

## Offer Capping and Parameter Mitigation for Emergencies, Alerts, and Local Market Power

### Issue Source

Recommendations in the State of the Market Report, FERC Order to Show Cause on Parameter Mitigation, and PJM multi-schedule model problem statement.

### Issue Content

The current process used by PJM to choose an offer schedule when a unit fails the TPS, or during emergencies and hot/cold weather alerts, fails to offer cap some offers and fails to require all resources to operate on their most flexible parameters. This allows some resources with market power to economically withhold output. The current process is also computationally intensive, especially during emergencies and hot/cold weather alerts, which may complicate implementation of the enhanced combined cycle model. Allowing economic withholding and inflexible parameters for resources also reduces the flexibility of the PJM fleet at a time when increased flexibility is a goal.

### Key Work Activities

1. Education on the offer capping and parameter mitigation rules and implementation processes.
  - a. Operating Agreement requirements
  - b. Status quo, choice of least cost schedule process in the day-ahead and real-time markets
  - c. FERC Show Cause Order issues
  - d. State of the Market Report recommendations
2. Propose and review solutions.
3. Refine solutions based on evaluation of how they address the failure to mitigate resources with market power, computational time, and flexibility incentives.

### Areas in Scope

1. Automated choice of offers when resources have local market power or during emergency and hot/cold weather alerts.
2. Automated choice of parameters when resources have local market power or during emergency and hot/cold weather alerts.

## Areas Not in Scope

1. Determination of local market power: Three Pivotal Supplier test, reliability commitments
2. Requirement that parameters be mitigated during emergencies and hot/cold weather alerts
3. Cost Development Subcommittee issues: OA Schedule 2, Manual 15: Cost Development Guidelines
4. Unit specific parameter review and standards
5. Cost-based start and no load cost rules
6. Enhanced Combined Cycle (ECC) / Energy Storage model

## Expected Deliverables

1. Revisions to the Operating Agreement and PJM Manual 11
2. Requirements for a new mitigation implementation process to determine offers and parameters for resources that fail the TPS test and during emergencies and hot/cold weather alerts

## Decision-Making Method

Tier 1, consensus

## Stakeholder Group Assignment

MIC Special Sessions

## Expected Duration of Work Timeline

It is estimated that this effort will require 12 months. The work would begin as soon as the Issue Charge is approved.

Start Date	Priority Level	Timing	Meeting Frequency
	<input checked="" type="checkbox"/> High	<input checked="" type="checkbox"/> Immediate	<input type="checkbox"/> Weekly
	<input type="checkbox"/> Medium	<input type="checkbox"/> Near Term	<input checked="" type="checkbox"/> Monthly
	<input type="checkbox"/> Low	<input type="checkbox"/> Far Term	<input type="checkbox"/> Quarterly

## Charter



(Check one Box)

<input type="checkbox"/>	This document will serve as the Charter for a new group created by its approval.
<input checked="" type="checkbox"/>	This work will be handled in an existing group with its own Charter (and applicable amendments).

*More detail available in M34, Section 6*