

Change to CTs Committed in DA Market

- Currently, CTs committed in the Day Ahead Market do not run in real-time unless called on by PJM
- If these CTs are not called on by PJM in real-time and must buy out of their DA position at a loss, they are compensated for the loss
 - Tariff, Attachment K, Section 3.2.3(f-1)(ii)

(f-1) A Market Seller's combustion turbine unit or combined cycle unit operating in simple cycle mode that is pool-scheduled (or self-scheduled, if operating according to Section 1.10.3 (c) hereof), operated as requested by the Office of the Interconnection, shall be compensated for lost opportunity cost if either of the following conditions occur:

(ii) if the unit is scheduled to produce energy in the day-ahead market, but the unit is not called on by PJM and does not operate in real time, then the Market Seller shall be credited hourly in an amount equal to the higher of (i) $\{(URTLMP - UDALMP) \times DAG$, or (ii) $\{(URTLMP - UB) \times DAG$ where:

URTLMP equals the real time LMP at the unit's bus;

UDALMP equals the day-ahead LMP at the unit's bus;

DAG equals the day-ahead scheduled unit output for the hour;

UB equals the offer price for the unit, determined according to the schedule on which the unit was committed day-ahead, unless such schedule was a price-based schedule and the offer associated with that price schedule is less than the cost-based offer provided for the unit, in which case the offer for the unit will be determined from the cost-based schedule; and

where $URTLMP - UDALMP$ and $URTLMP - UB$ shall not be negative.

- During Summer 2011 PJM routinely scheduled low-cost CTs in the DA Market that were not called on in real-time
- Most times these CTs were not called on in real-time because they were often on the margin and they had extremely long lead and min run times for CTs
 - *Lead Time = Startup Time + Notification Time*
- Because these CTs were not called on by PJM, they were made whole when they had to buy out of their DA position at a loss causing a large increase in make whole payments of this variety

- Add clarifying language in M-11 stating that units with more than a 2 hour lead time are in effect “called on in real-time” when they receive a Day Ahead Market award
 - The 2 hour lead time was chosen because that’s how long PJM’s real-time unit commitment software forecasts.
- This will exclude all units with more than a 2 hour lead time regardless of unit type from the make whole provisions in 3.2.3(f-1)(ii) under most circumstances
- If the GO calls PJM to bring the unit on per the DA schedule and PJM denies it, the unit would fall back into the “not called on by PJM bucket” and would receive revenues from 3.2.3(f-1)(ii)

- Intent of the change is to limit the provisions in 3.2.3(f-1)(ii) to short lead time CTs (≤ 2 hrs) under normal circumstances
- Should help to firm up gas purchases from longer lead time CTs that are committed in the DA Market
- Changes will be made to M-11 (MIC) and potentially M-12 (SOS/OC)
- Assuming no issues from the OC, PJM will present manual language to the SOS/OC/MIC at the next round of meetings in January