

Row #	Rationale and Intent behind NRG's Proposal	Specific Tariff Language
1	<p>Clarify Section 1.1.ii to ensure that entities building cogeneration facilities under contract to a bona fide host are excluded from the MOPR.</p>	<p>(ii) cogeneration units that are certified or self-certified as a Qualifying Facility, where <u>a bona fide host</u> <del>the owner</del> is the beneficial off-taker of the steam, electrical energy, and capacity from the unit, where the unit is <u>appropriately sized to meet the needs of the host facility</u> <del>no larger than the peak consumption of the host load, and the host utilizes all of the generation capacity from the unit;</del></p>
1	<p>Clarify that Section 1.1.iii does not eliminate the possibility of units located outside of PJM to provide capacity into RPM. In the initial order referenced in fn 1, FERC clarified that it found this language J&amp;R because it allowed for a unit specific determination under appropriate circumstances. Thus new language should be identified to address external resources.</p> <p>P13:</p> <p>“In addition, PJM's Tariff provides a method by which resources that do have to incur transmission investment can avoid offer mitigation under the MOPR based on particular circumstances affecting those resources. This "unit-specific" review permits market participants to seek a determination from the IMM, or PJM, that its sell offer is permissible because it is consistent with the competitive, cost-based, fixed, net cost of new entry were the resource to rely solely on revenues from PJM-administered markets. n14 In these circumstances, we find that PJM's proposed revisions to section 5.14(h)(4)(ii) satisfy the requirements of the April 2012 Order.</p>	NA
3	<p>Create an alternative price floor for redevelopment of existing power generation facilities equal to 100% of a newly developed “Repowering Net CONE.” In order to be eligible for this exemption, the developer must: (i) retire an existing Capacity Resource of equal or greater number of MWs, and (ii) rely on existing equipment and infrastructure that was sunk, as determined by the market monitor.</p>	NA

	<p>Two rationales apply. First, a Repowering Net CONE will more accurately reflect the cost of repowering at sites with existing electrical and gas infrastructure. Because these costs are already sunk, it is not reasonable to require such facilities to bid in at the full Net CONE value. Previously, this type of cost savings would have been recognized as part of the Unit Specific Net CONE calculation, which is being eliminated.</p> <p>Second, because use of this alternative price floor requires retirement of a like-quantity of existing MWs, the repowering will not change the long/short position in an existing LDA and opportunities for uneconomic price suppression are minimized.</p> <p>To minimize the potential for gaming, the Repowering Net CONE shall be based on a pre-set list of values developed for the proxy unit in the Brattle Report, such as the cost of land, emissions credit reductions associated with shutdown of existing unit, natural gas infrastructure, interconnection facilities, network upgrades, control room/admin building, dual-fuel oil storage, etc.</p>	
4B	<p>Ensure that new entry of units subject to the Competitive Entry Exemption is economic by imposing a bid floor on such new entry. A genuinely merchant project is unlikely to achieve 30 percent off of a competitively bid baseline. While the number can be debated, we would purpose using the 70% figure based on the previously-effective MOPR provision. That was developed based on consensus as to what competitive entrants should be bidding in order to allow for a reasonable opportunity of recovering costs over the long term. The 70% figure is also used for existing resources without a class specific net CONE.</p>	<p>MOPR Screened Generation that receives a Competitive Entry Exemption <u>shall be subject to a MOPR Floor Offer Price equal to 70% of the appropriate Net CONE.</u> <del>A or a</del> Self-Supply Exemption will not be subject to a MOPR Floor Offer Price and, in addition to other offer levels, can elect to offer as a price taker (i.e. at \$0 and be awarded or committed regardless of clearing price ).</p>
4B	<p>Ensure that Section b.2 specifies what considerations are acceptable in a state-sponsored procurement that seeks an exemption pursuant to the Competitive and Non-Discriminatory exemption.</p> <ul style="list-style-type: none"> <li>• Focus should be on cost of capacity procured in the</li> </ul>	<p>ii. No costs of the new generation are supported through long-term contracts obtained in any state-sponsored or state-mandated procurement processes that are not Competitive and Non-Discriminatory. A procurement process may be deemed “Competitive and Non-Discriminatory” only if: (a) both new and existing resources</p>

	<p>auction.</p> <ul style="list-style-type: none"> <li>• Capacity market price suppression or energy market savings should not be considered.</li> <li>• Economic development, jobs, environmental benefits and other ancillary non-capacity market issues should be expressly excluded from consideration.</li> </ul>	<p>may satisfy the requirements of the procurement; (b) <u>the process is designed to procure the least expensive source of capacity</u>; <del>the requirements of the procurement are fully objective and transparent;</del> <u>and (c) it does not restrict the type of capacity resources that could participate in and satisfy the requirements of the procurement and (d) cannot consider savings from capacity market price suppression.</u> <del>;(d) it does not include selection criteria that could give preference to new resources; and (e) it does-</del> <u>A procurement will not be deemed Competitive and Non-Discriminatory if it considers public policy objectives other than least cost procurement of capacity. These non-price factors include, but not limited to, economic development benefits, savings or costs in markets other than the capacity market, environmental attributes,</u> unit technology or unit fuel requirements or unit heat-rate requirements, or identity or nature of seller or requirements for new construction. <u>A Competitive and Non-Discriminatory procurement may place geographic limitations on procurement, so long those limitations reflect binding LDA import limits, as measured by the CETO/CETL ratio, as determined by PJM.</u> <del>not use indirect ways to discriminate against existing capacity, such as geographic constraints inconsistent with LDA import capabilities,</del></p>
4B	<p>Require that FERC approve the results of a Competitive and Non-Discriminatory state-sponsored auction process prior to PJM providing an exemption to such winners. This shifts the decision process from an optional pre-auction review by FERC to a mandatory post-auction review by FERC and properly reflects that it is the conduct of the procurement that matters.</p>	<p><u>In lieu of the analysis in (ii) above, any state A state-sponsored or state-mandated procurement processes shall may submit the results of its state-sponsored or state-mandated procurement processes receive certification from FERC that the procurement process to FERC and request that FERC confirm that the results were is eCompetitive and Non-dDiscriminatory. If FERC so confirms, PJM shall grant the affected units a MOPR exemption.</u></p>
8	<p>Require that PJM provide written notice to a market participant of a mitigation determination.</p>	<p>The Office of the Interconnection shall also review all exemption requests to determine whether the request is acceptable in accordance with the standards and criteria under the Tariff and shall provide its determination in writing to the Capacity Market Seller, with a copy to the Market Monitoring Unit, by no later than sixty-five (65) days after receipt of the exemption request. <del>If no such written findings are provided by the Office of the Interconnection by the indicated deadline,</del></p>

		<p><del>the exemption request shall be deemed granted.</del> The Capacity Market Seller may challenge any rejection of its exemption request at the FERC.</p>
8	<p>Clarify 2.d to ensure that it matches the intent identified in the title. Specifically, to ensure that (i) any alleged fraud or misrepresentation is reportable by either PJM <u>or</u> the IMM; and (ii) require PJM and/or the IMM to make a filing with FERC if such a situation arises, rather than making such reporting discretionary to PJM and/or the IMM.</p>	<p><b>d. Requirement To Identify and Report to the Commission.</b> In the event that PJM <u>or the IMM</u> reasonably believes that a request for a Competitive Entry Exemption or a Self-Supply Exemption that has been granted contains fraudulent or material misrepresentations or fraudulent or material omissions so that the Capacity Market Seller would not have been eligible for the exemption for that resource had the request not contained such misrepresentations or omissions, then PJM shall (i) revoke the exemption if such resource has not cleared in any RPM auction and the revocation occurs no later than 30 days prior to the commencement of the offer period for the capacity auction; and (ii) make <del>any necessary</del> filings with FERC <u>describing any the fraud or misrepresentation related to units that have an RPM obligation, subject to PJM’s existing confidentiality rules, for units that do not have an RPM obligation, there would be no requirement to make a public filing. During the pendency of any such filing, PJM shall (i) withhold any disputed payments to the affected unit and (ii) apply appropriate mitigation to the unit in any future BRA or Incremental Capacity Auction.</u> <del>In any such filings, the requested remedies shall include (i) revocation of the exemption if such resource has not cleared in any RPM auction and the filing is made no later than 5 days prior to the commencement of the offer period for the capacity auction, or, in the event that the resource has cleared an RPM auction and the filing is made no later than 2 years after the close of the offer period for the capacity auction, (ii) suspension of any payments, during the pendency of the FERC proceeding, to the Capacity Market Seller for the resource that cleared in any RPM auction relying on such exemption during the pendency of the FERC proceeding and (iii) suspension of the Capacity Market Seller's exemption for that resource for future auctions. Prior to <u>taking action under d.i or d.ii, or making any</u> <del>any automatic revocation or</del> submission to FERC, PJM and/or the IMM shall notify the affected Capacity Market Seller and, to the extent practicable, provide the Capacity Market Seller an opportunity to explain the alleged</del></p>

		misrepresentation or omission.
New #1	<p>Replace existing MOPR with an Alternative Price Rule</p> <p>NRG proposes that this two-tiered Alternative Price Rule be adopted in PJM <i>in lieu of all proposed alternatives.</i></p>	
	<ul style="list-style-type: none"> <li>• First, the auction is run with as-submitted offers.<sup>1</sup> The auction result in this stage sets the Capacity Clearing Price, and all resources that clear receive a Capacity Supply Obligation. All <i>new</i> capacity resources are paid the Capacity Clearing Price.</li> <li>• Second, the auction is run again, but with offers from Out-of-Market Resources reset to 100% of the benchmark Net CONE for the resource type. The auction result in this stage sets the Alternative Capacity Price. All <i>existing</i> capacity resources that offered at or below the Alternative Capacity Price receive a Capacity Supply Obligation and are paid the Alternative Capacity Price.</li> <li>• <u>Third, the out-of-market designation rolls off over time as the clearing price in the Alternative Capacity Price auction warrant.</u></li> <li>• <u>For the purposes of the 2013 BRA, we would propose establishing class-specific Net CONE values of \$0 for classes for which there are not currently Net CONE values available. These Net CONE values would be adjusted prior to the 2014 BRA.</u></li> </ul>	<p>The APR potentially solves many all of the issues before the stakeholders:</p> <ul style="list-style-type: none"> <li>• The APR does not need exemptions for self-supply, renewables, or competitive entry, because <i>all</i> resources with economic, as-submitted offers will clear.</li> <li>• The APR addresses the Market Monitor’s concern about setting unit-specific Net CONE values for units. While the Market Monitor will still need to compute a replacement offer for these mitigated resources, that replacement offer does not determine whether the resource clears, but rather may influence the Alternative Clearing Price. Thus, mitigated offers can be set strictly by unit type, taking into account only demonstrably cost difference among projects, such as interconnection costs.</li> <li>• The APR assures that the price paid to existing generators is not suppressed by uneconomic new entry, without setting a high price for new resources that would attract yet more capacity additions above and beyond reliability requirements. Thus, the decision to bring a new resource to market ahead of demand will be based entirely on the economics of that resource and the business models of the parties to that transaction; there is no knock-on benefit to bringing on an uneconomic resource to suppress capacity prices paid to other units.</li> </ul>

<sup>1</sup> Even in the first round, as-submitted offers are subject to *downward* price mitigation, but no minimum offer price floors are imposed.