DA OR/Uplift Proposal

Financial Marketers Coalition

The Financial Marketers Coalition proposes a minor change to PJM’s current uplift scheme: we propose maintaining the current day-ahead and real-time uplift charges, but allocating to UTCs a share of the day-ahead uplift charges. As such, UTCs would be added to the denominator of the equation in determining the allocation of day-ahead uplift charges. They would not, however, under this proposal receive an allocation of real-time deviations. We largely maintain the status quo out of respect for PJM’s wish not to make any whole-cloth changes to the allocation scheme.

We propose this solution in the spirit of compromise. Since UTCs do not impact power balance, they do not cause the deviations which result in day-ahead or real-time uplift charges. We calculate that if UTCs were to be charged RT uplift, the charge would average $0.06/MW. This level of charge is sustainable and would not eviscerate financial trading in PJM.

Conversely, PJM’s likely proposal to include UTCs in the allocation of real-time uplift is not sustainable for financial products, including incs/decs and UTCs, and will likely have profound negative impacts on the viability of these products. According to our rough calculations, the day-ahead uplift charge would average $1.10/MW, which would be unsustainable for financial transactions operating at a thin profit margin.