

# MARKET SELLER OFFER CAP

*Proposal for an Alternative Default Safe Harbor Cap*

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# THE CURRENT UNIT SPECIFIC REVIEW PROCESS DOES NOT WORK

- Potential inconsistency in application between market sellers
- Tariff provisions are unclear and not well defined
- Lack of guidance from PJM and IMM on issues such as costs, CPQR
- Not permitted to reflect risk of taking a Capacity Performance position for assets where E&AS revenues exceed Gross ACR
- The current process results in offer caps that exclude costs not because they don't exist, but based on a nontransparent, "bring me a rock" process

# NEW SECTION 205 FILING PROPOSING AN INTERIM DEFAULT MSOC

- PJM would file with FERC a proposal to establish a safe harbor default MSOC based on the average of the last three auction results, discounted by 5 percent
- The MSOC would be calculated separately by Global LDA
- PJM would commit to FERC and stakeholders to immediately begin an in depth stakeholder process to establish a new, permanent default MSOC
- A 205 filing with wide stakeholder support has a good chance of FERC approval

# NEW SECTION 205 FILING PROPOSING AN INTERIM DEFAULT MSOC

- PJM would also file to revise the Net ACR approach:
  - Mothball instead of retire
  - Risk-adverse risk value rather than expected value
  - Opportunity cost of taking on a capacity obligation
  - Revise deadline for E&AS revenues from IMM to occur before market seller deadline to pursue unit specific vs. default, with sufficient time for discussions with IMM to explore discrepancies in E&AS values

# BENEFITS OF THIS APPROACH

- Easily calculated and implementable
- General concept was introduced by DC Consumer Advocate and has attracted interest from many generators
- Approach is very similar to the New England Dynamic Delist Bid Threshold proposal previously approved by FERC
- While not ideal, it could be implemented in time for the next auction (if modestly postponed, see next slide)

# PROCESS

- Take the proposal through an expedited stakeholder process with the goal of an early March filing date
- Urge FERC to accept the filing as a just and reasonable approach
  - The March and September MSOC orders do not preclude PJM from making a new Section 205 filing proposing a new default MSOC
- Postpone the 23/24 delivery year auction from June to August to allow time to implement the proposal for this auction
- Begin comprehensive stakeholder process to develop a long-term, permanent solution to MSOC