

FOR IMMEDIATE RELEASE

PJM Statement on Independent Market Monitor's Analysis of 2021-2022 Base Residual Auction

(Valley Forge, Pa. – Aug. 10, 2018)

While PJM Interconnection respects the independent market monitor's opinion, the facts regarding the 2021/2022 Base Residual Auction are clear.

The 2021/2022 Base Residual Auction was conducted in accordance with all Tariff-specified requirements and rules, including those rules related to the application of offer caps. The PJM Tariff codifying these rules has been approved by FERC as just and reasonable, and as such, the results of the auction conducted according to those rules are also just and reasonable.

During the week that the Base Residual Auction was cleared, prior to the posting of the auction results, the independent market monitor (IMM) confirmed with PJM that the auction results correctly reflect the results of the three pivotal supplier test and that the auction results correctly reflect the application of offer caps. The IMM states this on page 3 of its report.

The "correctly applied offer cap" to which the IMM refers is based on the IMM's opinion of what the offer cap should be, not the rules in PJM's Tariff that govern the level of offers that can be submitted into the auction. As stated by the IMM, PJM applied all offer caps correctly in accordance with the FERC-approved Tariff.

Market Sellers are required to submit the offer cap they intend to use for each resource (either ACR or the Net CONE times B default offer cap) 120 days prior to the auction. This timeframe is built into the process in part to allow time to challenge the use of any indicated offer cap prior to conducting the auction.

During the weeks where actual offers are submitted and the auction is cleared, the IMM has full visibility into all data relevant to the auction, including resource offers. If the IMM believed that economic withholding was taking place based on submitted offers and preliminary auction clearing results, the IMM could have consulted with the asset owner during that time period.

If the IMM believes that economic withholding took place, the proper course of action is for the IMM to refer the Market Seller responsible for such offers to FERC for further investigation.

If the IMM believes that the current rules regarding the default offer cap allow for economic withholding, the IMM, like any other stakeholder, can bring forward a Problem Statement and Issue Charge to be discussed by the PJM stakeholder body.

PJM does not believe that the IMM's published simulation results related to nuclear units offering at their ACR are valid. They are based upon hypothetical offers that could have been submitted on the basis of the IMM's anticipation of potential performance assessment hours, as well as the IMM's determination of the appropriate value of ACR to use for certain resources as opposed to their actual going-forward costs. Given these errors in the assumptions, the



simulations bear no direct relevance to any hypothetical auction outcome had different offer-capping rules been in place for this auction.

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