

# Manual 11

## Offer Cap Verification

MIC

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Catherine Tyler



Monitoring Analytics

# Importance of Exception Process

- **PJM's automated screen does not calculate costs using the method in the fuel cost policy.**
  - **Offers that fail PJM's screen will go to the exception process.**
- **PJM and the IMM developed a Manual 11 exception process, incorporating IMM review and use of data from MIRA.**
- **PJM and the IMM may disagree on exceptions.**
  - **IMM will need to take issues to FERC.**
  - **Joint approval is a better option.**

# No Verification for Demand Response

- **Order 831 removes the DR offer cap, as long as offers are based on cost.**
- **PJM's compliance filing does not allow PJM to use verified cost-based offers to cap uplift payments to DR, as it does for generators.**
- **PJM Manuals do not define DR energy costs.**
- **Many DR offers are unverifiable. There should be a hard cap incorporated in Manual 11.**

**Monitoring Analytics, LLC**

**2621 Van Buren Avenue**

**Suite 160**

**Eagleville, PA**

**19403**

**(610) 271-8050**

**MA@monitoringanalytics.com**

**www.MonitoringAnalytics.com**



# Background



# Offer Caps and Market Power

- **Efficient markets require that prices reflect the short run marginal cost of production.**
- **Offer caps and market power mitigation provide protection against inefficiently high prices when a supplier has market power.**
- **The goal is the right price. Not too high and not too low.**

# Order 831

- **FERC requires RTOs to develop a new process:**
  - **RTO or IMM verified cost-based offers**
    - **\$1,000/MWh to \$2,000/MWh prior to market clearing**
    - **Over \$2,000/MWh for make whole payments**
  - **Verification also applies to demand response.**
  - **Build on existing market power mitigation practices for offer verification.**
  
- **Docket ER17-1567**

# Existing Practices for Cost Verification

- **Fuel Cost Policies**
- **IMM after the fact verification**
- **IMM cost input data collection (MIRA)**



# Issues with Compliance Filing

- **Not building on existing practices**
- **Issues with Automated Screening Process**
  - **Not using fuel cost policy information**
    - For example, not using gas hubs in policy
  - **Not using all Manual 15 cost inputs**
    - For example, not including emissions or VOM costs
  - **Inaccurate formulation**
- **No PJM or IMM ex ante verification of demand response cost based offers**

# Issues with Offer Verification Process

- **Accurate, timely verification requires a clear streamlined process.**
  - **Should specify data used from MIRA**
  - **Should require cost inputs other than fuel cost prior to operating day**
- **IMM verification of cost-based offer compliance**
  - **Like penalty language, IMM and PJM agreement should be required before offers are used.**
- **Demand Response costs should be in Manual 15.**
  - **Same level of review as generation**

# Uplift Payment Eligibility: M11 Attachment D

- **Att. D covers uplift payments for approved exceptions to screening process and offers over \$2,000 per MWh.**
- **M11 Att. D does not make clear that:**
  - **The unit must operate in real time for eligibility.**
  - **All parts of the cost offer will be verified (incremental energy, start up, no load).**
  - **IMM verification of the cost offer should be required.**