



# Underperformance Risk Management Senior Task Force

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Markets & Reliability Committee

The package which received majority support (54.76%) in the Underperformance Risk Management discussions is comprised of several parts:

- Changes to the Non-Performance Assessment Charge Rate
- Changes to the ownership requirements for the existing Retroactive Replacement Transaction
- Introduction of new mechanism used to offset under performance (MWh) with over performance (MWh)
- Adjustments to the annual stop loss and introduction of new monthly stop loss

- The Non-Performance Assessment Charge Rate is currently calculated as the Net Cost of New Entry (CONE) for the Locational Deliverability Area (LDA) in which the resource resides and Delivery Year for which such calculation is performed \* (365 / 30)
  - Where 30 is intended to represent the number of hours during a year that Emergency Actions could reasonably be expected to be in effect
- Package proposes to change the Non-Performance Assessment Charge Rate to index to the highest BRA clearing price for any LDA in place of the Net CONE

- Currently Retroactive Replacement Transactions can be submitted where the Commitment of an Underperforming resource can be replaced with Available MWs of an Overperforming resource
  - Can be submitted up to 3 business days after a PAH
  - Both of the resources must be in the same account on the day of the PAH
- Proposed update is to also allow Unit Specific Transactions to be submitted retroactively
  - Can be submitted up to 3 business days after a PAH
  - Both of the resources must be in the same PAH Area
  - No longer would require resources to be in the same account on the day of the PAH
- Changes would be implemented coincident with MRC endorsement

- New Mechanism
  - Transfer of bonus performance (MWh) to offset units with Performance Shortfalls in the same Performance Assessment Hour
    - Unit specific
    - Located in the same Performance Assessment Hour Area
    - Does not rely on a unit having Available capacity
  - Permitted between any capacity accounts
  - Allowed to be submitted up to three business days after publication of the final balancing ratio to be used on the first settlement statement containing the Performance Assessment Hour

- Stop-loss provisions currently exist that limit the total Non-Performance Charge that can be assessed on each Capacity Resource
  - Current Annual Stop Loss:  $1.5 * \text{Applicable LDA Net CONE} * \text{Max Daily UCAP Commitment during the Delivery Year through the end of the month for which the Non-Performance Charge was assessed}$
- Package proposes to change the calculation for the annual stop loss and introduce a new monthly stop loss
  - Annual stop loss based on 1.5 times highest BRA clearing price for any LDA
  - Monthly stop loss based on 0.5 times highest BRA clearing price for any LDA

- Manual 18: PJM Capacity Market
- Attachment DD of the OATT
  - **10A. CHARGES FOR NON-PERFORMANCE AND CREDITS FOR PERFORMANCE**