

Minimum Offer Price Rule (MOPR) – Unit Specific Review Process

The recent FERC order on the PJM MOPR filing (docket ELR13-535) required PJM to retain the unit specific review process in the MOPR to allow resources to request alternative minimum offer prices based on detailed review of project-specific costs and revenues. The FERC order also suggested that PJM conduct a stakeholder process to consider revisions to the unit-specific review process to make it more standardized. In paragraph 114 the order states:

“While PJM asserts that, under its existing procedures, estimating certain costs and revenues is difficult, PJM can submit a section 205 filing to remedy these asserted deficiencies. We encourage PJM and its stakeholders to consider, for example, whether the unit-specific review process would be more effective if PJM requires the use of common modeling assumptions for establishing unit-specific offer floors while, at the same time, allowing sellers to provide support for objective, individual cost advantages. Moreover, we encourage PJM and its stakeholders to consider these modifications to the unit-specific review process together with possible enhancements to the calculation of Net CONE.”

PJM and the IMM believe the current unit-specific review process is flawed, non-transparent and provide too much discretion to PJM and the IMM.

The specific areas that PJM and the IMM believe should be addressed are:

- Consider changes to financial modeling assumptions to standardize them and make them more consistent with modeling assumptions utilized to establish NET CONE parameter. Areas to be considered include:
 - Use of Nominal Levelized Gross CONE
 - Use of Residual Value
 - Exclusion of Sunk Costs
 - Calculation of Net Revenues
 - Historic vs. forecast revenue
 - First year vs. multiple year assumption
 - Calculation of Weight Average Cost of Capital (WACC)
 - Asset Life
- Consider changes to the process to provide more transparency