

# PJM Capacity Workshop #3

March 12, 2021

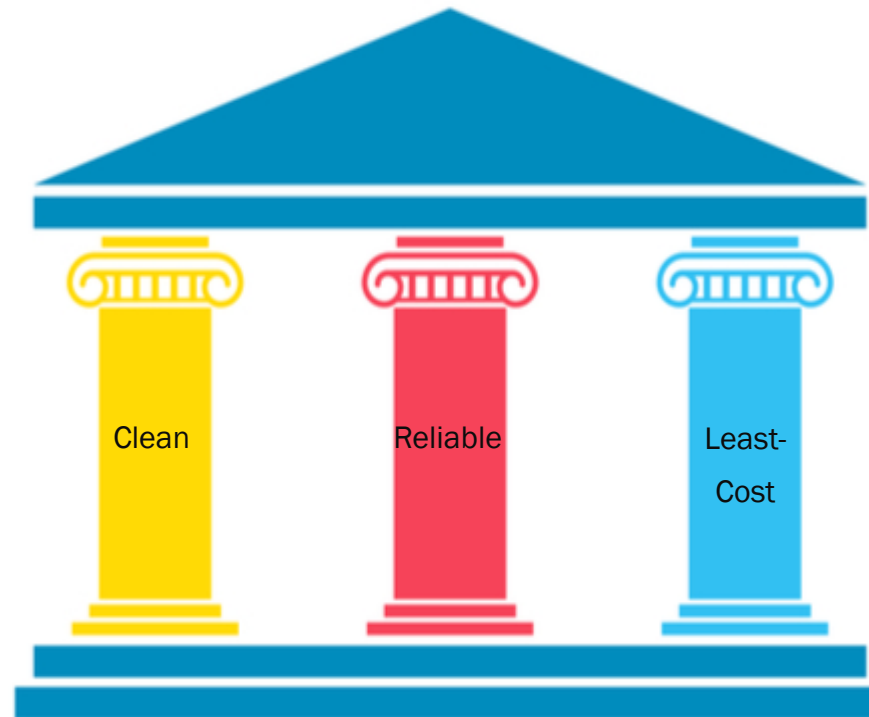
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# Three Pillars to a Sustainable Capacity Design

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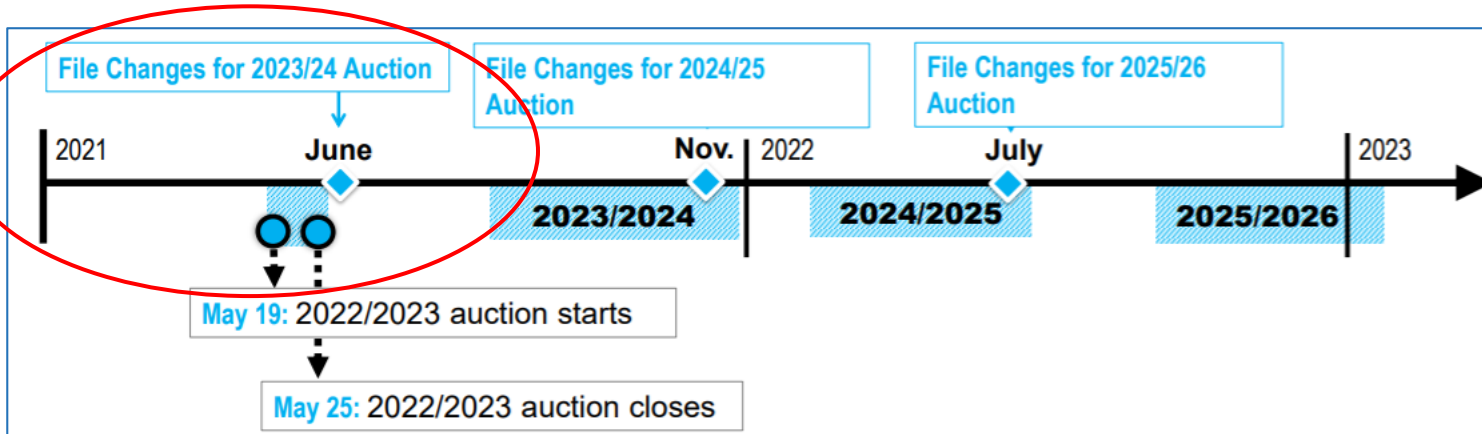
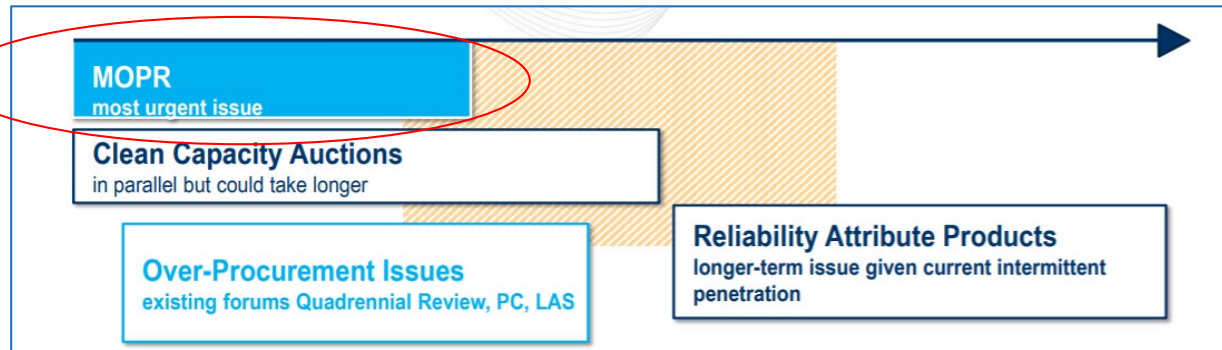
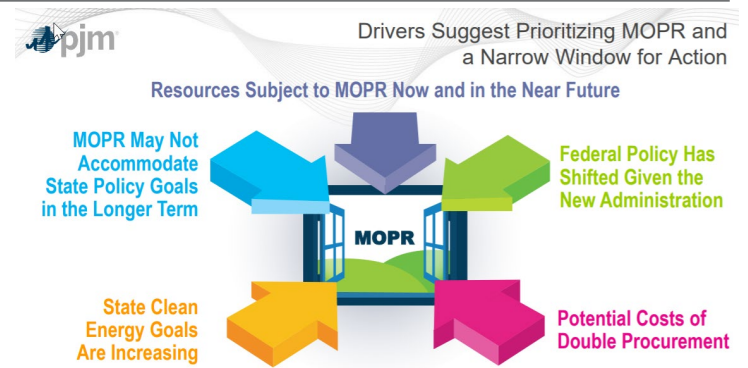


## Actions Required

- Reform existing MOPR
- PJM markets should internalize carbon externalities
- Refine RPM to address changing system needs

# PJM – MOPR is “Most Urgent Issue”

- PJM acknowledges that MOPR reform is a priority
- PJM correctly recognizes that there is a narrow window for action on MOPR reform
- PJM needs to file MOPR reform changes by June to be effective for the 2023/24 auction



# Stakeholders - MOPR Reform is a Priority

*MOPR repeal should be a given.*

-NJ BPU

- *Eliminate MOPR*
- *Speed is of the essence*

-Illinois CUB

*We agree with PJM that the MOPR isn't a long term durable solution.*

-Vistra

*Restore the ability for the public power business model to serve its members without double payment for capacity resources*

-ODEC

*Need to go back to first principles of mitigation of buyer-side market power to be symmetric with supplier market power.*

-E-Cubed

Several stakeholders have expressed accord with OPSI's Principles

1. State procurements or competitive solicitations,<sup>3</sup> policy choices, emissions levels, or clean energy requirements must be respected and accommodated, rather than over-ridden or made infeasible by PJM market rules.
2. States should have the option of specifying the clean energy, emission levels, or other content of their own resource mix, in whole or in part, which the PJM market would then account for or procure on a competitive, least-cost basis, consistent with reliability.
3. Because states retain primary authority for resource adequacy under the Federal Power Act, any re-imagined resource adequacy solution must continue to allow states the option of meeting resource adequacy through a mechanism independently, similar to the current Fixed Resource Requirement.
4. Effective and appropriate market power mitigation is imperative for a properly functioning market design, and for PJM-administered markets generally.

OPSI (1/8/21 Letter to PJM Board)

"...four core principles to guide discussion about the evolution of market design in the PJM region..."

Many stakeholders at Workshop #2 agreed further MOPR reform is required

# FERC – The Handwriting Is On the Wall (... or in the orders)

## Chairman Glick

*“...the PJM MOPR saga will ultimately be remembered as a model case of egregious Commission overreach. The majority has taken MOPRs,..., and thoroughly weaponized them as a tool for increasing prices and stifling state efforts to promote clean energy. The result is an unsustainable construct that will eventually collapse under its own weight.*

-PJM MOPR Order, Glick dissenting (10/19/20)

FERC Technical Conferences on  
“Resource Adequacy in the Evolving Electricity Sector” starting March 23-24

*The focus in this first conference will then narrow in on PJM's specific capacity construct and examine options for creating a durable resource adequacy construct that will accommodate states exercising their authorities in the modern electricity sector.*

-Chairman Glick, FERC Open Meeting Transcript (2/18/21), at p. 11

## Commissioner Clements

*I have previously expressed my disagreement with similarly intentioned rules in PJM's capacity market. NYISO's buyer-side mitigation rules are likewise divorced from the objective of mitigating actual monopsony power, and instead now serve only as likely impediments to New York's public policies in the name of “protecting” markets within the Commission's jurisdiction.*

*A state's exercise of its authority under the Federal Power Act to shape the resource mix for its citizens is not an exercise of market power, and applying mitigation to such state actions is harmful to customers.*

-NYISO Buyer-side Mitigation Order, 174 FERC ¶ 61,110, Clements concurring (2021)

FERC commissioners agree with PJM stakeholders that MOPR reforms are needed

# Consensus MOPR Reform Is Achievable Swiftly

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## Path to Success

- Back to fundamentals
- Reform MOPR to address deliberate exercise of Buyer market power, instead of targeting legitimate state policies
- Accommodate states' authority to establish their resource mix without double-payment for capacity
- Satisfy OPSI principles
- Establish revised MOPR for the 2023/24 BRA

## Key Elements

- Define “Buyers” with incentive and ability to exercise market power
- Define objective mitigation bounds that accommodate legitimate business planning
- Examine evolving demand for bundled FERC-jurisdictional and state-jurisdictional products (i.e., “clean power”)
- Exempt unbundled state-jurisdictional products

Stakeholders have reached consensus on many of these elements before.

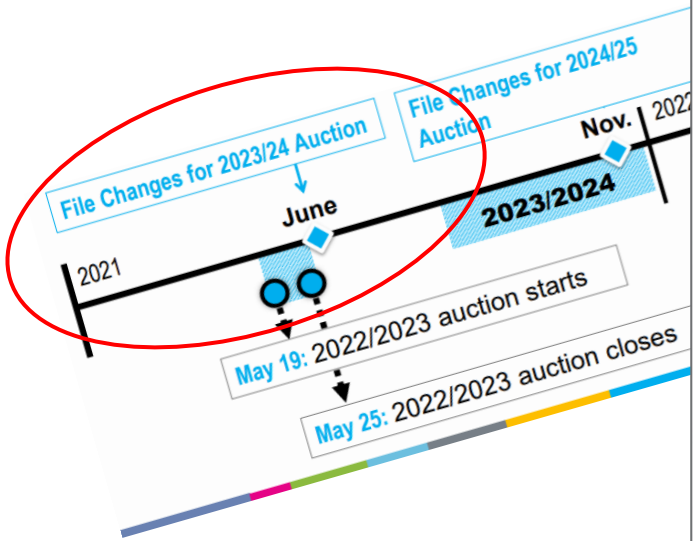
Past provisions can be reworked to develop a reformed MOPR that is properly tailored to address buyer market power and respect states' rights.

# MOPR Reform Benefits Can Be Achieved for the 2023/24 BRA

The PJM Enhanced Liaison Committee provides a vehicle for swiftly developing consensus MOPR reforms for implementation in the 2023-24 BRA

Stakeholder-led reforms are preferred to FERC-mandated changes

	FERC TC Wkshp #4 MC 3/23-24 3/26 3/29	April 8	April 22	April 29	May 5 Post - Ann. Mtg.	May 6 +	Mid-May
	At least 4 Weeks Prior to ELC Meeting	2 Weeks Prior to ELC Meeting	1 Week Prior to ELC Meeting	ELC Meeting Date	Board Decides after ELC	Feedback to Members After Board Decision	
Members/PJM Initiate ELC	●						
PJM Posts Senior Committee Report/White Paper (including PJM position)	●						
Members/PJM Identify Facilitator	●						
Members Self-Select Coalitions		●					
Members Coalitions and MMU Submit/PJM Post Briefing Papers			●				
Board/Members Hold ELC Meeting				●			
Board Renders Decision					●		
Board Provides Feedback to Members						●	



# Exelon: An Industry Leader

**\$26B**

Being invested in utilities through 2023

Nearly  
**\$52M**

In 2019, Exelon gave approximately **\$52 million** to charitable and community causes

**210 TWh**

Customer load served

**31,600**

Megawatts of total power generation capacity

**#1**

Zero-carbon energy provider in America

Nearly  
**251,000**

Employee volunteer hours

**10M**

Six utilities serving **10M** electric and gas customers, the most in the U.S.

**11,150**

Transmission line miles for utilities

**1.9M**

Approximate number of residential, public sector and business customers served by Exelon's Constellation business

**FORTUNE 100**

Exelon is a FORTUNE 100 company

**\$34.4B**

Operating revenue in 2019

**32,700**

Employees