State Subsidy Certification for CSPs and Energy Efficiency Providers Participation in the Upcoming 2022/2023 Base Residual Auction

April 5, 2021

Background:

Capacity Market Seller activities required for participation in the upcoming 2022/2023 Base Residual Auction ("BRA") are contained in the RPM Auction Schedule. As indicated on the RPM Auction Schedule, deadlines are soon approaching for required seller activities related to the Minimum Offer Price Rule ("MOPR") provisions of RPM. This communication is intended to provide guidance to Capacity Market Sellers regarding the State Subsidy certification process for Demand Response and Energy Efficiency Resources.

The December 19, 2019 MOPR Order² results in Demand Response and Energy Efficiency resources now being subject to the MOPR provision of RPM and is summarized in Table 1 below as they relate to the upcoming 2022/2023 BRA.

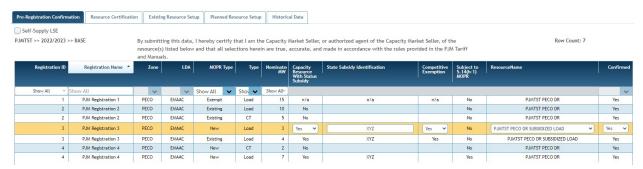
One of the most time-sensitive of the required MOPR-related activities is the requirement that each Capacity Market Seller must by no later than April 19, 2021, certify whether or not each DR or EE resource that the seller intends to offer into the BRA is a Capacity Resource with State Subsidy. PJM has updated the current DR Pre-Registration screen and released a new screen under the DR and EE Setup tabs called "State Subsidy Certification" in the Capacity Exchange system to facilitate this self-certification requirement. Instruction for navigating to the new State Subsidy Certification screens and descriptions of the data can be found below.

¹ The RPM Auction Schedule is located at https://www.pjm.com/-/media/markets-ops/rpm/rpm-auction-info/rpm-auction-schedule.ashx?la=en

² Docket Nos. EL16-49, ER18-1314, and EL18-178

Demand Response Pre-Registration

Pre-Registration Screen:

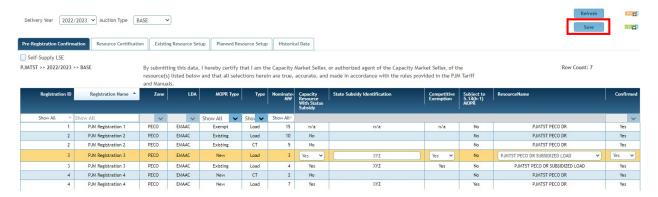


Upon navigating to the Demand Resource Setup → Pre-Registration Confirmation screen, the following information will be displayed for each registration in the Capacity Market Sellers account for the 2022/2023 BRA:

- MOPR Type: Distinguished the applicable MOPR (Exempt, Existing or New) for the Nominated MW
 - **Exempt:** MW qualify for the categorical exemption
 - **Existing:** MW do not qualify for the categorical exemption, but have cleared an RPM auction
 - New: MW do not qualify for the categorical exemption and have not cleared in an RPM auction
- **Type:** Identifies whether the Nominated MW on a registration is generation backed or due to load reduction
- Nominated MW: The reduction MW by MOPR Type and the type of reduction for each registration
- Capacity Resource with State Subsidy: CSPs need to certify whether or not a registration with the Existing or New MOPR Type meet the definition of a Capacity Resource with State Subsidy
- State Subsidy Identification: Registrations that elect "Yes" to Capacity Resource with State Subsidy need to specify the subsidies they are entitled to or are receiving. Common nomenclature can be used here (e.g. RECS), otherwise the applicable state legislation can be submitted
- **Competitive Exemption**: A Capacity Resource with State Subsidy can certify whether or not they will forgo the subsidy

- **Subject to 5.14(h-1) MOPR** (State Subsidy MOPR): Indicates whether or not the registration is subject to MOPR as described in the PJM Tariff attachment DD Section 5.14 (h-1)
- **Resource Name:** Each registration will be linked to an RPM Resource for participation in the 22/23 BRA.
- Confirmed: Each registration that the CSPs reasonably expects to have in the 22/23 DY will need to be confirmed in order to be included in the 22/23 BRA

Submitting Data:



Once a Market Seller has populated the fields, they can submit the data to PJM by clicking the save button in the top right corner.

Demand Response Resource Certification

DR State Subsidy Certification Screen



Upon navigating to the Demand Resource Setup → Resource Certification screen, the following information will be displayed for each resource in the Capacity Market Sellers account for the 2022/2023 BRA:

- Capacity Resource with State Subsidy: A CSP that intends to offer Non-Exempt MW (Existing or New) must certify whether or not the resource meet the definition of a Capacity Resource with State Subsidy
- State Subsidy Identification: Resources that elect "Yes" to Capacity Resource with State Subsidy need to specify the subsidies they are entitled to or are receiving. Common nomenclature can be used here (e.g. RECS), otherwise the applicable state legislation can be submitted
- Competitive Exemption: A Capacity Resource with State Subsidy can certify whether or not they will forgo the subsidy
- Subject to 5.14(h-1) MOPR (State Subsidy MOPR): Indicates whether or not the resource is subject to MOPR as described in the PJM Tariff attachment DD Section 5.14 (h-1)

Submitting Data



Energy Efficiency Resource Certification

EE State Subsidy Certification Screen



Upon navigating to the Energy Efficiency Setup → Resource Certification screen, the following information will be displayed for each resource in the Capacity Market Sellers account for the 2022/2023 BRA:

- Capacity Resource with State Subsidy: An Energy Efficiency Provider that intends to offer Non-Exempt MW (Existing or New) must certify whether or not the resource meet the definition of a Capacity Resource with State Subsidy
- State Subsidy Identification: Resources that elect "Yes" to Capacity Resource with State Subsidy need to specify the subsidies they are entitled to or are receiving. Common nomenclature can be used here (e.g. RECS), otherwise the applicable state legislation can be submitted
- **Competitive Exemption**: A Capacity Resource with State Subsidy can certify whether or not they will forgo the subsidy
- Subject to 5.14(h-1) MOPR (State Subsidy MOPR): Indicates whether or not the resource is subject to MOPR as described in the PJM Tariff attachment DD Section 5.14 (h-1)

Submitting Data



MOPR Applicability Table for DR and EE Resources

	State Subsidy MOPR**
MOPR Applicable	Attachment DD Section 5.14(h-1)
Resources	(**Applicable to Capacity Resources with State Subsidy)
Capacity Resources that are subject to MOPR	The sell offer of any DR or EE resource that the Capacity Market Seller ("CMS") has specified to be a Capacity Resource with State Subsidy.
Seller Certification of Capacity Resource with State Subsidy (required by no later than 4/19/2021)	Each CMS must specify whether or not each DR or EE resource that the CMS intends to offer into the 2022/2023 BRA is a Capacity Resource with State Subsidy.
Definition of Capacity Resource with State Subsidy	"Capacity Resource with State Subsidy" shall mean (1) a Capacity Resource that is offered into an RPM Auction or otherwise assumes an RPM commitment for which the Capacity Market Seller receives or is entitled to receive one or more State Subsidies for the applicable Delivery Year; (2) a Capacity Resource that has not cleared an RPM Auction for the Delivery Year for which the Capacity Market Seller last received a State Subsidy (or any subsequent Delivery Year) shall still be considered a Capacity Resource with State Subsidy upon the expiration of such State Subsidy until the resource clears an RPM Auction; (3) a Capacity Resource that is the subject of a bilateral transaction (including but not limited to those reported pursuant to Tariff, Attachment DD, section 4.6) shall be deemed a Capacity Resource with State Subsidy to the extent an owner of the facility supporting the Capacity Resource is entitled to a State Subsidy associated with such facility even if the Capacity Market Seller is not entitled to a State Subsidy; and (4) any Jointly Owned Cross-Subsidized Capacity Resource.

CMS Elects the Competitive Exemption and certifies that it will forgo any State Subsidy for applicable Delivery

(required by no later than 4/19/2021)

Year

The CMS may elect the Competitive Exemption for a Capacity resource with State Subsidy and be exempt as long as they certify that they elect to forgo receiving any State Subsidy for the applicable Delivery Year.

Capacity Resource with State Subsidy may be exempt from the MOPR in any RPM Auction if the Capacity Market Seller elects to forego receiving any State Subsidy for the applicable Delivery Year no later than thirty (30) days prior to the commencement of the offer period for the relevant RPM Auction. The Capacity Market Seller certifies to such election via the Capacity Exchange system. The competitive exemption is not available to Capacity Resources with State Subsidy that (A) are owned or offered by Self-Supply Entities unless the Self-Supply Entity certifies, subject to PJM and Market Monitor review, that the Capacity Resource will not accept a State Subsidy, including any financial benefit that is the result of being owned by a regulated utility, such that retail ratepayers are held harmless, (B) are no longer entitled to receive a State Subsidy but are still considered a Capacity Resource with State Subsidy solely because they have not cleared an RPM Auction since last receiving a State Subsidy, or (C) are Jointly Owned Cross-Subsidized Capacity Resources or is the subject of a bilateral transaction and not all Capacity Market Sellers of the supporting facility unanimously elect the competitive exemption (unless the underlying Capacity Resource that is the subject of a bilateral transaction has not received, is not receiving, and is not entitled to receive any State Subsidy except those that are assigned (i.e., renewable energy credits) to the off-takers of a bilateral transaction and the Capacity Market Seller of such Capacity Resource can demonstrate and certify that the Capacity Market Seller's rights and obligations of its share of the capacity, energy, and assignable State Subsidy associated with the underlying Capacity Resource are in pro rata shares).