

PJM Transition Auction Means Reprieve for Exelon Nukes

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VALLEY FORGE, Pa. — Capacity Performance resources cleared at \$151.50/MW-day in the transition auction for the 2017/18 delivery year, PJM said [Wednesday](#), calling the [results](#) “demonstrably competitive” at nearly \$60/MW-day below the RTO’s price cap.

The results meant at least a temporary reprieve for Exelon’s Quad Cities and Byron nuclear plants, which cleared the transition auction after failing to clear in the Base Residual Auction for 2017/18. Exelon said [Thursday](#) morning that all of its nuclear plants in PJM cleared in the transition auction and that the company will defer any decisions about the future of Quad Cities and Byron for one year.

PJM held the auction Sept. 3-4 to obtain CP resources for 70% of the updated reliability requirement for 2017/18, procuring its target of about 112,195 MW, said Stu Bresler, senior vice president for markets. The clearing price cap was \$210.83/MW-day, or 60% of the net cost of new entry.

Bresler said the results showed “a very steady, very rational progression of clearing prices given the steadily increasing proportion of our reliability requirement that we procured as Capacity Performance for these three delivery years.”

The RTO-wide clearing price was \$134/MW-day for the 2016/17 transition auction, which obtained 60% of total requirements as CP. (See [PJM 2016/17 Transition Auction Clears at \\$134/MW-day](#).)

The transition auction for 2017/18, which cleared \$17.50/MW-day higher, procured 70% of total requirements. Neither transition auction had locational restraints.

In the Base Residual Auction for 2018/19, where 80% of resources were CP, most of the RTO cleared at \$164.77.

New Generation in COMED, ATSI Zones

Total capacity offered into the 2017/18 transition auction was 133,769 MW. Of the capacity that cleared, 102,178 MW represented resources committed in previous auctions that now will be converted to the new product at a higher price.

About 10,000 MW of the CP that cleared were from resources that did not clear in the Base Residual Auction in 2014, less than 9% of the total.

Bresler said most of the newly cleared generation was in the COMED (almost 4,000 MW) and ATSI (more than 2,300 MW) zones.

“I think it was fairly well publicized after the Base Residual Auction for ‘17/18 the resources that did not clear,” he said. “It just speaks to those that were available to do so in this particular auction from those zones. And I think that’s what we saw.”

PJM reported that 4,339 MW of nuclear cleared for the first time in the transition auction.

Exelon confirmed that Byron Units 1 and 2 (2,336 MW) and Quad Cities Units 1 and 2 (1,737 MW) in Illinois, which did not clear the BRA for 2017/18, were among the winners this time around. (See [How Exelon Won by Losing.](#))

The company said Thursday that it will continue operating Quad Cities through at least [May 2018](#). Byron is already obligated to operate through [May 2019](#). It said it will bid all its eligible nuclear plants, including Quad Cities, Byron and Three Mile Island into the 2019/20 BRA next year.

“While Quad Cities and Byron remain economically challenged, we are encouraged by the results of the recent capacity auctions. The new market reforms help to recognize the unique value of always-on nuclear power, while preserving the reliability of our electric system,” Exelon CEO Chris Crane said in a [statement](#). “However, these plants are long-lived assets with decades of useful life left, and [today](#)’s decision is only a short-term reprieve. Policy reforms are still needed to level the playing field for all forms of clean energy and best position the state of Illinois to meet [the Environmental Protection Agency’s] new carbon reduction rules.”

The company said it will “continue its dialogue” with Illinois policymakers for state support for the nuclear units.

New Coal Also Clears

Some 4,165 MW of coal-fired generation also cleared for the first time in the transition auction.

In total, coal cleared 37,455 MW; gas 35,298 MW; and nuclear 29,970 MW.

Higher percentages of energy efficiency (almost 28%) and demand response (65%) came from new rather than previously cleared resources. Of 700 MW of DR acquired, 455 MW represented new commitments.

“I can’t really speculate on the drivers there,” Bresler said. “My hypothesis, I guess, would be that these demand response providers have since the Base Residual Auction for ‘17-18 found additional resources that could provide the Capacity Performance level of reliability and therefore offered those resources into the auction.”

\$1.7 Billion Increase

The Base Residual Auction for 2017/18 — held in 2014, before the introduction of the tougher CP requirements — cleared at \$120/MW-day in most of PJM, with the PSEG locational deliverability area at \$215. (See [Capacity Prices Jump Following Rule Changes](#).)

The incremental cost of the transition auction was \$1.7 billion, below the estimate of \$3.1 billion to \$4.2 billion PJM and the Market Monitor had predicted, Bresler said.

Independent Market Monitor Joe Bowring declined to comment on the results aside from saying that they were consistent with the rules. He said his office is working on a comprehensive report on all three CP auctions.

Walter Hall, of the Maryland Public Service Commission, said his agency is keeping an eye on how the prices will affect consumers. “Obviously, it’s going to increase prices somewhat,” he said. “That is a negative. It is a problem, but it’s a problem we knew was coming.”

Dan Griffiths, executive director for the Consumer Advocates of PJM States, said he still had to review the numbers.

But, he said, “I don’t think our position has changed, that this was an extremely excessive solution to the problems we faced.”

PJM, he said, “never considered the impact on consumers.”

Higher Risks, Rewards

The Capacity Performance construct allows capacity resources to receive higher prices in exchange for taking on stiffer penalties for non-performance.

The transition auctions, part of a five-year shift leading to 100% CP for the 2020/21 delivery year, had been delayed in order to allow DR and energy efficiency resources to participate, per a FERC order.

Under the rules of the transition auctions, participation is optional, and market participants may offer all or part of resources that were committed under the Base Residual Auctions for those years as Capacity Performance resources.

The RTO’s 2018/19 Base Residual Auction, the first BRA under the CP rules, saw prices rise 37% to \$164.77/MW-day in most of the RTO, while the ComEd zone broke out at \$215 and Eastern MAAC hit \$225.42.

CP resources were priced at a \$15/MW-day premium to base capacity in most of the RTO. In the winter-peaking PPL LDA, the premium was \$90. (See [*PJM Capacity Prices Up 37% to \\$165 /MW-day.*](#))