

Market Efficiency Process Enhancement Task Force

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Members Committee
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- At the August 09 meeting, PJM Planning Committee reviewed
 - The Market Efficiency phase 1 proposal “G”
 - The associated OATT revisions on behalf of PJM.
- The Planning Committee voted on the Market Efficiency Process Enhancement Task Force (MEPETF) Proposal G presented
 - The Committee endorsed the Proposal G (PJM)
 - 114 Yes; 15 No; 38 Abstain = PASS (88%)
 - In a non-binding poll, the Planning Committee preferred the Proposal G over status quo
 - 91 Yes; 22 No; 53 Abstain = PASS (81%)
- At the August 23 meeting, PJM Markets & Reliability Committee endorsed proposal G
- Seeking endorsement of OA revisions associated with Proposal G

Component	Status Quo	PJM Modification	PJM Reasoning
FSA Modeling	Consider all FSA and Suspended ISA resources at time of case build	<p>By default, exclude from the base case the FSA and Suspended ISA resources, and their associated network upgrades at time of case build.</p> <p>FSA sensitivity studies will be used for proposal evaluations, but not for B/C ratio test.</p>	Including FSAs in the Market Efficiency Base Case can result in unrealistic estimates of specific benefits for any system reinforcement due to having significantly more generation than the reserve requirement.
FSA Exception	If FSA or Suspended ISA resources are excluded from the base case at time of case build, TEAC should be notified.	If FSA or Suspended ISA resources are included in the base case at time of case build or mid-cycle update, TEAC will be notified and the assumptions will be reviewed at TEAC on an as needed basis.	In the case of including FSA or suspended ISA resources in the base case, TEAC will be notified and the assumptions will be reviewed at TEAC
Criterion to Include FSAs	Not defined. PJM practice includes all.	In case of a reserve deficiency, include FSA and Suspended ISA resources (as well as the expected network upgrades) ranked by their commercial probability, until the reserve requirement is met.	In the case of including FSA or suspended ISA resources in the base case, TEAC will be notified and the assumptions will be reviewed at TEAC

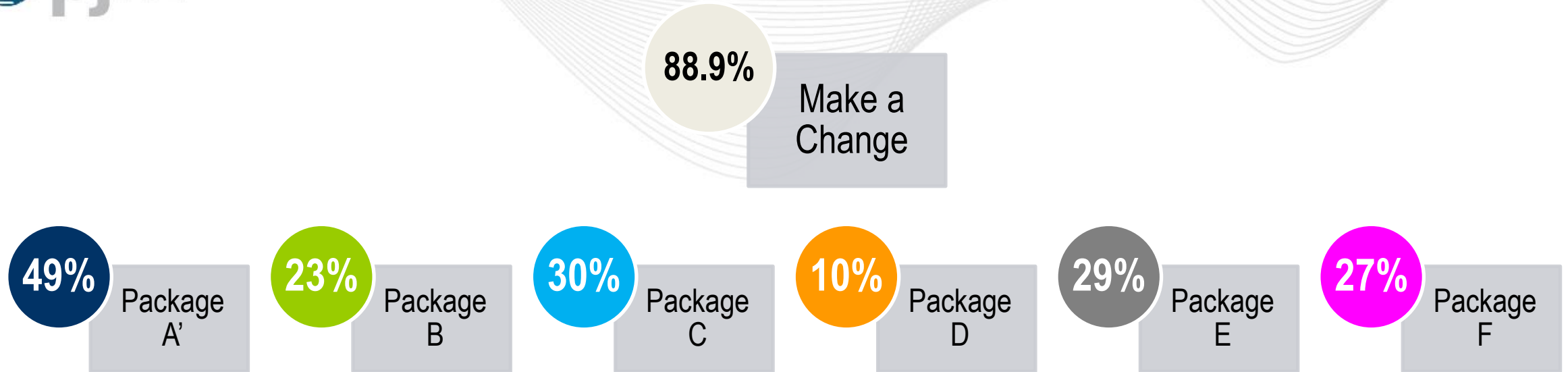
Component	Status Quo	PJM Modification	PJM Reasoning
Benefit Adjustment for in-Service Date*	N/A	Energy benefits of projects that are proposed to be in service later than the RTEP year will be adjusted to account for any savings forgone due to later in-service date.	It is PJM's goal to address Market Efficiency constraints via transmission solutions by the RTEP year, and to incentivize projects that are designed and proposed to be in service by the RTEP year. Therefore, PJM will adjust energy benefits of projects that are proposed to be in service later than the RTEP year to account for any savings forgone due to later in-service date.
Sensitivities	For informational purposes only	Mandatory sensitives are conducted yearly with the inclusion of FSA units, only if FSA units are excluded from base case analysis. Sensitivities are not used to B/C ratio test but are considered when reviewing a proposals robustness and sizing. (Documents Status Quo)	Enhance Transparency

Component	Status Quo	PJM Modification	PJM Reasoning
Sensitivity Parameters	N/A	Mandatory sensitivities parameters are decided prior to beginning of window.	Enhance Transparency
Generator Retirement Plan	Aligned with simulation year	In all simulated years, generation and transmission topology are set at RTEP year level	Mitigate benefit uncertainty driven by topology and generation

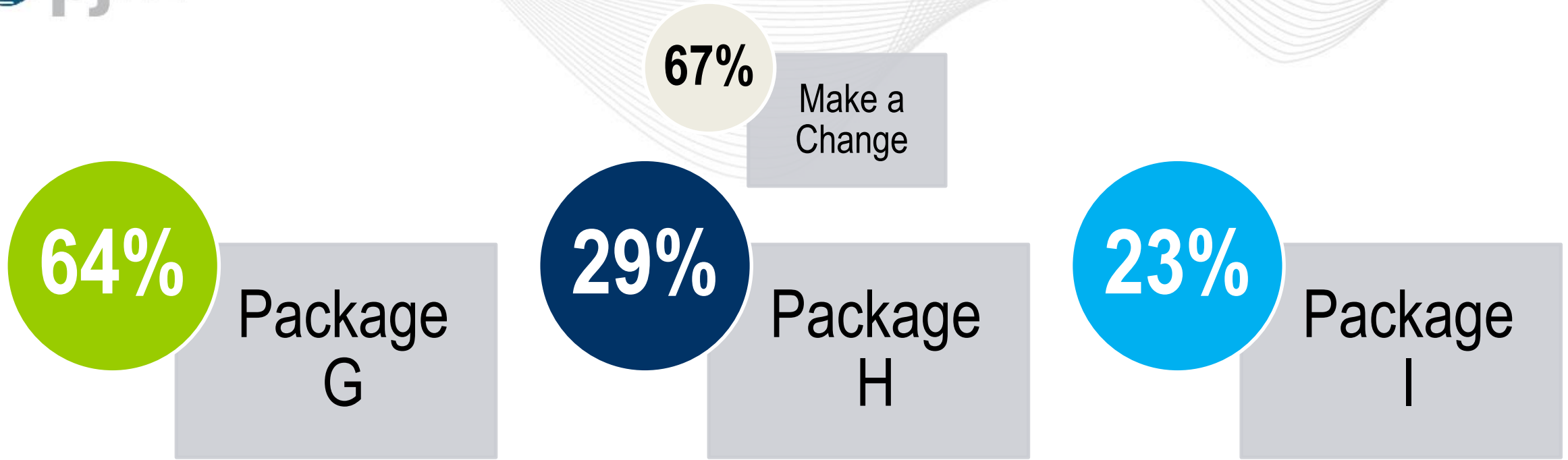
- OA endorsement at September MC for December 1, 2018 effective date
- Any potential changes will be effective for 18/19 Long Term Window
- Next MEPETF meeting scheduled for October 5th
 - Phase 2 discussions
 - 20/21 Long Term Window impacts

Appendix

- [Market Efficiency Process Enhancement](#) approved in January 2018
 - Address challenges and opportunities for improvements to the Market Efficiency process since implementing Order 1000 processes in two phases
- Phase 1 key discussion areas:
 - Benefits-to-Cost Calculation (Energy and Capacity) - **recommend partial push to phase 2**
 - Regional Targeted Market Efficiency Projects – **recommend push to phase 2**
 - Modeling of Facility Study Agreement (FSA) Generators
 - Market Efficiency Reevaluation Process – **recommend push to phase 2**
 - Interregional Market Efficiency Project Selection Process (See M-14F update)

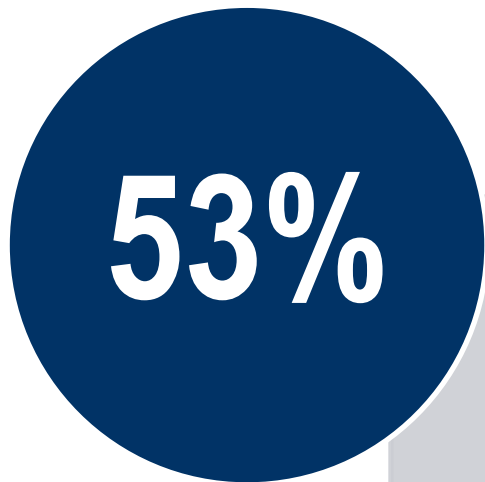


- No package received majority support; majority prefer to make a change
- Major points of contention included:
 - Exclude FSAs from base case unless needed (Packages A',B,E,F) – 53% in favor
 - Project reevaluation criteria - \$20M cap (Packages A',C,E) vs. \$10M cap (Packages B,D) – Nothing above 30% in favor
 - Energy benefits calculation – simulation years, trend mechanism differences



- Package G received majority support; majority prefer to make a change
- Major points of contention included:
 - Exclude FSAs from base case (G) vs. Scale FSA MW capability to 40% (H)
 - Benefit adjustment for in-service date*
- 21 responders; 148 companies

- The task force utilized the July 5th meeting to discuss the polling results, including results from specifically polled design components
 - Below design components garnered the most support



FSA Modeling

By default, exclude from the base case the FSA and Suspended ISA resources and their associated network upgrades at the time of case build. Conduct required FSA sensitivity studies to be used for proposal evaluations but not for b/c ratio test.



Benefit Adjustment

Energy benefits of projects that are proposed to be in service later than the RTEP year will be adjusted to account for any savings forgone due to later in-service date