

## Capacity Charge Reconciliation

*Develop procedures to allow final PLC and/or LSE Capacity Charges to be as accurate as possible under current PJM Settlement billing practices.*

### Problem/Opportunity Statement

Through a variety of PJM Tariff and Manual protocols and State current and possible future regulatory requirements, LSE charges related to capacity expenses may not reflect accurate charged to LSEs.

- The problem to be addressed, the issue to be resolved
  - It is requested of the Stakeholder body to develop an understanding of issues surround the ultimate accuracy of capacity charges levied to retail suppliers and should addressable issues found, determine a least cost, least impactful solution to improve the accuracy of the charges. This effort does not include any issues associated with Transmission related expenses.
- The situation to be improved
  - Due to the nature of how PLCs are uploaded to PJM and procedures related to retail shopping, there may be the potential for capacity expenses charged to retail suppliers to ultimately be inaccurate.
- Why it warrants consideration in the PJM stakeholder process
  - The mechanics of retail shopping should not be impacted by the mechanics of how the wholesale markets operate and vice versa. They should as practical as possible operate together. This project, once the investigation is complete and if issues do in fact exist, should remedy any issues associated with possible misallocation of capacity charges to retail suppliers.
- Document if the new work is to address specific technical issues and/or to address broader policy issues
  - The work proposed should look first at practices of the EDCs as it relates to practices to determine retail supplier PLC obligations (i. e. state policy) and then to the processes utilized by PJM to determine capacity charges (the technical). The remedy, should issues be found, will more likely than not be a technical/mechanical fix on the PJM settlement mechanics and may require a tariff and/or manual change. It is not expected to modify state policy or retail shopping practices as a result of this effort.
- Include any outcomes that have occurred to-date as a result of the issue
  - EDCs must re-settle material misallocation of capacity charges imposed on retail suppliers outside the market. These re-settlements can be for a few days or up to a month due to back dating supplier changes. Many times these charges are left misallocated.
- Include potential additional consequences if no action is taken
  - Capacity charges are left misallocated and when required EDCs work with the entirety of a zone's retail suppliers to effect a resettlement of capacity charges.

### Issue Source

Three main factors lead to final Capacity Charges levied on LSEs to not reflect proper market charges. They are in no particular order: (1) Submitting PLC to eRPM 48 hours ahead of actual operating day does not capture immediate customer choice changes (i. e. a customer or supplier immediately drop a customer – same day activity), (2) due to the complexity of assigning a customer to a supplier in retail choice states, sometimes the intent of the customer is

not immediately recognized – leading to PLC values submitted under the incorrect LSE – there is no way to recognize required changes to correct for these errors and (3) Pennsylvania is developing plans to shorten the notice timeframe for customer switching where such time frames are challenged by the requirement to submit PLC data to PJM ahead of the day of operation.

### Stakeholder Group Assignment

It is recommended the Market Settlements Subcommittee carry out this assignment.

### Key Work Activities

The key work activities are as follows: (1) Education on the nature of PLC/Capacity Charge development and billings as well as factors affecting this calculation such as those outlined in the Issue Source, (2) Development of solutions, (3) Approval of a final Solution and (4) Implementation of the Solution.

### Expected Deliverables

It is expected the final solution will require manual and/or tariff changes and will require a FERC filing.

### Expected Overall Duration of Work

An initial estimate of work duration is as follows:

1. Education – Qty. 2 MSS meetings (2 months)
2. Solution Matrix – Qty. 4 MSS meetings (4 months)
3. Final approval of Solution at MIC – Qty. 2 MIC meetings (2 months)
4. FERC Filing - (6 months)
5. Total – roughly 1.5 years

### Decision-Making Method

It is expected this process will utilize Tier 1 decision making focusing on a single proposal.

*More detail available in M34: Section 6.3: Determining to pursue a new Issue & Section 6.4: Charging a new issue*