

EMUSTF

Phase 2 Proposal Executive Summary

Since Grid operations and the PJM Market are too complex to make any reasonable analysis of the causes of Uplift or those who benefit from the actions that create Uplift, it isn't reasonable to apply a complex allocation scheme based on unproven assumptions. Uplift is thought to be the best alternative, in rare conditions, for economic or reliable outcome. With this in mind, my proposal is to have all aspects of the market share equally in these "out-of-market" expenses in the simplest way possible.

I suggest we spread each day's Uplift equally to all real-time activity that day. Since I suggest we use Real-time activity for the denominator of the allocation process, it is reasonable to no longer fund Day-ahead Uplift and just pay any real losses that occur in real-time.

Daily Uplift total

All Real-time (Load, Gen, INC's, DEC's, UTC's, Imports, Exports, Called DR, other*)

This rate would then be applied to all of the above products in every interval of that day. This rate will be variable which I don't think is best for an adder but the rate should be low enough that the volatility should not prove harmful.

If analysis shows a reason to separate On=peak and Off-peak uplift, that can easily be added later.

No one likes to be hit with "out-of-market", unhedgeable costs but they are unavoidable in this market. It is only fair that we all share in the pain unless we can determine who benefits from the actions and then deduct these costs from those benefits. Without this analysis, we should attempt to limit the adverse impacts of costs.

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