Uplift Allocation Proposal

• Eliminate Day-ahead uplift
• All discretionary Market Transactions, i.e. Imports, Exports, INC’s, DEC’s, DR, UTC’s, etc. will be charged a pre-determined fee (cents/mwh) to participate in the PJM Market. I recommend a bid-fee and a cleared-fee for INC’s, DEC’s and UTC’s. The fees collected on a given day will be a credit applied to the allocation of daily uplift.
• Real-time uplift will be allocated in two stages (Reliability bucket and Deviation bucket)
  • Stage 1 allocates the Reliability bucket:
    - Daily sum of Uplift for reliability – all Fees collected
    - Daily Real-time Load
  • Stage 2 allocation:
    - Deviation bucket – any residual fees after stage
    - All Load and Generation deviations
• The Deviation bucket allocation is used as an incentive to have Load clear their forecast load in the Day-ahead market and is used to incent generation to follow dispatch. No incentive is gained in today’s allocation of the Deviation bucket to Discretionary products as the same charge is imposed on the helpful transactions as those that are assumed to harm efficiency.
• When the fees collected exceed the daily uplift, the revenue will be carried forward to the next calendar day
• The fees charged for Market Transactions will be determined by the non-biased, independent Staff of the RTO to incent as much of the transaction as the pool can adequately handle, producing the maximum revenue off-set and provide hedging tools and liquidity to the market.
• Costs should be allocated to those that benefit from the action that creates the cost. No out-of-merit actions are ever taken to directly support any Discretionary transactions but all transactions benefit from having a reliable, properly priced pool so it can be reasoned that all participants should pick up some portion of the cost.
• I believe this spreads the cost as widely as possible AND gives the most ability to control incentives AND provides a tool to control the level of any transaction class.