

NRG BUSINESS WEBINAR

PJM BRA Insights: Combat Rising Energy Costs

PRESENTERS

Dave Sopko
David.Sopko@nrg.com or LinkedIn

Zane Kershner
Zane.Kershner@nrg.com or LinkedIn

Sam Birgin
Samuel.Birgin@nrg.com or LinkedIn

NRG RESOURCES:

- NRG: PJM Market Update
- NRG: About PJM Capacity Prices
- PJM 2025/2026 Base Residual Auction Results

FREQUENTLY ASKED QUESTIONS

Are we seeing similar trends or challenges occurring in other energy markets?

Yes, overall bullish fundamental factors are impacting all capacity markets across multiple regions – making the solutions we discussed applicable beyond PJM.

- The ISO-NE capacity market operates with Forward Capacity Auctions planned years in advance, where participants secure future capacity commitments. These auctions reflect similar supply-demand and regulatory pressures seen in PJM.
- NYISO runs a bilateral capacity market, offering greater transaction frequency and flexibility. However, upward price pressures driven by market fundamentals are still prevalent.

Each energy market faces unique challenges, but rising costs and tightening supply-demand conditions are recurring themes, underscoring the relevance of a proactive energy management strategy.

Do you expect any impacts from the recent presidential election?

The PJM capacity market continues to evolve in both timing and construct. Beyond what is already in process, we do not anticipate other immediate changes to the PJM auction process or calendar as a result of the presidential election. However, future policy decisions affecting energy infrastructure, as well as industries such as data centers and cryptocurrency, could impact power markets by influencing supply and demand. Currently, it's still too early to determine the extent of any potential effects.

Let's get started.
nrg.com/Business

Does the BRA impact utilities? Can I switch back to utility service to avoid these impacts?

All market participants are impacted by the BRA including utilities. The auction sets capacity prices that apply across the PJM market, affecting both utility default service and competitive suppliers. Switching back to the utility does not shield customers from these increased costs. Capacity costs are a fundamental component of energy pricing, regardless of the provider.

Giving us money for curtailment seems too good to be true. What's the catch?

There is no "catch," the payments for curtailment are a way to reward businesses for helping balance the grid during peak demand periods. By reducing energy use at critical times, you're providing a valuable service that helps maintain grid reliability. In return, you receive compensation for your participation.

As I mentioned earlier, per the contract, there are no out of pocket penalties. You are paid for the level of your performance. If you enroll 1,000 kW, and you are only able to drop 800 kW below your baseline, you only get paid for that 800 kW of performance. If for some reason, you perform at zero, or your consumption during the test or event is above your baseline, you will not be paid and may be removed from the program, but you will not be charged a penalty. Demand Response programs truly are a win-win for users and the grid.

What are other states on the PJM grid doing to address rising energy costs and energy generation challenges?

Energy generation within PJM is managed at the ISO and utility levels, not directly by individual states. While states themselves cannot generate power, the issue has garnered significant attention from regulators and policymakers. Efforts to address these challenges, including incentivizing new generation or demand-side programs, take years to implement. Additionally, the delay of the next Base Residual Auction (BRA) reflects ongoing discussions and pushback from multiple sectors within the market.

Are demand charges based on the highest usage period, and can this calculation be revised to be fair to end users?

There are different types of demand charges to consider. PJM capacity charges are based on a customer's capacity tag, which reflects their contribution to the grid's peak demand during the five highest-demand days in the summer. These charges are determined by your highest usage during those peak periods, which are used to calculate your share of the grid's capacity costs. However, these charges are separate from local utility demand charges, which may follow different calculation methods.

Each type of charge has its own calculation methodology and strategies to manage or reduce costs should be considered separately. While utilities determine the structure of their demand charges, efforts to revise such methodologies would require regulatory changes.

With capacity prices rising significantly in the PJM region, is there a resource customers can use to inquire about ongoing litigation, such as a class action against PJM?

If there is ongoing litigation, customers should seek independent legal advice or consult publicly available resources for updates. Suppliers like NRG cannot provide legal guidance or direct customers to litigation resources, but public filings and updates on cases involving PJM are typically accessible through court dockets or regulatory announcements.

© 2024 NRG Curtailment Solutions, Inc. All rights reserved. NRG and the plus signs are registered service marks of NRG Energy, Inc.
Products and services vary depending on region or market. State Licensing.