



Proposed Revisions to the Market Seller Offer Cap (MSOC)

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- The Resource Adequacy Senior Task Force (RASTF) has been discussing potential reforms to the MSOC rules
- Recently stakeholders have discussed submitting a “narrow” MSOC filing to implement a single change in time for the 2024/2025 BRA; focused on timely revision that appeared to have broad consensus across many stakeholders
- Filing would implement a single revision to MSOC calculation to ensure sellers are always able to represent their cost of Capacity Performance risk when offering
 - MSOC would be set at a level equal to the greater of (a) Capacity Performance Quantifiable Risk (CPQR), or (b) Net Avoidable Cost Rate (ACR) inclusive of CPQR
 - Intended to address the issue where a unit with a positive CPQR value has that cost offset by an otherwise negative Net ACR, which can result in a \$0 offer cap
- A proposed timeline targeting implementation for the 2024/2025 BRA was reviewed and discussed at the May 26 RASTF meeting

Wind Farm X has the following unit-specific costs and revenues (in \$/MW-day):

- ACR (excluding CPQR component): \$80
- CPQR: \$20
- E&AS Offset: \$150

MSOC under Status Quo = \$0

- $\$80 + \$20 - \$150 = -\50

MSOC under Proposal = \$20

- Greater of (a) $\$80 + \$20 - \$150$, or (b) \$20

Note: If the default gross ACR for this unit was \$80 resulting in a default Net ACR of -\$70, the seller can submit just the unit-specific CPQR value for review and approval, and have that value set the offer cap (\$20 in this example)

Tariff, Attachment DD

Section 6.4 Market Seller Offer Caps

(a) The Market Seller Offer Cap, stated in dollars per MW/day of unforced capacity, applicable to price-quantity offers within the Base Offer Segment for an Existing Generation Capacity Resource shall be the **greater of (a) Avoidable Cost Rate for such resource, less the Projected PJM Market Revenues for such resource, or (b) if applicable, the CPQR (Capacity Performance Quantifiable Risk) for such resource, as defined in Tariff, Attachment DD, section 6.8(a), to the extent such CPQR value has been supported and obtained approval pursuant to the procedures and standards of subsection (b) of this section 6.4**, stated in dollars per MW/day of unforced capacity. A Capacity Market Seller offering above \$0/MW-day must support and obtain approval of a unit-specific Market Seller Offer Cap pursuant to the procedures and standards of subsection (b) of this section 6.4 or may, at its election, if available, utilize a Market Seller Offer Cap determined using the applicable default gross Avoidable Cost Rate for the applicable resource type shown in the table below, as adjusted for Delivery Years subsequent to the 2022/2023 Delivery Year to reflect changes in avoidable costs, net of projected PJM market revenues equal to the resource's net energy and ancillary service revenues for the resource type, as determined in accordance with Tariff, Attachment DD, section 6.8(d-1).



Proposed Timeline and Pre-Auction Activity Deadlines

Proposed Timeline for Voting / Filing:

- **Recently Endorsed by RASTF**
 - 79% in support
- ▶ **MRC First Read** at June 29 MRC
- **MRC/MC Vote** at July 27 MRC/MC
- **FERC Filing** by August 1
- **FERC Order** by October 1

MSOC Pre-Auction Activity	Current Deadline	Adjusted Deadline*
Seller deadline to submit unit-specific MSOC request	8/9	-
IMM deadline for MSOC determination	9/8	10/7
Seller deadline for IMM agreement & final req. MSOC	9/18	10/12
PJM deadline for MSOC determination	10/3	10/18
2024/2025 BRA opens	12/7	-

* Adjusted deadlines would be contingent upon FERC approval of the filed change and assume Order by Oct. 1

Tariff, Attachment DD, Section 6.4 (b)

(b) For each Existing Generation Capacity Resource, a potential Capacity Market Seller must provide to the Market Monitoring Unit and the Office of the Interconnection data and documentation required under section 6.7 below to establish the level of the Market Seller Offer Cap applicable to each resource by no later than one hundred twenty (120) days prior to the commencement of the offer period for the applicable RPM Auction. The Capacity Market Seller must promptly address any concerns identified by the Market Monitoring Unit regarding the data and documentation provided, review the Market Seller Offer Cap proposed by the Market

Monitoring Unit, and attempt to reach agreement with the Market Monitoring Unit on the level of the Market Seller Offer Cap by no later than ninety (90) days prior to the commencement of the offer period for the applicable RPM Auction (except for the Base Residual Auction associated with the 2024/2025 Delivery Year for which the deadline shall be October 7, 2022). The Capacity Market Seller shall notify the Market Monitoring Unit in writing, with a copy to the Office of the Interconnection, whether an agreement with the Market Monitoring Unit has been reached or, if no agreement has been reached, specifying the level of Market Seller Offer Cap to which it commits by no later than eighty (80) days prior to the commencement of the offer period for the applicable RPM Auction (except for the Base Residual Auction associated with the 2024/2025 Delivery Year for which the deadline shall be October 12, 2022). The Office

Note: A few additional redlines from those shown here are included in the supplemental posting to capture the 24/25 BRA adjusted dates on the prior slide contingent upon FERC approval

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Unit	Default ACR	E&AS Offset	Default Net ACR	Unit-Specific ACR (excl. CPQR)	Unit-Specific CPQR	Unit-Specific Net ACR	Current MSOC	Proposed MSOC
1	\$80	\$150	-\$70	-	\$20	-	\$0	\$20
2	\$80	\$70	\$10	-	\$20	-	\$10	\$20
3	\$100	\$120	-\$20	\$130	\$20	\$30	\$30	\$30
4	\$100	\$120	-\$20	\$110	\$20	\$10	\$10	\$20

Example Descriptions:

- 1) Unit 1 has a negative default Net ACR of -\$70. Seller submits and is approved for a unit-specific CPQR value of \$20, which exceeds the default Net ACR and sets the proposed MSOC at \$20.
- 2) Unit 2 has a positive default Net ACR of \$10. Seller submits and is approved for a unit-specific CPQR value of \$20, which exceeds the default Net ACR and sets the proposed MSOC at \$20.
- 3) Unit 3 has a negative default Net ACR. Seller submits and is approved for a full unit-specific ACR value of \$150 (\$130 ACR excl. CPQR + \$20 CPQR). The unit-specific Net ACR of \$30 exceeds the standalone CPQR value and the proposed MSOC is set at \$30, equivalent to the status quo.
- 4) Unit 4 has a negative default Net ACR. Seller submits a full unit-specific ACR value of \$150, but is only approved for \$130 (\$110 ACR excl. CPQR + \$20 CPQR). In this case, the standalone CPQR value exceeds the unit-specific Net ACR of \$10 and sets the proposed MSOC at \$20.

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