

Energy Market Uplift Sr. Task Force Update

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Members Committee
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- Phases 1 & 2:
 - EMUSTF Voting December 2016
 - Phase 1 – Lower total uplift and reduce volatility
 - Package A (PJM) – 87.50%
 - Package G (PSEG) – 52.74%
 - Phase 2 – Address perceived issues related to uplift cost allocation
 - No packages received simple majority
 - MRC instructed EMUSTF to perform second vote on only the top five proposals from the December vote
 - EMUSTF Voting January 2017
 - Phase 2 – Package Q (PJM/IMM) – 58.90%
 - MRC voting January 26, 2017
 - Phase 1 – Package A (PJM) – 4.10
 - Phase 2 – Package Q (PJM/IMM) – 3.95
- Phase 3: Eligible nodes for virtual transactions
 - EMUSTF voting conducted February 13-17, 2017

Item 5: Phase 1 proposal endorsed by the EMUSTF
(Voting Result: Passed)

****This package passed.****

<u>Sector</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>	<u>Sector Weight In Favor</u>
ED	27	0	0	1.00
EUC	14	0	0	1.00
GO	18	1	1	0.95
OS	11	36	4	0.23
TO	11	1	1	0.92
Totals	81	38	6	4.10

Item 5b: Phase 2 proposal endorsed by the EMUSTF
(Voting Result: Passed)

****This package passed.****

<u>Sector</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>	<u>Sector Weight In Favor</u>
ED	28	0	0	1.00
EUC	14	0	0	1.00
GO	16	2	1	0.89
OS	8	45	5	0.15
TO	10	1	1	0.91
Totals	76	48	7	3.95

PJM's package A is intended to make minimal changes to the current calculation of uplift costs in PJM. Design component 4a represents the only proposed change from the status quo. That component addresses what PJM believes to be a problem with the current uplift calculation methodology. The change is to include the day-ahead revenues from the hours the resource operated in real-time in the determination of Balancing Operating Reserve credits. The current method of including all day-ahead revenues can result in resources not being completely made whole for real-time operating costs because day-ahead revenues in hours in which they did not operate in real-time offset their make whole payment.

Package Q's goal is to make minimal changes to the current uplift cost allocation process. It maintains the status quo for all design components except:

- include the withdrawal end of a UTC in the allocation of Day-ahead Operating Reserve charges identically to the way a cleared DEC is charged,
- include UTCs as a source and sink deviation in the allocation of Balancing Operating Reserves identically to the way an INC and a DEC transaction would be included, and
- remove the ability for Internal Bilateral Transactions to offset deviation charges.

Appendix

Problem Statement / Issue Charge Approved – May 2013

- Phase 1 – Lower total uplift and reduce volatility
- Phase 2 – Address perceived issues related to uplift cost allocation
 - Consensus Based Issue Resolution process (CBIR) used to perform education and develop proposed solutions
 - Phase 1 limited solution Tariff revisions EMUSTF/MRC/MC/FERC approved
 - PJM actions taken to significantly reduce uplift – no OA/OATT/Manual revisions required

FERC opened EL14-37 on August 29, 2014

- FPA 206 proceeding
 - Treatment of FTR Forfeiture Rule and uplift allocation to virtual transactions
 - Subject to refund
 - Expected FERC order by October 20, 2015
- EMUSTF went into hibernation June 2015
- No FERC action
- Restarted EMUSTF March 2016

PJM released “Virtual Transactions in the PJM Energy Markets” whitepaper on October 12, 2015

- Recommended changes to nodes at which certain virtual transactions could be made
- January 28, 2016 MRC approved problem statement to address issues
- EMUSTF charter update approved by MRC May 26, 2016
- Added Phases 3 & 4:
 - Phase 3 – Determine nodes at which virtual transactions may be made
 - Continuing to work
 - Phase 4 – any other energy market rule changes related to virtual transaction
 - Scope items suggested, but insufficient support to request MRC approval to pursue
 - Phase 4 closed

- Phase 1:

- **A – PJM – 87.50%**
- E – IMM – 15.94%
- **G – PSEG – 52.74%**

- Phase 2:

- C – IMM – 16.28%
- D* – Apollo – 37.55%
- I – Red Wolf Energy/XO Energy – 27.95%
- J – Financial Markets Coalition – 28.23%
- L – AEP – 16.94%
- P – Red Wolf Energy – 28.02%
- Q – PJM/IMM – 45.22%
- R – Citigroup – 29.36%
- S – PJM/IMM – 35.02%
- T – Apollo et al – 31.62%
- U* – XO Energy – 36.36%

- Phase 2 – Adding Package D:

- C+D – IMM – 1.61%
- I+D – Red Wolf Energy/XO Energy – 29.25%
- J+D – Financial Markets Coalition – 26.10%
- L+D – AEP – 9.31%
- P+D – Red Wolf Energy – 28.74%
- Q+D – PJM/IMM – 11.20%
- R+D – Citigroup – 24.60%
- S+D – PJM/IMM – 4.15%
- T+D – Apollo et al – 16.47%

- Phase 2 – Adding Package U:

- J+U – Financial Markets Coalition – 30.54%
- L+U – AEP – 13.81%
- Q+U – PJM/IMM – 9.09%
- S+U – PJM/IMM – 10.30%
- T+U – Apollo et al – 25.10%

- Phase 2
 - D – Apollo – 41.38%
 - **Q – PJM/IMM – 58.90%**
 - S – PJM/IMM – 47.72%
 - T – Apollo et al – 36.75%
 - U – XO Energy – 39.04%

* Note that for this vote, packages D and Q were considered “stand-alone” proposals – they were not combined with any other packages