



## FERC Approves PJM's Proposed Changes to Market Rules

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Significantly, PJM's 2011 rules established a floor under the higher-availability products rather than placing a ceiling on the lower-availability products. PJM subsequently acknowledged that this decision had unintended, yet significant adverse consequences. In particular, PJM concluded that placing a floor on the procurement of Annual Resources and Extended Summer DR effectively created a vertical demand curve for Annual Resources that imposes a cap on Annual Resources, with the result that only lower-availability products will clear once the minimum requirements for the higher-valued products are met. PJM therefore proposed in November 2013 to revise the RPM rules to permit the more-limited resources to clear the RPM auctions only up to a pre-determined ceiling.

FERC accepted PJM's proposal as just and reasonable, finding it reasonable for PJM to distinguish between classes of resources when designing its capacity market rules. FERC concluded that there is no undue discrimination when the products are not similarly situated given their markedly different availability requirements. FERC also concluded that PJM's proposal would help encourage the development of Annual Resources, including generation capacity, which PJM relies on to meet at least 90% of its capacity needs.

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<sup>1</sup> *PJM Interconnection, L.L.C.*, 146 FERC ¶ 61,052 (2014).

<sup>2</sup> *Id.* at P 1.

<sup>3</sup> Annual Resources include new and existing generating capacity, energy efficiency resources and new DR products that are made fully available to PJM on a year-round basis.

## Categories

Energy Regulation, Markets & Enforcement

Power

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