



Emergency Capacity Setting Price

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- PJM has stated previously that it believes that when deployed, emergency capacity should be eligible to set price
- This includes
 - Emergency Generating Capacity
 - Emergency Segments and Units
 - Emergency Demand Response
 - Emergency Purchases
 - Emergency Procedures **
 - Voltage Reduction and Manual Load Dump

- PJM proposes that once deployed and operating at PJM's direction, emergency generating capacity be eligible to set price
 - This includes emergency segments and fully emergency generators
- To the extent possible PJM will treat these segments and units as it does any other capacity and dispatch it economically and determine LMP eligibility before allowing it to set price
- Today these segments are deployed by PJM Operators but essentially considered as self-scheduled in terms of calculating prices

- PJM proposes that emergency demand response that has been deployed by PJM dispatchers and has reduced to some extent be eligible to set price
 - Response will be measured by real-time data submitted by CSPs
- Allowing emergency demand response to set price is critical to ensuring prices are stable leading into and during shortages
- Not permitting emergency load response to set price will result in counter-intuitive price drops that provide the wrong incentives

- Once emergency demand response has curtailed it will be eligible to set price at the “load center” of the zone it curtailed in
 - The “load center” will be defined by PJM each year.
- If the measured load reduction is marginal, it will set price based on the MW-weighted strike price at the “load center” of the zone
 - A MW-weighted strike price will be calculated for each lead-time/zone combination.
- For the purpose of price-setting, each lead-time/zone combination will be treated like a CT with a single point on its offer curve
 - If the next MW of “energy” would be provided by curtailing load by an additional MW, emergency DR will set the energy price.
 - Emergency DR will not set any reserve or regulation prices.

- PJM proposes that emergency purchases will also be able to set price
- Emergency purchases will be treated like any other transaction is today
- If an emergency purchase is marginal it will set at the interface corresponding to the sourcing control area
- The emergency transaction will be eligible to set price at the lesser of the price associated with the transaction or the applicable “shortage price” for the year

- PJM proposes that prices reflect a shortage of all reserve products in any region where a voltage reduction or manual load dump is initiated
- Prices should already reflect this
- The marginal cost of energy will be determined as it normally is
 - If an \$800/MWh generator will provide the next MW of energy and the reserve penalty factors are \$850/MWh, the LMP will be \$2,500/MWh