



Energy Market Offer Cap Conforming Tariff / OA Revisions

Lisa Morelli
Manager, Real Time Market Operations
Markets & Reliability Committee
January 28, 2016

On December 11, 2015, FERC accepted PJM's proposed offer cap revisions as filed

- One exception regarding the application of the 10% adder for cost-based offers

The new offer cap rule will apply year round and will remain effective until superseded by future Commission action

- Cost-based offers above \$2,000/MWh will be considered in merit order for dispatch purposes
 - For the purposes of setting LMP, all offers will be capped at \$2,000/MWh
 - Generation resources with demonstrated costs above \$2,000/MWh can recover those costs through make-whole payments
 - The 10% adder will not apply to costs above \$2,000/MWh
 - The Commission found that the 10% adder is unjust and unreasonable as applied to *ex post* review of documented costs, because the cost are no longer uncertain

- Price-based offers will be capped at the lower of \$2,000/MWh or the corresponding cost-based offer when costs are above \$1,000/MWh
 - Remain capped at \$1,000/MWh when the corresponding cost-based offers are at or below \$1,000/MWh

- Conforming language needs to be added to the Tariff and OA to make it clear that the 10% adder is explicitly excluded from cost-based offers above \$2,000/MWh in the tariff
 - This language simply clarifies what FERC has already ordered
- Given the conforming nature of these changes, PJM is seeking expedited approval from stakeholders
 - January 25th MC Webinar (Presentation)
 - January 28th MRC (Vote)
 - January 28th MC (Vote)



Revisions to Operating Agreement, Schedule 1 and Tariff, Attachment K-Appendix

6.4.2 Level.

(a) The offer price cap shall be one of the amounts specified below, as specified in advance by the Market Seller for the affected unit:

(ii) For offers of \$2,000/MWh or less, ~~T~~the incremental operating cost of the generation resource as determined in accordance with Schedule 2 of the Operating Agreement and the PJM Manuals (“incremental cost”), plus up to 10% of such costs, the sum of which shall not exceed \$2,000/MWh; and, for offers greater than \$2,000/MWh, the incremental cost of the generation resource.