

Problem / Opportunity Statement

The impact of the extreme cold weather conditions experienced on the PJM system in January of 2014 put emphasis on the need for increased coordination between the gas and electric markets and highlighted the need for potential changes to the way generators have historically constructed their energy and capacity market offers in PJM.

As described in the PJM analysis of the January events¹, “In preparation for tighter gas conditions, PJM coordinated with gas pipelines and generation owners to ensure sufficient resources were available. A challenge with this coordination was the differences between the timing of generators’ required natural gas purchase commitments and PJM’s Day-Ahead Energy Market commitment timing.” The difference in timing between the gas and electric markets not only impacts the commitments, but also how generator resources construct their offers. Specifically, fuel costs for resources can change intra-day but day-ahead market offers are submitted once daily.

Some examples of the types of issues which created this opportunity are:

- Real-time (PJM and stakeholder) understanding on the use of cost and price schedules to reflect the various situations experienced in the January Cold Weather.
- Difficulty using the current cost and price schedules to accurately affect conditions experienced during the January Cold Weather.
- Lack of understanding of how actual costs are able to be reflected in the current market tools and offers.

The purpose of this problem statement is to initiate stakeholder discussion regarding potential methods for allowing generators to better include natural gas fuel costs in their market offers. And, to consider the appropriateness of and potential methods for making changes to energy market offers during the operating day or hourly offers in the real time market.

¹ The PJM report entitled “Analysis of Operational Events and Market Impacts During the January 2014 Cold Weather Events” can be accessed at the following link: <http://www.pjm.com/~media/documents/reports/20140509-analysis-of-operational-events-and-market-impacts-during-the-jan-2014-cold-weather-events.ashx>