Problem / Opportunity Statement
With increasing reliance on natural gas-fired generation, PJM system reliability can be impacted by generator unavailability due to natural gas system delivery limitations. PJM has recently experienced two events that impacted generator availability locally. While not pervasive, these events could point to the possibility of future reliability issues.

Under current PJM market rules, generators are unable to reflect firm transportation costs, short-term (defined as any firm transportation product under one year duration) or long-term (a year or longer in duration). Given the current rules, generators have little incentive to invest in short-term or long-term firm transportation products to help ensure gas delivery on peak gas demand days. To recover firm fuel costs in PJM markets, market rules need to be amended to allow those costs to be reflected in an unit’s cost-based offer in the PJM energy market.

Issue Source
The FERC Order issued on November 15, 2012 in Docket No. AD12-12-000, directing further conferences and reports on the Coordination between Natural Gas and Electricity Markets, in which it noted “regional stakeholder processes have been initiated in some regions with engagement of electric and natural gas market participants and state regulators to look at both industries’ future needs.” FERC’s report on last year’s gas/electric technical conferences confirmed regional differences, but also found a few common areas to focus on regarding coordination, scheduling, electric resource adequacy, and reliability. FERC conducted another conference in January that focused on ways to enhance communication between the industries and will conduct an additional conference in April on how to design the most efficient scheduling systems for both industries. FERC is requiring regional power market operators to appear before the Commission in May and October of this year, to detail their efforts and progress in improving coordination between the industries. FERC is also interested in any natural gas transportation concerns that arise during the winter heating season and any fuel-related generator outages during the winter and spring.

On March 28, 2013, the Markets and Reliability Committee (MRC) approved the creation of the Gas Electric Senior Task Force (GESTF) to identify and examine potential issues associated with the increased dependency of the PJM bulk power system on the natural gas system.

Key Work Activities

1. Provide education as it relates to cost-based offers in the PJM energy market.

2. Determine what issues, if any, currently exists within PJM market rules that inhibit and/or discourage cost recovery for cost-based offers in the PJM energy market.

3. If issues are identified, implement the Consensus Based Issue Resolution process to assess the need for market rule changes.

Expected Overall Duration of Work
This work effort is to be complete during the 2014 calendar year.

Decision-Making Method
The objective is to use the Tier 1, consensus-based, decision-making methodology (unanimity) on a single proposal (preferred default option), or Tier 2, multiple alternatives.