

Executive Summary for Phase 3 Package A

Energy Market Uplift Senior Task Force

Package A is intended to strike a balance between retaining the theoretical benefits of virtual trading while eliminating opportunities for virtual transactions to profit from the market without providing those benefits. A background description of this topic is provided in PJM's October 2015 paper, "Virtual Transactions in the PJM Energy Market".¹

Increment Offer (INC) and Decrement Bid (DEC) Points:

Package A proposes allowing INC and DEC bids to be able to be submitted at locations where the settlement of physical energy occurs plus trading hubs. This proposal focuses INC and DEC bids to locations where they either compete directly with physical assets or trading hubs where forwards positions can be taken. PJM believes focusing INCs and DEC bids at these locations provides the maximum opportunity for virtual transactions to provide the theoretical benefits described in the PJM paper.

Up-to-Congestion Transaction (UTC) Points:

Package A proposes the eligible set of bidding nodes for UTCs to be hubs, zones and interfaces. This proposal focuses UTCs on bidding locations that are large aggregates in nature in order to address some of the observed practices illustrated in the PJM paper that do not benefit the market at a level commensurate with the profitability of the transactions.

¹ <http://www.pjm.com/~media/library/reports-notice/special-reports/20151012-virtual-bid-report.ashx>