



Three Pivotal Supplier Test: Regulation Market Examples

TPSTF

Wilmington, DE

PJM MMU

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- Three pivotal supplier test includes eligible supply
- Definition of eligible supply to conform with the selection criteria used by PJM Markets software
- Regulation offers are submitted daily, but parameters may be modified on an hourly basis
- Market participation is voluntary

- The MMU reviewed proposed modifications to the definition of eligible supply used in the three pivotal supplier test
- The MMU evaluated the impact on 2007 regulation market results
- The proposed modifications resulted in minor changes to the pivotal supplier results
- The MMU evaluated the sensitivity of pivotal supplier results to various components of the definition of eligible regulation supply

- Offered Regulation Supply is Eligible Except Where:
 - Unit is designated as unavailable to provide regulation for the day or the hour (e.g. Offer MW=0)
 - Resource is an offline non-hydro unit
 - Resource is a non-hydro unit with regulation max = regulation minimum
 - Resource is a non-hydro unit with economic maximum = economic minimum
 - Unit selected to provide tier-2 spinning reserves
 - Unit with (Regulation Offer Price + Regulation LOC) > RMCP*1.5



- Removal of ineligibility for:
 - Offline non-hydro unit resources
 - Resources selected to provide tier-2 spinning reserves



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 - Resource is a non-hydro unit with regulation max = regulation minimum
 - Resource is a non-hydro unit with economic maximum = economic minimum
 - Unit with (Regulation Offer Price + Regulation LOC) > RMCP*1.5

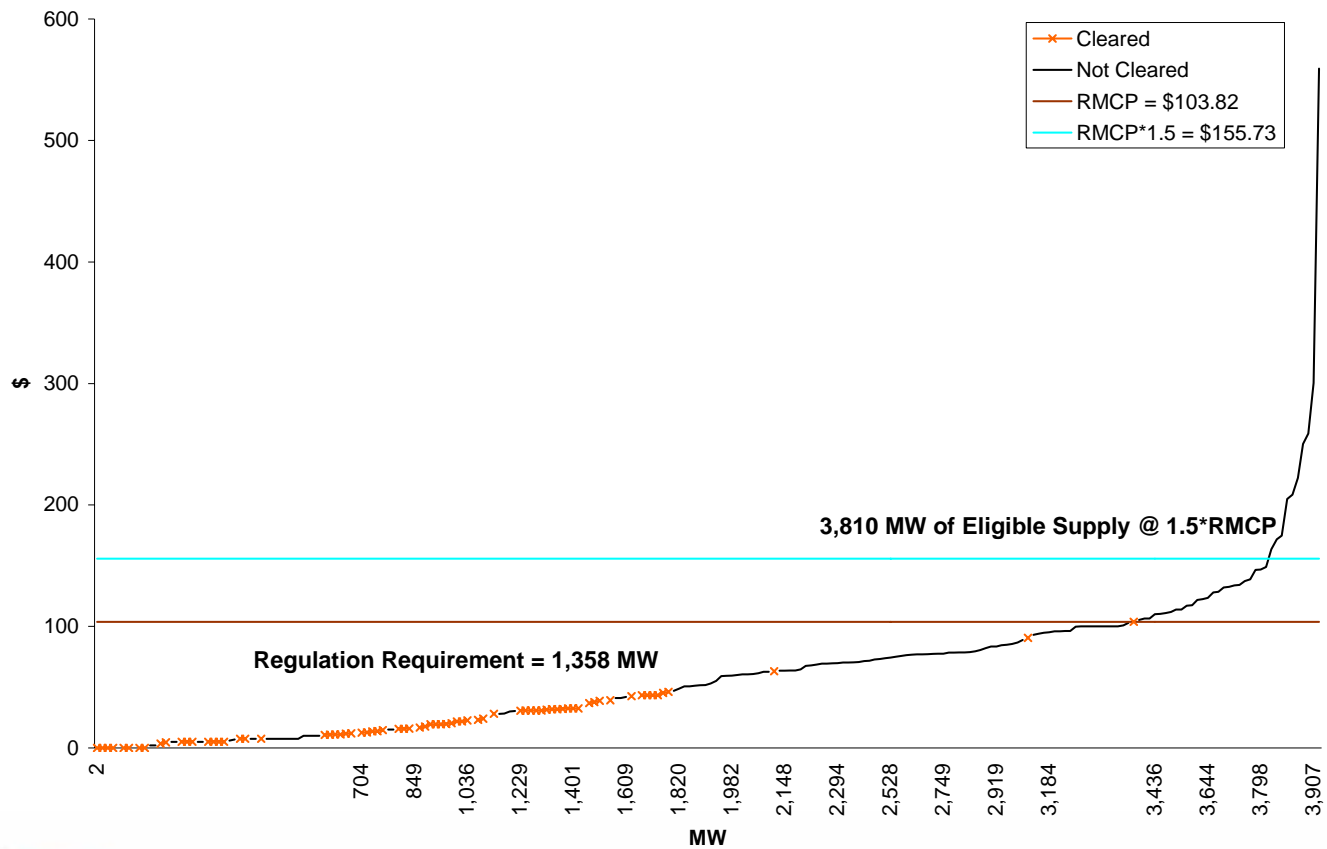


Comparison of Regulation Market Pivotal Supplier Results (2007 through August 31st)

Eligible Supply Definition	Percent Hours 1- Pivotal Supplier	Percent Hours 2- Pivotal Supplier	Percent Hours 3- Pivotal Supplier
Current Definition	9%	52%	75%
Sensitivity Definition	6%	41%	70%



Regulation Market Hourly Eligible Supply Curve Example with Current Eligibility Criteria





Regulation Market Hourly Eligible Supply Curve Example with Eligibility Criteria Modifications

