Potential Demand Bid Volume Limits

Credit Subcommittee
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Initial Demand Bid Volume Limit Concept Analyzed

- **Objective** – Reduce the risk of material costs accruing on demand bids in excess of the load-serving commitments of the LSEs entering those demand bids

- **Potential Limit** – Demand Bids must be both $\leq 20\%$ and $\leq 10$ MWs above the load-serving entity’s peak load forecast for the operational day

- **Potential peak load forecast:**
  - Each LSE’s share of the total daily peak load contributions (PLCs) for each transmission zone times PJM’s peak load forecast for each zone
  - For transparency, intend to have a file of calculated peak load forecasts by LSE by transmission zone available daily two days prior to the applicable operational day

- **Demand bids in excess of limit would not be accepted into the day-ahead market system**
January 7, 2014 Demand Bid Volume vs Peak Load Forecast

Distribution of LSE Demand Bids vs Peak Load Forecast

- 1,009, 80%
- 66, 5%
- 51, 4%
- 140, 11%
- Delta Less Than 20%
- Delta Greater than 20% but Less than 10 MWs
- Delta Greater than 20% and Greater than 10 MWs
- No PLC Data to Calculate Peak Load Forecast to Compare with Demand Bid
Area A = Demand Bids < 20% but > 10 MWs above of Peak Load Forecast

Area B = Demand Bids within 20% and < 10 MWs above of Peak Load Forecast

Area C = Demand Bids > 20% but ≤ 10 MWs above of Peak Load Forecast
Next Steps

• Survey Feedback on Credit Subcommittee’s interest in pursuing demand bid limits further

• If survey response is positive, then:
  – Identify and analyze any additional options on how the demand bid limits could be defined.
  – Introduce concept to MIC, MRC and MC in anticipation of Credit Subcommittee recommendation.
  – Votes on Credit Subcommittee recommendation at MIC, MRC and MC.
  – Prepare and submit FERC filing for implementation, if approved by the Commission.

• If survey response is negative, then PJM will evaluate whether risk management benefits of potential demand bid limits merit higher committee discussion absent a Credit Subcommittee recommendation.