Pro Forma Reliability Must-Run (“RMR”) Agreement

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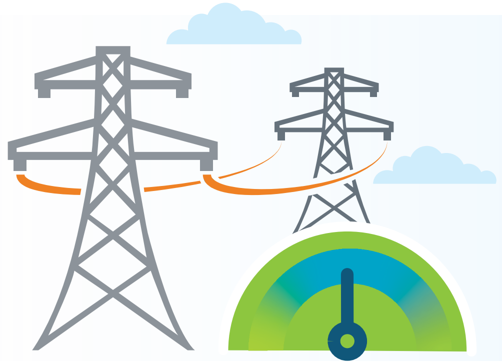
Members Committee

August 19, 2026

When are RMRs Necessary?



When PJM's analysis of a deactivating generator indicates thermal/voltage/stability violations on the transmission system, and PJM requests that the generator continue operations after it leaves the market to maintain reliability until transmission upgrades are complete.

RMR units tend to be very old and prone to breaking (*i.e.*, heightened business risk).

RMRs are more likely in areas of the PJM footprint that are transmission constrained.

The need for an RMR is closely tied to PJM's planning analysis of transmission system impacts, and *not* to the general impact on capacity sufficiency.

Generators may seek compensation for RMR service through two “paths:”

Formula Rate

1

Tariff, Part V, Section 114 – **“Deactivation Avoidable Cost Credit”**

- Involves interface between generation owner and IMM on cost components.
- Informational filing(s) at FERC.

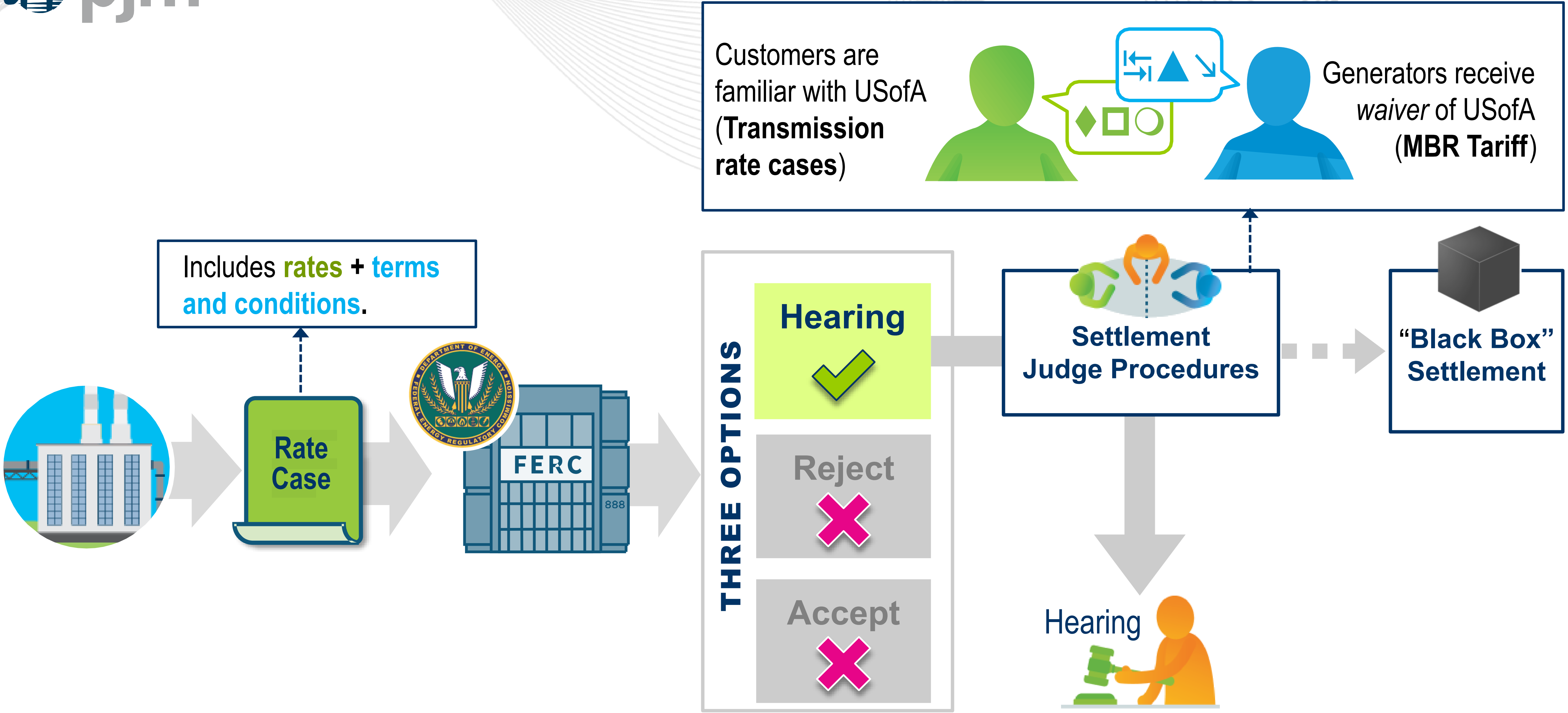
Rate Schedule

2

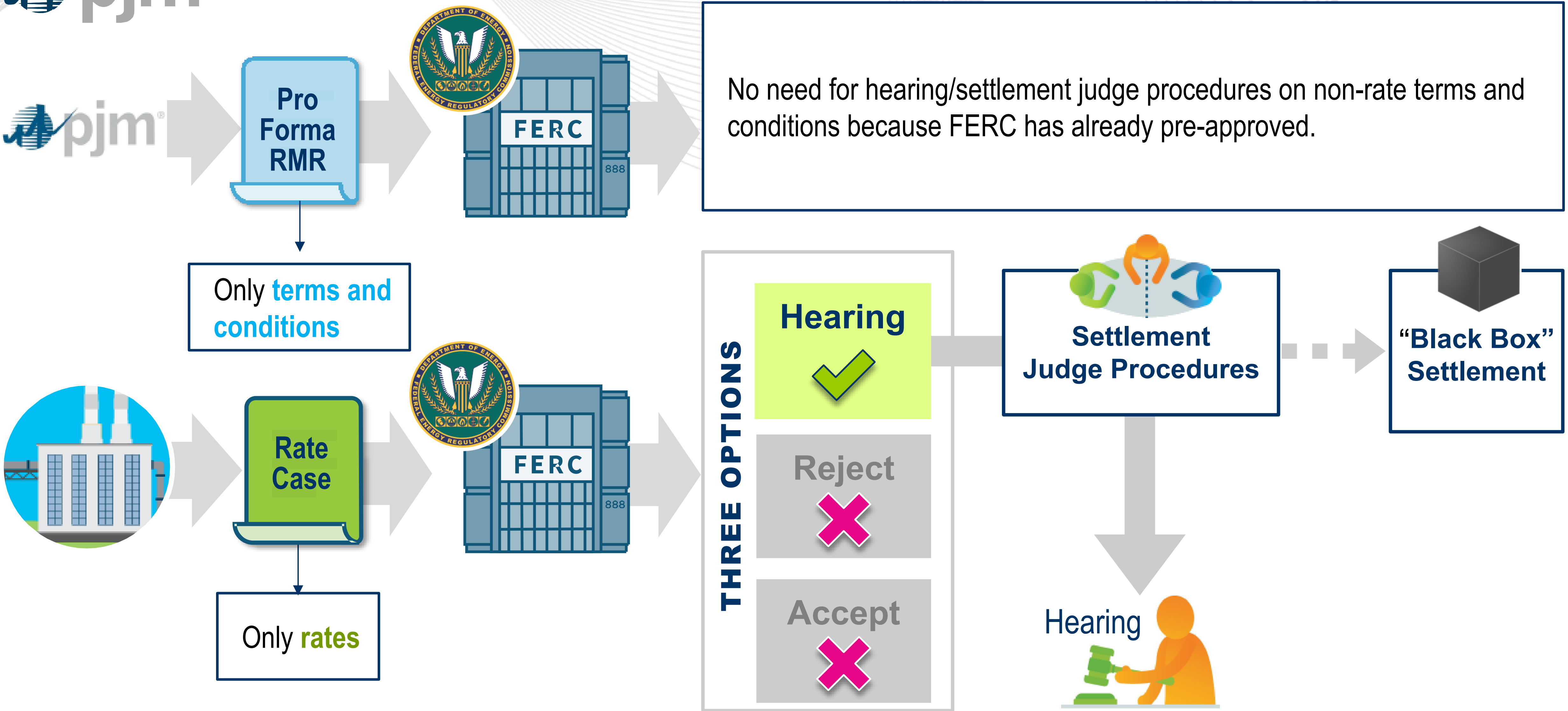
Tariff, Part V, Section 119 **“Cost-of-Service Rate”**

- Generation owner makes an FPA 205 filing at FERC to propose “*a cost-of-service rate to recover the entire cost of operating the generating unit*.”

What a Generator Cost-of-Service Rate Case Looks Like



Procedures Under PJM Pro Forma



Key Features of Pro Forma RMR

PRO FORMA RMR
1. Only effective upon acceptance by FERC.
2. RMRs that are also Generation Capacity Resources are included in RPM supply stack.
3. Term ends on date of transmission upgrade(s) completion or conclusion of Delivery Year if applicable.
4. Generation Owner may terminate for catastrophic force majeure or failure of PJM to approve PI.
5. PJM will terminate when it determines RMR is no longer necessary.
6. PJM and Generation Owner may agree to extend the Term, subject to approval of necessary PI and compensation.
7. Schedule and dispatch may occur to address: (i) risk of thermal/voltage/stability violations under Manual 3 (ii) system restoration; (iii) projected or actual capacity emergency under Manual 13; (iv) required testing.
8. Units offered into DA/RT via Markets Gateway with Status “Unavailable,” with an eDART ticket indicating Units can run under RMR.
9. Generation Owner does not offer units into RPM Auctions, and is not subject to RPM penalties.
10. Generation Owner may choose either DACC or cost-of-service rate filing for compensation.
11. Revenues generated from energy/capacity/AS sales are credited against RMR charges.

Updates to Redlines for Tariff, Attachment DD, section 5.3

(b) (i) A Generation Capacity Resource that has been retained pursuant to either:

(I) an executed Form Reliability Must Run Service Agreement under Tariff, Part V that does not clear an RPM Auction for the relevant Delivery Year based on an offer, if any, submitted by the Capacity Market Seller of such resource and is subject to the Deactivation Avoidable Cost Credit or a cost of service revenue requirement submitted in accordance with Tariff, Part V and accepted by the Federal Energy Regulatory Commission to be effective for the relevant Delivery Year at least three months prior the posting of the planning parameters, or ~~(i) F~~

(II) for Delivery Years up to and including the 2030/2031 Delivery Year (unless an extension of these provisions are proposed by the Office of Interconnection and accepted by the Federal Energy Regulatory Commission), ~~a Generation Capacity Resource that has been retained pursuant to~~ Tariff, Part V to address transmission reliability and that (1) does not clear an RPM Auction for the relevant Delivery Year based on an offer, if any, submitted by the Capacity Market Seller of such resource and (2) is the subject of a rate schedule submitted in accordance with Tariff, Part V that (a) obligates the Generation Capacity Resource to operate throughout the relevant Delivery Year and (b) such rate schedule is effectively an extension of one that has previously been accepted by the Federal Energy Regulatory Commission,

shall be deemed to be the subject of a Sell Offer at $0/MW-Day in the Base Residual Auction for the full available Accredited UCAP (up to the resource's Capacity Interconnection Rights) of such resource to the extent the Generation Capacity Resource:

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Pro Forma Reliability Must-Run ("RMR") Agreement

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