



**DATE:** January 18, 2017  
**TO:** PJM Market Participants  
**SUBJECT:** Pipeline Enforced Ratable Takes and Energy Offers

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FERC directed PJM to include in its energy uplift rules, revisions that “permit resources to recover, through make whole payments, the costs incurred if a resource operates within its actual constraints and not only within its unit-specific parameter limits based on its physical characteristics.”<sup>1</sup>

This compensation will only be provided if the market participant can justify that such operation was the result of an actual unit constraint and not an exercise of market power.

The Commission explained that “PJM’s proposed revisions may prevent a resource from reflecting actual parameter limits caused by legitimate, non-physical constraints in its energy market offer. For example, the Commission stated, a natural gas pipeline may impose, due to physical constraints during peak periods, a requirement that all shippers take uniform delivery throughout the day.”<sup>2</sup> <sup>3</sup>

It is the Market Monitor’s position, based on the Commission’s decision and the related market rules, that market participants may reflect non-physical constraints, such as pipelines’ ratable take provisions when they are enforced, in its cost-based and price-based PLS parameters if these constraints are expected and the basis for the expectation is verifiable.<sup>4</sup> Market participants can also self schedule for the hours that they must run to meet the ratable take requirement in order to meet a PJM day-ahead and/or real-time commitment.

It is not acceptable to add the expected cost of unburned natural gas to the cost-based energy offer.

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<sup>1</sup> 151 FERC ¶ 61,208 P. 440

<sup>2</sup> 151 FERC ¶ 61,208 P. P 437 & n.322

<sup>3</sup> 155 FERC ¶ 61,157 P. 331

<sup>4</sup> The Market Monitor does not agree with the Commission’s decision, because allowing recovery based on the inflexibility of fuel supply arrangements will result in excess supply during hours in which these resources are not needed and will result in energy uplift payments, and will fail to create incentives to enter into more flexible fuel supply arrangements.

**PJM OA Schedule 1 Section 3.2.3 (e) Second Paragraph** <sup>5</sup>

A Generation Capacity Resource that operates outside of its unit-specific parameters will not receive Operating Reserve Credits nor be made whole for such operation when not dispatched by the Office of the Interconnection, unless the Market Seller of the Generation Capacity Resource can justify to the Office of the Interconnection that operation outside of such unit-specific parameters was the result of an actual constraint. Such Market Seller shall provide to the Market Monitoring Unit and the Office of the Interconnection its request to receive Operating Reserve Credits and/or to be made whole for such operation, along with documentation explaining in detail the reasons for operating its resource outside of its unit-specific parameters, within thirty calendar days following the issuance of billing statement for the Operating Day. The Market Seller shall also respond to additional requests for information from the Market Monitoring Unit and the Office of the Interconnection. The Market Monitoring Unit shall evaluate such request for compensation and provide its determination of whether there was an exercise of market power to the Office of the Interconnection by no later than twenty-five calendar days after receiving the Market Seller's request for compensation. The Office of the Interconnection shall make its determination whether the Market Seller justified that it is entitled to receive Operating Reserve Credits and/or be made whole for such operation of its resource for the day(s) in question, by no later than thirty calendar days after receiving the Market Seller's request for compensation.

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<sup>5</sup> PJM OA Schedule 1 § 3.2.3 (e). Effective Date: 6/27/2016 - Docket #: ER16-1520-000 - PP 10-11.