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**DATE:** April 30, 2021  
**TO:** PJM Market Participants  
**FROM:** PJM Market Monitoring Unit  
**SUBJECT:** CSAPR Ozone Season Changes

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On March 15, 2021, in response to a court holding in *Wisconsin v. EPA*,<sup>1</sup> the EPA finalized the Revised Cross-State Air Pollution Rule (CSAPR) Update for the 2008 ozone National Ambient Air Quality Standards (NAAQS) for 12 states.<sup>2</sup> Ten of the affected states are PJM states, including Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, Ohio, Pennsylvania, Virginia, and West Virginia. Starting with the 2021 ozone season, the EPA issued new or amended Federal Implementation Plans (FIPs) for the affected states.<sup>3</sup> The new FIPs require power plants in the affected states (also including Louisiana and New York) to participate in a new CSAPR NO<sub>x</sub> Ozone Season Group 3 Trading Program.<sup>4</sup> Participation in the more stringent new program would replace the obligation to participate in the existing CSAPR NO<sub>x</sub> Ozone Season Group 2 Trading Program.<sup>5</sup>

Units in PJM are allowed to include CSAPR NO<sub>x</sub> Ozone Season allowance cost in their cost-based offers during the ozone season (May 1 through September 30) as long as the details are specified in their Fuel Cost Policies (i.e. allowance price source and update frequency) and PJM has approved the NO<sub>x</sub> emission rate. Prior to the 2021 ozone season, only one NO<sub>x</sub> Ozone Season allowance applied. Starting with the 2021 ozone season, units located in the CSAPR NO<sub>x</sub> Ozone Season Group 3 can use the group 3 allowance price starting May 1, 2021, and units located in the CSAPR NO<sub>x</sub> Ozone Season Group 2 should continue to use the group 2 allowance price.

Units that do not include the cost of NO<sub>x</sub> emission allowances in their Fuel Cost Policies or that do not have a NO<sub>x</sub> emission rate approved by PJM should not include any NO<sub>x</sub> allowance costs in their cost-based offer.

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<sup>1</sup> *Wisconsin v. EPA*, 938 F.3d 303, 318–20 (D.C. Cir. 2019).

<sup>2</sup> *Revised Cross-State Air Pollution Rule Update for the 2008 Ozone NAAQS*, Docket No. [EPA-HQ-OAR-2020-0272; FRL-10013-42- OAR, 85 Fed. Reg. 68964 (Oct. 30, 2020).

<sup>3</sup> *Id.* at 69009.

<sup>4</sup> *Id.* at 69010.

<sup>5</sup> *Id.*