

Table of Contents

Preface	i		
SECTION 1 Introduction	1		
Q1 2022 in Review	1		
PJM Market Summary Statistics	5		
PJM Market Background	5		
Conclusions	7		
Energy Market Conclusion	8		
Capacity Market Conclusion	10		
Tier 2 Synchronized Reserve Market Conclusion	11		
Day-Ahead Scheduling Reserve Market Conclusion	11		
Regulation Market Conclusion	12		
FTR Auction Market Conclusion	12		
Role of MMU	13		
Reporting	13		
Monitoring	13		
Market Design	14		
New Recommendations	15		
New Recommendations from Section 3, Energy Market	15		
New Recommendation from Section 5, Capacity Market	15		
New Recommendation from Section 10, Ancillary Services	15		
New Recommendation from Section 13, Financial Transmission			
Rights and Auction Revenue Rights	16		
Total Price of Wholesale Power	16		
Components of Total Price	16		
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	46		
Overview: Section 7, Net Revenue	51		
Overview: Section 8, Environmental and Renewables	52		
Overview: Section 9, Interchange Transactions	57		
Overview: Section 10, Ancillary Services	60		
Overview: Section 11, Congestion and Marginal Losses	70		
Overview: Section 12, Planning	72		
Overview: Section 13, FTRs and ARRs	78		
Recommendations	80		
SECTION 2 Recommendations		85	
New Recommendations		86	
New Recommendations from Section 3, Energy Market		86	
New Recommendation from Section 5, Capacity Market		86	
New Recommendation from Section 10, Ancillary Services		86	
New Recommendation from Section 13, Financial Transmission			
Rights and Auction Revenue Rights		86	
Complete List of Current MMU Recommendations		87	
Section 3, Energy Market		87	
Section 4, Energy Uplift		91	
Section 5, Capacity Market		93	
Section 6, Demand Response		96	
Section 7, Net Revenue		98	
Section 8, Environmental and Renewables		98	
Section 9, Interchange Transactions		99	
Section 10, Ancillary Services		100	
Section 11, Congestion and Marginal Losses		102	
Section 12, Planning		103	
Section 13, FTRs and ARRs		104	
SECTION 3 Energy Market		107	
Overview		108	
Supply and Demand		108	
Competitive Assessment		110	
Recommendations		112	

Conclusion	117	Types of Units	269
Supply and Demand	120	Day-Ahead Unit Commitment for Reliability	271
Market Structure	120	Balancing Operating Reserve Credits	272
Market Behavior	136	Lost Opportunity Cost Credits	274
Generator Offers	136	Uplift Eligibility	276
Hourly Offers and Intraday Offer Updates	137	Economic and Noneconomic Generation	277
ICAP Must Offer Requirement	138	Uplift Resettlement	277
Emergency Maximum MW	139	Concentration of Energy Uplift Credits	278
Parameter Limited Schedules	140	Credits and Charges Categories	282
Virtual Offers and Bids	146	Energy Uplift Charges Results	283
Market Performance	155	Energy Uplift Charges	283
LMP	155	Operating Reserve Rates	287
Zonal LMP and Dispatch	180	Reactive Services Rates	289
Fuel Prices, LMP, and Dispatch	186	Balancing Operating Reserve Determinants	290
Components of LMP	195	Geography of Charges and Credits	291
Shortage	201	Energy Uplift Issues	292
Emergency Procedures	202	Intraday Segments Uplift Settlement	292
Shortage and Shortage Pricing	206	Uplift Credits and Offer Capping	293
Competitive Assessment	218	Fast Start Pricing	294
Market Structure	218		
Market Behavior	224		
Market Performance	249		
Market Structure, Participant Behavior, and Market Performance	260		
SECTION 4 Energy Uplift (Operating Reserves)	263	SECTION 5 Capacity Market	297
Overview	263	Overview	298
Energy Uplift Charges	263	RPM Capacity Market	298
Energy Uplift Credits	264	Part V Reliability Service	299
Geography of Charges and Credits	264	Generator Performance	299
Recommendations	265	Recommendations	299
Conclusion	266	Conclusion	303
Energy Uplift Credits Results	268	Installed Capacity	309
Characteristics of Credits	269	Fuel Diversity	310
		RPM Capacity Market	311
		Market Structure	312
		Market Conduct	325
		Market Performance	332

FRR	337	New Entrant Coal Plant	394
CRF Issue	338	New Entrant Nuclear Plant	395
Timing of Unit Retirements	339	New Entrant Diesel	396
Part V Reliability Service	341	New Entrant Onshore Wind Installation	397
Generator Performance	343	New Entrant Offshore Wind Installation	397
Capacity Factor	343	New Entrant Solar Installation	398
Generator Performance Factors	344	Historical New Entrant CC Revenue Adequacy	398
Generator Outage Rates	348	Nuclear Net Revenue Analysis	399
Generator Testing Issues	353		
SECTION 6 Demand Response	355	SECTION 8 Environmental and Renewable Energy Regulations	407
Overview	355	Overview	407
Recommendations	356	Federal Environmental Regulation	407
Conclusion	358	State Environmental Regulation	408
PJM Demand Response Programs	360	State Renewable Portfolio Standards	408
Non-PJM Demand Response Programs	361	Emissions Controls in PJM Markets	409
PJM Demand Response Programs	361	Renewable Generation	409
Emergency and Pre-Emergency Load Response Programs	362	Recommendations	409
Economic Load Response Program	374	Conclusion	410
Energy Efficiency	384	Federal Environmental Regulation	412
Distributed Energy Resources	385	CAA: NESHAP/MATS	412
		CAA: NAAQS/CSAPR	413
		CAA: NSR	414
		CAA: RICE	415
		CAA: Greenhouse Gas Emissions	416
		CWA: WOTUS Definition and Effluents	416
		RCRA: Coal Ash	418
SECTION 7 Net Revenue	387	State Environmental Regulation	420
Overview	387	State Emissions Regulations	420
Net Revenue	387	State Renewable Portfolio Standards	430
Recommendations	387	Alternative Compliance Payments	447
Conclusion	387	Emission Controlled Capacity and Emissions	451
Net Revenue	387	Emission Controlled Capacity	451
Spark Spreads and Dark Spreads	389		
Theoretical Energy Market Net Revenue	390		
New Entrant Combustion Turbine	392		
New Entrant Combined Cycle	393		

Emissions	452	PJM and VACAR South Reliability Coordination Agreement	498
Renewable Energy Output	455	VACAR Reserve Sharing Agreement	498
Wind and Solar Peak Hour Output	455	Balancing Authority Operations Coordination Agreement between Wisconsin Electric Power Company (WEC) and PJM Interconnection, LLC	499
Wind Units	456	Northeastern ISO-Regional Transmission Organization Planning Coordination Protocol	499
Solar Units	458	Interchange Transaction Issues	499
SECTION 9 Interchange Transactions	461	PJM Transmission Loading Relief Procedures (TLRs) Up To Congestion Transactions	499 500
Overview	461	Sham Scheduling	501
Interchange Transaction Activity	461	Elimination of Ontario Interface Pricing Point	502
Interactions with Bordering Areas	461	PJM and NYISO Coordinated Interchange Transactions	503
Recommendations	462	Reserving Ramp on the PJM/NYISO Interface	507
Conclusion	463	PJM and MISO Coordinated Interchange Transaction Proposal	507
Interchange Transaction Activity	464	Willing to Pay Congestion and Not Willing to Pay Congestion	510
Charges and Credits Applied to Interchange Transactions	464	Spot Imports	511
Aggregate Imports and Exports	465	Interchange Optimization	512
Real-Time Interface Imports and Exports	466	Interchange Cap During Emergency Conditions	512
Real-Time Interface Pricing Point Imports and Exports	468	45 Minute Schedule Duration Rule	513
Day-Ahead Interface Imports and Exports	471	MISO Multi-Value Project Usage Rate (MUR)	514
Day-Ahead Interface Pricing Point Imports and Exports	473		
Loop Flows	477		
PJM and MISO Interface Prices	484		
PJM and NYISO Interface Prices	486		
Summary of Interface Prices between PJM and Organized Markets	488		
Neptune Underwater Transmission Line to Long Island, New York	488		
Linden Variable Frequency Transformer (VFT) Facility	490		
Hudson Direct Current (DC) Merchant Transmission Line	492		
Interchange Activity During High Load Hours	493		
Operating Agreements with Bordering Areas	493		
PJM and MISO Joint Operating Agreement	494		
PJM and New York Independent System Operator Joint Operating Agreement (JOA)	496		
PJM and TVA Joint Reliability Coordination Agreement (JRCA)	497		
PJM and Duke Energy Progress, Inc. Joint Operating Agreement	498		
		SECTION 10 Ancillary Service Markets	515
		Overview	516
		Primary Reserve	516
		Tier 1 Synchronized Reserve	516
		Tier 2 Synchronized Reserve Market	517
		Nonsynchronized Reserve Market	518
		Secondary Reserve (DASR)	518
		Regulation Market	519
		Black Start Service	520
		Reactive	521
		Frequency Response	521
		Ancillary Services Costs per MWh of Load	521

Market Procurement of Real-Time Ancillary Services	522	SECTION 11 Congestion and Marginal Losses	593
Recommendations	523	Overview	594
Conclusion	525	Congestion Cost	594
Primary Reserve	526	Marginal Loss Cost	595
Market Structure	527	System Energy Cost	596
Price and Cost	530	Conclusion	596
Tier 1 Synchronized Reserve	531	Issues	596
Market Structure	531	Closed Loop Interfaces and CT Pricing Logic	596
Tier 1 Synchronized Reserve Payments	533	Locational Marginal Price (LMP)	597
Tier 2 Synchronized Reserve Market	535	Components	597
Market Structure	535	Hub Components	602
Market Behavior	538	Congestion	603
Market Performance	540	Congestion Accounting	603
Nonsynchronized Reserve Market	547	Total Congestion	606
Market Structure	547	Charges and Credits versus Congestion: Virtual Transactions, Load and Generation	607
Secondary Reserve (DASR)	551	UTCs and Negative Balancing Explicit CLMP Charges	611
Market Structure	551	Zonal and Load Aggregate Congestion	613
Market Conduct	552	Fast Start Pricing Effect on Zonal Congestion	619
Market Performance	553	Monthly Congestion	620
Regulation Market	555	Congested Facilities	621
Market Design	555	Congestion by Facility Type and Voltage	621
Market Structure	569	Constraint Frequency	625
Market Conduct	575	Top Constraints	627
Market Performance	578	Congestion Event Summary: Impact of Changes in UTC Volumes	630
Black Start Service	581	Marginal Losses	631
CRF Issues	583	Marginal Loss Accounting	631
NERC – CIP	584	Total Marginal Loss Cost	633
Reactive Power Service and Capability	584	System Energy Costs	639
Issues with Reactive Capability Market Design	585	Energy Accounting	639
Reactive Costs	589	Total System Energy Costs	639
Frequency Response	590		
Frequency Control Definition	590		
VACAR Reserve Sharing Agreement	591		
Issues	591		
Recommendations	591		

SECTION 12 Generation and Transmission Planning	645	SECTION 13 Financial Transmission and Auction Revenue Rights	727
Overview	645	Overview	731
Generation Interconnection Planning	645	Auction Revenue Rights	731
Regional Transmission Expansion Plan (RTEP)	646	Financial Transmission Rights	731
Transmission Facility Outages	647	Recommendations	733
Recommendations	647	Conclusion	734
Conclusion	649	Proposed Design	736
Generation Interconnection Planning	652	Auction Revenue Rights	737
Existing Generation Mix	652	Market Design	738
Generation Retirements	658	Market Structure	739
Generation Queue	665	IARRs	741
Regional Transmission Expansion Plan (RTEP)	697	Financial Transmission Rights	741
RTEP Process	697	Market Performance	746
Market Efficiency Process	697	Surplus Congestion Revenue	756
PJM MISO Interregional Market Efficiency Process (IMEP)	701	Revenue Adequacy	759
PJM MISO Targeted Market Efficiency Process (TMEP)	701	Target Allocations and Congestion by Constraint	762
Supplemental Transmission Projects	702	ARRs as an Offset to Congestion for Load	764
Competitive Planning Process Exclusions	706	Zonal ARR Congestion Offset	766
Storage As A Transmission Asset (SATA)	707	Offset if all ARR are Held as ARRs	768
Board Authorized Transmission Upgrades	707	Offset if all ARR are Self Scheduled	769
Qualifying Transmission Upgrades (QTU)	707	ARR Allocation and Congestion In and Out of Zone	770
Cost Allocation	708	Credit	770
Transmission Line Ratings	708	Hill Energy Default	771
Dynamic Line Ratings (DLR) and GETs	711	Default Portfolio Considerations	771
Transmission Facility Outages	711	FTR Forfeitures	771
Scheduling Transmission Facility Outage Requests	711		
Rescheduling Transmission Facility Outage Requests	714		
Long Duration Transmission Facility Outage Requests	715		
Transmission Facility Outage Analysis for the FTR Market	716		
Transmission Facility Outage Analysis in the Day-Ahead Energy Market	723		