Joint and Common Market

I. FORWARD MARKET COORDINATION
Improving DA Market-to-Market (M2M) Coordination

- Use of historic-based entitlement limits (FFE) on M2M constraints in the DA Market often results in
  - Misalignment of the DA & RT Markets
  - Misalignment between PJM & MISO DA Markets
  - Sub-optimal utilization of transmission on the seam

- The current Day-Ahead Market Commitment and Dispatch processes used by MISO & PJM restrict use of M2M Flowgates to Historical Firm Rights even when the other party is not fully utilizing its firm rights. This results in missed opportunities associated with
  - Lower production costs to manage seams congestion
  - Improved reliability due to better resource utilization across the seam
  - Increased price transparency due to converging prices and seams congestion
  - Improved alignment between DA/RT Markets at PJM & MISO

- The current JOA provides a mechanism to exchange M2M flowgate rights on a Day-ahead basis, although it has never been used.

- MISO and PJM have been collaborating on new concepts that will allow for the optimal use of M2M flowgates in their respective Day-ahead Markets
DA Market-to-Market Coordination Progression

**Existing**
- Coordinated study & allocation of rights
- Historic-based

**Current Efforts**
- Robust data exchanges
- Best-practice review & implementation
- Objective – Improve PJM & MISO FTR/DA Market alignment

**Future**
- Coordinated study & allocation of rights
- Economic-based
- Systematic use of data exchange and best-practices
- Objective – Improve PJM & MISO RT/DA Market alignment
Current DA JOA Process
Proposed DA JOA Process

- **Objective**: Economic Efficiency
  - Economic-based Flowgate Allocation
  - Day Ahead Clearing (Commit & Dispatch)
  - Firm Flow Entitlements (FFE)

- **Real Time**
  - Physical Limits
  - Real Time Dispatch

- **Settlement**
  - Equity
  - Day Ahead Incremental Flowgate Use Purchased at Other Party's Costs
  - Difference Between Real Time FFE and MF Day-Ahead
  - Incremental Purchased Flowgate Use Added to RT FFE
  - RT Settled on Adjusted FFE’s
  - Incremental RT FG use Purchased at Other Party’s Costs

**Feedback to Day Ahead Process**
High-Level Work plan and Timeline

- **DA Data Exchange (Q1-Q3 2014)**
- **Cost/Benefit Analysis (Q2-Q3 2014)**
- **Proof of Concept (Q4 2014-Q2 2015)**
- **Tariff Rev. & Construction (Q2-Q3 2015)**
- **Implement (Q4 2015)**
Current PJM/MISO Efforts

PJM/MISO DA Data Exchange
- Requirement Development
  - Increase data transparency between PJM/MISO DA Markets
  - Identify future data needs to support FFE exchange in DA Markets
- Expected completion/implementation late Q3 2014

FFE Exchange Cost/Benefit Analysis
- Analyze benefits at different levels of coordination
- Quantify expected benefits of implementation
  - Lower Production costs on Seams congestion
  - Reduced costs for M2M exchanges/settlement (DA vs. RT)
- Expected completion late Q3 2014
Questions?