

Perspective on the MOPR Order's Impact to Vistra Energy

Markets Implementation Committee
January 8, 2020

High Level Takeaways

- Acknowledging that this order has garnered significant reactions, we are pleased that the order (1) emphasizes the importance of competitive markets and (2) resolves the regulatory uncertainty.
- In our view, the order does not mean that we cannot achieve our environmental goals; it just means we have to use tools that are consistent with the competitive market structure.
- Consistent with the emphasis on competitive markets, we believe that PJM should establish a timeline to hold the next capacity auction soon.
 - We compete to serve retail electricity needs, from individual residential and business retail choice to municipal aggregations and default service customers. Frequently buyers want multi-year terms for those contracts. As of June 1, 2020, we will not know capacity costs 2 years from now, meaning that those customers may pay more for electricity because we and other bidders will have to make our best guesses and build in a risk premium.
 - Knowing the capacity auction outcomes also informs decisions regarding our generation fleet – whether to continue investing in a plant with a more significant need, or whether to make difficult retirement decisions, as we did earlier this year in Illinois. These decisions are inherently harder to make in shorter timeframes.

- Definition of subsidy is very broad. However, we think it's possible to implement it reasonably without implicating market-driven price outcomes, e.g., RGGI.
 - To the extent that PJM thinks it needs additional guidance from FERC on how to implement, state a date by which you need to have heard from FERC to stay on schedule.
- There is some ambiguity in the order regarding the application of MOPR for voluntary REC purchases but not voluntary bilateral transactions. Believe PJM should not interpret to impede market-driven behavior.
 - For example, we offer various “green” retail products to our customers, which we back with more RECs than needed to comply with state mandates. MOPR'ing these purchases will mean that:
 - it is more expensive to offer these “green” products to our customers,
 - there will be fewer low-carbon resources to source from than robust market dynamics alone would support, and
 - there is an efficiency loss.

- Unit-specific exemption - details matter.
 - We think it is important for market participants to understand (1) what the standard is, and (2) what showing generators will need to make. This would be important to us, for instance, in considering an uprate to a gas plant, given the order's direction to apply the MOPR to gas uprates without the possibility for a competitive exemption.
 - We also think that a transparent process around the unit-specific review can play a role in promoting a streamlined implementation of the new rules, rather than sparking additional litigation.