



Expeditious Deactivations for Non-Reliability Resources

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Summary

- LS Power is sympathetic to the challenges of setting the deactivation notice period. The “best” deactivation period is the one that minimizes harm from two bad outcomes
 - Too early, capacity prices are unduly suppressed by forcing units to participate in an auction in which they do not wish
 - Too late, the region risks RMRs
- Our view of the deactivation proposal is influenced not just by the proposed timeline but also by what is required of a unit between the notice date and the deactivation date
- Without commenting on the merits of the 2-year notice proposal, allowing for accelerated exit of resources determined non-essential for reliability would reduce market inefficiencies and resource owner concerns about forced market participation
- PJM's tariff includes a provision allowing resources that are not needed for reliability to deactivate any time after that finding is released
- **We propose incorporating similar flexibility mechanisms into ISO-NE's deactivation framework to enhance market efficiency while maintaining system reliability**

Analysis Group's Trade-offs on Notification Requirements

- Analysis Group's report noted that retirement notification requirements can be modified to allow more efficient capital decisions. Two broad trade-offs:
 - **Benefits of Shorter Notification:**
 - Provides suppliers with greater flexibility for retirement decisions
 - Enables more efficient exit decisions through better market information closer to commitment period
 - Reduces risk for older units facing potential equipment failures, allowing continued operation without exposure to deficiency payment risks
 - **Challenges of Shorter Notification:**
 - Reduces market time to respond to capacity supply changes
 - Potentially increases risk of reliability must-run (RMR) agreements
 - **Key Implication:** Without reliability concerns, Analysis Group's assessment suggests a shorter deactivation notification period would be preferable.

Slides 26-28, https://www.iso-ne.com/static-assets/documents/100006/a03b_mc_2023_12_12_14_alternative_fcm_commitment_horizons_agi_presentation.pdf

PJM's Tariff Provides Clear, FERC-Approved Off-Ramp Language

OATT Section 113

Notices

113.1 Generation Owner Notice:

When a Generation Owner desires to deactivate a generating unit located in the PJM Region, such Generation Owner, or its Designated Agent, must provide notice of such proposed Deactivation in writing to the Transmission Provider. This notice shall include an indication of whether the generating unit is being retired or mothballed, the desired Deactivation Date, and, if mothballing, a good faith estimate of the time period the generating unit would be out of service...

113.2 Notice of Reliability Impact:

The Transmission Provider shall inform the Generation Owner, or its Designated Agent, whether the Deactivation of the generating unit would adversely affect the reliability of the Transmission System ("Notice of Reliability Impact") ... **In the event there are no reliability issues associated with the proposed Deactivation of the generating unit, the Notice of Reliability Impact shall so notify the Generation Owner, or its Designated Agent, and the Generation Owner or its Designated Agent may deactivate its generating unit at any time thereafter. [emph. added]**

Conclusion

- If a resource wants to deactivate and it is not needed for reliability, it should be able to leave expeditiously
 - Accelerated deactivation should be **optional**, as some resources may seek to deactivate on a date-certain
- Forcing resources to stay in the market when they do not want to, and when they are not needed, unreasonably suppresses market prices without enhancing reliability
- Optional, expeditious deactivation for non-reliability resources lets region split the difference on notification: longer notice period lets region proactively explore reliability implications of each deactivating resource, while accelerated exit allows to avoid lengthy exit period when they aren't needed
- PJM's Tariff offers clear guidance on how to implement this proposal
- The ISO may find that adding off-ramps to the deactivation design will reduce unease about the notice period from both sides – market participants harmed by RMRs and market participants wishing to deactivate their resources