

Order to Show Cause on Real Time Values (RTV) and Parameter Limited Schedules (PLS) Update

Keyur Patel,
Sr. Lead Market Design Specialist,
Market Design and Economics
Markets Implementation Committee
August 11, 2021

Lauren Strella Wahba,
Sr. Engineer, Generation Department
Markets Implementation Committee
August 11, 2021

FERC is concerned that the PJM Tariff appears to be unjust and unreasonable because it fails to contain provisions governing what happens if a seller is unable to meet its unit-specific parameters in real time.

- “While PJM needs accurate, timely information on resources’ operating capabilities, without a clear process for assessing changes to parameter-limited schedules in real time, PJM’s Tariff may not adequately mitigate the potential for sellers to submit Real Time Values to exercise market power.”
- In addition, the existing practice “does not contain sufficient protections against sellers using Real Time Values to avoid market power mitigation by inappropriately increasing their Notification Time on parameter limited schedules.”

- Presented at June 21 MC Webinar, July 14 MIC, and July 15 OC and solicited stakeholder feedback.
- On July 23, PJM filed a notice to FERC of the interim approach with an effective date of August 1, 2021.
 - Only allow real-time values to be submitted for actual physical unit limitations or those outside of management control.
 - Submission of a real-time value would require supporting documentation within three business days demonstrating actual physical unit limitations or those outside of management control.
 - Real-time values would be allowed to be submitted only after the close of the day-ahead market.

- Sunset the use of Real Time Values and modify Market Rules to allow Temporary Exceptions to be submitted after the close of the DA Market.
 - This will require modifications to Markets Gateway as well as language in the Tariff/Manual 11.
- Modify language in Tariff/Manual 11 to note Temporary Exceptions can only be submitted for physical unit limitations or those outside of management control.
- Request target date of end of Q2/early Q3 2022 implementation.

FERC is concerned that the Tariff provisions dictating how PJM determines which offer is least cost may not be just and reasonable

- “Because the Tariff requires PJM to commit and dispatch resources based on a lowest cost offer (rather than, for example, selecting the resource offer with the lowest total cost among the parameter-limited offers), sellers may be able to structure their market-based parameter-limited offer strategically to ensure that PJM chooses the market-based offer, which is not subject to parameter limits.”

- PJM believes the current tariff is just and reasonable in choosing the cheapest schedule while still allowing flexibility in offers and parameters to generation resources.
 - Current tariff requires selection of schedule that results in lowest production cost.
- However FERC is concerned that allowing the flexibility in offers and parameters to generation resources may result in circumvention of market power mitigation.
 - Can result in mitigated generators running on parameters that are not subject to limitations
 - PJM may need to scale back flexibility in offers and parameters

- Potential changes to address FERC's concerns of market power stemming from flexibility in offers and parameters:
 - Specify a single set of parameters on all schedules
 - Consider only parameter limited schedules when Market Seller fails TPS test (Cost schedule) and/or under Emergency Conditions (Price PLS schedule)
 - No crossing of incremental offer curves among schedules
 - Same incremental offers on Price and Price PLS schedule
 - Constant mark up on Price schedule above/below Cost schedule's incremental offer
- Which flexibility is important to Market Seller and Market Buyer and provides values to market?
- Are there tradeoffs between reducing flexibility and achieving the lowest production cost?

- Scaling back flexibility in offers and parameters to address FERC's concern provides opportunity to simplify offer structure.
- Simplification in offer structure may be needed to include more features such as Combined Cycle modeling, Distributed Energy Resource and Energy Storage optimization etc. in optimization engine.
- Desire to determine the cheapest schedule outside of commitment software
 - Reduces the commitment software complexities which will allow to add more features for any future need
 - Can be achieved by scaling back flexibility in offers and parameters as part of addressing FERC's concern

Presenter/SME:
Lauren Strella Wahba,
Lauren.StrellaWahba@pjm.com

RTV

Keyur Patel,
Keyur.Patel@pjm.com

PLS



Member Hotline

(610) 666 – 8980

(866) 400 – 8980

custsvc@pjm.com