



DATE: June 23, 2021
TO: PJM/PJM Market Participants
FROM: IMM
SUBJECT: MOPR Matrix entries

The IMM's proposed modifications to the MOPR rules would retain the fundamentals of the current capacity market design and result in a de minimis impact on competitive market outcomes while recognizing defined state authority. The IMM's proposed modifications to the MOPR rules would retain a clear MOPR rule while recognizing state authority over the generation facilities in each state. The IMM's proposed modifications would permit exemptions from MOPR for state programs designed to support specific emerging technologies that would not otherwise be competitive. All other technologies are competitive and are expected to clear in capacity auctions, even with the application of MOPR. The IMM's proposed modifications would not impede or interfere with authorized state policies, regardless of the targeted technology. The IMM's proposed modifications also recognize that the definition of a competitive offer, the MOPR floor, is net ACR and not net CONE. Even when the MOPR rules are applied, the MOPR floors are defined to be competitive offers and expected to clear when consistent with market fundamentals. A competitive offer is a competitive offer. The MOPR offer floor is the same as the market seller offer cap (MSOC).

Critical Issue Fast Path MOPR – Component Details

This document provides the IMM's entries in the CIFP-MOPR matrix, by matrix category and subcategory, with supporting explanations.

What Gets Screened for Application of the MOPR

1. Potential indicators of buyer-side market power
 - a. Market power is the ability to increase/decrease the market price above/below the competitive level.
 - b. Supplier side market power is the ability to increase the market price above the competitive level.
 - c. Buyer side market power is the ability to decrease the market price below the competitive level.
 - d. No additional criteria are included. No additional criteria are relevant. Intent is not relevant. Profitability is not relevant.
 - e. The competitive market price is the price that results from the interaction of demand and a supply curve consisting of competitive offers.
2. Resource types subject to review for potential application of the MOPR (e.g., planned, existing, all resources vs. gas only, etc.)
 - a. All resource types are subject to review.
 - b. There is no reason to exempt any resource type.

- c. There is no reason to focus on any resource type.
- 3. State actions subject to review for potential application of the MOPR
 - a. State subsidies
 - i. Current tariff definition needs to be clarified
 - ii. Explicitly targeted to capacity procurement
 - b. Offers below competitive level

Exemptions

- 4. Exemptions for self-supply
 - a. Investor owned utilities or public power entities subject to direct regulation of generation investments by state commissions.
- 5. Thresholds for Self-Supply Net Short/Net Long Tests (where applicable)
 - a. No net short test.
 - i. Entities should be able to purchase cost effective capacity from the market without limit.
 - b. Net long test
 - i. Subject to consistency with entities' long term resource plans, net long position not to exceed 15 percent.
 - ii. Only incremental capacity subject to MOPR.
- 6. Other Exemptions
 - a. Competitive resources are exempt.
 - i. Offers for resources that can demonstrate they do not and will not accept nonmarket revenues and depend entirely on private investors are exempt from MOPR.
 - b. State subsidies to uneconomic, emerging technologies are exempt.
 - i. Uneconomic means that net ACR, based on market revenues, will not clear in the capacity market.
 - ii. Uneconomic means that units are not expected to cover their full costs over their reasonable financial life.
 - iii. Emerging technologies means technologies that have not been previously successfully commercialized or cleared in PJM capacity market based on private investment.
 - iv. Off shore wind is an example of such a technology. Carbon capture and sequestration is an example of such a technology. There are no predetermined limits on the definition of emerging technology.
 - c. Other subsidized resources will clear in the capacity market when offered competitively, subject to the MOPR floor. It is not undue discrimination to distinguish between subsidies for uneconomic, emerging technologies and subsidies for mature technologies.

Process

7. Arbitrator of which state policies are mitigated
 - a. Tariff rules
 - i. Current tariff definition needs to be clarified
 - ii. Only if explicitly targeted to capacity procurement
 - iii. Only direct subsidies
 - iv. Not indirect subsidies via state/local laws
 - b. RPS mandates with noncompliance penalties are subsidies
8. Establishment of MOPR Floor Price
 - a. Defaults by technology types
 - b. Unit specific option based on actual, documented costs for specific resource.
9. Level of MOPR Floor Price (definition of a competitive offer)
 - a. Net ACR
 - i. Net ACR is a competitive offer from new or existing resources.
 - ii. Net CONE is not a competitive offer from new or existing resources.
 - b. Default values by technology
 - i. Unit specific net revenue offset.
 - c. Unit specific review option
 - i. It is essential that all resource types use the same base financial parameters. While the parameters have a more significant impact on the calculation of net CONE, the same requirement to use the same base financial parameters applies to the calculation of net ACR. No new combined cycle should be assumed to have a longer life than another combined cycle. No new solar resource should be assumed to have a longer life than another solar resource. In order to maintain a fair comparison across projects they must be compared using the same basic financial parameters. Project value can be easily manipulated by using a longer unit life for example. But there is no reason to permit one project to use a 35 year life while an otherwise comparable project uses a 20 year life. The result is simply to arbitrarily make one project look better than another. Ideally, all projects should use the same base financial assumptions used for the reference CONE unit defined in the prior quadrennial review.
 - ii. Base financial parameters fixed for all resource types:
 - 1) Unit life
 - 2) Levelization
 - 3) No sunk costs
 - 4) No salvage value
 - 5) Standard financial model
10. Term of MOPR
 - a. Life of the asset/duration of subsidy
11. Modifications to the Clearing Process

12. Proposal Sunset Provision
13. Transition/Implementation
14. Accommodate State Subsidy Policies as well as States without Subsidy Policies