

EMU Phase 2 -- Fees

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Pay to Play

- Discretionary products are charged a fee to participate in the PJM market
- Operation costs are charged to Load and Generation
- All fees collected go to off-set operation costs
- Financial products can continue to:
 - Reduce market power
 - Improve the efficiency of the DA market

Fees

- My first cut on the fee level is
 - UTC 1 cent per bid mwh; 6 cents per cleared mwh
 - Import 67 cents per cleared mwh
 - Export 67 cents per cleared mwh
 - INC 1 cent per bid mwh; 30 cents per cleared mwh
 - DEC 1 cent per bid mwh; 30 cents per cleared mwh
 - DR 1 dollar per mwh settled

Why these fees

- 30 cents is the 6 month rolling average
- UTC fee is between 10%-30% of revenue
- Import/Export is similar to what the transmission owners receive
- DR gets a charge because the comment has been made that all parties in the market should pay to off-set costs

Revenue using 2013 data

- UTC would have paid \$36.1 million
- Imports would have paid \$29.7 million
- Exports would have paid \$26.7 million
- INC's would have paid \$14.3 million
- DEC's would have paid \$20.0 million
- DR would have paid \$0.2 million
- Total \$127 million (1/3 of the total 2013 uplift)

Simple, transparent and easy to settle

- Spreading the cost to everyone
- If the level of uplift falls to \$126 million, the Products will fully fund the uplift; excess can be used to cover other costs
- Much easier to settle and understand
- Can incent more activity with a fee change
- Those most sensitive to volatility are charged a fixed fee

Equations

- $UTC = 452001946 * 0.06 + 9000000000 * 0.01$
- $Import = 44360985 * 0.67$
- $Export = 39828533 * 0.67$
- $INC = 44946396 * 0.3 + 800000000 * 0.01$
- $DEC = 63093078 * 0.3 + 1000000000 * 0.01$
- $DR = 147000 * 1$