

Offer Capping for Pre-Scheduled Resources

Phil D'Antonio, Director Energy Market
Operations
Market Implementation Committee
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- Provide education regarding existing processes for scheduling resources ahead of the Day-ahead Energy Market for resources that have greater and less than 24 hour start up or notification time parameters
- Provide education on process used to consider resources in pre-scheduling in advance of the Day-ahead Market

- Offer Capping refers to placing resources on the cheapest schedule:
 - Typically based on TPS results
 - Normally an evaluation of schedules that results in the lowest cost between the available cost and price based schedules when a Market Seller fails TPS
 - Under certain emergency procedures, price-PLS will also be evaluated
 - Day-ahead (DA) vs Real-time (RT)
 - DA based on lowest overall system production cost
 - RT based on lowest total dispatch cost

- Resources with a start-up or notification time greater than 24 hours:
 - Schedule available at time the resource is requested will be used for dispatch and settlement
 - Offer capping rules will apply if scheduled for expected transmission congestion
- Resources with a start-up or notification time less than 24 hours:
 - Resource owners will have the opportunity to submit an updated schedule prior to the Day-ahead Market close for each Operating Day
 - Offer capping rules will apply if scheduled for expected transmission congestion

- Tariff, Attachment K-Appendix, section 1.10.1A(f)
 - Each Market Seller owning or controlling the output of a Generation Capacity Resource committed to service of PJM loads under the Reliability Pricing Model or Fixed Resource Requirement Alternative shall submit a forecast of the availability of each such Generation Capacity Resource for the next seven days. **A Market Seller (i) may submit a non-binding forecast of the price at which it expects to offer a generation resource increment to the Office of the Interconnection over the next seven days, and (ii) shall submit a binding offer for energy, along with Start-up Costs and No-load Costs, if any, for the next seven days or part thereof, for any generation resource with minimum notification or start-up requirement greater than 24 hours.**

- **Tariff, Attachment K-Appendix, section 1.10.1(d):**
 - If the Office of the Interconnection's forecast for the next seven days projects a likelihood of Emergency conditions, the **Office of the Interconnection may commit, for all or part of such seven day period, to the use of generation resources with notification or start-up times greater than one day as necessary in order to alleviate or mitigate such Emergency, in accordance with the Market Sellers' offers for such units for such periods and the specifications in the PJM Manuals.**

- M-11, Section 2.3.3.1:
 - Generation Capacity Resources that have notification plus startup times that exceed twenty-four (24) hours and have been called on by PJM dispatch in advance of the close of the Day-ahead Market bid period for the desired Operating Day must modify their notification and startup time prior to the close of the market bid period for that day in order to create the possibility for the unit to be committed in the Day-ahead Market

- The goal of Day-ahead Market software is to minimize production costs
- Resources scheduled due to transmission constraints will be committed in the Day-ahead Energy Market solution and be subject to offer capping
- Other resources pre-scheduled in advance due to expected emergency conditions will be evaluated by Day-ahead software
- Resources not committed by the Day-ahead software will run for PJM as an Operator-Initiated Commitment

- M-11, Section 2.3.6:
 - PJM Market Operators will commit in the Day-ahead Market any generation resources that were scheduled by PJM dispatch in advance of the Day-ahead Market and are still required for the Operating Day and therefore not cancelled. The scheduled hours for the pre-committed generation resource in the Day-ahead Market will at least include the hours where PJM dispatch has scheduled the resource as well as any additional hours where the resource was deemed to be economic as a result of the Day-ahead Energy Market solution
 - During the January cold weather event, most resources were considered committed as Operator-Initiated Commitments

- **Section 6.4.1 (e), Offer Price Caps, Applicability**

- In the event the Office of the Interconnection system is unable to perform the three pivotal supplier test for a Market Seller, generation resources of that Market Seller that are dispatched to control transmission constraints will be dispatched on the resource's market-based offer or cost-based offer which results in the lowest dispatch cost as determined in accordance with section 6.4.1(g).

- M-11, Section 2.3.3:
 - Generation resources that are committed by PJM in advance of the Day-ahead Energy Market will be offer capped and committed on the applicable available schedule at the time of the commitment. The cost-based schedule made available must follow the Generation Owner's Fuel Cost Policy as defined in PJM Manual 15: Cost Development Guidelines.
- Similar language is located in M-13:
 - 3.3.2 Cold Weather Alert
 - 3.4 Hot Weather Alert

- May MIC:
 - Provide education regarding uplift impacts when resources are pre-scheduled in advance of the Day-ahead Market
 - Review uplift language in tariff/OA

Facilitator: Foluso Afelumo,
Foluso.Afelumo@pjm.com

Secretary: Stefan Starkov,
Stefan.Starkov@pjm.com

Presenter/SME:
Phil D'Antonio
Philip.DAntonio@pjm.com

Offer Capping for Advance Scheduled Resources



Member Hotline

(610) 666-8980

(866) 400-8980

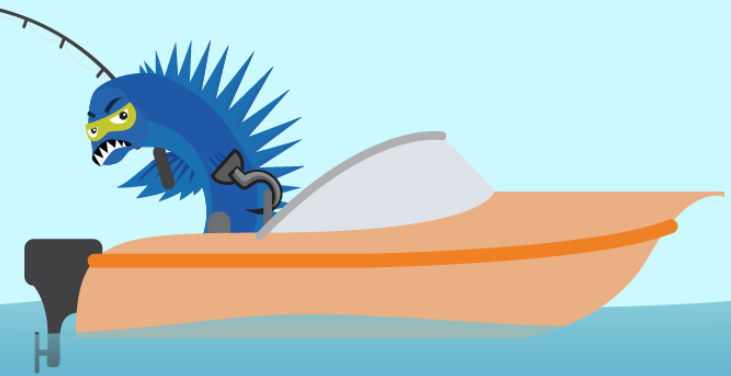
custsvc@pjm.com

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