

Potential Compliance with P386 of FERC Order on Rehearing

MIC Special Session
MOPR Order
May 6, 2020

IMM



Monitoring Analytics

Commission Determination (P386)

We deny rehearing and clarification requests regarding state default service auctions. State default service auctions meet the definition of State Subsidy to the extent they are a payment or other financial benefit that is a result of a state-sponsored or state-mandated process and the payment or financial benefit is derived from or connected to the procurement of electricity or electric generation capacity sold at wholesale, or an attribute of the generation process for electricity or electric generation capacity sold at wholesale, or will support the construction, development, or operation of a capacity resource, or could have the effect of allowing a resource to clear in any PJM auction. If these auctions are truly competitive, as parties assert, and a winning resource wishes to offer below the default offer price floor for its resource type, the resource may demonstrate that its costs are competitive through the Unit-Specific Exemption, or qualify for another exemption elaborated on in the December 2019 Order. Nor do we find it meaningful that the New Jersey Basic Generation Service auction is voluntary or used by power marketers because a state default service auction qualifies as a State Subsidy because it is a state-sponsored process and includes indirect payments to the resource.

PJM Approach to Compliance with P386

- **P386 defines state default service auctions to be State Subsidies under defined conditions.**
- **FERC's goal in P 386 and the goals of MOPR.**
- **PJM's straw approach to compliance.**
- **Goal of compliance should be the simplest method of conformance with FERC's intent and to minimize impact on state auctions given that intent.**
- **The IMM's proposal is an alternative to PJM's proposal but with the same goal.**
- **The IMM is interested in broader input on these questions and open to alternative approaches.**

IMM Proposed Compliance with P386

- **Resources used to meet LSEs' retail auction obligations are not subject to MOPR if:**
- **the resource(s) are purchased at market rates.**
- **market rate means:**
- **the forward curve for energy for the time period of the retail auction obligation, with a basis adjustment to the zone;**
- **the PJM capacity market price applicable to the delivery year and LDA;**
- **and ancillary prices directly based on PJM ancillary service market prices.**

IMM Proposed Compliance with P386

- **Resources used to meet LSEs' retail auction obligations are subject to MOPR if:**
- **Resources otherwise subject to MOPR;**
- **Resources are sold at above market rates; or**
- **Any resource sold to LSEs participating in retail auction to meet any state mandated requirement including RECs, ZECs, ORECs or any other mandate that limits participating capacity by technology, fuel, location, or other attribute.**

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