

Communication Regarding NEPA-Contingent Sell Offers for 2016/2017 BRA

On April 30, 2013, in Docket No. ER13-1023-000, FERC issued an Order accepting PJM's proposed revisions to section 5.14(c) of Attachment DD of the PJM Tariff to allow a Capacity Market Seller to make its Sell Offer in a Base Residual Auction (BRA) contingent upon qualifying for the New Entry Price Adjustment (NEPA), effective May 1, 2013. Accordingly, this new rule will be in place starting with the BRA for the 2016/2017 Delivery Year (2016/2017 BRA), the offer period for which commences on May 13, 2013. Specifically, under the new Tariff provision, the Capacity Market Seller must specify whether its Sell Offer is contingent upon qualifying for the NEPA and PJM shall not clear the contingent Sell Offer if it does not qualify.

Planned Generation Capacity Resources and certain Existing Generation Capacity Resources¹ are eligible to request NEPA; however, in order to qualify for the NEPA, the capacity resource must: (i) notify PJM of its NEPA election at the time the sell offer is submitted, (ii) be the marginal sell offer that sets the clearing price for the LDA in the BRA, and (iii) increase the cleared unforced capacity (UCAP) from a point on the Variable Resource Requirement (VRR) Curve below the LDA reliability requirement to a UCAP at or above the UCAP associated with the point of the VRR Curve at which price is 0.40 times the applicable Net CONE. Implicit in this third requirement is a minimum size requirement necessary for the capacity resource to receive NEPA. Specifically, the minimum size requirement is the horizontal distance, measured in UCAP, between two points on the VRR curve, (i) the point associated with the reliability requirement on the VRR Curve and (ii) the point on the VRR Curve that corresponds with a price that is 0.40 times the applicable Net CONE. The implicit minimum size requirement (in UCAP MW) for the upcoming 2016/2017 BRA for each LDA to be modeled in the auction are:

MAAC	EMAAC	SWMAAC	PS	PS-North	DPL-South	PEPCO	ATSI	Cleveland
2,501.7	1,373.5	599.2	445.4	222.8	109.4	311.8	562.5	213.3

PJM cautions Capacity Market Sellers that may be considering using the NEPA-contingent Sell Offer option that, due to the rigorous qualification requirements for NEPA described above, a possible outcome is that such a contingent Sell Offer may not clear the auction even though the Resource Clearing Price may exceed the resource's sell offer price.

A Capacity Market Seller that elects to make its 2016/2017 BRA Sell Offer contingent upon qualifying for NEPA must notify PJM of such election by no later than the close of business on Thursday, May 16, 2013. Such notification must be submitted to PJM via RPM_Hotline@pjm.com

Please direct any questions to PJM at RPM_Hotline@pjm.com

¹ An Existing Generation Capacity Resource submitting a Sell Offer with an APIR component that is based on a project investment of at least \$450/kW may elect NEPA by providing written notice the first time it submits a Sell Offer that includes an APIR component for such project investment.