Financial and Node Limitation on Up-To Congestion Transactions

Applicable Proposed Tariff Provisions:

Financial Bidding Limitation:

Proposed Section 1.10 of Attachment K of the PJM Tariff and Schedule 1 Section 1.10 of the Operating Agreement state that: "The maximum difference between the source and sink prices that a participant may specify shall be limited to +/- $50/MWh."

Nodes Available to UTCs

Proposed Section 1.10.1A(c-1) of Attachment K of the PJM Tariff and Schedule 1 of the Operating Agreement addressing the nodes available for Up-To Congestion transactions are as follows:

A Market Participant may elect to submit in the Day-ahead Energy Market a form of Virtual Transaction that combines an offer to sell energy at a source, with a bid to buy the same megawatt quantity of energy at a sink where such transaction specifies the maximum difference between the Locational Marginal Prices at the source and sink. The Office of Interconnection will schedule these transactions only to the extent this difference in Locational Marginal Prices is within the maximum amount specified by the Market Participant. A Virtual Transaction of this type is referred to as an "Up-to Congestion Transaction." . . . An accepted Up-to Congestion Transaction results in scheduled injection at a specified source and scheduled withdrawal of the same megawatt quantity at a specified sink in the Day-ahead Energy Market. The source-sink paths on which an Up-to Congestion Transaction may be submitted are limited to those paths posted on the PJM internet site and determined by the Office of the Interconnection using the following criteria:

Step 1: Start with the historic set of eligible nodes that were available as sources and sinks for interchange transactions on the PJM OASIS.

Step 2: Remove from the list of nodes described in Step 1 all load buses below 69 kV.

Step 3: Remove from the resulting set of nodes from Step 2 all generator buses at which no generators of 100 megawatts or more are connected.

Step 4: Remove from the results of Step 3 all electrically equivalent nodes.

Problem / Opportunity Statement

The financial bidding limitation as well as the limitation of nodes available for Up-To Congestion transaction may result in the following problems:

1. Market participants place price insensitive bids because the range is too narrow and does not reflect market conditions. For example, if a Market Participant believes that the price of congestion on a particular path is going to be $150.00, but that Market Participant can only bid $50.00 due to the limitation that bid will not comport with historical data or market conditions.

2. The current bid cap could make it more difficult for prevailing flow transactions to clear on peak days meanwhile counterflow transactions are still able to clear. This could result in a biased market.

3. Market participants are forced to find an alternate path to bid because the path with the greatest inefficiency is either unavailable or is too volatile to bid due to the price limitation.

4. These limitations could cause certain paths to be over bid as opposed to spreading transactions across the entire market.

5. These limitations prohibit asset owning entities from utilizing Up-To Congestion transactions as a hedging tool.

More detailed instructions and next steps in the process available in M34, Section 6.2: Issue Identification.