



PJM Perspectives on Market Seller Offer Cap (MSOC)

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- Current MSOC construct has **significant market design and logistical flaws**
 - Sellers unable to offer at levels consistent with commercially reasonable costs and risks of providing capacity
 - Logistical challenges create burdensome and confusing compliance process
- **Targeted reforms needed in near-term** to address issues for future auctions
- Paramount that any reforms to the MSOC allow for **effective screening of market power**

We broadly **agree with the concerns and perspectives provided by stakeholders on MSOC**, and that targeted reform to the current calculation and process is important to address as soon as practicable

- Current work plan reflects a completion date for targeted MSOC reforms by end of Q1 2022 for this group to hit the scheduled March check-in and implementation for the 2025/2026 BRA
- We'll need to work through what set of targeted reforms are appropriate and feasible given the limited time period to implement for earlier auctions

Three general categories of issues that we've seen or heard:

- 1. Design flaws** of the current Net ACR formula used in unit-specific reviews
 - E.g. Inability to reflect avoidable costs & revenues consistent with seller's intentions (retirement vs. mothball vs. continuing to participate in E&AS markets), inability to reflect CP risk in certain cases or opportunity costs related to CP, etc.
- 2. Process issues and challenges** of unit-specific reviews and calculations
 - E.g. Timing and transparency of calculations, standardization and clarity on providing reasonable support for various ACR components, etc.
- 3. Default MSOC**
 - Consideration of alternative default offer cap levels that may better balance objectives of (a) mitigating market power concerns, and (b) minimizing administrative burden and over-mitigation risk of sell offers

Current Auction Schedule and Check-Ins

		Auction Run Date	Pre-Auction Activities (120 days prior)	FERC Filing By	RASTF Check-In By
Delivery Year	2023/2024	Jan 2022	-	-	-
	2024/2025	Aug 2022	Apr 2022	Feb 2022	-
	2025/2026	Feb 2023	Oct 2022	June 2022	Mar 2022
	2026/2027	Aug 2023	May 2023	Dec 2022	Sept 2023

Note: Revised auction schedule TBD

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RASTF KWA#9 Targeted Reform of MSOC



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