



# MOPR: Asset-Life Ban Review

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P 162 of the MOPR order states that if a new resource claims the Competitive Exemption in its first year, then **subsequently** elects to accept a State Subsidy, that resource may not participate in the capacity market from that point forward.

- The debate around the interpretation of the asset-life ban has centered around the time period to which “**subsequently**” refers.
  - Is the ban triggered if the resource ever accepts a subsidy from that point forward?
  - Is the ban only triggered if the resource accepts a subsidy in that new entry delivery year? The revenue forfeiture provision for existing resources in this same paragraph is limited to acceptance of a subsidy for the delivery year in question.

- PJM believes a reasonable interpretation and implementation of the asset-life ban provision combines the asset-life ban provisions in [P162](#) of the order with the provisions governing transition from new state-subsidized resource to existing state-subsidized resource in [P141](#).
  - P141 – a new state-subsidized resource remains treated as new until it clears at Net CONE
- PJM proposes that the asset-life ban only be triggered if a subsidy is accepted in a delivery year in which the resource was treated as new entry
  - New subsidized resources which elect the competitive exemption will continue to be treated as new entry in future delivery years until they clear at or above the Net CONE, and will continue to be subject to the asset-life ban provision until such time

**P 141** In order to be treated as existing resources, new State-Subsidized Resources must first clear the capacity auction subject to the default offer price floor appropriate to a new resource.

**P 162** We share intervenors' concerns that PJM's proposed language leaves a loophole whereby a resource may not be eligible for a State Subsidy at the time of the capacity market qualification process, but may become eligible for such a subsidy, and accept it, before or during the relevant delivery year. We therefore direct PJM to include in its compliance filing a provision stating that if an existing resource<sup>311</sup> claims the Competitive Exemption in a capacity auction for a delivery year and subsequently elects to accept a State Subsidy for any part of that delivery year, then the resource may not receive capacity market revenues for any part of that delivery year.<sup>312</sup> We also direct PJM to include in its compliance filing a provision stating that if a new resource claims the Competitive Exemption in its first year, then subsequently elects to accept a State Subsidy, that resource may not participate in the capacity market from that point forward for a period of years equal to the applicable asset life that PJM used to set the default offer floor in the auction that the new asset first cleared.<sup>313</sup> We find that, absent this change, PJM's proposed language would allow gaming and incent the creation of subsidy programs timed to avoid the qualification window.

<sup>312</sup> The resource would, however, be eligible for capacity market revenues for the relevant delivery year if it could demonstrate under the Unit-Specific Exemption that it would have cleared in the relevant capacity auction.

- Asset-life ban applies to a Capacity Resource that:
  - a) does not qualify for a Categorical Exemption, **and**
  - b) either (i) certifies it is not a State-Subsidized Resource, or (ii) certifies it is a State-Subsidized Resource but elects to forgo the State Subsidy by electing the Competitive Exemption, **and**
  - c) is considered **New** for the auction Delivery Year, **and**
  - d) clears the auction for that Delivery Year, **and**
  - e) accepts a State Subsidy **during any part of the auction Delivery Year**
- New vs. Existing treatment
  - New resources are those that have not previously cleared an RPM auction
  - Generally, resources are treated as Existing once cleared in an RPM auction
  - New State-Subsidized Resources are only treated as Existing once cleared in an RPM auction at its competitive new entry price (i.e. Net CONE)

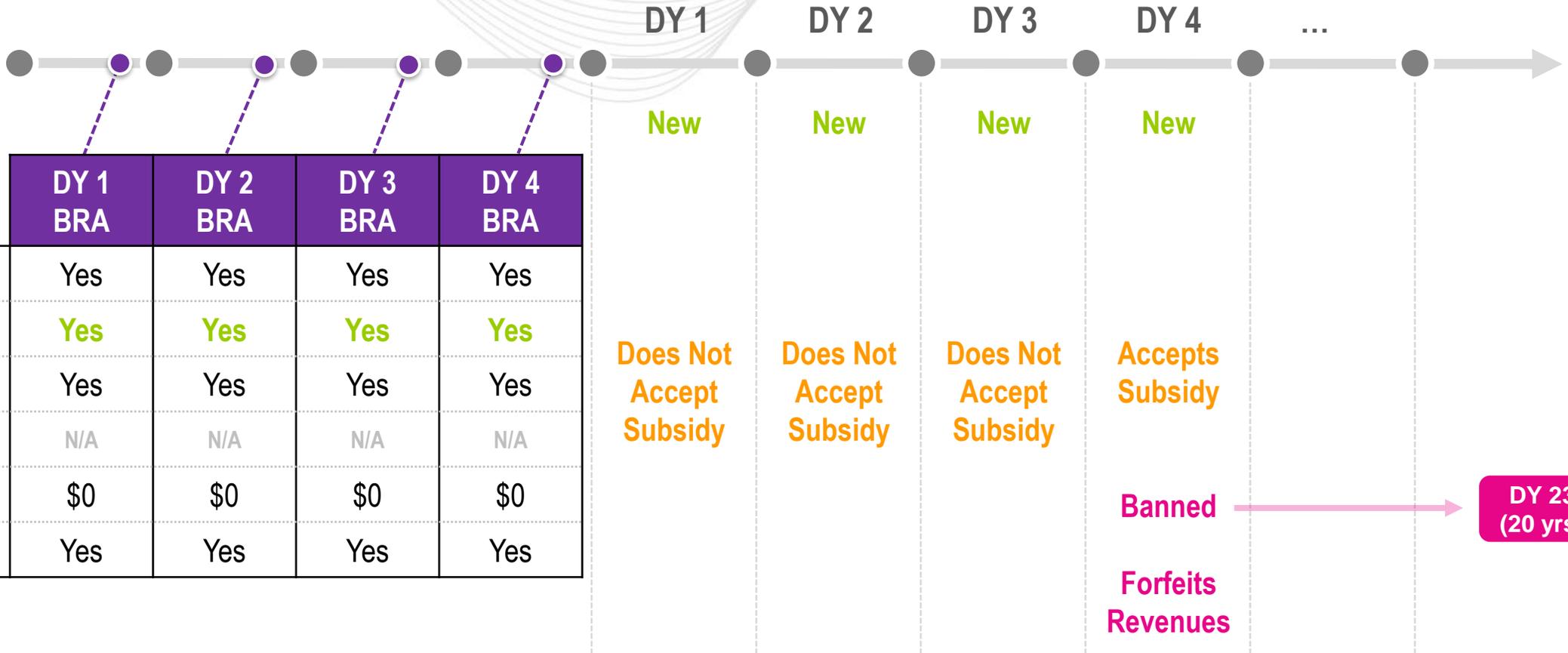
- A resource that is banned from the capacity market:
  - Retains its Capacity Resource status and MW
  - Retains any future RPM commitments it assumed prior to the ban being invoked
    - Commitments subject to performance obligations
    - These commitments can be replaced by other capacity resources
  - Is prohibited from taking on any additional RPM commitments
    - May not offer into RPM auctions or take on any additional RPM commitments through bilateral sales or replacement transactions
    - Eligible to be used in FRR Plan or sold off system
  - Forfeits cleared capacity revenues for the entirety of the Delivery Year in which it was first banned

The **Asset-Life Ban** starts with the Delivery Year that the State Subsidy is accepted

(20 years is not reduced based on first year that the resource cleared)

# Example 1: New Resource (Banned)

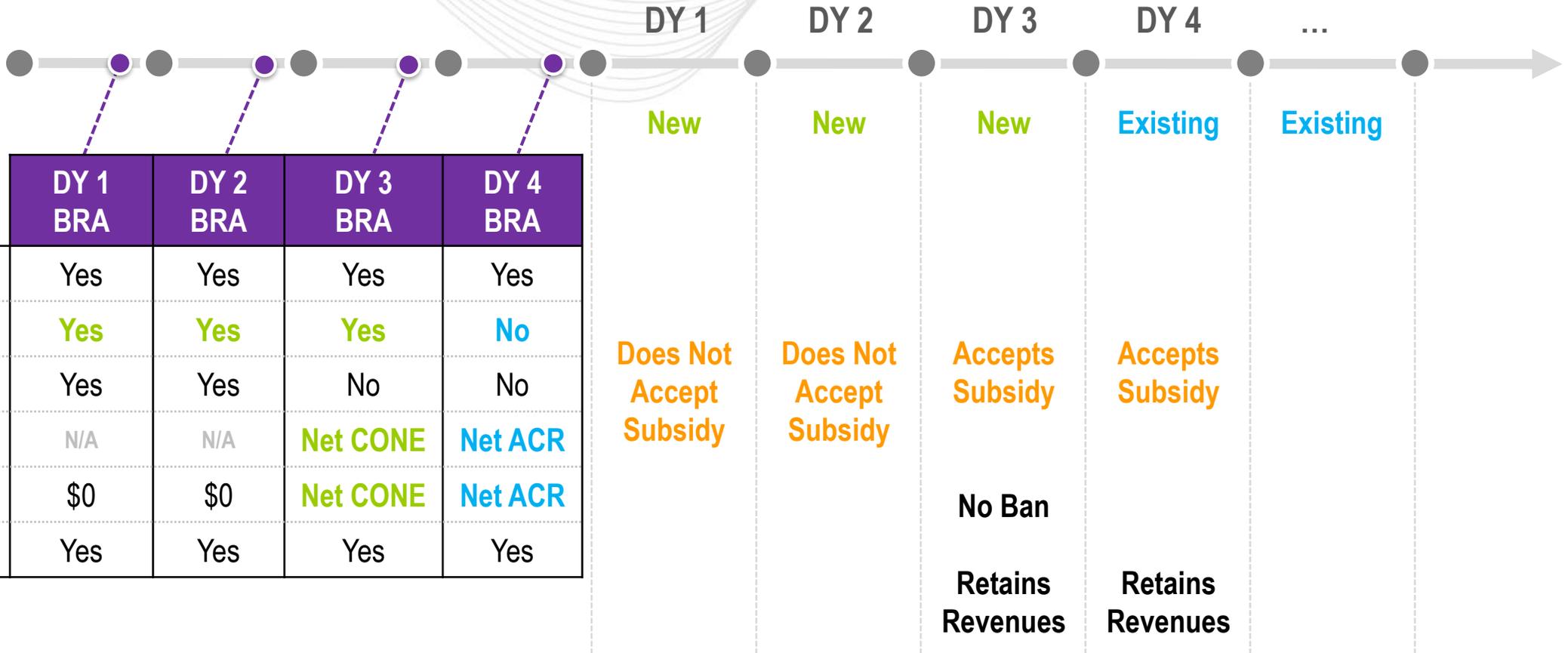
Elects Competitive Exemption each BRA - Accepts Subsidy in DY 4 - Banned



	DY 1 BRA	DY 2 BRA	DY 3 BRA	DY 4 BRA
Entitled to Subsidy	Yes	Yes	Yes	Yes
Considered New	Yes	Yes	Yes	Yes
Comp. Exemption	Yes	Yes	Yes	Yes
MOPR Floor Price	N/A	N/A	N/A	N/A
Offer Price	\$0	\$0	\$0	\$0
Clears in BRA	Yes	Yes	Yes	Yes

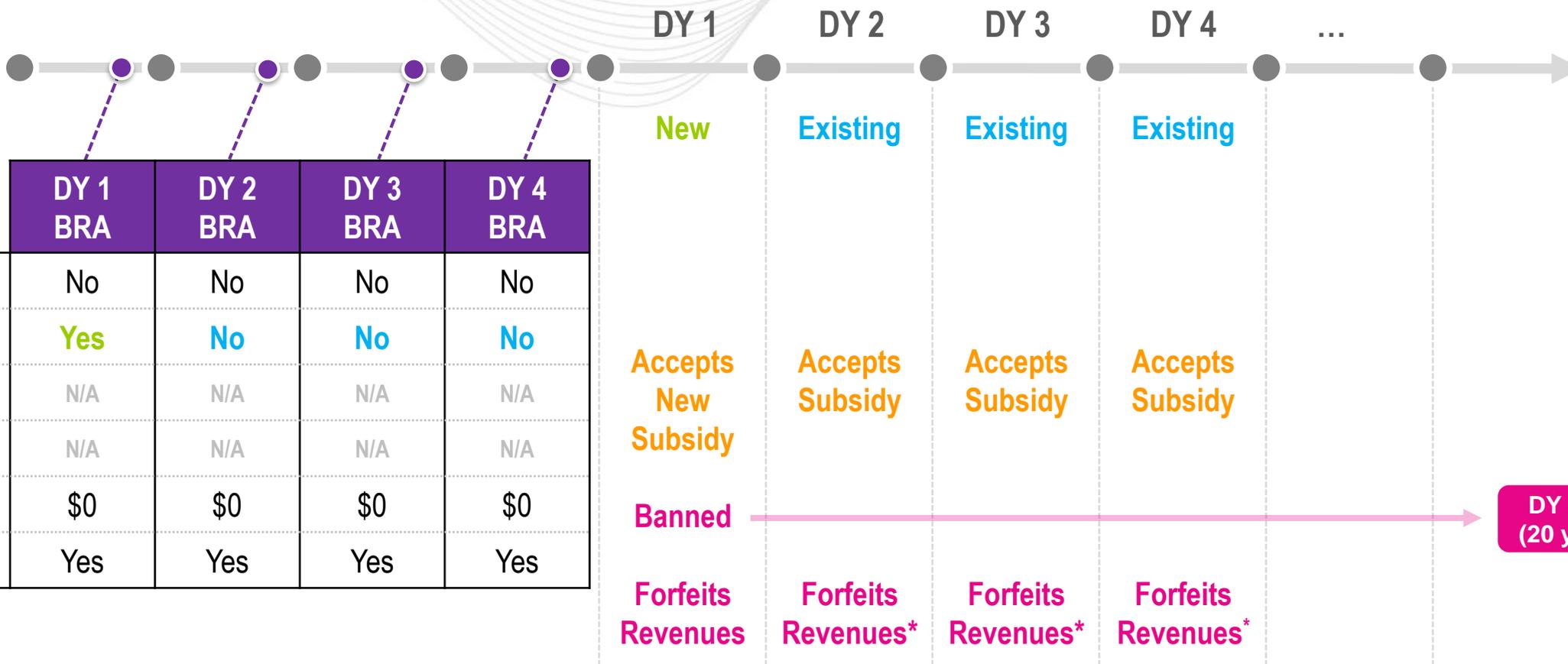
# Example 2: New Resource (No Ban)

Elects Competitive Exemption until DY 3 BRA - Accepts Subsidy in DY 3 - Not Banned



# Example 3: New Resource (Banned)

Not Entitled to Subsidy at time of BRAs - New Subsidy Created and Accepted in DY 1 - Banned



	DY 1 BRA	DY 2 BRA	DY 3 BRA	DY 4 BRA
Entitled to Subsidy	No	No	No	No
Considered New	Yes	No	No	No
Comp. Exemption	N/A	N/A	N/A	N/A
MOPR Floor Price	N/A	N/A	N/A	N/A
Offer Price	\$0	\$0	\$0	\$0
Clears in BRA	Yes	Yes	Yes	Yes

\* May be eligible to retain under unit-specific review

# Example 4: New Resource (No Ban)

Not Entitled to Subsidy at time of BRAs - New Subsidy Created and Accepted in DY 15 - Not Banned

