

# PJM Capacity Market and the Minimum Offer Price Rule (MOPR)

Maryland Commission on Climate Change

May 26, 2020

# Background

- PJM markets
  - Spot
  - Forward (Capacity)
- Complaints at FERC
  - State subsidies for coal and nuclear resources
- PJM “jump ball” filing
  - Repricing
  - MOPR

# FERC Orders

- FERC Jump Ball Order – June 2018
- FERC State Subsidy Order – December 2019
- FERC Rehearing Order – April 2020
- FERC Compliance Order – July 2020

# FERC Order – June 2018

## – Determination

- Existing rule not just and reasonable
- MOPR with few exceptions
- Resource Specific FRR accommodation

## – PSC rehearing request and comments (pre-CEJA)

- Jurisdiction
- Just and reasonableness – burden of proof
- Exclusions
  - RPS
  - Emerging technologies
- Competitive Carve Out Auction (CCOA)

# FERC Order – December 2019

## – Determination

- State Subsidies broadly defined
- MOPR
- Offer floor prices TBD
- Exemptions – Existing RPS, general commercial, etc.
- FRR Alternative

## – Commissioner Glick Dissent

- RGGI
- SOS

# State Subsidy

“A **direct or indirect payment**, concession, rebate, subsidy, non-bypassable consumer charge, or other financial benefit that is (1) a result of any action, mandated process, or **sponsored process of a state government**, a political subdivision or agency of a state, or an electric cooperative formed pursuant to state law, and that (2) is derived from or **connected to the procurement of** (a) **electricity** or electric generation capacity sold at wholesale in interstate commerce, or (b) an **attribute of the generation** process for electricity or electric generation capacity sold at wholesale in interstate commerce, or (3) will support the construction, development, or operation of a new or existing capacity resource, or (4) could have the effect of allowing a resource to clear in any PJM capacity auction.”

# PSC Rehearing Request (Post-CEJA)

- Jurisdiction
- Just and reasonableness – cost impacts
- RGGI
- CCOA
- Public Policy Transmission
- Pre-existing RPS definition

# PJM March 2020 Compliance Filing

- Offer floor prices
- Unit-specific exemption
- RGGI not subsidy
- SOS not a subsidy
- Public Policy Transmission
- Implementation schedule



# FERC April 2020 Rehearing Order

- Denies rehearing of June 2018 and December 2019 Orders
- Provides clarifications
  - Allows flexibility in unit-specific exemption
  - RGGI is not a subsidy
  - Public Policy Transmission – later
  - SOS is a subsidy
  - Second compliance filing

# PSC May 2020 Comments on PJM<sup>10</sup>

## Compliance Filing

- RGGI
- SOS
- Unit-specific exemption
- Pre-existing RPS
- Implementation schedule

# Next Steps

- PJM Compliance Filing on April 2020 Order – expected June 1, 2020
- PSC Comments on PJM June 1 Compliance Filing (if necessary) –June 22, 2020
- FERC Order on PJM compliance filings – expected July 2020

# Questions to Think About

- Will intermittent renewables (and storage) bid into the capacity market?
  - Performance rules
- Will renewables clear the market under the unit-specific flexibility?
  - Could clear if recent clearing prices remain unchanged
  - May not clear if other states leave the market

# Questions to Think About (cont.)

- Can OSW clear the market?
  - Will FERC accept that public policy transmission is not a subsidy?
  - Could public policy transmission offset the cost of ORECs?
- Can OSW proceed without capacity market revenues?
  - Impact on target amounts of OSW and reaching statutory caps
- How will MOPR affect the prospects for a Clean Energy Standard?

# Questions to Think About (cont.)

- What are short term implications?
  - Probably little for upcoming auction – appropriate state agencies would need to verify
- What are long-term alternatives?
  - Accept and move on
  - Court of Appeals
  - Change in PJM spot market rules – lessen the impact
  - Carbon pricing in spot market
  - FRR Alternative

# FRR Alternative

- All of state or just some IOUs?
  - If just some IOUs and others benefit, would benefits be shared
- What resources would be placed in the portfolio and where would they be located (in-state or out-of-state)?
  - Physical renewables or ACP
    - » Cost of infrastructure to deliver
    - » How does this choice impact state RPS policy?
- How much will FRR cost?
  - Purchase less capacity
  - Market power/pivotal supplier – price premium to form a portfolio
  - How to benchmark a reasonable price?

# FRR Alternative (cont.)

- How is FRR portfolio constructed?
  - SOS-type auction
    - » IOU auction
      - Is legislation necessary?
    - » PSC bids out to competitive suppliers
      - IOU volunteers to elect FRR if held harmless
  - With other states or states that share utility service territories?
  - Who has jurisdiction?
- Can OSW participate in FRR?
  - Statute requires selling electrical attributes into PJM-administered market



# FRR Alternative (cont.)

- Unknowns
  - If every PJM state elects FRR how will FERC respond?
    - FRR rules
    - Market-based rate authority