



Energy Price Formation Senior Task Force Monthly Progress Report

9/27/2021

1. ORDC & Transmission Constraint Penalty Factors

The Markets and Reliability Committee (MRC) approved this Issue Charge on 6/23/21 and assigned it to the Energy Price Formation Senior Task Force (EPFSTF) to evaluate three Key Work Activities (KWA)

KWA #1, Education on the current and pending PJM market rules for use of ORDCs and Transmission Constraint Penalty Factors in LMPs including the input assumptions for the ORDCs. The education will also include pricing rules during emergency actions, triggers for Performance Assessment Intervals (PAI), and the automatic use of the maximum reserve penalty factors.

KWA #2, Explore potential “circuit breaker(s)” or other stop loss approach(es) that could limit extreme pricing whose cost likely far exceeds the value of any contribution to preserving grid reliability. The discussion would also include potential additional operational authorities needed by PJM to maintain grid reliability under such conditions.

KWA #3, Explore potential enhancements to PJM’s ORDC rules to address the impact of recent changes in PJM’s dispatch protocols on forecast uncertainty embedded within the approved curve shape. Explore, and address as appropriate, the additional market and credit risks of the ORDC changes in light of recent events in ERCOT, SPP, and MISO

Issue Status

The EPFSTF revised charter approval will be sought at the 9/29/21 MRC. Interest Identification has been completed and PJM staff have given education on various topics. An initial list of Design Components has been identified.

Target Completion

KWA #1 and #2: 2/2022, FERC Order by 5/2022.

KWA #3: EPFSTF work begins when KWA #2 EPFSTF work is completed.

Progress Update

8/9/21 Meeting:

Charter: As a charter already existed for the EPFSTF, a revision that included the ORDC & Transmission Constraint Penalty Factors issue charge was presented.



Education by PJM: Topics included current and pending PJM market rules for use of ORDCs and Transmission Constraint Penalty Factors in LMPs, pricing rules during emergency actions, triggers for Performance Assessment Intervals (PAI), and the automatic use of the maximum reserve penalty factors.

CBIR: Initial Interest Identification.

8/26/21 Meeting:

Charter: After the 8/9/21 meeting, another version of the charter was brought forward by Exelon, which included some amendments. To determine which version will be brought to the MRC for approval, a vote was held after the 8/23/21 meeting with results posted 9/8/21. The original revised charter will be the Main Motion at the 9/29/21 MRC and the Exelon revised charter will be the Alternate Motion.

Education by PJM: Simplified Operating Reserve Demand Curve (ORDC) examples, Energy And Reserve Price Capping logic implemented and under discussion in other ISOs, and Potential Circuit Breaker design components

CBIR: Completed Interest Identification and initial discussion on Design Components

Next meeting scheduled for 9/23/21

Action Requested

Stakeholders with proposed design components, options or packages or who wish to present a potential design are encouraged to send them to the facilitation team: Susan Kenney (susan.kenney@pjm.com) and Andrea Yeaton (andrea.yeaton@pjm.com).