

Must-Offer Exception Process Issue

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Market Implementation Committee
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- Issue was brought forward by Exelon to investigate:
 - Possible reforms to the RPM Must-Offer Exception Process for improved efficiency and clarity
 - Process for Existing Generation Capacity Resources to become energy only resources
- Worked through the MIC where two packages were voted on at the November meeting
 - One proposal endorsed with 79% in favor and moved to MRC
- MRC voted to defer the endorsement vote until April at the December 20th meeting and sent back to MIC for further discussion and potential updating

- MIC (2/6): Continue discussion and review alternate packages for stakeholder consideration
- MIC (3/6): Vote on alternate packages
 - Packages receiving > 50% can be polled on vs. status quo and main motion
- MRC (3/21): 2nd First Read of main motion and status update on progress within MIC, as well as First Reads of any alternate packages with > 50% approval at MIC
- MRC (4/25): Vote on main motion and any alternate motions, if applicable



MIC Endorsed Proposal

Process Efficiency

1. Allow participants to specify multiple auctions in their written Must-Offer Exception requests submitted to PJM and the IMM
 - For system tracking, a MIRA request is still needed for each auction, but no need to re-submit all the same supporting data/documentation for each subsequent auction
 - PJM and the IMM will still review with each subsequent auction

Process Clarifications

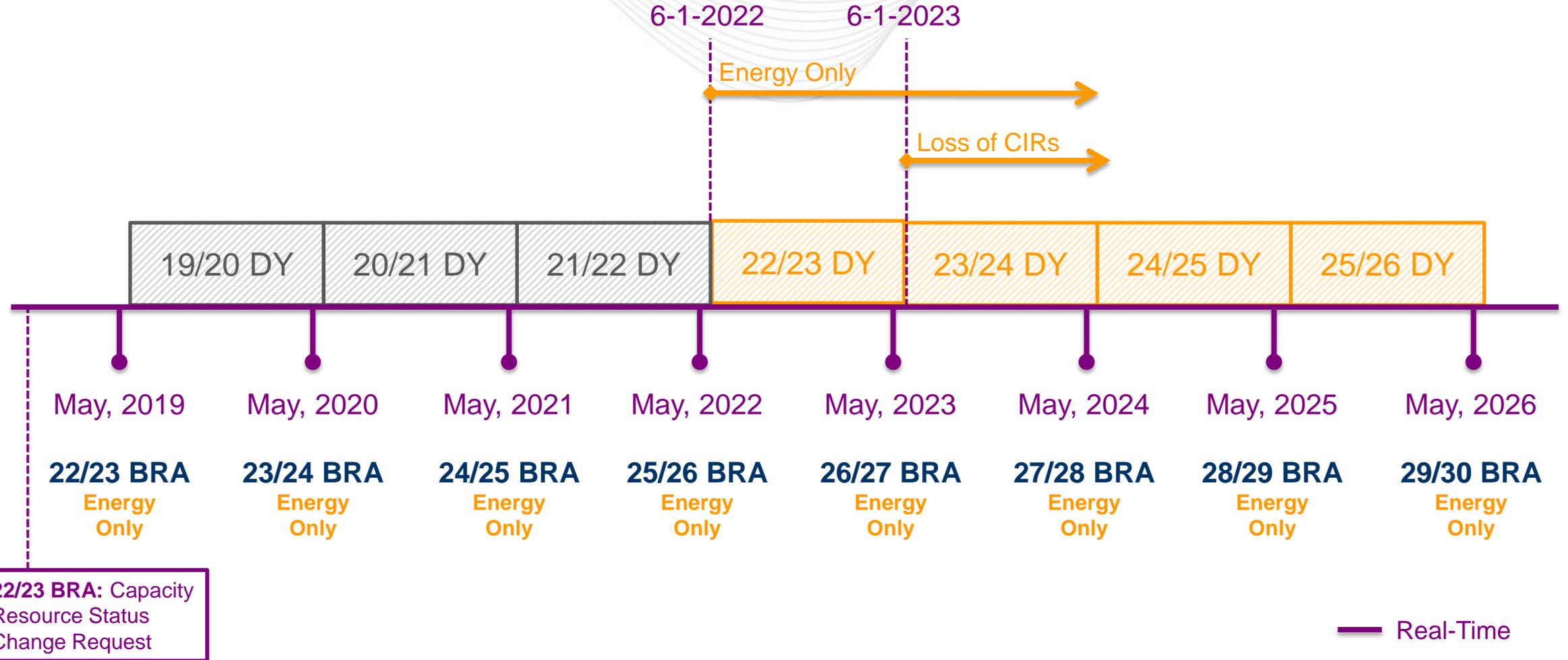
2. Must-Offer Exception requests are not required for generators approved for an “early replacement” transaction
 - Current rules already prohibit the replaced generator from re-committing those MW for the Delivery Year; no need to also submit a Must-Offer Exception Request
3. Timing is an acceptable reason for a CP Must-Offer Exception
 - A resource that cannot have its project completed in time by the start of the Delivery Year that’s needed to be CP capable is an acceptable reason for a CP Must-Offer Exception

- Participants may **voluntarily** initiate the process to remove a Generation Capacity Resource from its Capacity Resource status by submitting a written request to PJM and the IMM, along with supporting data and documentation
 - Requests and PJM/IMM review of a Capacity Resource status change will follow the same deadlines of Must-Offer Exceptions related to deactivation for RPM auctions
 - The MW of units requesting a status change will be grouped and included in the posting of Must-Offer Exceptions related to deactivations
- Requests will not be permitted for a Delivery Year in which the Generation Capacity Resource holds a capacity commitment

- PJM will run any necessary reliability studies for relinquishment of Capacity Interconnection Rights (CIRs) by the resource
 - e.g. Generator / Load Deliverability Tests
- IMM will review for potential market power issues
- Upon approval, the generation unit will no longer be modeled as a Capacity Resource effective with the date of the status change
 - No longer eligible to offer in auctions or take on commitments for the relevant future DYs
- The CIRs of the resource will be relinquished in a manner consistent with a deactivating unit
 - One year from the effective date of status change if not re-used in queue (Tariff Section 230.3.3)



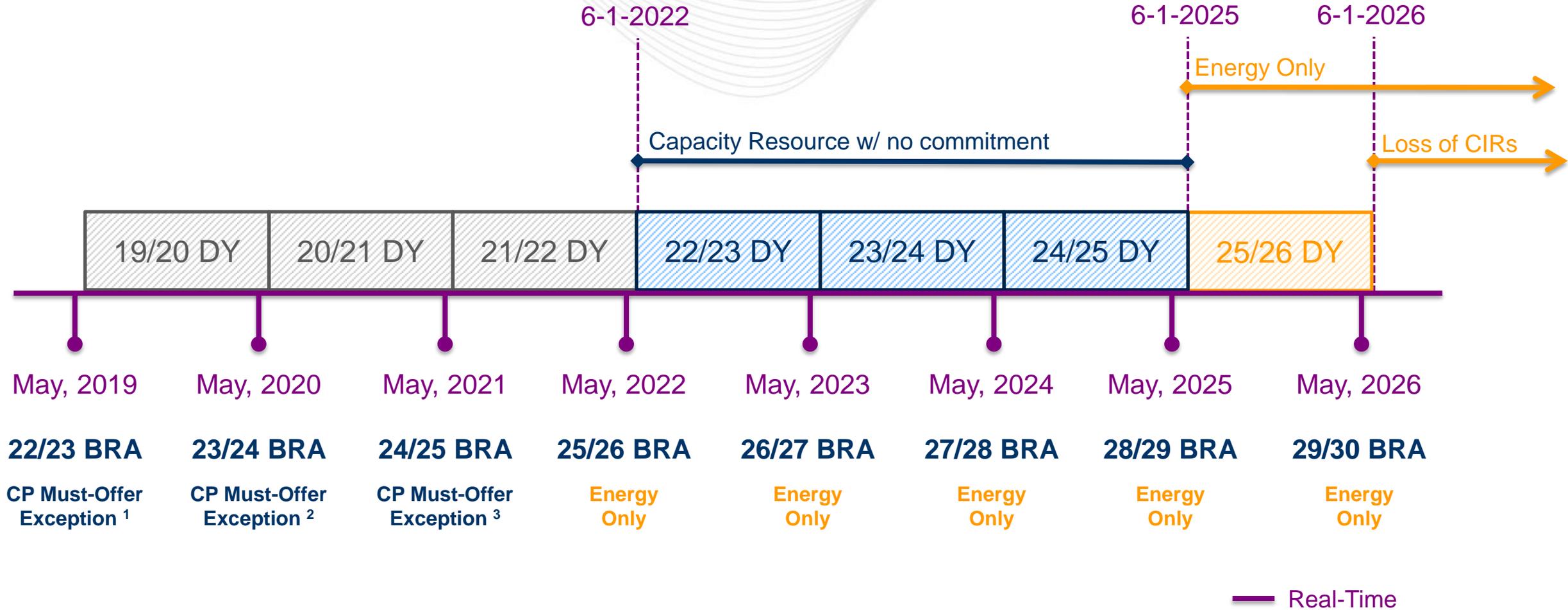
Example: **Voluntary** Capacity Resource Status Change Request for 22/23 BRA



- A status change to energy only will be **required** for Existing Generation Capacity Resources that are repeatedly approved for CP Must-Offer Exceptions and not offered in BRAs for 3 consecutive Delivery Years
 - Status change required at start of fourth Delivery Year
- If circumstances change prior to the effective date of the status change that now allow the unit to qualify as a CP Resource:
 - No later than 135 days prior to the status change, participants may submit a written request to PJM and the IMM requesting that the unit retain its Capacity Resource status
 - Requests must provide supporting data and documentation showing verifiable evidence that the resource can meet the performance requirements of a Capacity Performance Resource by the start of the relevant Delivery Year
 - If PJM grants such request and the Generation Capacity Resource is offered in the next applicable RPM auction, the unit shall no longer have its Capacity Resource status removed



Example: **Required** Capacity Resource Status Change After 3 CP Must-Offer Exceptions





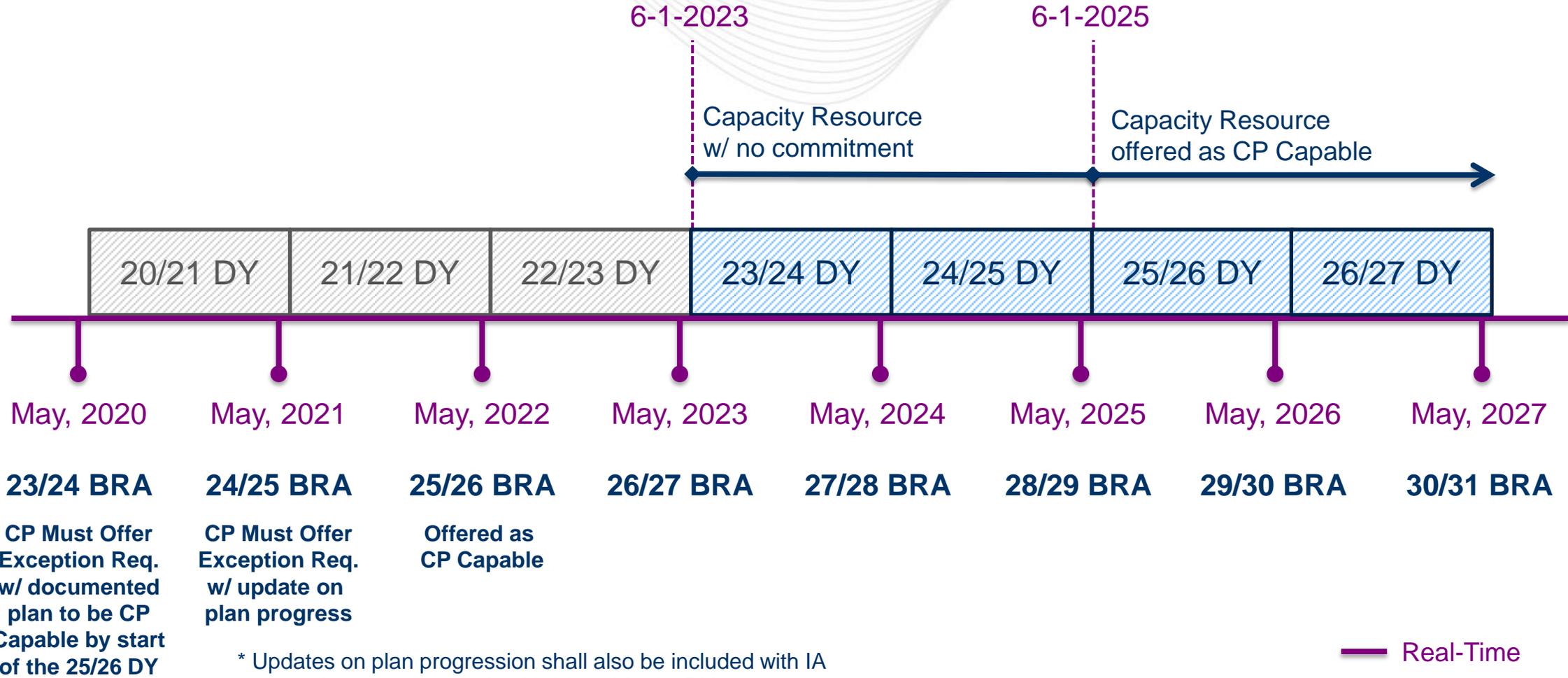
Alternate Proposal

- No changes from the MIC endorsed proposal in regard to:
 - The clarifying and efficiency revisions to the Must Offer Exception Process
 - The voluntary process for Existing Generation Capacity Resources to go energy only
- Proposes an alternative set of rules on the required status change to energy only for Existing Generation Capacity Resources seeking CP Must Offer Exceptions

- Effective with the 2023/2024 DY, a documented plan shall be required for BRA CP Must Offer Exception Requests showing the steps the seller intends to pursue for the resource to become physically capable of satisfying the requirements of a CP Resource
- Documented plan shall include:
 - Approximate timeline for design, permitting, procurement, and construction milestones, as applicable; not to exceed a time span that would require 3 or more BRA exceptions
 - Economic feasibility analysis
 - Officer certification to attest that provided timeline is scheduled as soon as practicable
- Updates on the progression or any changes to the plan shall be included with each subsequent BRA or IA exception request to be reviewed by PJM and the IMM
- Failure to submit a plan or lack of good faith effort by the seller to make the resource become physically capable shall result in the resource losing its Capacity Resource status
 - Status shall be lost with the first Delivery Year in which the resource requested an exception and was not committed as a Capacity Resource (no earlier than the 2023/2024 DY)



Alternate Example: Seller submits Plan to be CP Capable by start of the 25/26 DY

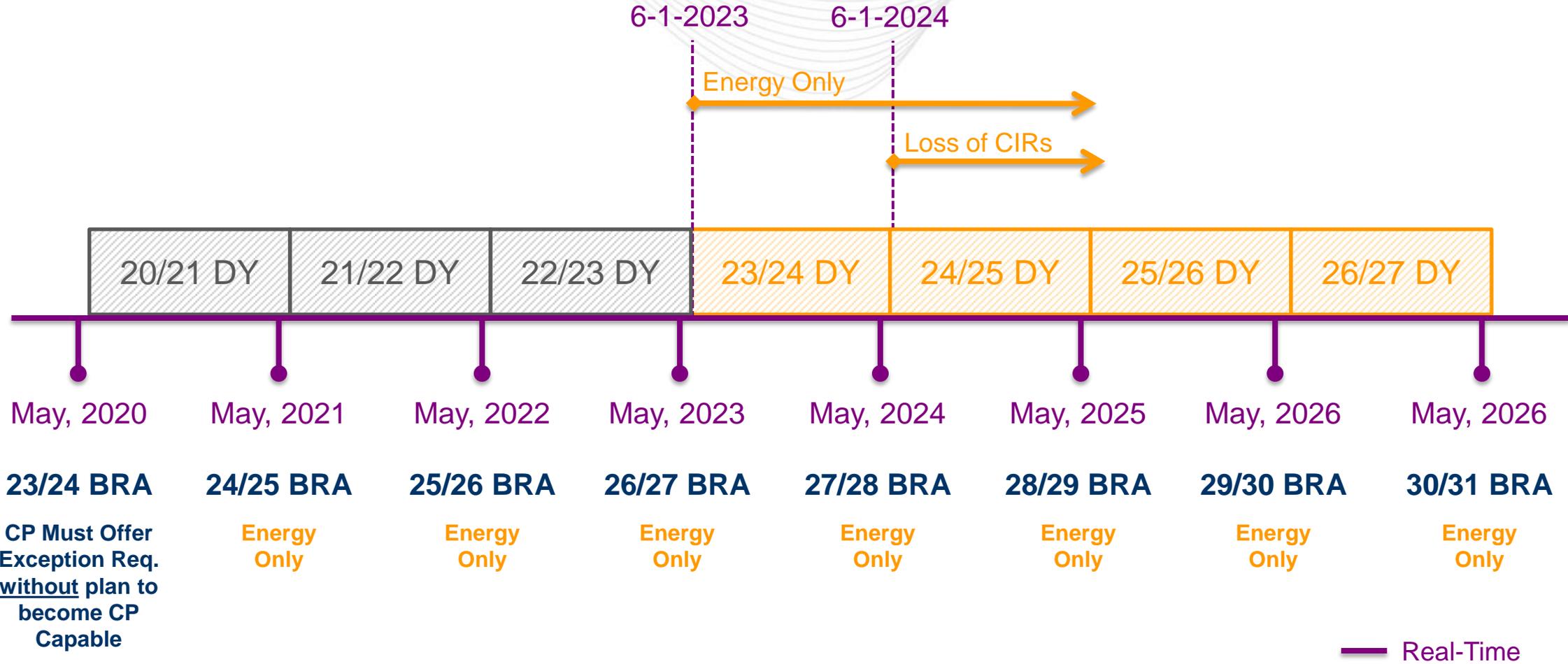


* Updates on plan progression shall also be included with IA exception requests for the 23/24 and 24/25 DYs

— Real-Time



Alternate Example 2: No Plan submitted w/ CP Must Offer Exception Request (Required Status Change)



Appendix



Capacity Resource Status Change: Activity Deadlines

Activity	Deadline
Preliminary request for Capacity Resource status change	SEPT01 prior to BRA, 240 days prior to IA
Final request for Capacity Resource status change	DEC01 prior to BRA, 120 Days prior to IA
IMM provides determination on status change request	90 days prior to auction
Capacity Market Sellers notify PJM/IMM of agreement with IMM determination on status change request	80 days prior to auction
PJM provides determination on status change request	65 days prior to auction

- Currently, two Must-Offer Exception sections – one that is general and one that is specific to Capacity Performance
- General Must-Offer Exceptions in Tariff, Att. DD, sec. 6.6(g):
 - is reasonably expected to be physically unable to participate in the relevant Delivery Year;
 - has a financially and physically firm commitment to an external sale of its capacity, or
 - was interconnected an Energy Resource and not subsequently converted to a Capacity Resource.

- What does “physically unable to participate” mean?
 - Documented plan to retire during or prior to the DY and has submitted its Deactivation notice to PJM
 - Significant physical operational restrictions cause long term or permanent changes to the installed capacity value of the resource, or the resource is under major repair that will extend into the applicable DY
 - Involved in an ongoing regulatory proceeding specific to the resource (e.g., environmental) and has received an order...or other final directive that will result in the retirement of the resource
 - It is only considered “Existing” because it cleared an RPM Auction, but will not be in-service by the start of the applicable DY

- Under Tariff, Attachment DD, section 6.6A
 - reasonably expected to be physically incapable of satisfying the requirements of a CP Resource
 - The review process and timeline is the same as under 6.6(g)
 - 120 days prior to auction for reasons other than deactivation
 - Intermittent and storage are categorically exempt

- “Physically incapable” includes...
 - Necessary capital improvements, or new fuel delivery infrastructure, that cannot be arranged, permitted, and completed in time for the relevant Delivery Year
- “Physically incapable” does *not* include...
 - Seller’s refusal to make investments, or allocate the operating budget, needed to bring the resource’s performance up to the necessary level
 - Economic feasibility tests

- Obligated to deliver energy during the relevant Delivery Year as scheduled and/or dispatched by PJM during Performance Assessment Intervals
 - PJM Tariff does *not* prescribe specific fuel arrangements or investment requirements needed to meet CP performance obligations
- Subject to CP Parameter Limited Schedule (PLS) rules

Activity	Deadline
Preliminary must-offer exception for reason of deactivation	SEPT01 prior to BRA, 240 days prior to IA
Final must-offer exception for reason of deactivation	DEC01 prior to BRA, 120 Days prior to IA
Must-offer exception for other than deactivation	120 days prior to auction
IMM provides determination on must offer exception	90 days prior to auction
Capacity Market Sellers notify PJM/IMM of agreement with IMM determination on must offer exception	80 days prior to auction
PJM provides determination on must offer exception	65 days prior to auction
Capacity Market Seller notifies PJM/IMM of intent to exercise approved exception	65 days prior to auction

- **RPM Must-Offer Requirement**
 - Participants are required to offer their available MW on Existing Generation Capacity Resources in all RPM auctions
 - Intermittent and Storage are categorically exempt from offering as CP
- **Must-Offer Exception Process**
 - Prior to an RPM auction, participants may submit a request to PJM and the IMM to forego this requirement for one of the defined reasons specified in the Tariff
 - General Must-Offer Exceptions (e.g. delayed in-service, deactivation, etc.)
 - Capacity Performance (CP) Must-Offer Exceptions
 - The IMM and PJM review the request and supporting data/documentation to make a determination on approval
 - The request and review process must be done in a timely manner consistent with the deadlines specified in the Tariff