

## RASTF Energy and Ancillary Services (E&AS) Offset Poll Stakeholder Responses

### Question one: Do you support moving back to a forward-looking E&AS offset?

Comment
Could support a forward E&AS but would need explicit transparency on how the forward calculation is determined. Even with the detail in PJM's filing, there was a lot of uncertainty and questions in determining values last fall.
The results from these black box are impossible to verify and therefore also impossible to contest. We need - Simple. Transparent. Verifiable.
We believe forward-looking better aligns with future reliability
We do not support the Forward looking E&AS as is subject to speculation and determination from PJM or the IMM and it will be difficult to get all market participants to agree to a forward looking view of the market.
Forward-looking EAS requires too many subjective decisions by PJM and IMM. Historical EAS is more transparent, and easier to implement.
Historic E&AS offset is more appropriate so long as the MOPR proposal filed by PJM with FERC on July 30, 2021 and that went into effect by operation of law on September 21, 2021 remains in place. If the MOPR changes such that all state-supported resources would be subject to MOPR, PJM should make a filing in support of the forward-looking E&AS offset and should implement for the 2024/25 BRA.

### Question two: What auction should be targeted for implementation?

Comment
While we support moving to forward-looking, we believe that it needs to be implemented correctly - that said we should focus on the quality not the timing.

### Question three: How should the filing be made?

Comment
We think 2 discrete issues need to be addressed. First, the previously approved tariff language contained several slightly different iterations of the methodology in various different places in the tariff, with multiple cross references across sections -- this should be streamlined for clarity so that there is a single articulation of the methodology for market participants to understand it. Second, there has been a significant amount of criticism of the methodology and results for ancillary services revenues -- the ancillary services markets procure relatively

small volumes, but the methodology in aggregate will assume that resources receive more ancillary services revenue than exists in the market -- meaning that E&AS revenues are overstated.

We would be amenable to suggestions for future years.

### Do you have any general comments for consideration?

Comment
<p>We do believe that forward looking E&amp;AS revenues is more consistent with market fundamentals, and is particularly relevant for retirement decisions. That said, we are in the middle of a geopolitical crisis right now with profound commodity market implications. We are recommending that PJM revert to forward E&amp;AS when the PJM auctions are back on a 3 year forward timetable. Given the current compressed auction timeframes, we feel there are other issues that take priority over this one, such as MSOC reforms, and we think there are reasons not to be concerned about sticking with a historical E&amp;AS calculation for now. For instance, as it relates to retirements, we think that there are going to be factors other than forward markets contributing to retirement decisions, such as EPA's decisions on compliance with its Coal Combustion Residuals Rule. Additionally, given the work that needs to be done to streamline the tariff language and iron out estimates of ancillary services revenue, this timeline will allow for an appropriate window for that work to take place in the stakeholder process.</p>
<p>This should be the priority for the RASTF. If PJM unilaterally still views the MSOC as the top priority then the forward looking E&amp;AS will necessarily need to slip to the a later filing (e.g, Oct-22 for implementation in the 2025/26 BRA).</p>
<p>If targeted adjustments to the previous filing can be made while still getting this done in a timely manner, we would be open to having those discussions. While it would be ideal to get this done as soon as possible, we're not sure an April filing to reach the 2024/25 BRA is realistic, so chose the 2025/26 BRA.</p>
<p>The method for the E&amp;AS offset should seek to be to most replicable and transparent process as possible.</p>
<p>The model for the calculation needs to be transparent and allow for stakeholder input and sign-off.</p>
<p>Using forward E&amp;AS offset is overall less transparent. PJM and the IMM will make assumptions around shaping forward energy prices, power basis to the plants, likely use aggressive gas assumptions that increase capacity factors, inflate ancillary revenue, include market carbon assumptions if unknown in the market, includes potential ORDC or other changes that may or may not come to fruition. We don't know for sure if it will be lower or higher but it's likely lower and definitely subject to a lot of assumptions.</p>
<p>If PJM intends to move to a forward-looking EAS offset, it should only do so following a full stakeholder process to discuss the appropriate methodology.</p>
<p>Implementation should align with the quadrennial review, 25/26 DY the earliest. A full stakeholder process that includes greater transparency into PJM/IMM 's calculations, including the ability for market participants to be able to replicate those calculations . More clearly defined standards around market-participant calculated values. This needs to be a two way street with clearly defined standards, not an opaque process with no clear understanding of how the calculations have been derived.</p>
<p>[We strongly prefer] a historic EAS offset. The historic methodology is straightforward and easily replicable. Given the existing challenges we've seen with MSOC, it would be particularly poor timing to move ahead on a new forward EAS offset.</p>

If PJM were to consider filing a Forward EAS, PJM should NOT file a Forward EAS without a full vetting in the stakeholder process.
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We do not believe the forward looking EAS offset can be modeled correctly and PJM should keep the historical EAS offset or remove it all together. PJM should focus its efforts on capturing the CP risk in the default offer cap.
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MSOC is the priority
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Proceed with filing and implementation as soon as possible without further delay of auction timeline.
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