

Good Morning Chairman Hoops,

Below and attached please find Chairman Randazzo's follow up answers to questions he received during his 9/16 invited testimony before the House Select Committee on Energy Policy and Oversight.

Attached, for Representative Romanchuk, is a summary of the FERC MOPR and below is a timeline of how a generating unit could apply for a unit specific exemption.

Please note that this comes from PJM's proposed tariff that is still pending at FERC and no auction dates or associated offer period (usually two weeks prior to the auction) have yet been established. The proposed tariff language is as follows:

- 1) PJM will post no later than 150 days prior to the offer period of PJM's next base residual auction its estimate of MOPR floor prices. A capacity market seller that desires a unit-specific exemption also known as "exception" must submit its request 135 days prior to the offer period of the next auction to PJM and the IMM
- 2) A capacity market seller must provide all documentation to support its exemption as required by the PJM tariff
- 3) PJM will respond to the unit specific exemption by the capacity market seller by no later than 65 days after receipt of the request and the IMM will respond no later than 45 days after receipt of request

Representative O'Brien asked "In your earlier testimony you stated that First Energy applied (filed) for decoupling and was denied a few years ago. Did you or your office assist or review and drafts regarding decoupling before it was inserted in HB6?" Below please find the Chairman's response:

Yes. We shared our concerns, in response to legislative questions during testimony and in conversations with members from both the Ohio House and the Ohio Senate regarding the proposed decoupling rider. We raised issues such as prohibiting double recovery, excluding program costs and shared savings and allowing for the impact of weather to be normalized in the decoupling calculation.

Representative Smith asked if the PUCO would use an independent auditor? Yes, the PUCO will use an independent auditor. Below is a link to past PUCO audit RFPs for the committee members review.

<https://puco.ohio.gov/wps/portal/gov/puco/documents-and-rules/request-for-proposals/requestsForProposalsRFPs>

FERC Dec. 19, 2019 PJM Capacity Order – Informational Summary As Revised by FERC’s April 16, 2020 Rehearing

What does FERC’s MOPR order do?

- On Dec. 19, 2019, the Federal Energy Regulatory Commission (FERC) issued an order in a case that had been pending for over three years and issued a rehearing order on April 16, 2020. The case began when Calpine, a power company with national and international operations, filed a complaint asserting that the wholesale capacity market operated by PJM Interconnection was unjust and unreasonable because state resource payments were artificially suppressing [capacity prices](#). The rehearing order affirmed most of its previous findings with a few important clarifications. The summary, below, has been updated to reflect FERC’s action on rehearing.
- In its order, FERC directed PJM, in its capacity auctions, to expand its Minimum Offer Price Rule (MOPR) to any new or existing resource that **receives, or is entitled to receive**, a state subsidy, as defined in the order, unless exempted.

What is the effect of the MOPR expansion?

- The MOPR specifies the process by which a minimum offer price (“MOP”) shall be established for participation in PJM’s wholesale capacity market and price-setting capacity auctions.
- The MOP is essentially, the lowest offer or bid price a capacity resource may submit to PJM during periodic capacity auctions. The auctions are used to procure the capacity PJM requires to meet reliability objectives within its footprint and identify the capacity resources that will receive capacity compensation.
- The latest FERC-approved MOPR selectively imposes a MOP on a broader range of capacity resources including any resource receiving or eligible to receive a “state subsidy” thereby potentially limiting the ability of an affected capacity resource to submit a “winning” capacity offer reducing the opportunity for those resources to obtain compensation for the capacity they make available to PJM.



PJM Interconnection is a regional transmission organization (RTO) that coordinates the movement of wholesale electricity.

Pictured: PJM service territory.

- Directionally, this works against state programs like those in HB 6 that seek to sustain the contributions of zero-emitting resources and, more broadly, against state programs that promote entry of demand-side or supply-side resources that are eligible to participate in PJM's capacity market.

How do capacity markets affect consumers?

- PJM's capacity market accounts for about 20% of wholesale power costs, and ultimately about 10% of an end-use customer's bill. Higher capacity costs will translate to higher customer bills.

What is exempt from the MOPR?

- Existing renewable resources that are participating in state renewable portfolio programs;
- Existing energy efficiency resources;
- Federally subsidized resources, on the basis that Congressionally directed subsidies have the same force as the Federal Power Act, and therefore may not be nullified by FERC;
- Existing storage resources;
- Existing self-supply resources (public power entities, single customer entities, or vertically integrated utilities);
- Existing demand response resources;
- New and existing resources that certify they will forego state subsidies (the "competitive exemption");
- New and existing resources that can justify an offer lower than the default offer floor (the "unit-specific exemption");
- Businesses that receive support for industrial development and local siting.
- **On rehearing**, FERC exempted voluntary renewable energy credits that are not part of state renewable portfolio programs.
- **On rehearing**, FERC exempted OVEC resources stating, "However, given the unique and longstanding supply arrangements associated with the OVEC resources, to the extent a retail rate rider associated with the OVEC resources was in place prior to the December 19, 2019 Order, we here clarify that such a retail rider is appropriately treated in a manner similar to existing self-supply arrangements and is **thus exempt** from the application of the MOPR." (emphasis added).

December 19, 2019, FERC issues MOPR Order

- FERC adopted an expanded MOPR. FERC determined that other proposals would unacceptably distort the markets inhibiting incentives for competitive investment in the PJM market over the long term. PJM's long-standing Fixed Resource Requirement (FRR) remains unchanged in PJM's tariff.

What was the vote?

- The vote on the December 2019 Order was 2-1. Chairman Neil Chatterjee and Commissioner Bernard McNamee voted in favor. Commissioner Glick dissented. On rehearing (April 16, 2020) the vote was 3-1. Chatterjee, McNamee and new Commissioner James Danly voted in favor; Commissioner Glick dissented.

Key Activities Since December 19, 2019 MOPR Order

- January 8, 2020 – PJM stakeholder discussion
- January 21, 2020 – Requests for rehearing due
- January 21, 2020 - PUCO files application for rehearing
- March 18, 2020 – PJM compliance filing made
- March 31, 2020 - FERC grants PUCO motion seeking more time to respond to PJM compliance filing (now due May 15, 2020)
- April 16, 2020 – FERC issues rehearing orders
- April 20, 2020 – Appeal of FERC's orders filed by Illinois Commission in the 7th Circuit Court; by AMP/American Public Power and by the National Resources Defense Council, separately, in the DC Circuit Court.
- June 1, 2020- 2nd PJM compliance filing made

What is the potential impact in Ohio?

- The following supply-side resources appear to be subject to the MOPR:
 - Davis-Besse and Perry nuclear power plants;
 - ~~OVEC coal power plants~~ (**On rehearing**, the application of the MOPR to OVEC was clarified)
 - Solar resources eligible for the H.B. 6 REC payments;¹
 - New renewable resources eligible for REC payments under R.C. 4928.64;
 - New demand-response resources eligible for state subsidies;
 - Any other resources eligible for an Ohio tax incentive or other state or local government financial benefit, except for the industrial-development exclusion;
 - Resources participating in Ohio's Standard Service Offer auctions for non-shopping electricity customers; however, it is not clear how this will be implemented by PJM.

¹ Unless the resource has an executed interconnection construction service agreement on or before 12/19/19 or has an unexecuted interconnection construction service agreement filed by PJM for the resource with the FERC on or before that date.