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Generators call for changes in PJM capacity performance rules

By [Andrew Coffman Smith](#)

A group calling itself the "supplier caucus" has asked the [PJM Interconnection LLC](#) to modify its new capacity performance rules to give generators more ways to offset capacity shortfalls and to waive nonperformance penalties in the event of widespread blackouts and outages.

That group presented two problem statements to the grid operator's Markets and Reliability Committee on Oct. 1 to address issues concerning the recently [FERC-approved](#) capacity performance rules. The new rules are aimed at ensuring that committed capacity resources within the region "will deliver the promised energy and reserves when called upon in emergencies."

Bob O'Connell, president of Main Line Electricity Markets Consultants, presented the [first problem statement](#) on behalf of the supplier caucus and said the current rules provide generators with "ineffective and inefficient options" for minimizing the risk of underperformance during capacity performance compliance hours. Under the "narrow criteria" of the current rules, firms with multiple generators can only prospectively offset the shortfall of underperforming units with units that are overperforming if they are within the same market seller account, he said. The rules do not allow retroactive offsetting including bilateral trades.

"The current settlement and transaction mechanisms for capacity, shortfalls, and bonus performance values any shortfalls and bonus performance based on tariff rules, which do not reflect market conditions," the problem statement said.

O'Connell presented a number of solutions, such as evaluating "potential opportunities to enable valuation of capacity, shortfalls, and bonus performance at a market price," and allowing bilateral trades to mitigate penalty exposure after the fact. The generators also asked stakeholders to let both individual sellers and corporate families with resources in separate accounts directly offset performance shortfalls by utilizing committed and uncommitted resources within their own portfolios.

In addition, the first proposal called for the defining of "available capacity" to reflect actual performance above a resource's expected performance in a "performance assessment hour" in conjunction with the use of bilateral transactions as a cure to capacity performance shortfalls.

Ken Foladare, senior project manager at Tangibl, presented on behalf of the coalition of generators a [second problem statement](#) that would modify the PJM's force majeure rules. The current rules penalize generators for nonperformance even in cases of widespread blackouts and disturbances on the transmission system.

Foladare told SNL Energy that generators agree with the "much stricter" capacity performance rules but "don't feel that they should be penalized" for failure to deliver power during transmission outages "because it is completely out of their control and there is really nothing that they can do." The proposal he presented instead seeks to waive penalties against generators for nonperformance in cases of transmission outages during a performance hour.

The committee will vote on the two problem statements at its next meeting, scheduled for Oct. 22.