

Shared Principles for FRR-RS Have Broad Support From Many Sectors

Renewable Community



Consumer Advocates



SHARED PRINCIPLES FOR A RESOURCE-SPECIFIC FIXED RESOURCE REQUIREMENT

FERC's June 29, 2018 order in Docket No. EL18-178 proposes implementation of a resource-specific Fixed Resource Requirement (FRR-RS) to provide an opportunity for the PJM market to account for the capacity contributions of state-incentivized resources. The undersigned parties endorse the following principles and terms for designing the proposed FRR-RS mechanism. This proposal is not intended to address questions regarding applicability of the Minimum Offer Price Rule (MOPR), but rather to describe eligibility for and functioning of the FRR-RS.

An FRR-RS mechanism should:

- **Protect customers from paying for duplicate capacity.** Expanding PJM's MOPR likely will prevent many state-incentivized nuclear and renewable resources from clearing the PJM capacity auction. Without a workable FRR-RS that provides an alternative way to compensate these resources for their capacity, customers will be forced to buy excess capacity through the PJM capacity market to "replace" the renewable and nuclear energy supported by the states but ignored by the capacity market. A workable FRR-RS would prevent these increased costs.
- **Preserve states' abilities to achieve clean energy policy goals.** Reducing the amount of capacity sold in the PJM auction by the amount of state-incentivized clean energy covered under an FRR-RS mechanism makes it possible for states to meet and expand their energy policy targets without being financially penalized.

Specifically, FERC should:

- **Require FRR-RS to allow load serving entities to buy capacity from all state-incentivized resources and receive full capacity credit for doing so.** The FRR-RS should provide maximum flexibility for the matching of customer load and state-incentivized resources, and provide a user-friendly mechanism for states to direct their load serving entities to procure capacity from state-incentivized resources.
- **Allow for a smooth transition by giving states enough time to work through any difficult implementation issues before fully imposing the MOPR.** States must be able to understand the new rules and clarify state law as needed to take full advantage of FRR-RS optionality. Because implementing FRR-RS effectively will require new regulation and/or legislation in many states, a transition mechanism must be established that allows for these processes to be carried out without forcing customers to pay excess costs in the interim.

The elements of a workable FRR-RS set forth in the shared principles below protect the cost-effective achievement of state policy goals to the extent possible under the terms of FERC's PJM capacity market order in Docket No. EL18-178.

Industry Stakeholders



Environmental NGOs



Numerous parties endorsed a shared set of principles and many others favorably cited those principles in their comments in Docket EL18-178.