



DATE: June 20, 2022
TO: Resource Adequacy Senior Task Force (RASTF)
FROM: IMM
SUBJECT: IMM MSOC Package Executive Summary

The IMM's package for the MSOC retains the Commission approved capacity market seller offer cap (MSOC) design to ensure that market power mitigation results in competitive outcomes in the PJM capacity market auctions.

The IMM package clarifies the existing tariff definition of CPQR. CPQR includes both the expected net nonperformance charges and the cost to mitigate the risk associated with the estimated net nonperformance charges. Net nonperformance charges can be simulated to account for uncertainty in the inputs to calculation (A, B, H). CPQR equals the expected level of net nonperformance charges (positive or negative) plus the cost to mitigate the risk of incurring nonperformance charges.

The IMM's package proposes to modify the ACR definition to include long term maintenance expenses only in the capacity ACR and to exclude them from the energy market offers and to apply this rule for all PJM resources. This part of the IMM package is separable from the rest of the IMM package.

The IMM's package also addresses the process questions in the matrix.

PJM would significantly change the role of the IMM and PJM in the review of offers. PJM proposes to expand PJM's role from the status quo. Under the status quo, PJM must either accept or reject the requested offer cap. PJM has no ability to modify or accept/reject in part. If PJM rejects the market seller's offer, the market seller can use the default offer cap or the IMM's calculated offer cap.

PJM proposes that PJM itself would be allowed to calculate its own offer cap value. PJM would make this calculation based on review and discussions with market sellers. This establishment of a negotiation between PJM and the market sellers is an inappropriate expansion of PJM's intervention in the process of market power mitigation.

PJM's proposal would also modify the deadlines for the IMM and market participants. The status quo is consistent with the IMM and PJM tariff defined roles. Reducing the amount of time that the IMM and market sellers can discuss issues would inhibit an efficient process when both mutually agree to continue discussions. The 120 day deadline to provide data and documentation by the market seller, which initiates the process, must be enforced for the timeline to work.