

Must-Offer Exception Process

Problem / Opportunity Statement

The PJM OATT, Att. DD, Sec. 6.6 outlines the offer requirement for existing capacity resources. A resource owner may obtain an exception to the offer requirement by demonstrating that the resource “is reasonably expected to be physically unable to participate in the relevant Delivery Year.” See, PJM OATT, Att. DD, Sec. 6.6(g). The tariff describes four methods of establishing that a resource is physically unable to participate. However, these methods may not be dispositive of legitimate reasons to support a must-offer exception. For example, a gas unit that currently does not qualify as a CP resource due to lack of winter fuel supply might be able to firm up its fuel sources by installing on site oil storage for dual-fuel capability. Investment, permitting and construction could be completed in the three-year span between the BRA clearing and the start of the Delivery Year. If the unit does not clear in the BRA, it must offer in subsequent Incremental Auctions. However, due to the passage of time, at some point it becomes impossible to invest, permit and construct the dual fuel facility prior to the commencement of the Delivery Year. Current rules do not describe the evidence required to sustain a must-offer exception in such circumstances.

Further, current rules require that resources owners renew a must-offer exception for the same unit for every auction. However, such renewals may be inefficient when, for example, a unit is granted a must offer exception for a Base Residual Auction, the unit fails to clear, and there are no changes to the circumstances under which the initial exception was granted through the time of a subsequent Incremental Auctions.

Finally, if a unit fails to qualify as a Capacity Performance Resource, there is currently no process identified in the PJM Governing Documents or Manuals to become an Energy Only Resource. Resource owners evaluating options for continued energy market participation, but that do not wish to invest capital to merit undertaking CP risk, might wish to maintain energy-only standing. Such rules could decrease offer risk and foster administrative efficiency.

Potential process reforms that should be investigated include but are not limited to:

1. Clear guidelines on the documentation required by the IMM and PJM to grant a Must-Offer Exception Request
2. Must-offer exception process reforms for improved efficiency (e.g. one request can be made for a Base Residual Auction and related Incremental Auctions, etc.).
3. Establishing a process for resources with an existing must-offer requirement to become energy only resources.