



MARKET NOTICE

February 28, 2011

Re: ACR Data and Pending EPA Regulations

Data from Capacity Market Sellers supporting the calculation of Avoidable Cost Rates (ACR) for the Base Residual Auction for the 2014/2015 Delivery Year is due on March 2, 2011. The Market Monitor (MMU) must provide to sellers its calculation of offer caps on April 1, 2011. PJM OATT Attachment DD § 6.7(b)&(d).

The U.S. Environmental Protection Agency is required under a consent decree to issue a notice of proposed rulemaking ("EPA NOPR") not later than March 16, 2011, in a proceeding to promulgate final maximum achievable control technology (MACT) emissions standards for hazardous air pollutants (HAP) from coal- and oil-fired electric utility steam generating units, pursuant to section II2(d) of the Clean Air Act. A final rule is due by November 16, 2011. Implementation would occur three years later, in November 2014, which is in the 2014/2015 Delivery Year. Issuance of the EPA NOPR constitutes a significant step towards defining the regulatory obligations of capacity resources in the 2014/2015 Delivery Year. Although the specific schedule and substance of the rules will not be settled through issuance of the EPA NOPR, the specific proposed regulations provide a rational basis for decisions about the level of investment necessary to provide capacity three years forward. The cost of such investment, if adequately supported and documented, is appropriately includable in the next Base Residual Auction for resources that would be impacted by the rule if finalized as proposed. Accordingly, the MMU will accommodate the inclusion of these costs where appropriate.

The EPA is considering other regulations that could potentially impact costs to provide capacity in the 2014/2015 Delivery Year. The Market Monitor will consider the impact of such other potential regulations on specific units if requested to do so.

The existing deadlines established in the PJM Market Rules remain effective. Data on known costs must be submitted by March 2nd. Capacity Market Sellers may submit data supporting changes in ACR or Avoidable Project Investment Recovery (APIR) that result from these regulations released on March 16th as soon as possible afterwards and no later than April 25, 2011, one week before the auction opens.

The MMU will release offer cap calculations on April 1st reflecting data provided by March 2, 2011. Market Participants may submit data after March 2nd, and the MMU will evaluate it and work with participants to ensure that offers reflect the adequately documented and supported costs of investments associated with the NOPR. The MMU requests that participants provide notice to the MMU as soon as possible if units' offers will be affected. If the MMU approach to the treatment of costs attributable to the EPA NOPR or its proposed schedule raises any questions, the MMU requests that parties bring them to our attention immediately at rpmacr@monitoringanalytics.com.