



# Energy Price Formation Senior Task Force Monthly Progress Report

1/24/2022

## 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 group has been working through the CBIR process in light of the uncertainty created by the FERC’s Order on Remand. Design components and options are under discussion.

The Order on Voluntary Remand was issued by FERC on December 22, 2021 and directed PJM to revert back to the current reserve penalty factors and two-step ORDC curves. However, the order did not address whether PJM should also restore the price capping as currently implemented. Given the maximum energy and reserve clearing prices will be determined based on FERC’s clarification on the applicability of price capping, the January task force meeting was canceled to allow time to gain clarity on the direction before continuing discussion at the EPFSTF.

### **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.



## Action Requested

Ensure your company has representation at the remaining EPFSTF meetings.

## Historical 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

### 9/23/21 Meeting:

CBIR: Three stakeholders shared detailed design components and options. As this issue is under a tight timeframe, an additional meeting was added on 10/13/21 and will be focused on obtaining additional design options and continue to develop solutions.

### 10/13/2021

CBIR: Reviewed updates to the Design Components offered by a group of stakeholders.

### 10/27/2021

Upcoming PJM FERC Filing: PJM plans to request a delay of the implementation date of the Reserve Market changes from May 1, 2022 until October 1, 2022. This may affect the KWA target completion deadlines.



Education: Topics included settlement education and implications to consider in the circuit breaker design, design objectives that should be considered in the circuit breaker design, and PJM's high-level circuit breaker design approaches.

CBIR: The Design Components of the matrix have been re-organized to eliminate confusion on which components are shared by all designs and which are specific to a particular type of design.

### **11/3/2021**

Charter: Revisions to the Charter were discussed based on PJM filing to move the implementation date of the reserve market changes from May 1, 2022 to Oct 1, 2022. A group of stakeholders presented additional changes and agreed to incorporate additional feedback for the next meeting.

Survey: The upcoming survey questions were discussed which are meant to help develop additional Circuit Breaker design objectives. The Survey results will be available for the 11/16/2021 meeting.

### **11/16/2021**

Charter: On 11/12/2021, PJM filed a Motion for Extension of Effective Date regarding the reserve price formation proceeding, requesting a new date of 10/1/2021. Additional changes to the Charter were discussed and the final draft will be available for the next meeting for a vote.

Survey: Common themes and verbatim text were pulled from the survey for discussion. PJM will bring a straw proposal to the next meeting for consideration.

### **12/10/2021**

Charter: Proposed changes to the Charter were endorsed by acclamation with 0 objections and 0 abstentions.

CBIR: PJM and the IMM presented circuit breaker designs for consideration.

**Next meeting scheduled for 2/16/2022.**