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Monitoring Analytics

DATE: **November 5, 2021**
TO: **Capacity Market Participants**
FROM: **The Independent Market Monitor for PJM (MMU)**
SUBJECT: **Unit Specific Net Revenue Calculation (Dispatchable Units)**

MMU Calculated Net Revenue Updates

On November 4, 2021, the MMU requested PJM's interpretation of the tariff definition of the Projected EAS Dispatch, for use in setting the Market Seller Offer Cap (MSOC) values for the 2023/2024 Base Residual Auction (BRA). While the MMU believes that the MMU's calculations were fully consistent with the tariff, the MMU believed that some of the results were not reasonable. For some units, the MMU model had committed units in real time that are generally not committed in real time by PJM. As a result, the MMU requested PJM's interpretation of the tariff. Based on PJM's interpretation, the MMU will recalculate net revenues and the resultant MSOC for all affected units early next week and provide those results to the affected market participants in MIRA.

The Projected EAS Dispatch is defined as:

> "Projected EAS Dispatch" shall mean, for purposes of calculating the Net Energy and Ancillary Services Revenue Offset, a simulated dispatch with the objective of committing and dispatching a resource for the purpose of maximizing its net revenues. The calculation shall take inputs including Forward Hourly LMPs, Forward Hourly Ancillary Service Prices, and Forward Daily Natural Gas Prices or forecasted fuel prices, as applicable, in addition to the operating parameters and costs of the specific resource, including the cost emission allowances. Using operating parameters, forward or forecasted fuel prices, as applicable and other cost pricing inputs, a composite, cost-based energy offer is created for the resource such that its commitment and dispatch is co-optimized between energy and ancillary services in the Day-Ahead Energy Market and then the Real-Time Energy Market considering the electricity and ancillary service price inputs. In the Real-Time Energy Market co-optimization, the resource is assumed to be operating in the hours it was scheduled in the Day-Ahead Energy Market but is dispatched according to the real-time price inputs. In the hours where the resource was not committed in the Day-Ahead Market, the resource may be committed and dispatched in real-time only subject to the real-time electricity and ancillary service price inputs and the resource's offer and operating parameters. For combustion turbine units only, the cost-based energy offer will include a 10 percent adder.