



MARKET MONITORING REPORT

EMC
September 14, 2005

Joseph E. Bowring
Market Monitor

- CDTF proposals.
- Frequently mitigated units.

- CDTF is developing proposals in several areas.
- The following proposal will be brought to the EMC for a vote at the next meeting.
- Cost-based no load offers for market-based offers
 - Permits market based energy offers to include cost-based no load offers
 - Only if offer also includes cost-based start offers
 - Twice annual election
- Proposal requires a change to the OATT.

- CDTF is developing proposals in several areas.
- The following proposal will be brought to the EMC for a vote at the next meeting.
- Modification of variable operation and maintenance (VOM) expense definition
 - Permits VOM to include all appropriate expenses regardless of company-specific accounting policies
 - Some companies capitalized expense items
 - Likely to increase VOM
- Proposal requires a change to the CDTF Manual M-15.

- CDTF has decided to table the following proposal:
 - Cost-based offers for pumped storage
- PJM optimization program for pumped hydro is intended to substitute for the cost definition approach.

- Frequently Mitigated Units (FMU):
 - Units offer capped more than 80% of run hours during calendar year 2004
 - A \$40 adder for cost-based offers.
 - An adder based on unit-specific going forward costs

- Additional FMU-related issue
 - Treatment of identical units at same location, designated as “Associated Units”
- Associated Unit defined as:
 - A unit located at the same site as an FMU
 - Unit has identical electrical impacts on the transmission system as the FMU.

- FMU (Unit A); AU (Unit B) example
 - Units A and B are located at a single electrical location with identical electrical impacts on the transmission system
 - In year 1, the 80% eligibility test results mean that Unit A qualifies as an FMU but Unit B does not.
 - Unit B will be dispatched more frequently than unit A due to its lower cost, leading to its designation as an FMU in year 2
 - In year 2, Unit B is an FMU but Unit A is not an FMU
 - The cycle would repeat

- The following proposal will be brought to the EMC for a vote at the next meeting.
- Associated Units (AU) :
 - PJM will propose that AUs be eligible for the same offer cap as the FMU with which they are associated
 - A \$40 adder for cost-based offers.
 - PJM will bring tariff language to the next EMC for a vote.