-wide capacity shortages that either~~ utilizes pre-emergency mandatory load management reductions or other emergency capacity, or initiates a more severe action including, but not limited to, a Voltage Reduction Warning, Voltage Reduction Action, Manual Load Dump Warning, or Manual Load Dump Action.

Manual changes will be required.