

PJM MRC

Minimum Offer Price Rule Exception Process

Explore opportunities for a less administratively burdensome process.

Updated August 9, 2011

ID	Design Component	Importance	Component Solution Options				
			As Filed at the FERC	A	B	C	D
1	Submit request for exception	High	At least 60 days before auction	no exception process <i>(PSEG submission - not yet covered during meeting)</i>			
2	Review by MMU	High	MMU provides finding to seller and PJM within 30 days of receipt	MMU provides finding to seller and PJM within 15 days of receipt	extension allowed by mutual agreement	if timeline not met, defer decision to PJM	entire process can not exceed 60 days
3	Appeal to PJM for reconsideration	High	May request review by PJM PJM must provide finding no later than 45 days after original receipt	May request review by PJM PJM must provide finding no later than 15 days after the MMU finding	extension allowed by mutual agreement	if timeline not met, deemed approved	entire process can not exceed 60 days
4	Required information for exception	High	<ul style="list-style-type: none"> <li>• a complete project description;</li> <li>• environmental permits;</li> <li>• vendor quotes for plant or equipment;</li> <li>• evidence of actual costs of recent comparable projects;</li> <li>• bases for electric and gas interconnection costs and any cost contingencies;</li> <li>• bases and support for property taxes, insurance, operations and maintenance ("O&amp;M") contractor costs, and other fixed O&amp;M and administrative or general costs;</li> <li>• financing documents for construction-period and permanent financing or evidence of recent debt costs of the seller for comparable investments;</li> <li>• the bases and support for the claimed capitalization ratio, rate of return, cost-recovery period, inflation rate, or other parameters used in financial modeling; and</li> <li>• identification and support for any sunk costs that the Capacity Market Seller has reflected as a reduction to its Sell Offer.</li> <li>• Certification, signed by officer of the seller, that claimed costs accurately reflect sellers' reasonably expected costs of new entry and that request meets all standards for an exception</li> <li>• Identify all revenue sources relied upon in the sell offer to offset the claimed fixed costs</li> </ul>	new entrants can certify that they do not receive any subsidies and thus would not be subject to the mitigation process and would not require an exception <i>LS Power submission - not yet covered during meeting)</i>			
5	Standards for exception	High	Sell offer is consistent with the competitive, cost-based, fixed, nominal levelized, net cost of new entry were the resource to rely solely on revenues from PJM-administered markets	allow self supply if economic on a multi-year view to offer so it clears	allow for upgrades, such as a process upgrade, at existing units without limitation	allow for unit additions at existing plant up to a pre-defined threshold	allow all renewable projects (e.g. landfill, biomass, etc)
6	Timing of process	High	in advance of the auction				
7	Appeal to FERC for reconsideration of market power determination	High	Implicitly available via Section 206 rights				
8	Standards for review of required information	High	Covered by required information and standards				

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ID	Design Component	Importance	E	F	G	H
1	Submit request for exception	High				
2	Review by MMU	High	if timeline not met for market power determination, defer to FERC			
3	Appeal to PJM for reconsideration	High	no appeal to PJM on market power issues			
4	Required information for exception	High				
5	Standards for exception	High	allow exception for certain MW amount tied to the size of the LDA	allow for exceptions based on a pre-determined high percentage of the entity's obligation being fulfilled with its own generation or under contract	long term contracts obtained through a non-discriminatory competitive auction	public power entities which can demonstrate that self build is cheaper than a non-discriminatory competitive auction for long term contracts
6	Timing of process	High				
7	Appeal to FERC for reconsideration of market power determination	High				
8	Standards for review of required information	High				