

**Joint PJM/IMM Clarification regarding January 11, 2015 Deadline Regarding Capacity Performance
Submissions for the 2018/2019 Base Residual Auction**

January 7, 2015

Several PJM Members have requested clarification on the January 11, 2015 tariff-specified deadline for submission of information related to the Capacity Performance product given that the Capacity Performance (CP) filing is pending at FERC. The two key decisions that are required by January 11 are

1. **If the resource intends to utilize Net CONE as its Market Seller Offer Cap (MSOC) or intends to request an offer cap higher than Net CONE.** If a resource elects Net Cost of New Entry (Net CONE) as its MSOC, that means the resource intends to offer at or below the applicable Net CONE. If a resource requests an offer cap of higher than Net CONE, it may later decide to revert to the Net CONE MSOC. However, if a resource does not request an offer cap higher than Net CONE by the January 11, 2015 deadline, then we believe Section 6.4(b) of Attachment DD of the Tariff would prevent the resource from requesting a higher offer cap later without a FERC approved waiver.
2. **If the resource intends to request an exception to this Capacity Performance Must-Offer requirement.** If a resource requests an exemption, it may later decide to submit a CP offer. However, if a resource does not request a must offer exemption by the January 11, 2015 deadline, then we believe Section 6.6 of Attachment DD of the Tariff would prevent the resource from requesting a must offer exemption later without a FERC approved waiver.

Market Seller Offer Cap

Under the PJM Capacity Performance filing, Section 6.4(a) of Attachment DD of the Tariff provides that the MSOC for any CP Resource is the Net CONE applicable for the Delivery Year and Locational Deliverability Area for which such CP Resource is offered. The CP Resource seller that intends to submit a sell offer at or below the applicable Net CONE is not subject to the data and documentation requirements of Section 6.4(b) of Attachment DD of the Tariff. The provisions of Section 6.4(b) are available if a seller seeks and can support an MSOC above Net CONE. As part of the PJM CP filing, the Avoidable Cost Rate (which is a component of MSOC) definition specified in Section 6.8 of Attachment DD of the Tariff has been revised to include two new cost components that are applicable only to offers for a CP Resource - an Avoidable Cost Rate for a CP Resource permits the costs of gas transportation and other gas service as well as a documented and verifiable risk premium.

If the Commission accepts the CP filing, PJM believes that the January 11, 2015 deadline will apply; therefore we urge all sellers who intend to submit a CP offer to specify either that they will utilize the Net CONE MSOC or that they wish to request an MSOC above Net CONE. If an MSOC above Net CONE is requested, then the documentation requirements of Section 6.4(b) apply. Given the pendency of the filing, PJM and the IMM recognize the supporting information submitted in the request may be conditional and subject to refinement and finalization as part of the approval process.

Capacity Performance RPM Must Offer Requirement

Under the PJM Capacity Performance filing, Section 6.6A of Attachment DD of the Tariff provides that Existing Generation Capacity Resources that are capable (or that reasonably can become capable) of qualifying as a CP Resource are required to offer into all RPM Auctions for the 18/19 Delivery Year and subsequent Delivery Years as a CP Resource. The CP filing allows for exception to this CP must-offer requirement where the Capacity Market Seller can demonstrate that the resource is physically incapable of satisfying the requirement of a CP Resource.¹ Exceptions will be determined using the same timeline and procedures as specified in Section 6.6 of Attachment DD of the Tariff. Under the PJM CP filing, Intermittent Resources, Capacity Storage Resources, Demand Resources, and Energy Efficiency Resources are not required to submit an offer as a CP Resource and therefore are not required to seek such an exception.

If the Commission accepts the CP filing, PJM believes the January 11, 2015 deadline will apply; therefore we urge resources who believe they may require an exception to this CP must-offer requirement to request the exception by this deadline. Given the pendency of the filing, PJM and the IMM recognize the supporting information submitted in the request may be conditional and subject to refinement and finalization as part of the approval process.

¹ These operational and performance requirements are defined in new Section 5.5A (a) of Attachment DD of the Tariff in PJM's CP filing.