

[MOPR Reform and Resource Adequacy]

Issue Source

Amendments to the PJM Minimum Offer Price Rule (MOPR), accepted by FERC beginning with the 2022/23 Delivery Year, are widely acknowledged to be unsustainable for any extended number of Delivery Years. The FERC Chairman indicated that if PJM and stakeholders are unable to make changes in time for the 2023/24 DY, FERC will seek to step in.

Recent stakeholder discussions revealed common interests in:

- Amending the MOPR such that it only addresses true exercises of buyer-side market power.
- Defining the capacity product, including the obligations of a capacity provider, and reviewing the need for additional reliability services as the resource mix evolves.
- Addressing procurement of capacity and potentially other attributes, such as environmental attributes.
- Ensuring protection against competitive market price suppression in the capacity market once the MOPR is eliminated or decreased in scope/function

The limited solution being put in place must be complete enough to meet a just and reasonable standard and the current CFP initiative may be too narrow in scope and may ignore critical repercussions of drastically limiting or removing MOPR. The Phase 1 filing of capacity market reform must be durable, even if limited to a minimum set of changes, in case it takes considerable time to tackle, file, and FERC to approve larger reform.

Issue Content

The work of this group should focus on MOPR reform and as much other refinement of the capacity construct as can be achieved in time for the 2023/24 BRA, and continue to develop capacity market reforms for future delivery years. The MOPR cannot simply be eliminated or drastically reduced without considering impacts on correct competitive prices, reliability of incensed generation mix, and buyer side market power.

Key Work Activities and Scope

1. Establish a Minimum Offer Price Rule or an equivalent approach that mitigates the impact of exercises of buyer-side market power, while recognizing the need for resource choices to support state policies and the right of load-serving entities to enter into bilateral arrangements and self-supply for the benefit of their customers. This activity may make use of the PJM CFP initiative, which has already begun.
 - a. Review whether enhancements to the capacity product MOPR are needed to ensure that entities can self supply in the capacity market for primary purposes of serving one's own load without undue encumbrances/prohibitions.
2. Identify improvements to the capacity procurement process that would ensure reliability while procuring the correct amount and possibly types of resources.
3. Review whether enhancements to the capacity product are needed to ensure reliability and equitable treatment of supply resources.
 - a. This may include a review of how capacity values are determined, and whether additional reliability services need to be considered for current or future implementation.

Issue Charge

- b. This may also include an examination of whether current performance obligations are sufficient to ensure reliability across seasonal events, standard 1-in-10 loss of load events, and extended emergencies.
4. Review whether enhancements to the capacity product are needed to ensure resources that clear in the capacity market will bear the proper amount of financial risk for non-performance.

Expected Deliverables

1. A set of changes to be filed at FERC in time to be effective for the 2023/24 BRA, at a minimum addressing the Minimum Offer Price Rule and other reforms that can be agreed to in that timeframe.
2. A more complete set of changes to address remaining issues in time for the 2024/25 BRA.

Decision-Making Method

Tier 1 consensus is preferred, but stakeholders may opt for a Tier 2 approach, presenting multiple alternatives for voting, given the time constraints.

Stakeholder Group Assignment

This issue shall be worked in special sessions of the MRC.

Expected Duration of Work Timeline

Initial work should roughly follow the timeline developed by PJM to result in a July MRC/MC vote on an initial filing at FERC. Following work should also be expedited, and take precedence over other stakeholder efforts.

Start Date	Priority Level	Timing	Meeting Frequency
Click here to enter a date.	<input type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low	<input type="checkbox"/> Immediate <input type="checkbox"/> Near Term <input type="checkbox"/> Far Term	<input type="checkbox"/> Weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly

Charter

(check one box)

<input type="checkbox"/>	This document will serve as the Charter for a new group created by its approval.
<input type="checkbox"/>	This work will be handled in an existing group with its own Charter (and applicable amendments).

More detail available in M34; Section 6