EMU Phase 2 -- Fees

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Pay to Play

• Discretionary products are charged a fee to participate in the PJM market
• Operation costs are charged to Load and Generation
• All fees collected go to off-set operation costs
• Financial products can continue to:
  – Reduce market power
  – Improve the efficiency of the DA market
Fees

• My first cut on the fee level is
  – UTC 1 cent per bid mwh; 6 cents per cleared mwh
  – Import 67 cents per cleared mwh
  – Export 67 cents per cleared mwh
  – INC 1 cent per bid mwh; 30 cents per cleared mwh
  – DEC 1 cent per bid mwh; 30 cents per cleared mwh
  – DR 1 dollar per mwh settled
Why these fees

- 30 cents is the 6 month rolling average
- UTC fee is between 10%-30% of revenue
- Import/Export is similar to what the transmission owners receive
- DR gets a charge because the comment has been made that all parties in the market should pay to off-set costs
Revenue using 2013 data

- UTC would have paid $36.1 million
- Imports would have paid $29.7 million
- Exports would have paid $26.7 million
- INC’s would have paid $14.3 million
- DEC’s would have paid $20.0 million
- DR would have paid $0.2 million
- **Total $127 million** (1/3 of the total 2013 uplift)
Simple, transparent and easy to settle

- Spreading the cost to everyone
- If the level of uplift falls to $126 million, the Products will fully fund the uplift; excess can be used to cover other costs
- Much easier to settle and understand
- Can incent more activity with a fee change
- Those most sensitive to volatility are charged a fixed fee
Equations

- UTC\quad = 452001946 \times 0.06 + 900000000 \times 0.01
- Import\quad = 44360985 \times 0.67
- Export\quad = 39828533 \times 0.67
- INC\quad = 44946396 \times 0.3 + 80000000 \times 0.01
- DEC\quad = 63093078 \times 0.3 + 100000000 \times 0.01
- DR\quad = 147000 \times 1