

Minimum Offer Price Rule (MOPR) and the MOPR Exemption

The Minimum Offer Price Rule (MOPR) of Section 5.14(h) of Attachment DD of the PJM OATT applies to sell offers of certain planned generation capacity resources including planned upgrades of existing generation capacity resources. The MOPR applies to all generation technology types except for nuclear, coal, integrated gasification combined cycle, hydroelectric, wind or solar. Also, the MOPR applies only to resources located in an LDA for which a separate VRR Curve is established and is applicable until the resource clears an RPM auction. For each Delivery Year, PJM determines the Net Cost of New Entry (CONE) for a combustion turbine generator and for a combined cycle generator. Unless a MOPR exception is requested and approved according to the process and timelines described below, a sell offer submitted in any BRA or Incremental Auction that is less than 90% of the applicable Net CONE shall be set equal to 90% of the applicable Net CONE. If there is no otherwise applicable asset class and the sell offer is less than 70% of the Net CONE for a combustion turbine generator then the sell offer shall be set equal to 70% of the Net CONE for a combustion turbine generator.

A sell offer below the MOPR screen price shall be permitted and not be re-set if the capacity market seller obtains a determination from PJM prior to the RPM Auction that the seller offer is permissible because the offer is consistent with the competitive, cost-based, fixed net cost of new entry were the resource to rely solely on revenues from PJM-administered markets. A capacity market seller wishing to offer below the MOPR screen price may request such a determination according to the MOPR exception process described below.

1) MOPR Exception Process Timelines

- a. Requests for exceptions must be submitted no later than 60 days prior to the start of an RPM auction. Requests must provide all relevant information and are submitted to both the IMM and PJM
- b. The IMM has 30 days from receipt of the request to make a determination regarding the exceptions and report its findings to the seller requesting the exception and PJM.
- c. If the seller does not agree with the IMM findings it may appeal to PJM to review its request for exception
- d. PJM has 45 days from the receipt of the exception request to notify the seller of its determination regarding the exception request. (15 days following the IMM determination)

2) Documentation Required in MOPR Exception Request

The capacity market seller must include in its request for an exception documentation to support the fixed development, construction, operation, and maintenance costs of the planned generation resource, as well as offsetting net revenues. The requests must include a certification, signed by

an officer of the capacity market seller, that the claimed costs accurately reflect the seller's reasonable expected costs of new entry and that the request satisfies all standards for an exception. Supporting documentation of for project costs may include, as applicable and available, the following:

- a complete project description;
- environmental permits;
- vendor quotes for plant or equipment;
- evidence of actual costs of recent comparable projects;
- bases for electric and gas interconnection costs and any cost contingencies;
- bases and support for property taxes, insurance, operations and maintenance ("O&M") contractor costs, and other fixed O&M and administrative or general costs;
- financing documents for construction-period and permanent financing or evidence of recent debt costs of the seller for comparable investments;
- the bases and support for the claimed capitalization ratio, rate of return, cost-recovery period, inflation rate, or other parameters used in financial modeling; and
- identification and support for any sunk costs that the Capacity Market Seller has reflected as a reduction to its Sell Offer.

The request also shall include all revenue sources relied upon in the sell offer to offset the claimed fixed costs, including, without limitation, long-term power supply contracts, tolling agreements, or tariffs on file with state regulatory agencies, and shall demonstrate that such offsetting revenues are consistent, over a reasonable time period. In making such demonstration, the capacity market seller may rely upon forecasts of competitive electricity prices in the PJM Region based on well defined models that include fully documented estimates of future fuel prices, variable operation and maintenance expenses, energy demand, emissions allowance prices, and expected environmental or energy policies that affect the seller's forecast of electricity prices in such region, employing input data from sources readily available to PJM and the Market Monitoring Unit. Documentation for net revenues also may include, as available and applicable, plant performance and capability information, including heat rate, start-up times and costs, forced outage rates, planned outage schedules, maintenance cycle, fuel costs and other variable operations and maintenance expenses, and ancillary service capabilities. The capacity market seller shall provide any additional supporting information requested by PJM or the Market Monitoring Unit to evaluate the sell Offer.

An evaluated sell offer shall be permitted if the information provided reasonably demonstrates that the sell offer's competitive, cost-based, fixed, net cost of new entry is below the minimum offer level, based on competitive cost advantages, including, without limitation, competitive cost advantages resulting from the capacity market seller's business model, financial condition, tax status, access to capital or other similar conditions affecting the applicant's costs, or based on net revenues that are reasonably demonstrated to be higher than those used by PJM to develop the minimum offer level. Capacity market sellers shall be asked to demonstrate that claimed cost advantages or sources of net revenue that are irregular or anomalous, that do not reflect arm's-length transactions, or that are not in the ordinary course of the capacity market seller's business are consistent with the standards of this subsection. Failure to adequately support such costs or revenues so as to enable PJM to make a determination will result in denial of an exception by PJM.