

SCHEDULE 2 PENALTY CALCULATIONS

Issue Source

PJM Issue Content

If upon review of a Market Seller's cost-based offer, PJM or the IMM determines that the offer is not in compliance with the Market Seller's PJM-approved Fuel Cost Policy or Operating Agreement, Schedule 2 and the IMM or PJM agrees with that determination, the Market Seller is subject to a penalty under Operating Agreement, Schedule 2 section 6.1. This issue is to address the possibility of negative penalty calculations due to negative LMPs under the existing penalty formula specified in Operating Agreement, Schedule 2, section 6.1 when Market Sellers are assessed a penalty for submitting cost-based offers in violation of an approved Fuel Cost Policy and/or the requirements set forth in Operating Agreement, Schedule 2.

Key Work Activities and Scope

- 1 | Review background on the current Market Seller penalty calculation
- 2 | Discuss proposed solution seeking to address the possibility of negative penalty calculations due to negative LMPs under the existing penalty formula

Expected Deliverables

- 1 | Proposed solution addressing the possibility of negative penalty calculations due to negative LMPs under the existing penalty formula

Corresponding revisions to the PJM Tariff or other governing document provisions consistent with the solution proposed will be brought to the MRC and MC for review and endorsement. Proposed revisions to PJM Manuals conforming to the FERC approved solution will be brought to the appropriate Standing Committees for review and endorsement.

Decision-Making Method

Quick Fix, Tier 1 decision making

Stakeholder Group Assignment

Market Implementation Committee

Expected Duration of Work Timeline

Start Date	Priority Level	Timing	Meeting Frequency
Add Date	☒ High ☐ Medium ☐ Low	☒ Immediate ☐ Near Term ☐ Far Term	☐ Weekly ☐ Monthly ☐ Quarterly

Charter

(check one box)

☐	This document will serve as the Charter for a new group created by its approval.
☒	This work will be handled in an existing group with its own Charter (and applicable amendments).

More detail available in M34; Section 6