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March 11, 2019

Honorable Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E., Room 1A  
Washington, D.C. 20426

*Re: PJM Interconnection, L.L.C., Docket Nos. EL16-49-000, ER18-1314-001, EL18-178-000  
Informational Filing on PJM's Plan in Preparation for the 2022/2023 Base Residual  
Auction*

Dear Secretary Bose:

PJM Interconnection, L.L.C. (“PJM”) hereby submits this informational filing to inform the Commission of the preparations currently underway for the upcoming 2022/2023 Delivery Year Base Residual Auction (“BRA”) scheduled to begin on August 14, 2019.<sup>1</sup> More particularly, PJM is notifying the Federal Energy Regulatory Commission (“Commission”) that PJM has provided guidance<sup>2</sup> to Capacity Market Sellers that all relevant pre-auction deadlines under both the existing capacity market rules as well as PJM’s proposed Capacity Reform rules, with revised Minimum Offer Price (“MOPR”) rules and the “Resource Carve-Out” alternative, should be followed. This approach ensures that all Capacity Market Sellers will have satisfied both the existing and PJM’s proposed pre-auction requirements prior to the conduct of the August 2019 BRA in anticipation of a Commission order in this docket. A timely comprehensive ruling by the Commission is clearly needed as we approach the August BRA and the various preparatory deadlines for submittals by market participants leading up to the August auction. However, in the interim and at least for the present upcoming deadlines, PJM believes it prudent

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<sup>1</sup> The Commission granted PJM’s request for a waiver of its Tariff to delay the commencement of the 2019 Base Residual Auction until August 14, 2019. *See PJM Interconnection, L.L.C., Order Granting Waiver*, 164 FERC ¶ 61,153 (Aug. 30, 2018).

<sup>2</sup> *See* n. 8, *infra*.

to continue, as it has done in other instances, to proceed down a path requiring submittals under both the existing market rules as well as the PJM proposed market rules.

## **I. BACKGROUND**

In its June 29, 2018 Order, the Commission found PJM's existing rules relating to the MOPR applied in the capacity market to be unjust and unreasonable.<sup>3</sup> The Commission, however, did not implement a replacement rate and instead instituted a paper hearing under section 206 of the Federal Power Act to determine the just and reasonable replacement rate.<sup>4</sup> As part of that proceeding, PJM proposed revised MOPR rules and a Resource Carve-Out replacement consistent with the approach contemplated in the Commission's June 29 Order.<sup>5</sup> PJM's submission included proposed revised tariff provisions detailing various pre-auction activities and deadlines necessary to implement revised MOPR and carve-out provisions.

## **II. CURRENT STATUS**

Given the absence of a final Commission order to date, PJM is proceeding with all pre-auction activities under both the existing and PJM's proposed replacement rules. PJM's full auction schedule is posted on PJM.com.<sup>6</sup> Upcoming dates are as follows:

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<sup>3</sup> *Calpine Corp. v. PJM Interconnection, L.L.C., et al.*, 163 FERC ¶ 61,236 (2018) ("June 29 Order").

<sup>4</sup> June 29 Order at P 6.

<sup>5</sup> *Initial Submission of PJM Interconnection, L.L.C.*, Docket Nos. ER18-1314-000, EL16-49-000, EL18-178-000 (Oct. 2, 2018) ("Capacity Reform").

<sup>6</sup> <https://pjm.com/markets-and-operations/rpm.aspx>. See the 2022-2023 BRA tab of the under the "Auction Schedule" accessed on the RPM page.

<b>Activity</b>	<b>Date under Current Rules</b>	<b>Date under Proposed Rules</b>
Seller specification whether or not a resource is a Capacity Resource with Actionable Subsidy	N/A	March 17
Seller Pre-Notification of Deactivation for Capacity Market Sellers intending to seek Must Offer exception on basis of deactivation <sup>7</sup>	March 17	March 17
PJM posting of MOPR Floor Prices	March 17	March 17
LSE first-time election of FRR Alternative (not the Resource Carve-Out; rather the full FRR)	April 14	April 14
Seller request for Must Offer exception for any reason including deactivation	April 16	April 16
Seller provision of Market Seller Offer Cap information	April 16	April 16
Seller request for Self-Supply Exemption from MOPR floor price	N/A	April 16 (for any new units of a self-supply LSE)
Seller request for Unit-Specific Exception from MOPR floor price	April 16	April 16
PJM posting of planning parameters	May 1	May 1
IMM review of MSOC submittals and MOPR and Must Offer exception and exemption requests completed	May 16	May 16
PJM review and final determination of MSOC submittals and MOPR and Must Offer exception and exemption requests (as needed) completed	June 10	June 10
Seller election to forgo a subsidy	N/A	July 15
Seller election of Resource Carve-Out if otherwise subject to MOPR (not permitted if subsidy is a Federal Subsidy)	N/A	July 15

As shown, many of these deadlines are fast-approaching. While the March 17 date is the most immediate, and PJM is communicating with market participants to ensure that all are aware

<sup>7</sup> This submission is required if a Capacity Market Seller intends to seek a must offer exception on the basis of a planned deactivation. The Capacity Market Seller may still offer in to the auction if its deactivation plans change such that it will be available for the relevant Delivery Year.

of this upcoming submittal deadline,<sup>8</sup> the next milestone, *i.e.*, the submission of information about Market Seller Offer Cap (which, under the proposed rules covers more resource types than the current rules) and Must Offer exception requests on April 16, 2019 is also important leading up to the auction.<sup>9</sup> And, although PJM has previously conducted auctions with pending FPA section 205 filings, and also during times in which there has been pending FPA section 206 complaints, it has not conducted an auction when there has already been a Commission finding that its existing capacity market rules are unjust and unreasonable with no established just and reasonable replacement rate in place – as is the circumstance PJM finds itself in now.

The lack of a final Commission order frustrates the internal planning processes of market participants and becomes more problematic over time. While PJM expects that the Commission will issue a final order prior to the conduct of the upcoming BRA scheduled in August, PJM's position and guidance to Capacity Market Sellers is that given the lack of a substituted rate notwithstanding the Commission's earlier 206 finding, the existing capacity market rules could still be regarded effective if no Commission order establishing a replacement rule is issued. Thus, PJM will have to consider conducting the auction under PJM's existing RPM rules in the event the Commission does not issue an order prior to the commencement of the upcoming BRA

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<sup>8</sup> On February 27, 2019, PJM provided an initial communication to members in its materials for its March 6 Market Implementation Committee ("MIC") meeting describing the parallel path it would follow leading up to the 2019 BRA. See <https://pjm.com/-/media/committees-groups/committees/mic/20190306/20190306-item-10-communication-regarding-mopr-related-requirements.ashx>. On March 8, 2019, PJM issued a further communication to members via the Markets and Reliability Committee and MIC Listservs providing instructions for meeting the March 17 deadline to specify whether or not each Capacity Resource's is a Capacity Resource with Actionable Subsidy. That communication is posted on PJM.com at <https://pjm.com/-/media/markets-ops/rpm/rpm-auction-info/2022-2023/2022-2023-seller-certification-of-capacity-resource-with-actionable-subsidy-instructions.ashx?la=en>.

<sup>9</sup> In fact, in the Commission's January 30, 2019 Waiver Order (*PJM Interconnection, L.L.C.*, 166 FERC ¶ 61,072, *Motion for Stay and Requests for Rehearing and Clarification pending*) the Commission denied PJM's waiver request related to the July FTR auction on the basis that the auction had already started and thus expectations were already settled. PJM does not expect the Commission would consider the BRA having already "started" with the submission of market seller offer price data on April 16, but rather that the BRA commences on August 14, 2019; PJM will proceed accordingly, unless the Commission informs PJM otherwise.

to be held August 14-28, 2019. However, to avoid a ‘self-fulfilling prophecy’ of frustrating the ability of PJM to implement the substitute tariff provisions it served up to the Commission in this proceeding, PJM believes that for the moment, it is prudent to continue to require submittals under both the new proposed and existing tariff provisions.

In the meantime, PJM respectfully urges the Commission to issue a final order on this matter with expediency to provide certainty to all Capacity Market Sellers (and all interested stakeholders, for that matter) with respect to the upcoming BRA rules. The current market uncertainty and confusion over the state of the capacity market will only grow as the Commission’s order is further delayed.

We appreciate the Commission’s consideration of this informational report and acknowledge the complexity of the issues pending before the Commission.

Respectfully submitted,

*/s/ Jennifer Tribulski*

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*On behalf of*  
*¶PJM Interconnection, L.L.C.*

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in these proceedings.

Dated at Audubon, PA, 11th day of March, 2019

/s/ Jennifer Tribulski  
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