

Table of Contents

Preface	1
SECTION 1 Introduction	1
2022 in Review	1
PJM Market Summary Statistics	6
PJM Market Background	6
Conclusions	8
Energy Market Conclusion	8
Capacity Market Conclusion	10
Tier 2 Synchronized Reserve Market Conclusion (Prior to October 1, 2022)	11
Synchronized Reserve Market Conclusion (Since October 1, 2022)	11
Day-Ahead Scheduling Reserve Market Conclusion (Prior to October 1, 2022)	12
Secondary Reserve Market Conclusion (Since October 1, 2022)	12
Regulation Market Conclusion	13
FTR Auction Market Conclusion	13
Role of MMU	14
Reporting	14
Monitoring	14
Market Design	15
New Recommendations	15
New Recommendations from Section 3, Energy Market	16
New Recommendations from Section 5, Capacity Market	16
New Recommendations from Section 6, Demand Response	17
New Recommendation from Section 10, Ancillary Services	17
New Recommendation from Section 13, Financial Transmission Rights and Auction Revenue Rights	17
Total Price of Wholesale Power	17
Components of Total Price	17
Section Overviews	21
Overview: Section 3, Energy Market	21
Overview: Section 4, Energy Uplift	32
Overview: Section 5, Capacity Market	37
Overview: Section 6, Demand Response	47
Overview: Section 7, Net Revenue	52
Overview: Section 8, Environmental and Renewables	54
Overview: Section 9, Interchange Transactions	59
Overview: Section 10, Ancillary Services	62
Overview: Section 11, Congestion and Marginal Losses	73
Overview: Section 12, Planning	74
Overview: Section 13, FTRs and ARRs	81
SECTION 2 Recommendations	89
New Recommendations	89
New Recommendations from Section 3, Energy Market	90
New Recommendations from Section 5, Capacity Market	90
New Recommendations from Section 6, Demand Response	90

New Recommendation from Section 10, Ancillary Services	91
New Recommendation from Section 13, Financial Transmission Rights and Auction Revenue Rights	91
History of MMU Recommendations	91
Complete List of Current MMU Recommendations	92
Section 3, Energy Market	92
Section 4, Energy Uplift	96
Section 5, Capacity Market	98
Section 6, Demand Response	101
Section 7, Net Revenue	103
Section 8, Environmental and Renewables	104
Section 9, Interchange Transactions	105
Section 10, Ancillary Services	106
Section 11, Congestion and Marginal Losses	108
Section 12, Planning	108
Section 13, FTRs and ARRs	110
Adopted Recommendations	112
Adopted 2022	112
Adopted 2021	113
Adopted 2020	113
Adopted 2019	114
Adopted 2018	114
Adopted 2017	115
Adopted 2016	115
Adopted 2015	115
Adopted 2014	116
Adopted 2013	117
Adopted 2012	117
Adopted 2011	118
Adopted 2010	118
Adopted 2009	118
Adopted 2008	119
Adopted 2006	119
SECTION 3 Energy Market	121
Overview	123
Supply and Demand	123
Competitive Assessment	124
Recommendations	126
Conclusion	131
Supply and Demand	134
Market Structure	134
Market Behavior	147
Generator Offers	147
ICAP Must Offer Requirement	148
Emergency Maximum MW	149
Parameter Limited Schedules	150
Virtual Offers and Bids	156
Market Performance	164

LMP	164
Zonal LMP and Dispatch	186
Fuel Prices, LMP, and Dispatch	191
Components of LMP	199
Shortage	207
Emergency Procedures	208
Winter Storm Elliott	210
Power Balance Constraint Violation	216
Shortage and Shortage Pricing	217
Competitive Assessment	227
Market Structure	227
Market Behavior	233
Market Performance	258
Market Structure, Participant Behavior, and Market Performance	268
SECTION 4 Energy Uplift (Operating Reserves)	271
Overview	272
Energy Uplift Credits	272
Energy Uplift Charges	272
Geography of Charges and Credits	273
Recommendations	273
Conclusion	274
Energy Uplift Credits	277
Credits and Charges Categories	278
Types of Units	278
Day-Ahead Unit Commitment for Reliability	280
Balancing Operating Reserve Credits/Balancing Generator Credits	281
Lost Opportunity Cost Credits	283
Energy Uplift Charges	285
Energy Uplift Charges	285
Operating Reserve Rates	287
Reactive Services Rates	289
Geography of Charges and Credits	289
Uplift Eligibility	291
Energy Uplift Issues	291
Uplift Resettlement	291
Intraday Segments Uplift Settlement	292
Concentration of Energy Uplift Credits	293
Uplift Credits and Market Power Mitigation	295
Fast Start Pricing	296
SECTION 5 Capacity Market	299
Overview	300
RPM Capacity Market	300
Part V Reliability Service	302
Generator Performance	302
Recommendations	302
Conclusion	306

Installed Capacity	313
Fuel Diversity	314
RPM Capacity Market	315
Market Structure	315
Market Conduct	328
Market Performance	334
FRR	338
CRF Issue	338
Timing of Unit Retirements	340
Part V Reliability Service	341
Generator Performance	343
Capacity Factor	343
Generator Performance Factors	344
Generator Outage Rates	346
Generator Testing Issues	350
SECTION 6 Demand Response	353
Overview	353
Recommendations	354
Conclusion	356
PJM Demand Response Programs	358
Non-PJM Demand Response Programs	359
PJM Demand Response Programs	359
Emergency and Pre-Emergency Load Response Programs	360
Economic Load Response Program	373
Energy Efficiency	381
Distributed Energy Resources	382
Peak Shaving Adjustment	384
Performance Assessment Event – AEP_Marion Subzone	384
Performance Shortfalls	385
Nonperformance Charges	385
Bonus Performance	387
Emergency Energy Credits	388
Settlements Timeline	389
Emergency Action Area	390
Performance Assessment Event – Winter Storm Elliott	390
Load Management Events	390
Nonperformance Charge Rates	394
Settlements Timeline	395
SECTION 7 Net Revenue	397
Overview	397
Net Revenue	397
Recommendations	398
Conclusion	398
Net Revenue	398
Spark Spreads and Dark Spreads	399
Theoretical Energy Market Net Revenue	400

Capacity Market Net Revenue	402
Net Revenue Adequacy	402
Levelized Total Costs	402
Levelized Cost of Energy	403
New Entrant Combustion Turbine	403
New Entrant Combined Cycle	405
New Entrant Coal Plant	406
New Entrant Nuclear Plant	407
New Entrant Diesel	409
New Entrant Onshore Wind Installation	410
New Entrant Offshore Wind Installation	411
New Entrant Solar Installation	412
Historical New Entrant CC Revenue Adequacy	413
Factors in Net Revenue Adequacy	414
Actual Net Revenue	415
Competitiveness of Wind and Solar	418
Nuclear Net Revenue Analysis	419
SECTION 8 Environmental and Renewable Energy Regulations	429
Overview	429
Federal Environmental Regulation	429
State Environmental Regulation	430
State Renewable Portfolio Standards	431
Emissions Controls in PJM Markets	431
Renewable Generation	431
Recommendations	431
Conclusion	432
Federal Environmental Regulation	434
CAA: NESHAP/MATS	434
CAA: NAAQS/CSAPR	435
CAA: NSR	436
CAA: RICE	437
CAA: Greenhouse Gas Emissions	438
CWA: WOTUS Definition and Effluents	439
RCRA: Coal Ash	440
State Environmental Regulation	442
State Coal Ash Regulations	442
State Emissions Regulations	443
State Renewable Portfolio Standards	453
Alternative Compliance Payments	467
Emission Controlled Capacity and Emissions	471
Emission Controlled Capacity	471
Emissions	472
Renewable Energy Output	474
Wind and Solar Peak Hour Output	474
Wind Units	474
Solar Units	476

SECTION 9 Interchange Transactions	479
Overview	479
Interchange Transaction Activity	479
Interactions with Bordering Areas	479
Recommendations	480
Conclusion	481
Interchange Transaction Activity	482
Charges and Credits Applied to Interchange Transactions	482
Aggregate Imports and Exports	483
Real-Time Interface Imports and Exports	484
Real-Time Interface Pricing Point Imports and Exports	487
Day-Ahead Interface Imports and Exports	489
Day-Ahead Interface Pricing Point Imports and Exports	491
Loop Flows	495
PJM and MISO Interface Prices	501
PJM and NYISO Interface Prices	502
Summary of Interface Prices between PJM and Organized Markets	504
Neptune Underwater Transmission Line to Long Island, New York	505
Linden Variable Frequency Transformer (VFT) facility	506
Hudson Direct Current (DC) Merchant Transmission Line	507
Interchange Activity During High Load Hours	509
Winter Storm Elliott	509
Operating Agreements with Bordering Areas	514
PJM and MISO Joint Operating Agreement	515
PJM and New York Independent System Operator Joint Operating Agreement (JOA)	516
PJM and TVA Joint Reliability Coordination Agreement (JRCA)	517
PJM and Duke Energy Progress, Inc. Joint Operating Agreement	518
PJM and VACAR South Reliability Coordination Agreement	518
VACAR Reserve Sharing Agreement	518
Balancing Authority Operations Coordination Agreement between Wisconsin Electric Power Company (WEC) and PJM Interconnection, LLC	518
Northeastern ISO-Regional Transmission Organization Planning Coordination Protocol	519
Interchange Transaction Issues	519
PJM Transmission Loading Relief Procedures (TLRs)	519
Up To Congestion Transactions	520
Sham Scheduling	522
Elimination of Ontario Interface Pricing Point	522
PJM and NYISO Coordinated Interchange Transactions	524
Reserving Ramp on the PJM/NYISO Interface	527
PJM and MISO Coordinated Interchange Transaction Proposal	527
Willing to Pay Congestion and Not Willing to Pay Congestion	531
Spot Imports	532
Interchange Optimization	532
Interchange Cap During Emergency Conditions	533
45 Minute Schedule Duration Rule	533
MISO Multi-Value Project Usage Rate (MUR)	534

SECTION 10 Ancillary Service Markets	537
Overview	538
Primary Reserve	538
Tier 1 Synchronized Reserve (prior to October 1, 2022)	539
Tier 2 Synchronized Reserve Market (prior to October 1, 2022)	539
Synchronized Reserve Market (since October 1, 2022)	540
Nonsynchronized Reserve Market	541
Day-Ahead Scheduling Reserve (prior to October 1, 2022)	542
Secondary Reserve Market (since October 1, 2022)	542
Regulation Market	543
Black Start Service	544
Reactive	544
Frequency Response	545
Ancillary Services Costs per MWh of Load	545
Market Procurement of Real-Time Ancillary Services	546
Recommendations	546
Conclusion	549
Primary Reserve	550
Market Structure	550
Tier 1 Synchronized Reserve	555
Market Structure	556
Tier 1 Synchronized Reserve Payments	557
Tier 2 Synchronized Reserve Market	560
Market Structure	561
Market Behavior	562
Market Performance	563
Consolidated Synchronized Reserve	566
Market Structure	566
Market Behavior	567
Market Performance	567
Synchronized Reserve Performance	569
Nonsynchronized Reserve Market	574
Market Structure	574
Market Performance	575
Secondary Reserve	577
Day-Ahead Scheduling Reserve (DASR)	577
Market Structure	577
Market Conduct	579
Market Performance	579
Secondary Reserve Market	582
Market Structure	582
Market Conduct	582
Market Performance	582
Regulation Market	584
Market Design	584
Market Structure	599
Market Conduct	603
Market Performance	606

Black Start Service	610
CRF Issues	612
NERC – CIP	613
Reactive Service and Capability	613
Issues with Reactive Capability Market Design	614
Reactive Costs	618
Frequency Response	620
Frequency Control Definition	620
VACAR Reserve Sharing Agreement	621
Recommendations	621
SECTION 11 Congestion and Marginal Losses	623
Overview	625
Congestion Cost	625
Marginal Loss Cost	625
System Energy Cost	626
Conclusion	626
Issues	626
Artificial Constraints, Closed Loop Interfaces and CT Pricing Logic	626
Elliott	627
Locational Marginal Price (LMP)	629
Components	629
Hub Components	632
Congestion	633
Congestion Accounting	633
Total Congestion	636
Charges and Credits versus Congestion: Virtual Transactions, Load and Generation	637
UTCs and Negative Balancing Explicit CLMP Charges	639
Zonal and Load Aggregate Congestion	641
Fast Start Pricing Effect on Zonal Congestion	645
Monthly Congestion	646
Congested Facilities	648
Congestion by Facility Type and Voltage	648
Constraint Frequency	651
Top Constraints	652
Congestion Event Summary: Impact of Changes in UTC Volumes	656
Marginal Losses	656
Marginal Loss Accounting	656
Total Marginal Loss Cost	658
System Energy Costs	663
Energy Accounting	663
Total System Energy Costs	663

SECTION 12 Generation and Transmission Planning	669
Overview	669
Generation Interconnection Planning	669
Regional Transmission Expansion Plan (RTEP)	670
Transmission Facility Outages	671
Recommendations	671
Conclusion	673
Generation Interconnection Planning	675
Existing Generation Mix	675
Generation Retirements	680
Generation Queue	685
Regional Transmission Expansion Plan (RTEP)	713
RTEP Process	714
Market Efficiency Process	714
PJM MISO Interregional Market Efficiency Process (IMEP)	718
PJM MISO Targeted Market Efficiency Process (TMEP)	718
Multi Driver Process	719
Supplemental Transmission Projects	719
Competitive Planning Process Exclusions	723
Storage As A Transmission Asset (SATA)	724
Board Authorized Transmission Upgrades	724
Qualifying Transmission Upgrades (QTU)	725
Cost Allocation	725
Transmission Line Ratings	726
Dynamic Line Ratings (DLR) and Grid Enhancing Technology (GETs)	728
Transmission Facility Outages	728
Scheduling Transmission Facility Outage Requests	728
Rescheduling Transmission Facility Outage Requests	731
Long Duration Transmission Facility Outage Requests	732
Transmission Facility Outage Analysis for the FTR Market	733
Transmission Facility Outage Analysis in the Day-Ahead Energy Market	738
SECTION 13 Financial Transmission and Auction Revenue Rights	741
Overview	745
Auction Revenue Rights	745
Financial Transmission Rights	745
Recommendations	747
Conclusion	748
Proposed Design	750
Auction Revenue Rights	751
Market Design	751
Market Structure	752
Market Performance	752
IARRs	754
Financial Transmission Rights	755
Market Performance	759
Surplus Congestion Revenue	770
Revenue Adequacy	772

Target Allocations and Congestion by Constraint	775
ARRs as an Offset to Congestion for Load	776
Zonal ARR Congestion Offset	777
Offset if all ARR are Held as ARRs	779
Offset if all ARR are Self Scheduled	779
ARR Allocation and Congestion In and Out of Zone	780
Credit	781
Hill Energy Default	781
Default Portfolio Considerations	782
FTR Forfeitures	782