



Must-Offer Exception Process Proposal

Patrick Bruno
Sr. Engineer, Capacity Market Operations
Members Committee
June 27, 2019

- **RPM Must-Offer Requirement**
 - Participants are required to offer the Available MW on Existing Generation Capacity Resources in all RPM auctions
 - Intermittent and Storage are categorically exempt from offering as CP
- **Must-Offer Exception Process**
 - Prior to an RPM auction, participants may submit a request to PJM and the IMM to be exempted from this requirement for one of the specified reasons in the Tariff
 - General Must-Offer Exceptions (e.g. delayed in-service, deactivation, etc.)
 - Capacity Performance (CP) Must-Offer Exceptions
 - The IMM and PJM review the request and supporting data/documentation to make a determination on approval
 - The request and review process must be done in a timely manner consistent with the deadlines specified in the Tariff

- Problem Statement/Issue Charge was brought forward in 2018 by a member to investigate:
 - Potential reforms to the RPM Must-Offer Exception Process for improved efficiency and clarity
 - A documented process for Generation Capacity Resources to become energy-only resources
- The issue was approved by and worked through the MIC with 3 proposals voted on at the April MRC meeting
 - Main Motion, Exelon alternative proposal, and the PJM/IMM alternative proposal
- The MRC endorsed the PJM/IMM alternative proposal with a sector-weighted vote of 3.74 in favor

- Several revisions to Manual 18 on the RPM Must-Offer Exception Process for improved efficiency and clarity
- A documented process for participants to voluntarily request a status change to energy-only for their Generation Capacity Resources
 - Includes rules on timing of the requests and the review process by PJM and the IMM, as well as the treatment of Capacity Interconnection Rights (CIRs)
- Updates to the documentation required for a CP Must-Offer Exception and rules for a mandatory status change to energy-only for Generation Capacity Resources seeking the exception with no plan to become capable of meeting the requirements of a CP Resource

- **Attachment DD, Section 6.6 Offer Requirement for Capacity Resources**
 - Revisions to the process for a Capacity Market Seller to voluntarily request that a Generation Capacity Resource have its Capacity Resource status removed
- **Attachment DD, Section 6.6A Offer Requirement for CP Resources**
 - Revisions to the CP Must-Offer Exception Process to include the submission of a documented plan to become CP capable, as well as the rules regarding the mandatory removal of Capacity Resource status
- **Part VI, Subpart C, Section 230.3.3 Replacement of Generation**
 - Revisions for the loss of Capacity Interconnection Rights (CIRs) one year following the date of the Capacity Resource status removal

Appendix

Process Efficiency

- Allow participants to specify multiple auctions in their written Must-Offer Exception requests submitted to PJM and the IMM
 - For system tracking, a MIRA request is still needed for each auction, but no need to re-submit all the same supporting data/documentation for each subsequent auction
 - PJM and the IMM will still review with each subsequent auction

Process Clarifications

- Must-Offer Exception requests are not required for generators approved for an “early replacement” transaction
 - Current rules already prohibit the replaced generator from re-committing those MW for the Delivery Year; no need to also submit a Must-Offer Exception Request
- Timing is an acceptable reason for a CP Must-Offer Exception
 - A resource that cannot have its project completed in time by the start of the Delivery Year that’s needed to be CP capable is an acceptable reason for a CP Must-Offer Exception

- Participants may voluntarily initiate the process to remove a Generation Capacity Resource from its Capacity Resource status by submitting a written request to PJM and the IMM, along with supporting data and documentation
 - Requests and PJM/IMM review of a Capacity Resource status change will follow the same deadlines of Must-Offer Exceptions related to deactivation for RPM auctions
 - The MW of units requesting a status change will be grouped and included in the posting of Must-Offer Exceptions related to deactivations
- Requests will not be permitted for a Delivery Year in which the Generation Capacity Resource holds a capacity commitment

- PJM will run any necessary reliability studies for relinquishment of Capacity Interconnection Rights (CIRs) by the resource
- IMM will review for potential market power concerns
- Upon approval, the generation unit will no longer be modeled as a Capacity Resource effective with the date of the status change
 - No longer eligible to offer in auctions or take on commitments for the relevant future DYs
- The CIRs of the resource will be relinquished in a manner consistent with a deactivating unit
 - One year from the effective date of the status change if not re-used in queue

- Effective with the 2023/2024 Delivery Year, a documented plan shall be required for BRA CP Must-Offer Exception Requests showing the steps the seller intends to pursue for the resource to become physically capable of satisfying the requirements of a CP Resource
- Documented plan shall include:
 - Timeline for design, permitting, procurement, and construction milestones, as applicable; not to exceed one BRA exception
 - Evidence of corporate commitment (e.g., an SEC filing, a press release, or a letter from a duly authorized corporate officer indicating intent to make such investment)

- Updates on the progress, or any changes to the plan shall be provided prior to each relevant auction until the plan has been completed and the resource is physically capable of satisfying the requirements of a CP Resource
 - Must be provided no later than 120 days prior to IAs and by 12/1 prior to subsequent BRAs
- A one year extension to the timeline shall be permissible only for delays (i) not caused by the seller, and (ii) could not have been remedied by the seller through the exercise of due diligence
 - In no event may a CP Must-Offer Exception be requested for more than two BRAs
- Failure to submit a plan or lack of good faith effort by the seller to make the unit physically capable shall result in the required status change to energy-only
 - Status change effective with the first Delivery Year the resource had a CP Must-Offer Exception (no earlier than the 2023/2024 DY)