

Views on CIFP- MOPR

Steven Lieberman

slieberman@ampppartners.org

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Views on MOPR

- The MOPR is applicable to certain instances where LSEs are responsible for capacity offers
- The MOPR is applicable to certain instances where State Policy requires clearing of capacity in a PJM auction (BRA or IA)
- The rational approach to determine whether an entity can exercise buyer side market power is to assess the ability of the LSE to influence capacity prices according to its size relative to the rest of the constrained LDA in which the LSE submitted a capacity offer
- An ability based test is the appropriate mechanism
 - Intent should not be a component as PJM should not be put in a position of having to determine appropriate vs inappropriate intent

Views on MOPR

- Ability threshold should be developed based on analytics to determine appropriate value(s)
 - **Example 1 (fixed value):** 50% of the load served within a constrained LDA
 - **Example 2 (scaled value):** 50% of the load within a constrained LDA < 5,000 MW, 35% of the load within a constrained LDA between 5,000 - 25,000 MW, 25% within a constrained LDA > 25,000 MW
- LDAs
 - MAAC
 - EMAAC
 - SWMAAC
 - Any LDA that separates in the prior 3 BRAs
- Resources **subject** to MOPR = New CCGTs @ Net ACR
- Resources **not subject** to MOPR:
 - CTs: are greatly dependent on capacity revenue and thus would not be built to lower capacity prices
 - Renewables & Intermittent Resources: especially with ELCC, have reduced capacity value and do not have a must-offer obligation
 - Existing resources: by definition have cleared a BRA and are known to the market (via clearing prices)
 - New CCGTs within a constrained LDA that has separated 3 consecutive BRAs

Exemptions

- The MOPR will not be applied if any of the following, non-exhaustive circumstances are identified in the course of a fact-specific, case by case review
 - New builds or contracts of self-supply entities that are part of integrated resource plans or other portfolio management plans accepted by the RERRA
 - Support of new resources that further a RERRA policy goal (RPS, RECs, ZECs, etc.)
 - Legitimate exercise of a RERRA's authority over the electric supply mix serving customer and not expressing an intent to exercise buyer-side market power or suppress prices (i.e., sale of a FERC-jurisdictional product that is conditioned on clearing in an RPM Auction) include:
 - environmental attributes of resources such as renewable portfolio standards whether bundled or unbundled;
 - economic development programs and policies;
 - generally available tax incentives;
 - state retail default service auctions that are not unit-specific;
 - resources that are part of integrated resource plans accepted by state Commissions;
 - resources that are approved by a RERRA's governing body; and
 - implementing PURPA
 - If an LDA separates for X consecutive BRAs (e.g. 3), new supply within that LDA is exempt

Conclusion

- MOPR should not be viewed as a blunt instrument to prop-up prices
- MOPR should be limited to clear-cut examples of participants using their ability to exert buyer-side market power
- MOPR should be limited to constrained LDAs
- RPM needs many revisions beyond the MOPR
- PJM Board should consider “baking its own cake” if they like certain components from different proposals