

MOPR: An Overview of Potential Topics and Approaches Rooted in History

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Based on the workshops, there were five approaches to MOPR reform design that we reported on.

Accommodate policy resources by reducing the clearing price to ensure total cost does not increase.

General Characteristics

- Maintains current MOPR
- Seeks to incorporate commitments on policy resources without physically “crowding out” other economically cleared resources
- Mechanism to do this is by scaling the clearing price
- Transitional in nature until longer-term MOPR reform can be addressed

Intent-based with ex ante standards

The MOPR would only identify and apply the MOPR in cases where the ex ante screens are triggered.

General Characteristics

- A single test or set of tests would be defined in the Tariff that identify the intent to suppress price; they could cover all scenarios or leave some flexibility.
- Scenarios that fail the screen are subject to MOPR.
- Could apply to every resource type, both new and existing, regardless

Create an explicit buyer-side market power screen based on the contractual obligation of a supply resource and the impact to clearing price.

General Characteristics

- Focuses in on direct contractual tie from a resource to a load
- Exempt scenarios where there is no clear intent (self-supply)
- Captures scenarios where the reduction in clearing price caused by a resource being offered below cost results in a reduction in payments to the associated load
- Includes short screen for self-supply

Based on the workshops, there were five approaches to MOPR reform design that we reported on.

Revert to a MOPR that resembles pre-December 2019 versions of the MOPR. Potentially include features of prior iterations.

General Characteristics

- Only has non-zero MOPR floor prices for new natural gas resources
- All other resources have a \$0 floor price
- Allows for unit-specific exceptions to the MOPR floor price

Options

- Competitive entry exemption?
- State policy exemption?
- Self-supply exemption or short/long test?

Retain current MOPR structure but recognize Social Cost of Carbon when identifying which subsidies trigger the MOPR.

General Characteristics

- Clean energy policy subsidies within 110 percent of the Social Cost of Carbon exempt
- Time-limited carve out to avoid MOPR Floor
- Carve out size is equal to single year's projected load growth
- Offers under carve out are prorated if the total amount > the size of the carve out
- Resources may not use the carve out for more than three years; remain subject to MOPR in future years

- **Education:** Review high-level possible approaches to the elements of MOPR design rooted in historic iterations of the MOPR
- **Feedback:** Seek stakeholder feedback on potential topic areas for consideration in MOPR redesign
- **Dialogue:** Help to frame dialogue for consideration of additional/alternative topic areas and high-level thematic approaches
- **Polling:** Set a foundation for possible polling on topic areas and high-level thematic approaches to MOPR redesign

- An attempt to limit consideration of the details of any stakeholder presented proposal
- Anything more than a description of possible approaches to MOPR redesign and not a detailing of specific solutions within those possible approaches
- A representation of PJM endorsement of any of the topics and thematic approaches to the elements of MOPR redesign
- A limitation on other topics and thematic approaches to elements of MOPR redesign

- How would buyer-side market power be identified
- Potential exemptions for state actions
- Potential exemptions for self supply
- Reach of the new MOPR
(e.g., planned, existing, all resources vs. gas-only etc.)
- MOPR administration
(e.g., unit-specific processes or clear standards)
- Remedies if buyer-side market power identified

Topic One

What are some potential indicators of incentive and ability to exercise buyer-side market power?

TOPIC ONE: Indicators of Intent to Exercise Buyer-Side Market Power

If we return to an “intent-based” MOPR, what are indicators of intent?

Approach One

“Incentive and Ability” Test

Focus on whether unit owner has a load obligation with a fixed price as evidence of *incentive* and constrained nature of the LDA as indicator of *ability* to exercise buyer-side market power.

(Rooted in themes from the 2006 MOPR)

Approach Two

“Non-Bypassable Charges” Test

Focus on whether unit owner is receiving state support through non-bypassable charges and whether charges were the result of competitive non-discriminatory procurement.

(Rooted in themes from the 2012 MOPR)

TOPIC ONE: Indicators of Intent to Exercise Buyer-Side Market Power

If we return to an “intent-based” MOPR, what are indicators of intent?

Approach Three

Offer Screens

Predetermined indicators based on offer being less than 80 percent of net CONE for the class of units, unit owner’s affiliate being net short and applied locationally only.

(Rooted in 2006 MOPR)

Approach Four

Strict Application of the Hughes Case

Payment to the unit owner must not be contingent on unit clearing with non-bypassable charge that directly replaces the wholesale rate.

(Rooted in Hughes case)

Topic Two

What are different approaches to accommodate state public policy?

Approach One

Presumed “Good Faith” Standard

Assume that all state actions are for a legitimate public purpose. Burden shifts to complainants to prove intent and ability to exercise buyer-side market power.

(Rooted in Justice Sotomayor concurrence in Hughes)

Approach Two

“Articulated State Policy Test”

State actions acceptable if they are seeking to accomplish a clearly articulated and documented state policy.

(Rooted in 2006 MOPR exemptions for states seeking to address a “capacity shortfall”)

Approach Three

“Non-Discriminatory State Action Test”

Requiring the procurement of a certain generation type to be non-discriminatory and open to existing and new capacity.

(Rooted in 2012 MOPR)

Approach Four

Strict Application of the Hughes Case

Payment to the unit owner must not be contingent on unit clearing with non-bypassable charge that directly replaces the wholesale rate.

Approach Five

Exempting Rate Base/Rate of Return Regulation

Expanding option three above to also include units developed in traditionally regulated states.

(Rooted in 2012 MOPR)

Topic Three

What are appropriate approaches to accommodate self supply?

Approach One

Net-Short/Net-Long Exemptions

(Rooted in 2006 and 2012 MOPR)

Approach Two

Blanket Exemption for Traditional Public Power Business Models

(Rooted in 2012 MOPR)

Approach Three

Apply “incentive and ability” tests based on net short test for measure of intent with consideration of size of fleet and constrained nature of the LDA to determine ability.

(Rooted in 2006 MOPR)

Topic Four

What should the scope and reach be of the new MOPR?

Approach One

Apply to all planned units but only in constrained areas. No application to existing units.
(Rooted in 2006 MOPR)

Approach Two

Apply to planned natural gas units only or natural gas units that have not cleared a capacity auction.
(Rooted in 2012 MOPR)

Approach Three

Apply to all units irrespective of technology or vintage but exempt certain existing units to reflect “settled expectations of the parties.”
(Rooted in 2019 MOPR)

Topic Five

What are the appropriate processes to administer the new MOPR?

Approach One

Predefined Standards

No unit-specific reviews.

(Rooted in 2012 MOPR proposal to FERC)

Approach Two

Predefined Screens and Repricing

Pre-defined screens and defined repricing of market outcomes if the unit fails the screen.

(Rooted in 2006 MOPR)

Approach Three

Use of Unit-Specific Reviews

Unit-specific review process to determine cost-based floor levels for units subject to the MOPR.

(Rooted in 2019 MOPR)

Topic Six

What are the appropriate remedies when buyer-side market power is identified?

Approach One **Recalculating the Clearing Price**

(2006 MOPR)

Approach Two **Screen Based on Social Cost of Carbon**

Others?

Discussion

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