

### Scarcity Pricing Circuit Breaker

#### Issue Source

This issue charge is sponsored by the undersigned Members of the Generation Owner, Transmission Owner, and Other Supplier Sectors: Appian Way, Calpine, Carroll County, Cogentrix, Eastern Generation, EDF Energy North America, EKPC, Exelon, GenOn, J-Power, LS Power, NextEra, PSEG, Shell Energy North America (US), L.P. and Vistra. These Members represent a diverse group of suppliers, LSEs and market intermediaries.

#### Issue Content

Members will consider whether an administrative mechanism (i.e. a circuit breaker) should be established in PJM's energy market to protect consumers and market participants from undue financial impacts of inactionable scarcity price signals. This focused stakeholder process will support PJM's interest in investigating this potential resilience enhancement as outlined to the U.S. Senate Committee on Energy & Natural Resources on March 11, 2021.

This issue charge addresses education on PJM's downward sloping ORDC, as well as consideration of the potential for a "circuit breaker(s)" or other stop loss approach(es) to limit the duration of inactionable pricing that is not likely to preserve grid reliability.

For the purposes of this issue charge, ***inactionable*** means a situation where it is not feasible for generators to increase availability and output, and/or load to engage in further voluntary reductions to restore reserves and serve all firm load during an extended involuntary load shedding event.

#### Key Work Activities and Scope

1. Review current and planned energy market scarcity pricing paradigms to assess the potential for inactionable scarcity price signals
2. Review stop-loss provisions in PJM capacity market
3. Review stop-loss provisions in other RTOs
4. Discuss potential administrative mechanisms (circuit breaker, stop loss, other administrative mechanism) to better protect consumers and market participants

#### Out of Scope

Changes to PJM's ORDC, reserve product structure, and penalty factors are out of scope for this stakeholder deliberation.

#### Expected Deliverables

1. Potential changes to market design to introduce a new administrative mechanism in PJM's energy market to better protect consumers and market participants from undue financial impacts of inactionable scarcity price signals
2. Manual and governing document changes to support any approved proposal

#### Decision-Making Method

Tier 1

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**Stakeholder Group Assignment**

Energy Price Formation Senior Task Force

**Expected Duration of Work Timeline**

It is estimated that this work effort could take 9-12 months. It should start in October 2021.

Start Date	Priority Level	Timing	Meeting Frequency
10/1/2021	<input type="checkbox"/> High <input checked="" type="checkbox"/> Medium <input type="checkbox"/> Low	<input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Near Term <input type="checkbox"/> Far Term	<input type="checkbox"/> Weekly <input checked="" type="checkbox"/> Monthly <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).