

Comments of Edward D. Tatum, Jr.
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FERC Technical Conference
Capacity Markets in the PJM Region
Docket No. PL05-7-000
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Note: Please refer to the attached documents regarding the EITCC

OVERVIEW OF THE ENHANCED INTEGRATED TRANSMISSION AND CAPACITY CONSTRUCT (EITCC):

- Focus on resource and infrastructure adequacy rather than revenue adequacy for a particular set of assets;
- Provide infrastructure to get the right resources built in the right place at the right time;
- Capacity:
 - Assure resource adequacy
 - Maintain market process where resources & load rationally transact
- Transmission:
 - Facilitate robust infrastructure necessary to support efficient market outcomes
 - Recognition of longer lead times will facilitate appropriate cost recovery
 - Enhanced local planning will improve local deliverability

COMMON ASPECTS WITH RPM:

- System & Local Adequacy focus
- Reliability-based
- Improved certainty (reduced risk) over current construct
- Incentivizes new generation
- Provides additional revenue to “at-risk” generation
- Integration with transmission and demand response

DIFFERENCES FROM RPM:

- Market-oriented, willing buyers and sellers
 - Engender a capacity market based on a strong and robust transmission system
 - Enable market, not create an administrative price
 - Promote long term bilateral contracts
- LSE responsible for procuring
- Straight-forward integration with DSR
- More economically efficient
- Generates forward prices that can be used to inform the market
- **DOES NOT** attempt to administratively provide revenue adequacy for a particular asset group
 - Market clearing of proper obligation is sufficient

- **DOES** provide comprehensive, market-oriented, long-term framework for the right mix of resources (Generation, Demand Response, TRANSMISSION) to be constructed in the right location at the right time
 - Recognizes appropriate lead time for each type of resource
- **DOES** provide long-term capacity requirement that allows load to creatively meet its obligations

EITCC CAPACITY ATTRIBUTES PROVIDE INCREASED CERTAINTY:

- System and local requirements
- System IRM and local obligation identified 3 years ahead
- LSE obligation increased from daily to full planning year
- Deficiency Penalty
 - Interval to Annual
 - Maintains current CDR (premium above net cost of new entry)
- Auctions:
 - Multi-year voluntary run quarterly
 - Final Clearing
 - Voluntary interval in prior year

EITCC TRANSMISSION ATTRIBUTES PROVIDE INCREASED CERTAINTY:

Expand planning horizon 7 to 10 years
 Retain 5 years for short timeframe requirements
 Proactively include upgrades based on unit retirement risk assessment
 Incorporate local capacity premiums in CBA
 Address LDA transfer capability via RTEP and LRA
 Create CTR for Merchants
 Enhance local interaction for planning
 Plan entire system the way it is operated

THE FOLLOWING ORGANIZATIONS SUPPORT EITCC OVER ANY ALTERNATIVE PROPOSED CAPACITY CONSTRUCTS:

The PJM Public Power Coalition:

- Allegheny Electric Cooperative
- Blue Ridge Power Agency
- Borough of Chambersburg, PA
- Delaware Municipal Electric Corporation
- North Carolina Electric Membership Corporation
- Old Dominion Electric Cooperative
- Southern Maryland Electric Cooperative
- Illinois Municipal Electric Agency
- Town of Thurmont, MD
- Borough of Mont Alto, PA

Consumer Advocates:

- Maryland Office of the People's Counsel
- Office of the Ohio Consumers' Counsel
- Pennsylvania Office of the Consumer Advocate
- Virginia Division of Consumer Counsel

PJM Industrial Customers Coalition:

- Air Liquide America L.P.
- Air Products and Chemicals, Inc.
- Anchor Glass Container Corporation
- Appleton Papers Inc.
- Armstrong World Industries
- BOC Gases
- Boeing Company, The
- Carpenter Technology Corporation
- CertainTeed Corporation, SG Bayform, SG Technical Fabrics
- Chamberlain Mfg. Corporation
- Cinram Manufacturing
- Colonial Pipeline Company
- ConocoPhillips – Trainer Refinery
- DuPont Company
- East Penn Manufacturing, Inc.
- Eastman Chemical Company
- Ellwood National Forge Company
- Gerdau Ameristeel Corporation
- Glen-Gery Corporation
- ISG Sparrows Point LLC
- Jefferson Health System
- Kimberly-Clark Corporation
- Lafarge North America Corporation
- Lehigh Cement Company
- MeadWestvaco Maryland Inc.
- Merck & Co., Inc.
- Occidental Chemical Corporation
- PPG Industries, Inc.
- Praxair, Inc.
- Procter & Gamble Paper Products Company, The
- Sunoco, Inc. (R&M)
- Temple University
- The Timken Company
- TIMET, Inc.
- United States Steel Corporation
- Wegmans Food Markets Inc.