

Offer Capping Issue Charge

MIC

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IMM



Monitoring Analytics

Clarity and Education

- **PJM's issue charge does not provide adequate clarity on the need to change the offer capping process or the implications.**
- **PJM's issue charge is significantly different from PJM's prior issue charge.**
- **Education is needed before proceeding with the issue charge, including:**
 - **How the offer capping process functions in the day-ahead and real-time software;**
 - **Implications for the enhanced CC model;**

Clarity and Education

- **Education items (continued):**
 - **Situations when offers and parameters are or are not mitigated when a seller fails the TPS test and during emergencies and hot/cold weather alerts.**
 - **How fixing existing issues with the offer capping process will improve computation time;**
 - **Why PJM proposes to adopt the CC software developed for the MISO market model.**

Purpose

- **The purpose of offer capping and schedule selection is to choose the applicable offers and parameters for market power mitigation.**
- **PJM's issue charge would change market power mitigation to decrease market software solution time.**
- **A change to market power mitigation cannot proceed without consideration of the effects on exercises of market power. PJM's proposal is not well defined.**
- **The authority to participate in PJM's markets at market based rates relies on effective market power mitigation.**

Current Offer Capping

- **The current offer capping process allows sellers with market power to:**
 - **Set LMPs with high markups;**
 - **Withhold using high offers and inflexible parameters;**
 - **Extract unnecessary uplift from the market.**
- **The IMM has several longstanding recommendations to fix the offer capping process.**
- **This is the same process that PJM wants to change with its issue charge.**
- **But PJM proposes to define the IMM issues as out of scope.**

Process

- **It is an inefficient use of time and resources to change the offer capping process without addressing the market power mitigation issues.**
- **Any solution proposed to decrease computation time will have implications for market power mitigation. Many possible solutions would make market power mitigation worse. This is unacceptable.**
- **The stakeholder process cannot address computation time without affecting mitigation.**
- **The issue charge should clearly and explicitly incorporate both sets of issues.**

Market Power Mitigation Issues

- **Any change to the offer capping process needs to address these issues with the process for selecting offer schedules when the TPS test is failed:**
 - **Crossing curves.** The current process frequently selects offers with a negative markup at low output levels and a high positive markup at higher output levels that sets price when the unit is needed for a constraint in real time.
 - **Inflexible parameters.** The current process frequently selects price-based offers with inflexible parameters for resources that fail the TPS test and during hot/cold alerts and emergencies.

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