

### **Mission**

The Markets and Reliability Committee (MRC) approved the creation of the Energy Market Uplift Senior Task Force (EMUSTF) on May 30, 2013 to evaluate causes for energy market up-lift charges, develop ways to minimize them while maintaining prices that are consistent with operational reliability needs, and explore new methodologies for the allocation of make-whole payments.

### **Issue Charge**

On January 28, 2016, the MRC approved a Problem Statement / Issue Charge entitled “Review of Virtual Transaction Rules”. This scope is added to this EMUSTF Charter.

### **Issue Charge**

### **Group Objectives**

The Energy Market Uplift Senior Task Force stakeholder group will conduct the following key work activities and produce the stated deliverables as described in the Issue Charge:

1. Perform education (i) on Day-Ahead and Real-Time Energy Market make-whole payment and cost allocation methods and (ii) functions and interactions of Day-Ahead commitments and Real-Time dispatch. Provide education, analysis and examples to understand the calculations and clarify the issue
2. Identify scenarios under which PJM may commit a resource in the Day-Ahead market that results in out-of-market uplift costs and consider alternative approaches to clearing such resources consistent with reliable operations, and explore possible improvements to the PJM Day-Ahead pricing that have potential to minimize uplift costs while maintaining prices that are consistent with operational reliability needs.
3. Identify scenarios under which PJM may dispatch a resource in the Real-Time market that results in out-of-market uplift costs, consider alternative approaches to pricing, and explore changes to the PJM market mechanisms that have the potential to minimize uplift costs.
4. Explore new methodologies for the allocation of make-whole payments that may include, but are not limited to, methodologies where Operating Reserve make-whole costs are netted with other out-of-market costs and payments (e.g. such as balancing congestion, Marginal Loss Surplus, etc.), that are consistent with cost causation/benefit principles
5. Explore and determine appropriate methodologies for the allocation of make-whole payments that may include, but are not limited to, methodologies that create variable and fixed charge rates, with the objective of minimizing the variability of such charges, that are consistent with cost causation/benefit principles.
6. Determine the appropriate calculation for eligibility and assignment of credits for make-whole payments, to the extent necessary
7. Discussion of energy market make-whole payments during adjacent (shoulder) hours where the output of resource may be non-zero (Problem Statement – CT Lost Opportunity Cost approved by MIC on October 10, 2012)

8. Identify potential solutions

9. Assess potential solutions for technical feasibility and impact

9-10. In accordance with the Problem Statement / Issue Charge "Review of Virtual Transaction Rules" approved by the MRC on January 28, 2016, discuss and determine whether or not PJM's proposed recommendations, with or without adjustments, should be implemented, and discuss whether further changes are needed to the market rules that govern virtual transactions.

### **Expected Deliverables**

1. Determination of rule changes required to implement potential solutions, if necessary

2. Develop revisions to Governing Agreements and PJM Manuals, as necessary.

3. Develop a set of market rule changes, if required, to ensure that PJM is compliant with FERC's order in docket EL 14-37-000. PJM is required to take action on any compliance obligation resulting from this docket even if stakeholder consensus cannot be reached.

4. The deliverables expected regarding the available bidding nodes for virtual transactions:

a. a recommendation to the Markets and Reliability Committee (MRC) on a set of biddable points for virtual transactions. The available biddable points for each virtual transaction type may differ, and,

a-b. any further recommendations to the MRC on additional market rule changes that impact how virtual transactions are used in the PJM markets.

### **Expected Duration of Work**

The work is expected to take approximately one year

Any market rule changes required as a result of a compliance obligation in docket EL14-37-000 will be completed within the timelines set forth in the order in that docket.

Regarding the available bidding nodes for virtual transactions a maximum duration for discussion of 90 days after which a recommendation will be brought to the MRC. An additional 90 days of discussion for further enhancements for a total duration of 180 days.

### **Administrative**

1. The group will report to the Markets and Reliability Committee.

2. The group will be facilitated by:

Dave Anders, Facilitator

~~Joe Callis~~ Cheryl Mae Velasco, Secretary

3. All PJM Stakeholders may appoint representatives to the task force.



4. The group will conduct its activities in accordance with the protocols found in the PJM Stakeholder Process Manual (M-34).
5. The group will accomplish the scope of work identified above and only the work above. Approval from the parent Standing Committee will be sought before engaging in any activity outside this scope. Specifically, the following items are out of scope:
  - Black Start and Reactive Power Make-whole Cost Allocation. This item has already been addressed through the stakeholder process and shall not be revisited.
  - Changes to PJM's Real Time Dispatch and commitment process and procedures that are required to ensure system reliability.
  - PJM and stakeholders will not discuss any asset information or any data that might be deemed market sensitive.
  - Level or calculation of credits/compensation made to demand response resources dispatched above the net benefits threshold (per FERC 745)
  - Allocation or calculation of Schedule 9 fees (example: Control Area Administration, Market Support Fees, etc)
6. The group will periodically report progress on its chartered scope of work to its parent Standing Committee.
7. This group will be using Tier 1 decision making method as described in the PJM Stakeholder Process Manual (M-34).
8. Membership in the group is open and will be identified by volunteerism. Group members are not required to sign a confidentiality agreement or non-disclosure agreement.
9. Meeting minutes (notes) and all meeting materials will be published on the PJM web site.