Exelon Responses to CCPPSTF Proposal Questions

1. How do you define the problem that you are trying to solve with your proposal? The primary goal of RPM is reliability. The Exelon proposal offers the price-based materiality screen to test whether out of market payments are impacting the reliability aims of RPM – using thresholds embedded in RPM to assure reliability and competitive entry.
2. Does your proposal accommodate resources with state government preferences on a non-discriminatory basis? How? Exelon's proposal accommodates state environmental policies by not subjecting offers from resources with payments for unbundled environmental attributes to administrative repricing. It also is consistent with historic treatment of state environmental attribute programs, such as REC payments. Such exemption provides the same capacity market outcome for nuclear resources as would occur if carbon pricing were integrated in the market. It also pays all resources providing resource adequacy services the same non-discriminatory price for the service provided.
3. Will your proposal encourage or frustrate state policy objectives or other subsidies? The proposal will neither encourage nor frustrate state policy objectives. The proposal is consistent with RPM's aims to promote reliability through competitive markets, but recognizes that attributes and by-products of power generation, including emissions attributes, are not valued by the PJM market. Rather, they are in the province of state jurisdiction and should not be mitigated or nullified at the wholesale level.
4. What is your definition of an actionable subsidy (you may include specific factors such as MW or economic thresholds, timing of payment, rate and reasons for the subsidy, etc.)? For purposes of this proposal, "actionable subsidies" are those that are greater than 1% of the resource's revenues. State environmental programs that do not reflect intent to suppress wholesale market prices should not be subject to repricing/mitigation. The FERC has agreed that states are "free" to incentivize clean generation, "even if the price signals in the regional wholesale capacity market indicate that [those] resources are [not] needed."[1] Exelon's proposal does not have any further screening criteria for "actionable subsidies" beyond these two.
5. What impact does your proposal have on energy markets? Unlike other proposals, the Exelon proposal does not encourage resource over-supply through accommodation of marginal resources that do not clear as a consequence of applying capacity repricing. Accordingly, the Exelon proposal should have little or no impact on energy markets.
6. Will your proposal result in or mitigate long term price suppression in the capacity market and/or the energy market? The proposal will mitigate long term price suppression. When the price-based materiality screen indicates market outcomes that threaten RPM's reliability aims, repricing will occur.
7. How do you think your proposal will impact bidding behavior? The proposal maintains existing incentives for resources to offer in the capacity market.
8. Please address the effects of your proposal on potential market manipulation. Unlike other proposals that may promote strategic offer behavior, the Exelon proposal introduces no new market manipulation concerns.
9. Please address the potential for "leakage" (the effects of one jurisdiction's actions on other jurisdictions). The proposal does not impose the costs of repricing across capacity zones unless there is an indication from the price-based materiality screen that reliability is diminished as a consequence of government payments to capacity resources.

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[1] Amicus Br. of United States at 33, *Hughes v. Talen Energy Mktg., LLC*, 136 S. Ct. 1288 (Jan. 19, 2016), 2016 WL 344494; *see* Post-Tech. Conference Comments at 2 n.8 (citing federal court precedent reaffirming the same point).

10. What is the preferred implementation timing? Administrative determinations of generator offers should only supplant owner offers if there is a demonstrable threat to reliability and competitive outcomes. Since there is no evidence of negative impacts to RPM's core reliability function as a consequence of ongoing or new state policies, implementation is not urgent.
11. For repricing proposals, please explain your treatment for "in between" resources and why you believe it is the right approach ("in between" resources are those that did not clear in one stage of a repricing proposal but offered at a level less than the final clearing price determined in a second stage). The proposal does not award capacity commitments to resources that are "out of the money" (i.e. "in-between" resources) after accounting for state programs that price the environmental externality of power production.
12. How does your proposal address RPS, RGGI, ZECs, and RECs? All of these programs are legitimate state environmental programs and are not "actionable" in the Exelon proposal. As the FERC has previously agreed, states may "encourage renewable or other types of resources" even when that "allow[s] states to affect the [wholesale] price" or makes clean generation "more competitive in a cost comparison with fossil-fueled generation."[2]

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[2] *S. Cal. Edison Co.*, 71 FERC ¶ 61,269, 62,080 (1995).