



Energy Offer Caps

Conforming Manual Changes

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- Problem Statement and Issue Charge
 - Approved April 24, 2014
- Cap Review Senior Task Force (CRSTF) charged with developing a permanent solution, if necessary, related to the temporary waivers associated with FERC ER14-1144 and ER14-1145
 - Filings from January to allow generators to recover costs above \$1,000/MWh
- Target filing date of October 31, 2014
- Eight meetings throughout spring and summer
- Three failed votes at the September MRC

- CRSTF not sunset at September meeting
- CRSTF met on October 10, 2014 per MRC instruction to resume attempts to build consensus
- Consensus on a single package not reached
- CRSTF sunset at October MRC
- Offer cap discussed at both the October and November MC meetings
- Negotiations continued amongst stakeholders

- PJM Board approves 206 filing of last stakeholder compromise package
 - Filing made December 15, 2014
- FERC accepts filing and makes effective on January 16, 2015 (EL15-31)
 - PJM compliance filing due February 27, 2015 to remove temporary market rules from tariff as of April 1, 2015
 - IMM to make informational filing within 30 days of temporary provisions
- FERC issued notice inviting post-technical conference comments (AD14-14)
- PJM brings conforming changes to manuals 11 and 28 to January MRC
 - Manual changes will be removed April 1, 2015

- Effective 1/16/15 – 3/31/15
- Cost-based energy offers capped at \$1,800/MWh
 - Price-based energy offers can rise above \$1,000 simultaneously with cost-based offers to avoid inappropriate market signals
- Costs above \$1,800/MWh can be compensated via make-whole payments with an after-the-fact review
- Adder for cost-based energy offers limited to the lesser of 10% or \$100

Appendix



MRC Actions in September

Package	Cost-based Offers	Price-based Offers	Sector-Weighted Support
Main Motion PJM Package B	No cap Manual 15 Guidelines + 10%	Greater of cost based offer or consistent with DR offer cap for 30 minute notice. (\$1,849/MWh from 6/1/15 forward)	2.08
Second Motion Load Package A	\$1,000/MWh cap normally Except during Maximum Emergency Generation Alerts when costs above \$1,000/MWh can be recovered through uplift after PJM/IMM review	Greater of cost based offer \$1,000	3.05
Third Motion PJM - cost-based	No cap Manual 15 Guidelines + 10%	Greater of cost based offer \$1,000	2.13

- Cost Based Incremental energy offer limited to production cost + 10%, with no cap.
- Market Based offer is greater of cost based offer or consistent with DR offer cap for 30 minute notice.
- Marginal cost of producing energy; generally fuel costs, plus Variable Operations & Maintenance (per Cost Development Guidelines)
- No Frequently Mitigated Unit or Associated Unit adder will apply above \$1,000/MWh

- Package A –Status Quo, with a pre-determined PJM/IMM review process for cost recovery above offer cap due to circumstances as reflected in metrics addressing weather, generation/transmission operations, fuel availability, other.
- For purposes of recovery, (Cost+) = production cost + 10%; marginal cost of producing energy; generally fuel costs, plus Variable Operations & Maintenance (per M15)
- If (Cost+) \leq \$,1000 then capped Cost+ otherwise, if (Cost+) $>$ \$1,000 then capped at higher of \$1,000/MWh or Cost (per M15) as defined above and subject to PJM/IMM review
- No FMU or AU adders above \$1000/MWh

- Cost Based Incremental energy offer limited to production cost + 10%, with no cap.
- *Market Based offer is greater of cost based offer or consistent with DR offer cap for 30 minute notice. NOT INCLUDED*
- Marginal cost of producing energy; generally fuel costs, plus Variable Operations & Maintenance (per Cost Development Guidelines)
- No Frequently Mitigated Unit or Associated Unit adder will apply above \$1,000/MWh

- Cost based offers for all cost components = actual costs (incremental, start-up, and no-load). DA gas costs index must be clearly defined.
- Market based offers must be less than or equal to cost based offers, if cost based offers are $> \$1,000/\text{MWh}$, otherwise limited to $\$1,000$
- Heat rates must be pre-approved by MMU.
- All offers will be reviewed after the fact. MMU will provide a report for members after the first winter, based on actual experience.
- For cost based offers $> \$1,000/\text{MWh}$, there will be no 10% adder.