



PJM's Day-Ahead Market: Concerns with an Earlier Timeline

Presented by Vitol Inc.

May 2015

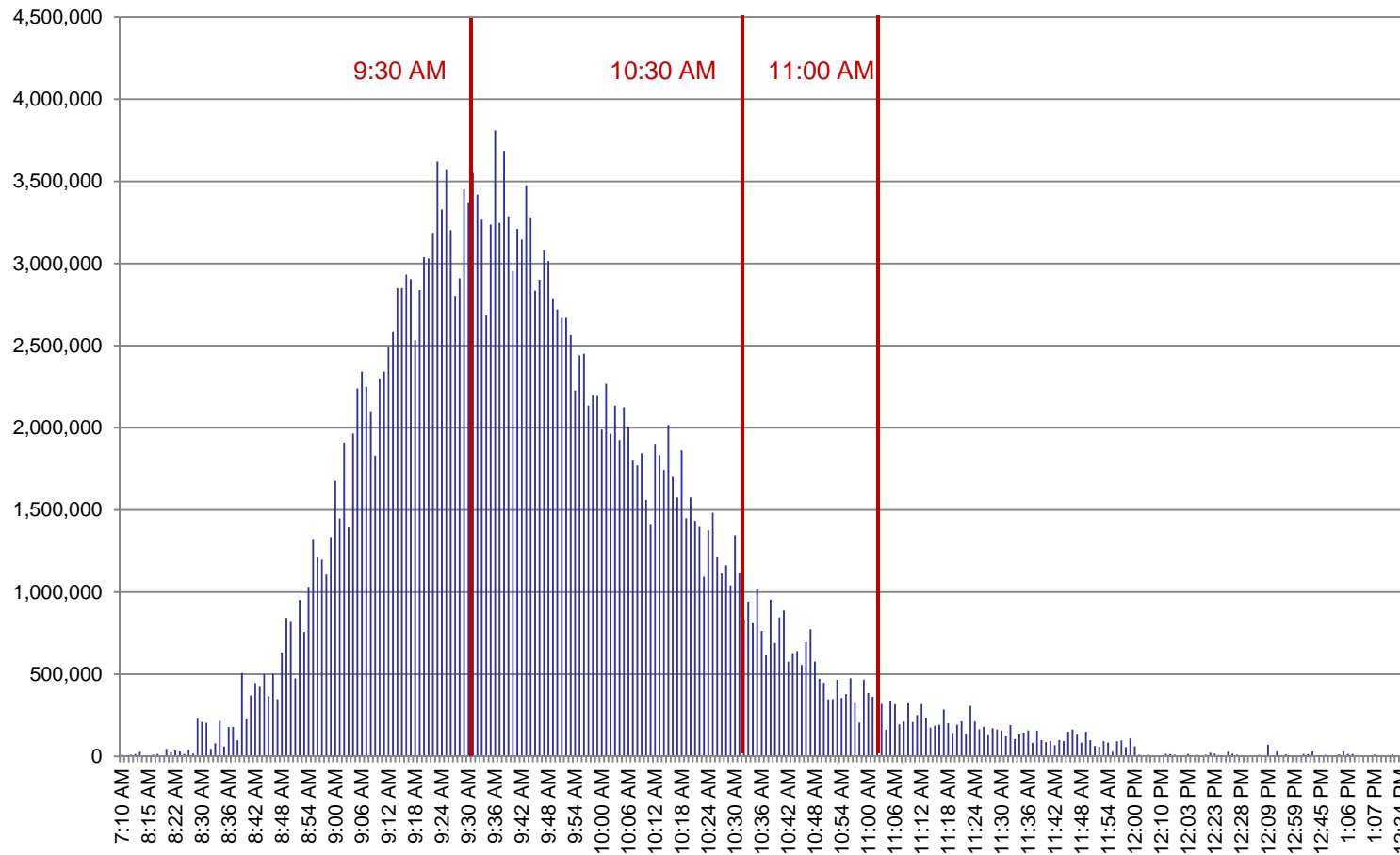
Key Concerns



- *Natural gas trading in the DA OTC market*
 - *Robust activity does not occur prior to 9:30 AM; in fact, it's later, especially in winter*
 - *Participants rely on natural gas trading activity for price discovery to inform power market activity*
 - *Participants need ample time to prepare DA market bids/offers based upon natural gas market information*
 - *Trading unlikely to shift earlier even if PJM DA bidding deadline shifts earlier (ISO NE's experience)*

- *Day-ahead external transactions with NYISO*
 - *Sequencing of NYISO's DA market clearing well in advance of PJM's DA bidding deadline is critical; without this, participants have much greater risk exposure with these transactions*
 - *NYISO's posting deadline is 11:00 AM but typically occurs at approximately 9:35 AM, with exceptions*
 - *Participants need ample time to prepare bids/offers for PJM's DA market based upon NYISO commitments*

OTC Natural Gas Activity – All Days

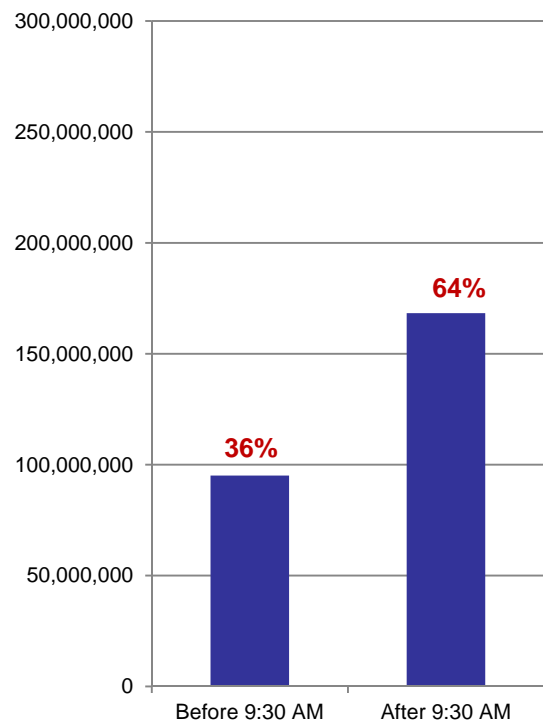


- *ICE Next-day, Fixed Price bid/offer activity for TETCO M3*
- *All trading days from January 2, 2013 – May 12, 2015*

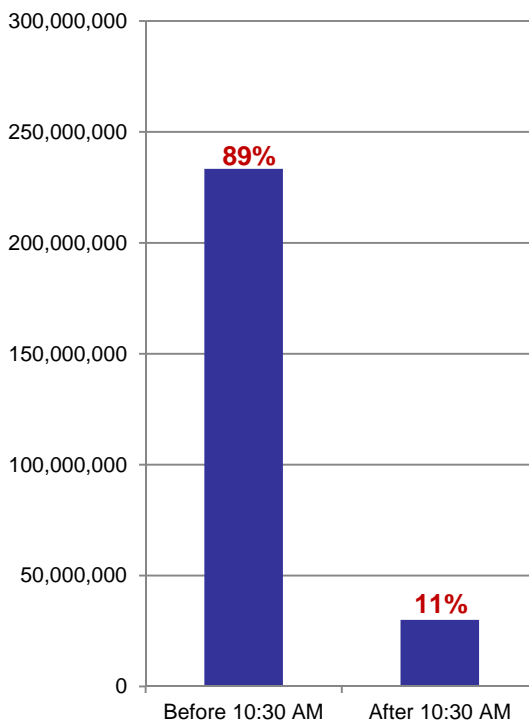
OTC Natural Gas Activity – All Days



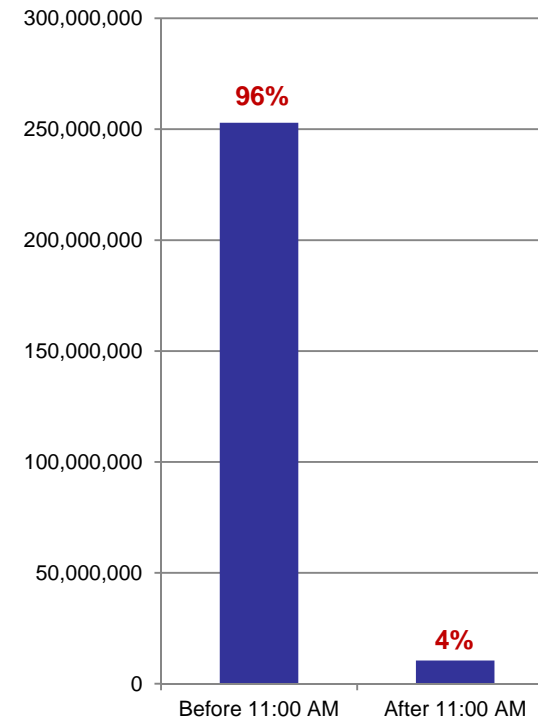
9:30 AM



10:30 AM

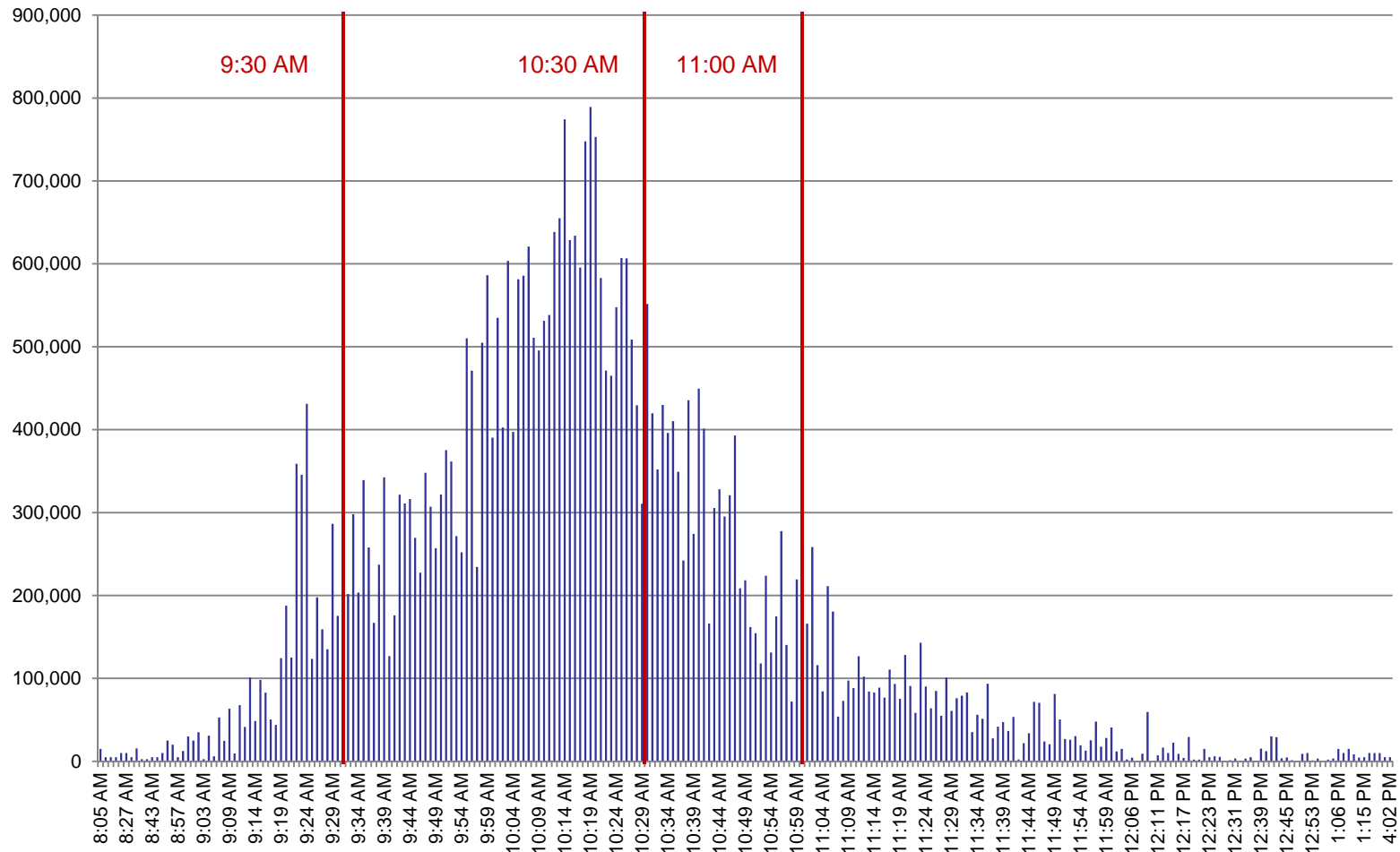


11:00 AM



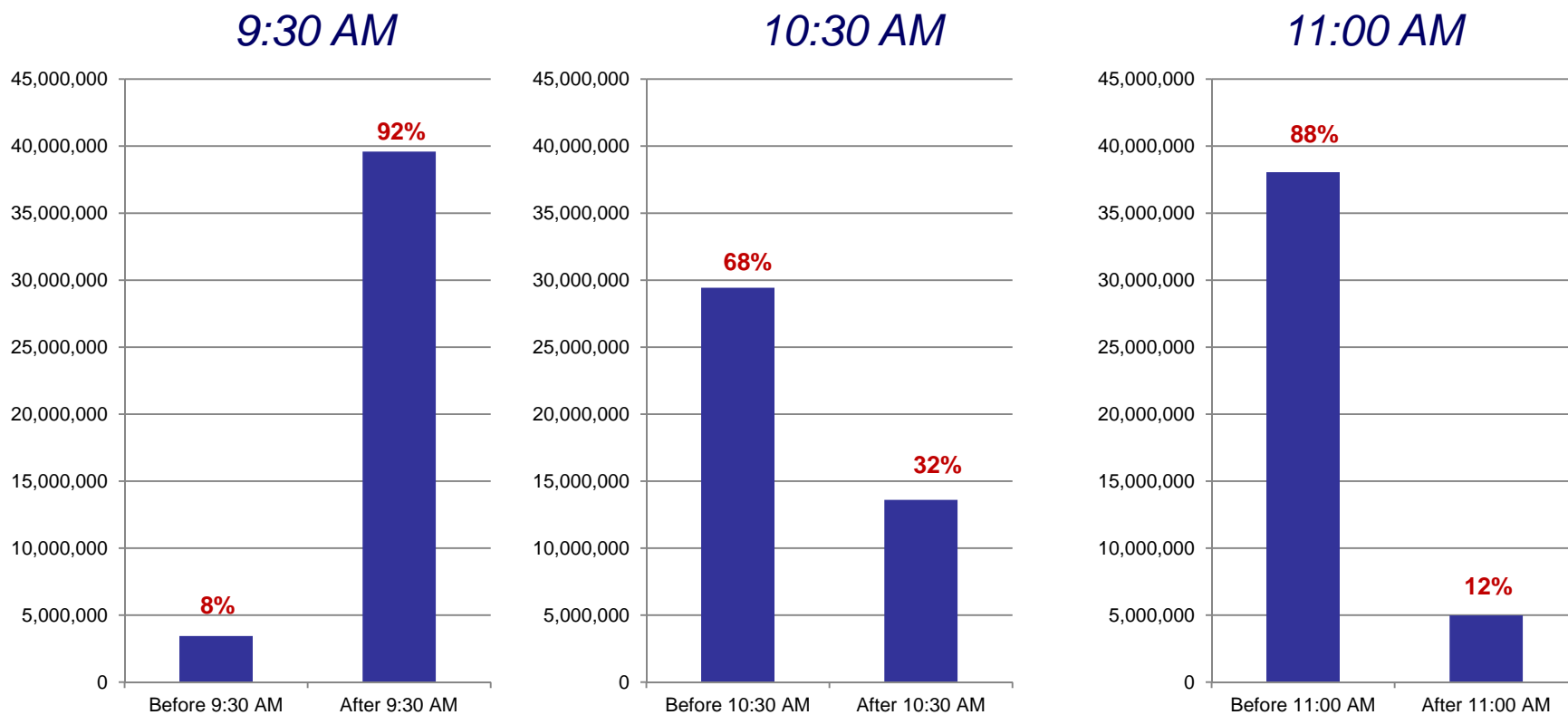
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- *All trading days from January 2, 2013 – May 12, 2015*

OTC Natural Gas Activity – Winter Only



- *ICE Next-day, Fixed Price bid/offer activity for TETCO M3*
- *All Jan-Feb trading days from January 2, 2013 – May 12, 2015*

OTC Natural Gas Activity – Winter Only

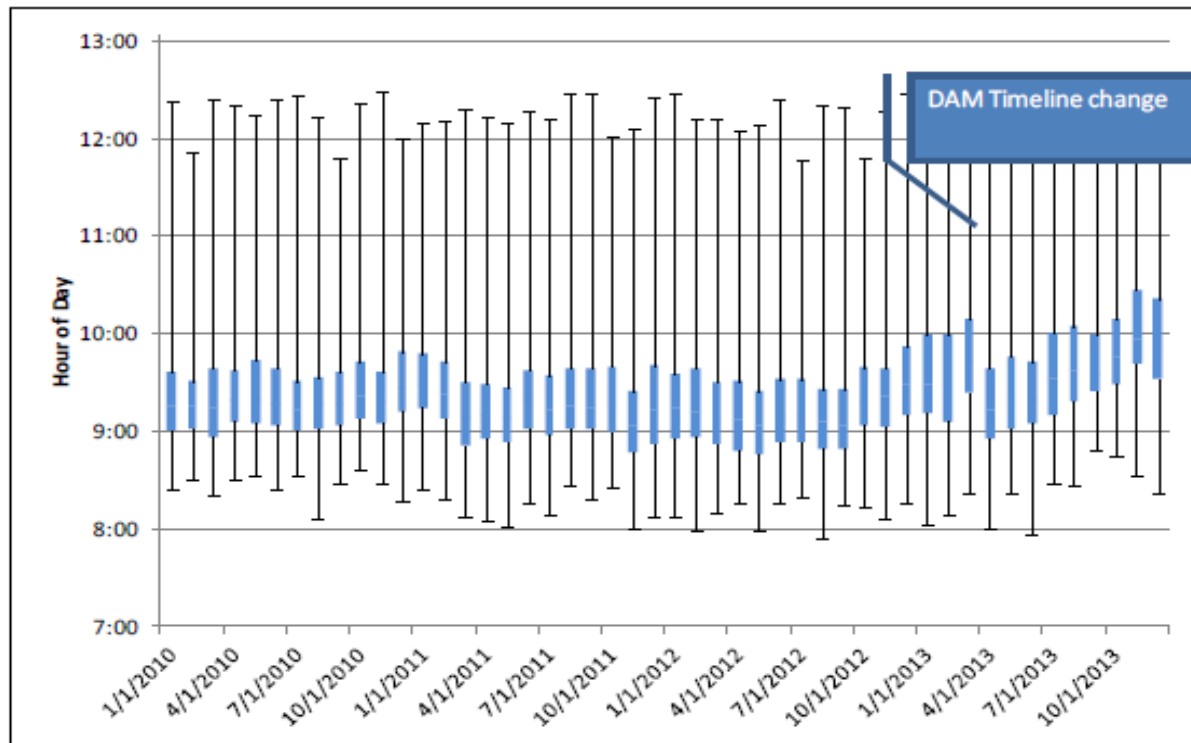


- *ICE Next-day, Fixed Price bid/offer activity for TETCO M3*
- *All Jan-Feb trading days from January 2, 2013 – May 12, 2015*

ISO NE Experience



- *ISO NE moved its DA timeline on May 23, 2013 (bidding deadline moved from noon to 10:00 AM)*
- *Next-day fixed-price Algonquin natural gas did not trade earlier as a result*



Fixed-price contract execution times for next-day Algonquin gas traded on the Intercontinental Exchange by month, January 2010-December 2013.

Coordination with NYISO DA Market



- *Sequencing of DA markets is critical for external transactions with NYISO*
 - *NYISO's posting deadline is 11:00 AM but typically occurs at approximately 9:35 AM*
 - *Currently participants receive NYISO DA results prior to submitting bids/offers in PJM's DA market*
 - *60 minutes is needed to analyze NYISO DA commitments, make arrangements for ramp/transmission, complete tags, and prepare bids/offers for PJM's DA market*
- *Without this sequencing, external transactions face additional risk*
 - *Risk of mismatched schedules greatly increases if participation in PJM's DA market occurs prior to knowing cleared NYISO DA schedules*
 - *Expect that competition at the seam would diminish, which is not desirable for either market*
- *NYISO's DA results are sometimes released after 9:35*
 - *Between September 11, 2013, and May 22, 2015, results have been "late" 18 times, using 9:40 AM as the cut-off; 9:41 AM was the earliest; 11:04 AM was the latest*
 - *8 late events in the winter*
 - *1 late event in the summer*
 - *1 event of 4 days late in a row*

One Last Thing...



- *PJM's DA market calculation time appears to be an area for improvement that would allow for mutual gains for stakeholders, PJM, and FERC*
- *Reducing this could better accommodate natural gas price discovery, DA external transactions w/ NYISO, and timely natural gas scheduling*
- *It's not a PJM-only issue; other RTOs/ISOs have faced the same questioning from stakeholders*
- *May not be immediately solvable but continuous improvement in this area is a must to accommodate all products and market participant needs*