

State Subsidy Certification for Capacity Market Seller Participation in the Upcoming 2023/2024 Base Residual Auction

July 9, 2021

Capacity Market Seller activities required for participation in the upcoming 2023/2024 Base Residual Auction (“BRA”) are contained in the RPM Auction Schedule.¹ 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 Generation Resources.

The December 19, 2019 MOPR Order² results in substantial changes to the MOPR provision of RPM. The changes are summarized in Table 1 below, which compares the New Entry MOPR provisions of RPM to the State Subsidy MOPR provisions of the order as they relate to the upcoming 2023/2024 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 August 3, 2021, certify whether or not each Generation Capacity Resource that the seller intends to offer into the BRA is a Capacity Resource with State Subsidy. This self-certification requirement is completed through the “State Subsidy Certification” screen in Capacity Exchange. If you have already completed this certification for the 2022/2023 BRA then that election will carry forward and there is no action required unless the original certification needs to be updated. Please note all Capacity Market Sellers have an ongoing obligation to ensure the State Subsidy designation is accurate. Instruction for navigating to the State Subsidy Certification screen and descriptions of the data can be found below.

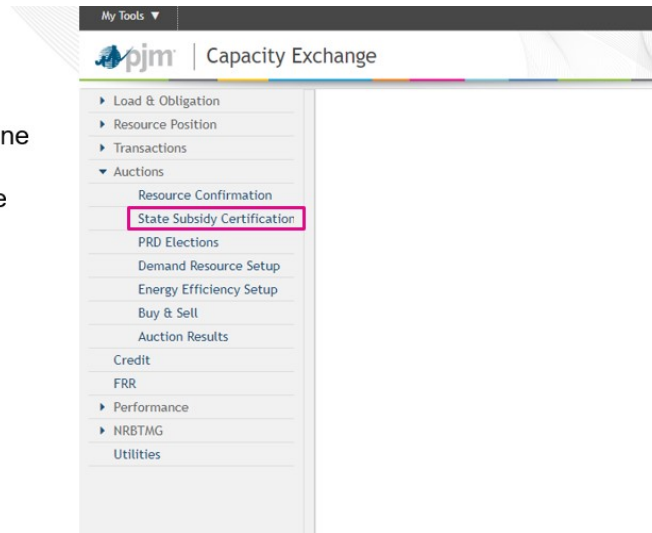
¹ The RPM Auction Schedule is located at <https://www.pjm.com/-/media/markets-ops/rpm/rpm-auction-info/rpm-auction-schedule.ashx?la=en>

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

Navigating to the State Subsidy Certification screen:

From left Navigation Pane

Select Auctions → State Subsidy Certification



State Subsidy Certification Screen:

Delivery Year: 2022/2023 | Auction Type: BASE

Self-Supply LSE

PJMTST >> 2022/2023 >> BASE

By submitting this data, I hereby certify that I am the Capacity Market Seller, or authorized agent of the Capacity Market Seller, of the resource(s) listed below and that all selections herein are true, accurate, and made in accordance with the rules provided in the PJM Tariff and Manuals.

Row Count: 4

Resource Name	Categorical Exemption MW	Non-Exempt Existing MW	Non-Exempt New MW	Capacity Resource with State Subsidy	State Subsidy Identification	Competitive Exemption	Subject to 5.14(h-1) MOPR	Subject to 5.14(h) MOPR
Show All	Show All	Show All	Show All					
PJMTST CC	0	0	500	No		n/a	No	Yes
PJMTST GEN 1	15	10	100	No		n/a	No	No
PJMTST SOLAR 1	20	0	0	n/a	n/a	n/a	No	No
PJMTST WF	13	0	10	Yes	RECS	n/a	Yes	No

Upon navigating the State Subsidy Certification screen, the following information will be displayed for each generation resource in the Capacity Market Sellers account for the 2023/2024 BRA:

- Categorical Exemption MW:** The resource megawatts that qualify for one of the categorical exemptions in the order, and therefore, are not subject to a minimum floor price in the RPM auctions, regardless of state subsidies
 - Resources whose MW are all classified as Categorical Exemption MW do not require any certification to be submitted
- Non-Exempt Existing MW:** The resource megawatts that do not qualify for an exemption and have previously cleared in an RPM auction. For Capacity Resources with State Subsidy, these megawatts will be subject to a minimum floor price at Net ACR.

- **Non-Exempt New MW:** The resource megawatts that do not qualify for an exemption and have yet to clear in an RPM auction. For Capacity Resources with State Subsidy, these megawatts that will be subject to a minimum floor price at Net CONE.
- **Capacity Resource with State Subsidy:** Market Sellers need to certify whether or not the resource with Non-Exempt Existing or Non-Exempt New MW 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)
 - 100% Net CONE for Non-Exempt New MW
 - Net ACR for Non-Exempt Existing MW
- **Subject to 5.14(h) MOPR (New Entry MOPR):** Indicates (after submission) whether or not the resource is subject to MOPR as described in the PJM Tariff attachment DD Section 5.14 (h).
 - 90% CT Net CONE for Combustion Turbine resources
 - 90% CC Net CONE for Combined Cycle resources
 - 70% of the CT Net CONE for all other resource types except nuclear, coal, IGCC, hydro, wind and solar facilities

Submitting Data:

Delivery Year: Auction Type:

Self-Supply LSE

PJMTST >> 2022/2023 >> BASE

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Row Count: 4

Resource Name	Categorical Exemption MW	Non-Exempt Existing MW	Non-Exempt New MW	Capacity Resource with State Subsidy	State Subsidy Identification	Competitive Exemption	Subject to 5.14(h-1) MOPR	Subject to 5.14(h) MOPR
Show All	Show All	Show All	Show All					
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PJMTST GEN 1	15	10	100	No		n/a	No	No
PJMTST SOLAR 1	20	0	0	n/a	n/a	n/a	No	No
PJMTST WF	13	0	10	Yes	RECS	n/a	Yes	No

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.

Table 1 – MOPR Applicability of New Entry MOPR versus State Subsidy MOPR

MOPR Applicable Resources	New Entry MOPR* Attachment DD Section 5.14(h) (*Applicable to certain new resources not entitled to a State Subsidy)	State Subsidy MOPR** Attachment DD Section 5.14(h-1) (**Applicable to Capacity Resources with State Subsidy)
Capacity Resources that are subject to MOPR	The sell offer of any Generation Capacity Resource that is not a Capacity Resource with State Subsidy, including an uprate of any size of a Generation Capacity Resource, that has not previously cleared in an RPM Auction for the 2023/2024 Delivery Year or prior delivery year, and that is located in an LDA for which a separate VRR Curve is established for use in the BRA, and that is not based on nuclear, coal, IGCC, hydroelectric, DR, EE wind or solar facilities.	The sell offer of any Generation Capacity Resource, DR, 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 8/3/2021)	Not Applicable	Each CMS must specify whether or not each Generation Capacity Resource that the CMS intends to offer into the 2023/2024 BRA is a Capacity Resource with State Subsidy.
Definition of Capacity Resource with State Subsidy	Not Applicable	"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.

<p style="text-align: center;">CMS Elects the Competitive Exemption and certifies that it will forgo any State Subsidy for applicable Delivery Year</p> <p style="text-align: center;">(required by no later than 11/1/2021)</p>	<p style="text-align: center;">Not Applicable</p>	<p>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.</p> <p>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).</p>
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