

**Joint PJM/IMM Communication regarding Key Deadlines related to
Participation in the Upcoming 2018/2019 Base Residual Auction**

This communication serves as a reminder that deadlines for key participant activities related to participation in the 2018/2019 Base Residual Auction (BRA) are contained in the posted RPM Auction Schedule.¹ Please note that certain deadlines are fast approaching; for instance, the tariff-specified deadline by which sellers of planned generation capacity must submit Minimum Offer Price (MOPR) exception requests is December 27, 2014.

While PJM's recent Capacity Performance (CP) FERC filing (Docket Nos. ER15-623-000 and EL15-29) has no impact on the key participant activities and deadlines as contained in the posted RPM Schedule for the 2018/2019 BRA, there are instances where the CP filing requires that additional information be provided for certain activities. Two such activities, both having tariff-specified deadlines of January 11, 2015, and both associated with offering Existing Generation Capacity Resource capability into the upcoming 2018/2019 BRA, are: (1) the submittal of Market Seller Offer Cap (MSOC) data to PJM and the IMM, and (2) submittal to PJM and IMM of RPM must-offer exception requests for reasons other than deactivation.

This joint PJM/IMM communication offers guidance to the Capacity Market Seller as it relates to these two activities under current PJM Open Access Transmission Tariff (OATT) provisions, as well as, under PJM's recent CP filing. All references to PJM OATT sections in this communication are to sections of Attachment DD of the PJM OATT.

RPM Must Offer Requirement

Under current PJM OATT provisions, Existing Generation Capacity Resources are required to offer into all RPM Auctions unless the Capacity Market Seller requests and receives approval for exception to this requirement according to the timeline and procedures specified in Section 6.6. Those procedures entail: (i) the seller's submission of a request for an exception for reasons other than deactivation (with all supporting information) by no later than 120 days before the offer window opens for the relevant auction (i.e., January 11, 2015 for the 2018/2019 BRA²); (ii) initial review and determination of the exception request by the IMM by no later than 90 days prior to the auction offer window; and (iii) final review, and a final determination, by PJM no later than 65 days before the auction offer window. The timelines and procedures for the overall must-offer requirement exception process are unaffected by the PJM CP filing.

¹ RPM Auction Schedule is posted at <http://www.pjm.com/~media/markets-ops/rpm/rpm-auction-info/rpm-auction-schedule.ashx>.

² The deadline for must-offer exception requests for reason of deactivation was 12/1/2014; therefore, exception requests for reason of deactivation have already been submitted to PJM and the IMM and processed prior to the CP filing.

Under the PJM CP filing, for the 2018/2019 and 2019/2020 Delivery Years, in addition to the timelines and procedures for the must-offer requirement exceptions described above, Existing Generation Capacity Resources that are capable (or that reasonably can become capable) of qualifying as a CP Resource are required to offer into all RPM Auctions as a CP Resource. The CP filing allows for exception to this CP must-offer requirement where the Capacity Market Seller can demonstrate that the resource is physically incapable of satisfying the requirement of a CP Resource.³ Exceptions will be determined using the same timeline and procedures as specified in Section 6.6. Intermittent Resources, Capacity Storage Resources (including any hydroelectric power plant), Demand Resources, and Energy Efficiency are not required to submit an offer as a CP Resource under the CP filing and therefore are not required to seek such an exception.

If the Commission accepts the CP filing then the CP Resource must-offer requirement will apply to the upcoming 2018/2019 BRA. Any seller that believes its resource needs an exception to this requirement should follow the exception timelines and procedures specified in Section 6.6 including adherence to the January 11, 2015 deadline, because these timelines and procedures will be applicable if the CP filing is accepted by the Commission.

Market Seller Offer Cap

Under current PJM OATT provisions, a Capacity Market Seller that intends to have a non-zero MSOC apply to its Existing Generation Capacity Resource in an RPM Auction must submit data and documentation supporting the non-zero MSOC to the IMM and PJM using the timeline and procedures as specified in Sections 6.4(b) and 6.7(b), which require that such data and documentation be provided to the IMM and PJM by no later than 120 days before the offer window opens for the relevant auction (i.e., January 11, 2015 for the 2018/2019 BRA). This data is provided to the IMM and PJM via submittal to the IMM's RPM/ACR System.

Under the PJM CP filing, the MSOC for any CP Resource shall be the Net Cost of New Entry (Net CONE) applicable for the Delivery Year and Locational Deliverability Area for which such CP Resource is offered unless the Capacity Market Seller seeks an MSOC that is greater than Net CONE. Although the CP Resource seller that intends to submit a Sell Offer at or below the applicable Net CONE is not subject to the data and documentation requirements of Section 6.4(b), under proposed Section 6.7(a), a potential participant intending to offer a CP Resource at or below Net CONE must provide the MSOC and the MW to which the MSOC applies for such resource to PJM and the IMM no later than 120 days before the offer window opens for the relevant auction (i.e., January 11, 2015 for the 2018/2019 BRA). For those Capacity Market Sellers that intend to submit an offer above Net CONE, the data and information support provisions of Sections 6.4 (b) and in turn 6.7 and 6.8, will apply; in effect, such support must be

³ These operational and performance requirements are defined in proposed new Section 5.5A(a).

submitted by January 11, 2015. As part of the PJM CP filing, the Avoidable Cost Rate definition specified in Section 6.8 has been revised to include two new cost components that are applicable only to offers for a CP Resource - an Avoidable Cost Rate for a CP Resource permits the costs of gas transportation and other gas service as well as a documented and verifiable risk premium.

The following guidance is provided to reflect what PJM and the IMM expect Capacity Market Sellers with Existing Generation Capacity Resources to submit by January 11, 2015 for the upcoming BRA in May 2015 for the 2018/2019 Delivery Year given the pendency of the CP filing.

By January 11, 2015, Capacity Market Sellers intending to have a non-zero MSOC shall submit (1) and either (2) or (3) as follows:

- (1) data and documentation to support an MSOC under the current rules using the current ACR categories available under Section 6.8; and either
- (2) for Capacity Market Sellers which would seek an MSOC at or below Net CONE for a CP Resource if the CP filing is accepted – then the MSOC and MW to which the MSOC applies for such resource; or
- (3) for Capacity Market Sellers which would seek an MSOC greater than Net CONE if the CP filing is accepted – then data and documentation to support an MSOC using the ACR categories available under Section 6.8 should the CP filing be accepted (i.e., the current categories as well as gas transportation and verifiable risk premium).

Should FERC accept the CP filing with an effective date before the May, 2015 BRA, PJM will use the MSOC under paragraphs (2) or (3) above, as appropriate. Should FERC not accept the CP filing prior to the May, 2015 BRA, then PJM will use the MSOC under paragraph (1) above.

The IMM will be providing separate communication with instructions on the mechanics of providing such notification to PJM and the IMM via the IMM's RPM/ACR system.

Please direct any questions regarding this communication to the IMM at rpmacr@monitoringanalytics.com and PJM at RPM_Hotline@pjm.com.