

Market Monitor Report

MC Webinar
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Energy Market Price Formation

- **The MMU supports the shift of focus from convex hull pricing to reserve markets and scarcity pricing, as described in the PJM Board's April 11 letter.**
- **A 30 minute reserve product is needed to price operator commitments and to create a real time obligation for day ahead scheduled reserves.**
- **The elimination of Tier 1 reserves will create a full must offer requirement with obligations and penalties for all synchronized reserves.**
- **A sloped ORDC will better reflect scarcity in energy prices.**

MMU VOM Review

- **The MMU has started its review of all VOM costs approved by PJM.**
- **Market Sellers should use only verifiable costs.**
- **Traceable documentation is required in order to be verifiable.**

MMU VOM Review

- **Market Sellers should use the VOM costs approved by PJM in their cost-based offers.**
 - **Market Sellers using VOM costs that exceed the value approved by PJM are subject to penalties.**
 - **Market Sellers should not use start maintenance adders not approved by PJM.**
- **Market Sellers should update the MIRA COA module routinely.**
 - **This includes updating the VOM costs with the value approved by PJM.**

MMU VOM Review

- **Market Sellers should separate variable operating costs (short run marginal costs) from variable maintenance costs.**
- **Operating costs, also called other fuel related costs in Manual 15, should not be escalated using the Handy Whitman index and should not be used in the cyclic starting / peaking factor calculation.**
- **Market Sellers should apply the VOM calculation for the correct type of CT (aero/frame).**

Reactive Power Capability Compensation

- **The current non-market, cost of service based compensation mechanism for reactive capability, independent of reactive or real power production, is unnecessary.**
- **Reactive costs are included in the CONE unit in the capacity market demand curve.**
- **Compensation for reactive should be included in the capacity market like all other elements of unit costs that are not short run marginal costs.**

Regulation Market Design

- **On March 30, 2018, FERC rejected PJM's proposal to revise the PJM Regulation Market.**
- **PJM's proposal identified and corrected issues caused by an inconsistent application of the MRTS in the regulation market:**
 - **Incorrect amount of RegD clearing**
 - **Incorrect amount of RegA clearing**
 - **Incorrect compensation of RegD**
 - **Inefficient price signals sent to RegD resources**

Regulation Market Design

- **FERC welcomed a refiling, but not one that replaces the mileage ratio with the MRTS in settlement.**
- **Refiling the PJM proposal without MRTS in settlement:**
 - **Will not resolve the market issues raised and addressed in the PJM proposal**
 - **Will cause a continuation of the inefficient market signal caused by an inconsistent use of MRTS in the Regulation Market.**

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