



DRAFT MINUTES
PJM Interconnection
Shortage Pricing Working Group
The Chase Center
Wilmington, DE
March 22, 2010
9:30 AM – 3:30 PM

1. ADMINISTRATIVE ITEMS

The minutes from the March 4, 2010 were reviewed without comment.

The changes to the February 18, 2010 minutes were reviewed without comment.

2. REVENUE OFFSET EXAMPLES

Per request, Dr. Sotkiewicz provided more examples on how different assumptions will impact the results of the PJM-proposed 3 year historic offset. Dr. Sotkiewicz's examples showed how the increased shortage revenues under the PJM proposal would flow through future RPM auctions.

Many participants questioned some of the assumptions that were used in the revenue models including the definition of "shortage revenues". The result of Dr. Sotkiewicz's presentation was that the results of a 3 year historic proposal are highly dependent on the future aspects of the market, i.e., increased or decreased load, supply, demand response, and that over time both loads and generators will break even.

To conclude the discussion stakeholders discussed how to best move forward with the offset mechanism and the shortage pricing methodology as a whole. PJM and Monitoring Analytics agreed to compile a matrices based on their proposals for comparison at a future meeting.



3. EMERGENCY CAPACITY SETTING PRICE

Mr. Keech presented PJM's positions on how emergency procedures should impact prices. PJM proposed that emergency capacity including transactions, generation and demand response, should be eligible to set price when deployed and that any transmission related emergency procedure such as a voltage reduction or manual load dump should result in prices consistent with shortages of all reserve products in the region that procedure was enacted. Comments from stakeholders were mainly focused on emergency demand response setting price. While conceptually there were no concerns with implementing this, there were concerns expressed with that the incentives in place for demand resources do not encourage them to offer at their true willingness to pay. PJM agreed to discuss this feedback internally and follow-up at a future meeting.

4. 5-MINUTE REGULATION MARKET CLEARING PRICE

Mr. Keech discussed current provisions in the Tariff for calculating the Regulation Market Clearing Price (RMCP) that may present complications when transitioning to a 5-minute marginal price under the new shortage pricing design. PJM proposed that the shoulder hour opportunity cost calculation remain as part of the regulation settlement but be removed from the RMCP calculation due to the complications it presents. There were no comments on this change.

PJM also proposed to eliminate the opportunity cost schedule change that was implemented on December 1, 2008 as part of the Regulation Three-Pivotal Supplier (TPS) test compromise. PJM's concern with this provision is that it will create real-time, 5-minute RMCPs under the shortage pricing design that will not be consistent with economic dispatch, real-time LMPs, or 5-minute reserve prices. One generation owner expressed concern with removing this as it was part of a compromise to implement the TPS test that we were now trying to "unwind". Another generation



owner presented an alternative which was to allow the removal of the schedule change provision but allow any generator committed in the Day Ahead Market to lower their incremental offer prior to the operating day. PJM committed to discussing this internally and following up at a later meeting.

5. RESERVE PRESENTATION

Mr. Boyle provided a detailed presentation on the reserve calculations used by PJM and how PJM manages data quality issues. There were several questions from stakeholders regarding how transactions into and out of PJM impact the reserve position of the RTO in addition to the accounting for reserves on uncleared resources. PJM addressed these questions to the extent possible during the meeting and committed to following up with interested parties on questions that were not answered during the meeting.

6. FUTURE MEETINGS

April 30, 2010

The Hub Cira Centre, Philadelphia, PA

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DMS Document Number: 587020