

PJM CIFP-MOPR Stage 4 Proposal – Matrix entries with tracked changes

<p>Potential indicators of buyer-side market power</p>	<p>Buyer-Side Market Power (BSMP) shall be defined as "Ability of a market participant(s) with a load interest to suppress market clearing prices for the overall benefit of their portfolio"</p> <p>It is the exercise of BSMP that shall be prohibited. The exercise of BSMP shall be defined as "Anti-competitive behavior of a market participant(s) with a load interest, or acting at the direction of<u>directed by</u> a load interest, to uneconomically lower capacity market offer(s) in order to suppress market clearing prices for the overall benefit of the market seller's <u>load</u> portfolio or for the portfolio of any load serving entity<u>that of the directing load interest</u>."</p> <p>PJM will require attestation from all market sellers prior to an RPM Auction confirming that they acknowledge and understand the prohibition on the exercise of BSMP, as defined above, and attest to not offering their resource in a manner that is an<u>with the intent to</u> exercise of BSMP or having any bilateral contracts that direct the submission of an offer to deliberately lower market clearing prices.</p> <ul style="list-style-type: none">- If the market seller does not provide the attestation, the applicable resource shall be subject to MOPR.- If the market seller provides the attestation, the applicable resource shall generally not be subject to MOPR. <p>PJM and/or the IMM may, when necessary, investigate <u>the</u> potential exercise of BSMP through fact-specific, case-by-case reviews. <u>In initiating that review, PJM and/or the IMM shall articulate, in writing, the basis for concern of the exercise of BSMP (including the specific resource(s) that raise concern, the purported beneficiary of the price suppression, and the specific conduct or action that raises concern) and the market seller shall have an opportunity to provide information justifying the behavior</u>conduct or action in question as not representing the exercise of BSMP. PJM and/or the IMM may request additional information to conduct the review and shall describe how such request is reasonably related to the basis for concern. The market seller shall make best efforts to provide the requested information as soon as practicable. PJM and the IMM shall meet with the market seller prior to issuing requests for information and data and before elevating any concern to FERC. If PJM, with the advice and input of the IMM, determines that <u>the market seller did not provide sufficient justification that the behavior in question does not represent an attempt to exercise BSMP,</u>there was an exercise of BSMP, the applicable resource shall be subject to MOPR. Additionally, upon that review, should PJM or the IMM have concern that the market seller provided a misrepresentation or otherwise acted fraudulently, PJM or the IMM may make a referral to FERC for investigation.</p> <p>PJM or the IMM may request additional documentation from market participants to conduct fact-specific, case-by-case reviews when PJM or the IMM have reason to suspect the potential exercise of BSMP. Suspicion of the exercise of BSMP may be raised if a market seller intends to offer a resource or technology believed to be uneconomic in a manner that will result in clearing and lowering the market price in a location where the market</p>
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seller and/or its affiliates have a net short position. Out-of-market compensation that is not tied to either Conditioned State Support or a bilateral contract that directs the submission of an offer to lower market clearing prices may be used to support the economics of the resource under review. An offer that can be justified, economically or otherwise, without consideration of the potential benefit of suppressed prices to a participant's portfolio will not be considered an exercise of BSMP. MOPR will not be applied if any of the non-exhaustive circumstances listed in the "Other Exemptions" design component are identified in the review.

The various types of business models (self-supply, etc.), in and of themselves, will not be an indicator of buyer-side market power.

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<p>Resource types subject to review for potential application of the MOPR (e.g., planned, existing, all resources vs. gas only, etc.)</p>	<p>All planned and existing units regardless of resource type.</p> <p>Demand Response, Energy Efficiency and Price Responsive Demand are not subject to MOPR.</p>
<p>State actions subject to review for potential application of the MOPR</p>	<p>Conditioned State Support shall be defined as “Out-of-market payments or other financial benefit from a state, or political subdivision of a state acting in its sovereign capacity, provided in exchange for the sale of a FERC-jurisdictional product conditioned on clearing in any RPM auction. <u>The term ‘conditioned on clearing in any RPM auction’ refers to directives as to the price level at which a resource must be offered in the capacity market or directives that the unit is required to clear in any capacity auction.</u>”</p> <p>State policies and/or programs deemed to be Conditioned State Support may improperly interfere with bidding in PJM’s capacity market and FERC’s rate-making authority. As such, PJM will apply the MOPR to resources receiving Conditioned State Support (in accordance with the process described below). The MOPR shall be applied to capacity offers from resources deemed to be receiving Conditioned State Support subject to the attestation described below and the procedures set forth in the design component for the "arbiter of which state policies are mitigated".</p> <p>All market sellers will be required to provide a second attestation (in addition to the BSMP attestation) prior to each RPM Auction confirming whether or not the market seller expects to receive Conditioned State Support for each resource in their portfolio under any legislative or executive policy that is approved at the time of the attestation.</p> <ul style="list-style-type: none"> • If the market seller attests that a resource will receive Conditioned State Support or fails to provide the attestation, the resource will be subject to MOPR pursuant to the process listed in the "Arbiter of which state policies are mitigated" design component. • If the market seller attests that the resource will not receive Conditioned State Support, PJM will not apply the MOPR on the basis of Conditioned State Support. However, if PJM has reason to believe the attestation may be erroneous, the resource may be subject to MOPR pursuant to the process listed in the "Arbiter of which state policies are mitigated" design component. <p style="text-align: center;"><i>Note: If PJM does not find Conditioned State Support, MOPR could be applied to the resource if the</i></p>

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	<p><i>market seller is found to be exerting BSMP through the process described in the "Potential indicators of buyer-side market power" design component.</i></p> <p>The provisions of this Section concerning the application of the MOPR will not apply to any legislative, executive or regulatory authorization that specifically directs an out-of-market payment to a designated or prospective capacity resource whose enactment predates the effective date of this Section, regardless of when any implementing executive or regulatory action is enacted or promulgated to specifically effectuate the authorization to direct an out-of-market payment.</p>
<p>Additional guidance on state policies (overflow from cell above)</p>	<p>State (or a political subdivision of a state acting in its sovereign capacity) policies and/or programs providing out-of-market payments to generating resources are recognized as being a legitimate exercise of a state's or a political subdivision of the state's authority over the electric supply mix serving customers in the state or political subdivision of the state so long as the policy does not constitute the sale of a FERC-jurisdictional product that is conditioned on clearing in any RPM auction.</p> <p>For example, such legitimate policies ("<u>Unconditioned State Support</u>") may include:</p> <ul style="list-style-type: none"> (i) Policies to procure, incent or require environmental attributes, such as renewable portfolio standards, whether bundled or unbundled; (ii) economic development programs and policies; (iii) tax incentives; (iv) state retail default service auctions that are not unit-specific; (v) policies or programs that provide incentives related to fuel supplies; (vi) resources of <u>a) vertically integrated utilities that are subject to state regulation and b) state rate-regulated electric cooperatives,</u> (vii) resources of municipal utilities <u>or municipal Joint Action Agencies subject to approval approved</u> by the <u>RERRA political subdivision's governing body,</u> (viii) resources approved by the governing body of a cooperative subject to direct state rate regulation, and (viii) policies or programs implementing PURPA. <p><u>For clarity, the following does not constitute State Support (either conditioned or unconditioned)</u></p> <ul style="list-style-type: none"> • <u>Regulation of rates by the FERC</u> • <u>Rates set by a cooperative's governing board that has RERRA responsibility granted to it by the state</u>

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Exemptions for self-supply	No specific exemptions for self-supply required for this proposal
Thresholds for Self-Supply Net Short/Net Long Tests (where applicable)	No short/long test
Other Exemptions	<p>The MOPR will not be applied if any of the following, non-exhaustive circumstances are identified in the course of a fact-specific, case by case review by PJM or the IMM.</p> <ol style="list-style-type: none"> 1. Purely mMerchant generation not tied-contracted to load 2. Resources acquired through a fully competitive and non-discriminatory process open to new and existing units 3. New builds or contracts<u>All owned and bilaterally contracted (new and existing) generation resources</u> of Self-Supply Entities that are demonstrated to be consistent with <u>or included in their IRPs or long-term business planning long-range resource plan (e.g., long-range hedging plan) which is approved or otherwise accepted by the RERRA provided any such plan approval or contracts do not direct the submission of an uneconomic offer to deliberately lower market clearing prices.</u> 4. Support of resources aligned with well-demonstrated customer preferences

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<p>Arbiter of which state policies are mitigated</p>	<p>Should government policies and/or programs with provisions that include a condition that requires clearing in any RPM auction be made known to PJM through the market seller’s certification or through other means, PJM will review the applicable policy and/or program and determine, with advice and input from the IMM, whether it believes such policy and/or program constitutes Conditioned State Support. If PJM believes such policy and/or program does constitute Conditioned State Support, PJM will file a Section 205 action at the Commission indicating PJM’s intention to classify the state policy and/or program as Conditioned State Support and therefore apply the MOPR to the offers of the resources receiving the benefits. PJM will apply the MOPR as stated in its Section 205 filing, so long as the filing is approved by FERC through a FERC Order or by operation of law.</p> <p>Through the Section 205 process, states, affected parties and others will have the due process opportunity to opine to the Commission as to whether the application of the MOPR is warranted based on the specific language and facts surrounding the state policy and/or program. PJM shall file such 205 action in sufficient time so as to provide for FERC resolution prior to submission of bids.</p> <p>Nothing herein shall interfere with the ability of any person to file a complaint pursuant to Section 206 as to PJM’s application of this tariff provision or seeking any other such remedies available to the Commission pursuant to Section 206 of the Federal Power Act.</p>
<p>Establishment of MOPR Floor Price</p>	<p>Default MOPR floor prices are established for various technology types, and for new and existing resources.</p> <p>Market sellers may utilize a unit-specific exception requests to establish unit-specific floor prices lower than the defaults if necessary.</p>
<p>Level of MOPR Floor Price</p>	<p>New units subject to MOPR at Net CONE (New = Never cleared an auction) Existing units subject to MOPR Net ACR (Existing = cleared an auction prior to establishment of the new MOPR rules OR cleared an auction at the MOPR floor price for new units)</p> <p>Remove possibility for existing units to be set back to new status.</p>

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Term of MOPR	Units remain subject to MOPR so long as they trigger the MOPR criteria - even after clearing at the MOPR floor price. Once MOPR criteria is no longer triggered, the resource is no longer subject to MOPR - even if it did not clear at the MOPR floor price while previously subject to MOPR.
Modifications to the Clearing Process	None
Proposal Sunset Provision	None
Transition / Implementation	Terminate effective with the 2023/2024 DY: Existing MOPR focused on all new natural gas resources (and associated provisions) - Tariff Attachment DD, Section 5.14(h) Expanded MOPR resulting from December 2019 FERC Order (and associated provisions, including penalties for violating the competitive exemption) - Tariff Attachment DD, Section 5.14(h-1)