

Energy/Reserve Market Pricing and Interchange Volatility Problem Statement

Issue Source

PJM initiated this problem statement upon review of the newly implemented Shortage Pricing rules and their performance during the extreme weather events in July and September of 2013 and also due to member feedback.

Stakeholder Group Assignment

PJM proposes this work be completed at the Market Implementation Committee (MIC).

Key Work Activities

1. Provide education as it relates to the **current rules regarding reserve targets, uses and Shortage Pricing.**
2. Provide education as it relates to the **current rules and incentives regarding transaction scheduling.**
3. Provide education as it relates to **actions taken by PJM operators to maintain reliability that are not captured in market clearing prices.**
4. Determine whether enhancements can be made to **better capture operator actions in market clearing prices.**
5. Determine whether enhancements can be made to existing rules for **transaction scheduling to improve system and price stability.**
6. If enhancements are identified, implement the Consensus Based Issue Resolution process to assess the need for market rule changes.

Expected Deliverables

1. A set of enhancements to address capturing more operator actions into the market clearing prices.
2. A set of enhancements to address moderating interchange volatility to enhance system and price stability.

Expected Overall Duration of Work

PJM anticipates all required changes to be **implemented by May 1, 2014.**

Decision-Making Method

The objective is to use the Tier 1, consensus-based, decision-making methodology (unanimity) on a single proposal (preferred default option), or Tier 2, multiple alternatives.