

Suggested Scarcity Pricing Scope Topics

1. Scarcity: Scarcity exists when supply is less than, or equal to, demand where demand includes a level of operating reserves
2. Local Scarcity
 - a. Market power vs. scarcity
 - i. Market power is mitigated to provide competitive results in the absence of scarcity conditions
 - ii. Scarcity prices are consistent with competitive results
 - b. Local scarcity triggers based on *local* reserve levels (localized supply relative to localized demand)
 - i. Local “non-market” PJM action needed to maintain the system
 - ii. Clear market power mitigation rules needed to address physical withholding.
3. \$1000 Cap
 - a. Policy decision
 - b. Set in the context of multiple markets that are designed to compensate resources for services provided (RPM, energy, etc)
 - c. Only limit on market power in aggregate market
4. Scarcity in Day-ahead market
 - a. Day-ahead scarcity pricing rules should mirror Real-time scarcity pricing rules
 - i. Triggers should be based on the same measures/concepts:
 1. Scarcity exists when supply is less than, or equal to, demand where demand includes a level of operating reserves
 2. Scarcity triggers should be based on reserve levels (supply relative to demand) and PJM use of “non-market” tools.
5. Relationship of scarcity pricing revenues to RPM
 - a. Scarcity related revenues should be recognized in RPM
 - b. Review method for determining level of energy revenue offset in RPM (closer to real time).
6. Scarcity in Real-time Market
 - a. The use of administrative steps to maintain system reliability a good proxy for regional scarcity conditions, but changes needed:
 - i. Define relationship between “un-priced” PJM tools and scarcity signal.
 - ii. Cumulative, predetermined adders based on use of administrative steps to maintain system reliability during periods of relative high load.
 1. Adders would apply to offers of units on the margin in the specific area (local or regional) experiencing scarcity
 2. Signals need to be locational/nodal
 3. Adders to marginal unit offers would allow LMP signals to continue to provide economic dispatch signals