

Order to Show Cause on Real Time Values and Parameter Limited Schedules

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Operating Committee
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- FERC is concerned that the Tariff provisions dictating how PJM determines which offer is least cost may not be just and reasonable
 - “Because the Tariff requires PJM to commit and dispatch resources based on a lowest cost offer (rather than, for example, selecting the resource offer with the lowest total cost among the parameter-limited offers), sellers may be able to structure their market-based parameter-limited offer strategically to ensure that PJM chooses the market-based offer, which is not subject to parameter limits.”

- FERC is also concerned that the PJM Tariff appears to be unjust and unreasonable because it fails to contain provisions governing what happens if a seller is unable to meet its unit-specific parameters in real time.
 - “While PJM needs accurate, timely information on resources’ operating capabilities, without a clear process for assessing changes to parameter-limited schedules in real time, PJM’s Tariff may not adequately mitigate the potential for sellers to submit Real Time Values to exercise market power.”
 - In addition, the existing practice “does not contain sufficient protections against sellers using Real Time Values to avoid market power mitigation by inappropriately increasing their Notification Time on parameter limited schedules.”

- Within 90 days (Sept. 15), PJM is required to either: (1) show cause as to why its Tariff remains just and reasonable; or (2) explain what changes to its Tariff it believes would remedy the identified concerns if the Commission were to determine that the Tariff has in fact become unjust and unreasonable or unduly discriminatory or preferential and, therefore, proceeds to establish a replacement rate.
- FERC established a refund effective date of June 25, 2021.

- PJM is soliciting feedback on retaining or changing the existing practice of committing resources based on the schedule with the lowest production cost, as well as any potential options to replace or augment the existing rule.
- PJM plans to place additional restrictions on the use of Real Time Values during the pendency of the 206 proceeding
 - Only allow real-time values to be submitted for actual unit limitations or those outside of management control
 - Submission of a real-time value would require supporting documentation within three days demonstrating actual unit limitations
 - Real-time values would be allowed to be submitted only after the close of the day-ahead market.

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