

PSEG Nuclear, LLC
ZEC 2 – Salem II
Docket No: ER20080558

Response to Discovery Request: SII-ZECJ-FIN-0014
Date: 10/1/2020

Question:

Please state all of the assumptions used in the revenue projections.

- a. Include forecasts of locational PJM capacity and energy market prices for the Unit.
- b. Include and itemize expected revenues from PJM capacity and energy markets, ancillary services markets, and reserves markets.
- c. Show the underlying load forecasts and forecasts of the entry and exit of resources in the PJM market.
- d. Explain how forecast revenues account for the impact of the Federal Energy Regulatory Commission's ("FERC's") decision on PJM's Operating Reserve Demand Curve proposal.
- e. Account for and explain changed capacity revenue expected to result from the FERC capacity market Minimum Offer Price Rule decisions on State Subsidies.
- f. Include all citations and worksheets used for the calculations in Excel form.
- g. Be prepared to provide additional documentation upon request.

Attachments Provided Herewith: YES - CONFIDENTIAL

Response:

- a. The forecasts of locational PJM capacity and energy market prices for the Unit are included in the confidential attachment. The unit LMPs take into account the congestion and the losses relative to the PECO Zone price. PECO Zone provides a good correlation to the unit LMP. The LMP methodology is further described in the confidential answer to question ZECJ-FIN-13.
- b. The expected revenues from PJM capacity and energy markets, ancillary services markets, and reserves markets are included in the confidential attachment.
- c. It should be noted that the market revenues were calculated using forward energy prices that take into account a multitude of assumptions, but do not explicitly list load forecasts and forecasts of the entry and exit of resources. The fundamental load forecasts and forecasts of the entry and exit of resources that were used to address Questions ZECJ-ENV-4 and IUD-6 are provided in the confidential attachment.
- d. Forecasted energy revenues are based on current forward energy curves. The applicant believes that prices in the forward markets reflect the best available estimates of the impacts of all known and expected market design changes, including PJM's Operating Reserve Demand Curve (ORDC) proposal. In addition, PJM, the IMM and participants have provided significant analysis known to market participants through filings and the stakeholder processes regarding the expected impacts of implementation of the ORDC proposal. Further, the nuclear units operate at full-load, and are not eligible to provide reserves, so there is no expected change associated with ancillary service market revenues.

e. Applicant's forecasted capacity revenues are not directly impacted by the FERC Minimum Offer Price Rule (MOPR) decision. The base forecast assumes a capacity price that is higher than the default offer floors the units will be subject to, based on the current understanding of the PJM calculation. Further, with the grandfathering of existing and queued renewables, there is very little new entry that will be mitigated out of the market – so applicant does not believe there will be noticeable price impacts in the near term from the MOPR.

Although applicant's base forecast does not show an impact from the MOPR order, the potential risks to capacity revenues are substantial. The default MOPR floor price the units will be subject to is impacted by changes in the forward market, and small changes in that market have significant impacts on the floor prices. Similarly, there are many assumptions that will impact the expected capacity price. All of these things are in flux, and will impact the capacity revenues the unit earns, and its ability to clear in the market. Applicant has accounted for these risks in the determination of market risks. Please see answer to ZECJ-FIN-18 related to market risks.

Responses to questions regarding actual or forecasted revenues do not include actual or forecasted ZEC payments for the first eligibility period or any future periods that have not yet been awarded.