

MOPR Reform Proposal

Applicable Capacity Resource Technology Types

Mitigation shall only be considered for capacity market offers of **new gas-fired units**.

New gas units are widely acknowledged to be the least expensive incremental capacity resource and therefore the most effective means of successfully exercising buyer side market power. Offers from other technologies are typically either more expensive and time-intensive to construct, or of such small capacity value that they would be an ineffective means of attempting to suppress market clearing prices. "Existing" capacity resources, which are already interconnected and cleared, have entered the capacity market competitively and are already represented on the supply curve, thus mitigation is unwarranted.

However, PJM shall review the competitiveness of new gas-fired resources and other resource technologies at least with each Quadrennial Review and propose to modify this provision if it determines that the prevailing net costs of other technologies are more competitive than new gas resources.

MOPR Screens

MOPR application is appropriate only in either of the two following situations:

1) **Conditioned State Support**

MOPR is applied to capacity offers of a resource that receive benefits from a governmental entity for the sale of a FERC-jurisdictional product **conditioned on clearing in any RPM Auction**.

2) **Buyer Side Market Power**

Applicable Buyers

MOPR may be applied to wholesale market buyers that are Load Serving Entities serving captive load whose forecasted load in the Delivery Year is expected to be less than owned or controlled capacity resources. MOPR does not apply to wholesale market buyers exclusively serving competitive retail load, since competitive retail load may migrate at any time. Any scheme to develop incremental generation for the purpose of unjustly suppressing price for the benefit of such retail load would benefit not only the load of the competitive retailer, but also all other load within the retail jurisdiction. Thus, the retail supplier would obtain no competitive advantage.

States are not wholesale market buyers.

Rebuttable Presumption of Competitive Offers from LSEs Serving Captive Load

An LSE’s offer into a capacity auction of an incremental gas-fired capacity resource that it has developed or purchased is presumed to be consistent with managing the risk of load service in the Delivery Year and therefore competitive and not subject to application of the MOPR.

However, the presumption described above is rebutted if:

- A) The LSE serves captive load and the MW volume of the LSE’s incremental gas-fired capacity resource offer falls outside the bounds of Net Short thresholds set forth below; or
- B) PJM, with the advice of the IMM, determines, under general anti-manipulation terms in the tariff, that the self-supply LSE’s gas-fired resource offer is intended to unjustly produce an uncompetitive capacity market clearing result; or
- C) PJM, with the advice of the IMM, determines that a capacity resource seller has contracted to clear a gas-fired resource on behalf of or for the benefit of a self-supply LSE described in A or B, above (i.e., no sleeving for a Net Short LSE).

However, an LSE that wishes to offer an incremental gas-fired capacity resource(s) that fails the Net Short thresholds may present evidence to demonstrate that such incremental gas-fired capacity resource offer is consistent with reasonable expectations of future load service consistent with LSE’s long term business model. For example, the self-supply LSE could demonstrate unique load growth characteristics such as a new industrial development or a transient net short position due to resource retirements for which imminent additional new capacity has not yet been completed.

Net Short Thresholds (from 2012 MOPR and which *may warrant updating*)

Type of LSE with Captive Load	Maximum Net Short Position (UCAP)
Single Customer Entity	150 MW
Public Power Entity	1000 MW
Multi-state Public Power Entity*	1000 MW in SWMAAC, EMAAC, or MAAC LDAs and 1800 MW RTO
Vertically Integrated Utility	20% of LSE's Estimated Capacity Obligation

*A Multi-state Public Power Entity shall not have more than 90% of its total load in any one state.

Net Short Position measured at MAAC, SWMAAC and EMAAC or any other constrained LDA

The Self-Supply entity shall elect whether the calculation is based on either (1) the entity's PJM capacity obligation, or (2) the entity's forecasted peak load (non-coincident) plus a reserve margin.

MOPR Review

PJM, with the advice of its IMM, shall review all offers to which the MOPR screens apply. PJM and the IMM may rely upon a certification from an officer of capacity resource sellers attesting that the seller has not received revenues from a Conditioned State Support program.

Any person may submit a complaint to FERC if they believe that a capacity seller has failed either of the screens above or has otherwise engaged in anti-competitive behavior.

MOPR Floor Price

PJM shall establish a default MOPR floor price of Net CONE for gas-fired combustion turbines and combined-cycle units that fail the Conditioned State Support screen.

However, such market sellers to which the MOPR is applied may seek from PJM a unit-specific exception to the MOPR floor by demonstrating that the unit-specific net costs are less than the default MOPR floor values without consideration of revenues from the Conditioned State Support.

MOPR Term

Any resource that has cleared a prior auction may enter subsequent auctions without mitigation.