

## Recommendations

In order to perform its role in PJM market design, the MMU evaluates existing and proposed PJM Market Rules and the design of the PJM Markets.<sup>1</sup> The MMU initiates and proposes changes to the design of the markets and the PJM Market Rules in stakeholder and regulatory proceedings.<sup>2</sup> In support of this function, the MMU engages in discussions with stakeholders, State Commissions, PJM management, and the PJM Board; participates in PJM stakeholder meetings and working groups regarding market design matters; publishes proposals, reports and studies on market design issues; and makes filings with the Commission on market design issues.<sup>3</sup> The MMU also recommends changes to the PJM Market Rules to the staff of the Commission's Office of Energy Market Regulation, State Commissions, and the PJM Board.<sup>4</sup> The MMU may provide in its annual, quarterly and other reports "recommendations regarding any matter within its purview."<sup>5</sup>

Priority rankings are relative. The creation of rankings recognizes that there are limited resources available to address market issues and that problems must be ranked in order to determine the order in which to address them. It does not mean that all the problems should not be addressed. Priority rankings are dynamic and as new issues are identified, priority rankings will change. The rankings reflect a number of factors including the significance of the issue for efficient markets, the difficulty of completion and the degree to which items are already in progress. A low ranking does not necessarily mean that an issue is not important, but could mean that the issue would be easy to resolve.

There are three priority rankings: High, Medium and Low. High priority indicates that the recommendation requires action because it addresses a market design issue that creates significant market inefficiencies and/or long lasting negative market effects. Medium priority indicates that the recommendation addresses a market design issue that creates intermediate market inefficiencies and/or near term negative market effects. Low priority indicates that the recommendation addresses a market design issue that creates smaller market inefficiencies and/or more limited market effects or that it could be easily resolved.

<sup>1</sup> OATT Attachment M § IV.D.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> OATT Attachment M § VI.A.

The MMU also tracks PJM's progress in addressing these recommendations. The MMU recognizes that part of the process of addressing recommendations may include discussions in the stakeholder process, FERC decisions and court decisions and those elements are included in the tracking. The MMU recognizes that PJM does not have the unilateral authority to implement changes to the tariff but PJM has a significant role in the issues PJM focuses on, in proposed changes to the PJM manuals, and in the recommendations PJM makes to the stakeholders and to FERC. Each recommendation includes a status. The status categories are:

- **Adopted:** PJM has implemented the recommendation made by the MMU.
- **Partially adopted:** PJM has implemented part of the recommendation made by the MMU.
- **Not adopted:** PJM does not plan to implement the recommendation made by the MMU, or has not yet implemented any part of the recommendation made by the MMU. Where the subject of the recommendation is pending stakeholder, FERC, or court action, that status is noted.
- **Withdrawn:** The MMU no longer makes the recommendation because it has become irrelevant or because it has been replaced by another recommendation.

## New Recommendations

Consistent with its core function to "[e]valuate existing and proposed market rules, tariff provisions and market design elements and recommend proposed rule and tariff changes," the MMU recommends specific enhancements to existing market rules and implementation of new rules that are required for competitive results in PJM markets and for continued improvements in the functioning of PJM markets.<sup>6</sup>

In this *2022 State of the Market Report for PJM*, the MMU includes 12 new recommendations made for 2022, two of which are new in this 2022 annual report.<sup>7</sup>

<sup>6</sup> 18 CFR § 35.28(g)(3)(ii)(A); see also OATT Attachment M § IV.D.

<sup>7</sup> New recommendations include all MMU recommendations that were reported for the first time in the *2022 State of the Market Report for PJM* or in any of the three quarterly state of the market reports that were published in 2022.

## New Recommendations from Section 3, Energy Market

- The MMU recommends that PJM modify the process of applying the TPS test in the day-ahead energy market to ensure that all local markets created by binding constraints are tested for market power and to ensure that market sellers with market power are appropriately mitigated to their competitive offers. (Priority: High. First reported Q1, 2022. Status: Not adopted.)
- The MMU recommends that gas generators be required to check with pipelines throughout the operating day to confirm that nominations are accepted beyond the NAESB deadlines, and that gas generators be required to place their units on forced outage until the time that pipelines allow nominations to consume gas at a unit. (Priority: Medium. First reported Q1, 2022. Status: Not adopted.)
- The MMU recommends: that gas generators be required to confirm, regularly during the operating day, that they can obtain gas if requested to operate at their economic maximum level; that gas generators provide that information to PJM during the operating day; and that gas generators be required to be on forced outage if they cannot obtain gas during the operating day to meet their must offer requirement as a result of pipeline restrictions, and they do not have backup fuel. As part of this, the MMU recommends that PJM collect data on each individual generator's fuel supply arrangements at least annually or when such arrangements change, and analyze the associated locational and regional risks to reliability. (Priority: Medium. First reported Q1, 2022. Status: Not adopted.)
- The MMU recommends that soak costs, soak time and the MWh produced during soaking be modeled separately. This will ensure that the time required for units to reach a dispatchable level is known and used in the unit commitment process instead of only being communicated verbally between dispatchers and generators. Separating soak costs from start costs and modeling the MWh produced during soaking allows for a better representation of the costs because it eliminates the need to simply assume the price paid for those MWh. (Priority:

Medium. New recommendation. Status: Not Adopted.)

- The MMU recommends that PJM integrate all the outage reporting tools in order to enforce the ICAP must offer requirement, ensure that outages are reported correctly and eliminate reporting inconsistencies. Generators currently submit availability in three different tools that are not integrated, Markets Gateway, eDART and eGADS. (Priority: Medium. New recommendation. Status: Not adopted.)

## New Recommendations from Section 5, Capacity Market

- The MMU recommends that PJM require actual seasonal tests as part of the Summer/Winter Capability Testing rules, that the number of tests be limited, and that the ambient conditions under which the tests are performed be defined. (Priority: Medium. First reported Q1, 2022. Status: Not adopted.)
- The MMU recommends that PJM select the time and day that a unit undergoes Net Capability Verification Testing, not the unit owner, and that this information not be communicated in advance to the unit owner. (Priority: Medium. First reported Q2, 2022. Status: Not adopted.)
- The MMU recommends elimination of the key remaining components of the Capacity Performance model because they interfere with competitive outcomes in the capacity market and create unnecessary complexity and risk. (Priority: High. First reported Q3, 2022. Status: Not adopted.)

## New Recommendations from Section 6, Demand Response

- The MMU recommends that, if energy efficiency resources remain in the capacity market, PJM codify eligibility requirements to claim the capacity rights to energy efficiency installations in the tariff and that PJM institute a registration system to track claims to capacity rights to energy efficiency installations and document installation periods of energy efficiency installations. (Priority: Medium. First reported Q2, 2022. Status: Not adopted.)
- The MMU recommends that PJM use a nodal approach for DER participation in PJM markets.

(Priority: Medium. First reported Q2, 2022. Status: Partially adopted.)

## New Recommendation from Section 10, Ancillary Services

- The MMU recommends that the ramp rate limited desired MW output be used in the regulation uplift calculation, to reflect the physical limits of the unit's ability to ramp and to eliminate overpayment for opportunity costs when the payment uses an unachievable MW. (Priority: Medium. First reported Q1, 2022. Status: Not adopted.)

## New Recommendation from Section 13, Financial Transmission Rights and Auction Revenue Rights

- The MMU recommends that bilateral transactions be eliminated and that all FTR transactions occur in the PJM market. (Priority: High. First reported Q1, 2022. Status: Not adopted.)<sup>8</sup>

## History of MMU Recommendations

The MMU began making recommendations to PJM in the 1999 State of the Market Report. Since that time, the MMU has made 364 recommendations in the State of the Market Reports. In 2014, the MMU began including a priority and status with each recommendation. In this *2022 State of the Market Report for PJM*, the MMU has reviewed all past recommendations, assigned priority and determined their current status.

For the review of past recommendations, the MMU has refined the status assigned to each recommendation. The MMU uses additional definitions:

- **Partially Adopted (Continued Recommendation):** PJM has implemented part of the recommendation made by the MMU, and the MMU continues to recommend total adoption of the recommendation. These recommendations continue to be included in the main sections of this report;

- **Partially Adopted (Recommendation Closed):** PJM has implemented part of the recommendation made by the MMU, and the MMU has chosen to discontinue making the recommendation going forward. These recommendations are no longer included in the main sections of this report;
- **Not Adopted (Pending before FERC):** PJM has not yet implemented any part of the recommendation made by the MMU, but the subject of the recommendation is pending FERC action;
- **Not Adopted (Stakeholder Process):** PJM has not yet implemented any part of the recommendation made by the MMU, but the subject of the recommendation is pending stakeholder action;
- **Replaced by Newer Recommendation:** a recommendation that was discontinued when the MMU modified the recommendation;
- **Withdrawn (no longer relevant):** The MMU no longer makes the recommendation because it is no longer relevant; and
- **Withdrawn:** The MMU no longer makes the recommendation.

Table 2-1 shows the status of all recommendations reported by the MMU from 1999 through 2022. Over that time, 25 percent of all MMU recommendations have been adopted, 12 percent have been partially adopted, and 55 percent are not adopted. Of the 108 high priority recommendations, 33 (31 percent) have been adopted. Table 2-1 includes past recommendations that are no longer included in this report.

**Table 2-1 Status of MMU reported recommendations: 1999 through 2022**

Status	Priority High	Priority Medium	Priority Low	Total	Percent of Total
Adopted	33	32	27	92	25%
Partially Adopted - Stakeholder Process	0	0	0	0	0%
Partially Adopted - FERC	1	0	0	1	0%
Partially Adopted (Continued Recommendation)	11	16	5	32	9%
Partially Adopted (Recommendation Closed)	1	4	4	9	2%
Partially Adopted (Total)	13	20	9	42	12%
Not Adopted	54	96	41	191	52%
Not Adopted (Pending before FERC)	3	5	0	8	2%
Not Adopted (Stakeholder Process)	0	3	0	3	1%
Not Adopted (Total)	57	104	41	202	55%
Replaced by Newer Recommendation	2	9	3	14	4%
Withdrawn, No Longer Relevant	2	5	2	9	2%
Withdrawn	1	3	1	5	1%
<b>Total</b>	<b>108</b>	<b>173</b>	<b>83</b>	<b>364</b>	<b>100%</b>

<sup>8</sup> This recommendation replaces two other related recommendations which have been withdrawn.

## Complete List of Current MMU Recommendations

The recommendations are explained in each section of the report.

### Section 3, Energy Market

#### Market Power

- The MMU recommends that the market rules explicitly require that offers in the energy market be competitive, where competitive is defined to be the short run marginal cost of the units. The short run marginal cost should reflect opportunity cost when appropriate. The MMU recommends that the level of incremental costs includable in cost-based offers not exceed the short run marginal cost of the unit. (Priority: Medium. First reported 2009. Status: Not adopted.)

#### Fuel Cost Policies

- The MMU recommends that PJM require that all fuel cost policies be algorithmic, verifiable, and systematic, and accurately reflect short run marginal costs. (Priority: Medium. First reported 2016. Status: Not adopted.)
- The MMU recommends that the temporary cost method be removed and that all units that submit nonzero cost-based offers be required to have an approved fuel cost policy. (Priority: Low. First reported 2020. Status: Not adopted.)
- The MMU recommends that the penalty exemption provision be removed and that all units that submit nonzero cost-based offers be required to follow their approved fuel cost policy. (Priority: Medium. First reported 2020. Status: Not adopted.)

#### Cost-Based Offers

- The MMU recommends that Manual 15 (Cost Development Guidelines) be replaced or updated with a straightforward description of the components of cost-based offers and the mathematically correct calculation of cost-based offers. (Priority: Medium. First reported 2016. Status: Partially adopted Q1 2022.)<sup>9</sup>

<sup>9</sup> Manual 15 has been updated with the correct calculations and descriptions of the cost components for incremental energy offers and no load costs. The start cost calculations have not been approved.

- The MMU recommends removal of all use of FERC System of Accounts in the Cost Development Guidelines. (Priority: Medium. First reported 2016. Status: Not adopted.)
- The MMU recommends the removal of all use of cyclic starting and peaking factors from the Cost Development Guidelines. (Priority: Medium. First reported 2016. Status: Not adopted.)
- The MMU recommends the removal of all labor costs from the Cost Development Guidelines. (Priority: Medium. First reported 2016. Status: Adopted 2022.)
- The MMU recommends the removal of all maintenance costs from the Cost Development Guidelines. (Priority: Medium. First reported 2019. Status: Not adopted.)
- The MMU recommends that market participants be required to document the amount and cost of consumables used when operating in order to verify that the total operating cost is consistent with the total quantity used and the unit characteristics. (Priority: Medium. First reported 2020. Status: Not adopted.)
- The MMU recommends, given that maintenance costs are currently allowed in cost-based offers, that market participants be permitted to include only variable maintenance costs, linked to verifiable operational events and that can be supported by clear and unambiguous documentation of the operational data (e.g. run hours, MWh, MMBtu) that support the maintenance cycle of the equipment being serviced/replaced. (Priority: Medium. First reported 2020. Status: Not adopted.)
- The MMU recommends explicitly accounting for soak costs and changing the definition of the start heat input for combined cycles to include only the amount of fuel used from first fire to the first breaker close in the Cost Development Guidelines. (Priority: Medium. First reported 2016. Status: Partially Adopted.)
- The MMU recommends that soak costs, soak time and the MWh produced during soaking be modeled separately. This will ensure that the time required for units to reach a dispatchable level is known and used in the unit commitment process instead of only being communicated verbally between dispatchers and generators. Separating soak costs

from start costs and modeling the MWh produced during soaking allows for a better representation of the costs because it eliminates the need to simply assume the price paid for those MWh. (Priority: Medium. New recommendation. Status: Not Adopted.)

- The MMU recommends the removal of nuclear fuel and nonfuel operations and maintenance costs that are not short run marginal costs from the Cost Development Guidelines. (Priority: Medium. First reported 2016. Status: Not adopted.)
- The MMU recommends revising the pumped hydro fuel cost calculation to include day-ahead and real-time power purchases. (Priority: Low. First reported 2016. Status: Not adopted.)

### Market Power: TPS Test and Offer Capping

- The MMU recommends that the rules governing the application of the TPS test be clarified and documented. The TPS test application in the day-ahead energy market is not documented. (Priority: High. First reported 2015. Status: Partially adopted.)<sup>10</sup>
- The MMU recommends that PJM modify the process of applying the TPS test in the day-ahead energy market to ensure that all local markets created by binding constraints are tested for market power and to ensure that market sellers with market power are appropriately mitigated to their competitive offers. (Priority: High. First reported Q1 2022. Status: Not adopted.)
- The MMU recommends, in order to ensure effective market power mitigation when the TPS test is failed, that offer capping be applied to units that fail the TPS test in the real-time market that were not offer capped at the time of commitment in the day-ahead market or at a prior time in the real-time market. (Priority: High. First reported 2020. Status: Not adopted.)
- The MMU recommends, in order to ensure effective market power mitigation and to ensure that capacity resources meet their obligations to be flexible, that capacity resources be required to use flexible parameters in all offers at all times. (Priority: High. First reported Q3 2021. Status: Not adopted.)
- The MMU recommends, if the preferred recommendation is not implemented, that in order

to ensure effective market power mitigation, PJM always enforce parameter limited values when the TPS test is failed and during high load conditions such as cold and hot weather alerts and emergency conditions. (Priority: High. First reported 2015. Status: Not adopted.)

- The MMU recommends that PJM require every market participant to make available at least one cost schedule based on the same hourly fuel type(s) and parameters at least as flexible as their offered price schedule. (Priority: Medium. First reported 2015. Status: Not adopted.)
- The MMU recommends, in order to ensure effective market power mitigation when the TPS test is failed, that markup be consistently positive or negative across the full MWh range of price and cost-based offers. (Priority: High. First reported 2015. Status: Not adopted.)
- The MMU recommends that PJM retain the \$1,000 per MWh offer cap in the PJM energy market except when cost-based offers exceed \$1,000 per MWh, and retain other existing rules that limit incentives to exercise market power. (Priority: High. First reported 1999. Status: Partially adopted, 1999, 2017.)
- The MMU recommends the elimination of FMU and AU adders. FMU and AU adders no longer serve the purpose for which they were created and interfere with the efficient operation of PJM markets. (Priority: Medium. First reported 2012. Status: Partially adopted, 2014.)<sup>11</sup>

### Offer Behavior

- The MMU recommends that resources not be allowed to violate the ICAP must offer requirement. The MMU recommends that PJM enforce the ICAP must offer requirement by assigning a forced outage to any unit that is derated in the energy market below its committed ICAP without an outage that reflects the derate. (Priority: Medium. First reported 2020. Status: Not adopted.)
- The MMU recommends that storage and intermittent resources be subject to an enforceable ICAP must offer rule that reflects the limitations of these resources. (Priority: Medium. First reported 2020. Status: Not adopted.)

<sup>10</sup> The real-time market formula for determining the lowest cost schedule is currently documented.

<sup>11</sup> The applicability of the FMU and AU adders is limited by the rule implemented in 2014 requiring that net revenues must fall below avoidable costs, but the possibility of FMU and AU adders is still part of the PJM Market Rules.



- The MMU recommends that capacity resources not be allowed to offer any portion of their capacity market obligation as maximum emergency energy. (Priority: Medium. First reported 2012. Status: Not adopted.)
- The MMU recommends that PJM integrate all the outage reporting tools in order to enforce the ICAP must offer requirement, ensure that outages are reported correctly and eliminate reporting inconsistencies. Generators currently submit availability in three different tools that are not integrated, Markets Gateway, eDART and eGADS. (Priority: Medium. New recommendation. Status: Not adopted.)
- The MMU recommends that gas generators be required to check with pipelines throughout the operating day to confirm that nominations are accepted beyond the NAESB deadlines, and that gas generators be required to place their units on forced outage until the time that pipelines allow nominations to consume gas at a unit. (Priority: Medium. First reported Q1 2022. Status: Not adopted.)

## Capacity Resources

- The MMU recommends that capacity resources be held to the OEM operating parameters of the capacity market CONE reference resource for performance assessment and energy uplift payments and that this standard be applied to all technologies on a uniform basis. (Priority: Medium. First reported 2015. Status: Not adopted.)
- The MMU recommends that the parameters which determine nonperformance charges and the amounts of uplift payments should reflect the flexibility goals of the capacity market design. The operational parameters used by generation owners to indicate to PJM operators what a unit is capable of during the operating day should not determine capacity resource performance assessment or uplift payments. (Priority: Medium. First reported 2015. Status: Partially adopted.)<sup>12</sup>
- The MMU recommends that PJM clearly define the business rules that apply to the unit specific parameter adjustment process, including PJM's

implementation of the tariff rules in the PJM manuals to ensure market sellers know the requirements for their resources. (Priority: Low. First reported 2018. Status: Not adopted.)

- The MMU recommends that PJM update the tariff to clarify that all generation resources are subject to unit specific parameter limits on their cost-based offers using the same standard and process as capacity resources. (Priority: Medium. First reported 2018. Status: Not adopted.)
- The MMU recommends that resources not be paid the daily capacity payment when unable to operate to their unit specific parameter limits. (Priority: Medium. First reported 2018. Status: Not adopted.)
- The MMU recommends that PJM not approve temporary exceptions that are based on pipeline tariff terms that are not enforced at the time, or are based on inferior transportation service procured by the generator. (Priority: Medium. First reported 2019. Status: Not adopted.)
- The MMU recommends that PJM require generators that violate their approved turn down ratio (by either using the fixed gen option or increasing their economic minimum) to use the temporary parameter exception process that requires market sellers to demonstrate that the request is based on a physical and actual constraint. (Priority: Medium. First reported 2021. Status: Not adopted.)
- The MMU recommends: that gas generators be required to confirm, regularly during the operating day, that they can obtain gas if requested to operate at their economic maximum level; that gas generators provide that information to PJM during the operating day; and that gas generators be required to be on forced outage if they cannot obtain gas during the operating day to meet their must offer requirement as a result of pipeline restrictions, and they do not have backup fuel. As part of this, the MMU recommends that PJM collect data on each individual generator's fuel supply arrangements at least annually or when such arrangements change, and analyze the associated locational and regional risks to reliability. (Priority: Medium. First reported Q1 2022. Status: Not adopted.)
- The MMU recommends, if the capacity market seller offer cap were to be calculated using the historical average balancing ratio, that PJM not

<sup>12</sup> Flexible parameter standards are in place for combined cycle and combustion turbine resources when operating on a parameter limited schedule, but not for other schedules or generating technologies.

include the balancing ratios calculated for localized Performance Assessment Intervals (PAIs), and only include those events that trigger emergencies at a defined zonal or higher level. (Priority: Medium. First reported 2018. Status: Not adopted.)

## Accurate System Modeling

- The MMU recommends that PJM explicitly state its policy on the use of transmission penalty factors including: the level of the penalty factors; the triggers for the use of the penalty factors; the appropriate line ratings to trigger the use of penalty factors; the allowed duration of the violation and when the transmission penalty factors will be used to set the shadow price. The MMU recommends that PJM end the practice of discretionary reductions in transmission line ratings modeled in the market clearing and included in LMP. (Priority: Medium. First reported 2015. Status: Partially adopted 2020.)<sup>13</sup>
- The MMU recommends that PJM routinely review all transmission facility ratings and any changes to those ratings to ensure that the normal, emergency and load dump ratings used in modeling the transmission system are accurate and reflect standard ratings practice. (Priority: Low. First reported 2013. Status: Not adopted.)
- The MMU recommends that PJM not use closed loop interface or surrogate constraints to artificially override nodal prices based on fundamental LMP logic in order to: accommodate rather than resolve the inadequacies of the demand side resource capacity product; address the inability of the power flow model to incorporate the need for reactive power; accommodate rather than resolve the flaws in PJM's approach to scarcity pricing; or for any other reason. (Priority: Medium. First reported 2013. Status: Not adopted.)
- The MMU recommends that PJM update the outage impact studies, the reliability analyses used in RPM for capacity deliverability, and the reliability analyses used in RTEP for transmission upgrades to be consistent with the more conservative emergency operations (post contingency load dump limit exceedance analysis) in the energy market that

were implemented in June 2013.<sup>14</sup> (Priority: Low. First reported 2013. Status: Not adopted.)

- The MMU recommends that PJM include in the tariff or appropriate manual an explanation of the initial creation of hubs, the process for modifying hub definitions and a description of how hub definitions have changed.<sup>15 16</sup> (Priority: Low. First reported 2013. Status: Not adopted.)
- The MMU recommends that all buses with a net withdrawal be treated as load for purposes of calculating load and load-weighted LMP, even if the MW are settled to the generator. The MMU recommends that during hours when a load bus shows a net injection, the energy injection be treated as generation, not negative load, for purposes of calculating generation and load-weighted LMP, even if the injection MW are settled to the load serving entity. (Priority: Low. First reported 2013. Status: Not adopted.)
- The MMU recommends that PJM identify and collect data on available behind the meter generation resources, including nodal location information and relevant operating parameters. (Priority: Low. First reported 2013. Status: Partially adopted.)
- The MMU recommends that PJM document how LMPs are calculated when demand response is marginal. (Priority: Low. First reported 2014. Status: Not adopted.)
- The MMU recommends that PJM not allow nuclear generators which do not respond to prices or which only respond to manual instructions from the operator to set the LMPs in the real-time market. (Priority: Low. First reported 2016. Status: Not adopted.)
- The MMU recommends that PJM increase the coordination of outage and operational restrictions data submitted by market participants via eDART/eGADs and offer data submitted via Markets Gateway. (Priority: Low. First reported 2017. Status: Not adopted.)

<sup>14</sup> This recommendation was the result of load shed events in September, 2013. For detailed discussion, please see *2013 State of the Market Report for PJM*, Volume II, Section 3 at 114 – 116.

<sup>15</sup> According to minutes from the first meeting of the Energy Market Committee (EMC) on January 28, 1998, the EMC unanimously agreed to be responsible for approving additions, deletions and changes to the hub definitions to be published and modeled by PJM. Since the EMC has become the Market Implementation Committee (MIC), the MIC now appears to be responsible for such changes.

<sup>16</sup> There is currently no PJM documentation in the tariff or manuals explaining how hubs are created and how their definitions are changed. The general definition of a hub can be found in the PJM. com Glossary <<http://www.pjm.com/Glossary.aspx>>.

<sup>13</sup> PJM created a more transparent process for transmission constraint penalty factors and added it to the tariff in 2020. Policies on line rating reductions (including limit control percentage) and the duration of violations remain discretionary and undocumented in the PJM Market Rules.

- The MMU recommends that PJM model generators' operating transitions, including soak time for units with a steam turbine, configuration transitions for combined cycles, and peak operating modes. (Priority: Medium. First reported 2019. Status: Not adopted.)
- The MMU recommends that PJM clarify, modify and document its process for dispatching reserves and energy when SCED indicates that supply is less than total demand including forecasted load and reserve requirements. The modifications should define: a SCED process to economically convert reserves to energy; a process for the recall of energy from capacity resources; and the minimum level of synchronized reserves that would trigger load shedding. (Priority: Medium. First reported 2020. Status: Not adopted.)
- The MMU recommends that PJM stop capping the system marginal price in RT SCED and instead limit the sum of violated reserve constraint shadow prices used in LPC to \$1,700 per MWh. (Priority: Medium. First reported Q1, 2021. Status: Not adopted.)
- The MMU recommends that PJM adjust the ORDCs during spin events to reduce the reserve requirement for synchronized and primary reserves by the amount of the reserves deployed. (Priority: Medium. First reported 2021. Status: Not adopted.)

## Transparency

- The MMU recommends that PJM clearly document the calculation of shortage prices and implementation of reserve price caps in the PJM manuals, including defining all the components of reserve prices, and all the constraints whose shadow prices are included in reserve prices. (Priority: High. First reported 2021. Status: Not adopted.)
- The MMU recommends that PJM allow generators to report fuel type on an hourly basis in their offer schedules and to designate schedule availability on an hourly basis. (Priority: Medium. First reported 2015. Status: Partially adopted.)<sup>17</sup>
- The MMU recommends that PJM define clear criteria for operator approval of RT SCED cases, including shortage cases, that are used to send dispatch signals to resources, and for pricing, to

minimize discretion. (Priority: High. First reported 2018. Status: Partially adopted.)<sup>18</sup>

## Virtual Bids and Offers

- The MMU recommends eliminating up to congestion (UTC) bidding at pricing nodes that aggregate only small sections of transmission zones with few physical assets. (Priority: Medium. First reported 2020. Status: Not adopted.)
- The MMU recommends eliminating INC, DEC, and UTC bidding at pricing nodes that allow market participants to profit from modeling issues. (Priority: Medium. First reported 2020. Status: Not adopted.)

## Section 4, Energy Uplift

- The MMU recommends that uplift be paid only based on operating parameters that reflect the flexibility of the benchmark new entrant unit (CONE unit) in the PJM Capacity Market. (Priority: High. First reported 2018. Status: Not adopted.)
- The MMU recommends that PJM not pay uplift to units not following dispatch, including uplift related to fast start pricing, and require refunds where it has made such payments. This includes units whose offers are flagged for fixed generation in Markets Gateway because such units are not dispatchable. (Priority: Medium. First reported 2018. Status: Not adopted.)
- The MMU recommends that PJM pay uplift based on the offer at the lower of the actual unit output or the dispatch signal MW. (Priority: Medium. First reported 2018. Status: Not adopted.)
- The MMU recommends eliminating intraday segments from the calculation of uplift payments and returning to calculating the need for uplift based on the entire 24 hour operating day. (Priority: High. First reported 2018. Status: Not adopted.)
- The MMU recommends the elimination of day-ahead uplift to ensure that units receive an energy uplift payment based on their real-time output and not their day-ahead scheduled output. (Priority: Medium. First reported 2013. Status: Not adopted.)
- The MMU recommends that units not be paid lost opportunity cost uplift credits when PJM directs a unit to reduce output based on a transmission

<sup>17</sup> Fuel type is reported by offer schedule, but it can be inaccurate on an hourly basis.

<sup>18</sup> The PJM Market Rules clarify that shortage case approval will be based on RT SCED, but does not address RT SCED case choice or load bias.



constraint or other reliability issue. There is no lost opportunity because the unit is required to reduce for the reliability of the unit and the system. (Priority: High. First reported 2021. Status: Not adopted.)

- The MMU recommends reincorporating the use of net regulation revenues as an offset in the calculation of balancing operating reserve credits. (Priority: Medium. First reported 2009. Status: Not adopted.)
- The MMU recommends that self scheduled units not be paid energy uplift credits for their startup cost when the units are scheduled by PJM to start before the self scheduled hours. (Priority: Low. First reported 2013. Status: Not adopted.)
- The MMU recommends three modifications to the energy lost opportunity cost calculations:
  - The MMU recommends calculating LOC based on 24 hour daily periods for combustion turbines and diesels scheduled in the day-ahead energy market, but not committed in real time. (Priority: Medium. First reported 2014. Status: Not adopted.)
  - The MMU recommends that units scheduled in the day-ahead energy market and not committed in real time should be compensated for LOC based on their real-time desired and achievable output, not their scheduled day-ahead output. (Priority: Medium. First reported 2015. Status: Not adopted.)
  - The MMU recommends that only flexible fast start units (startup plus notification times of 10 minutes or less) and units with short minimum run times (one hour or less) be eligible by default for the LOC compensation to units scheduled in the day-ahead energy market and not committed in real time. Other units should be eligible for LOC compensation only if PJM explicitly cancels their day-ahead commitment. (Priority: Medium. First reported 2015. Status: Not adopted.)
- The MMU recommends that up to congestion (UTC) transactions be required to pay energy uplift charges for both the injection and the withdrawal sides of the UTC. (Priority: High. First reported 2011. Status: Partially adopted.)
- The MMU recommends allocating the energy uplift credits paid to units scheduled by PJM as must run in the day-ahead energy market for reasons

other than voltage/reactive or black start services as a reliability charge to real-time load, real-time exports and real-time wheels. (Priority: Medium. First reported 2014. Status: Not adopted. Stakeholder process.)

- The MMU recommends that the total cost of providing reactive support be categorized and allocated as reactive services. Reactive services credits should be calculated consistent with the balancing operating reserve credit calculation. (Priority: Medium. First reported 2012. Status: Not adopted. Stakeholder process.)
- The MMU recommends including real-time exports and real-time wheels in the allocation of the cost of providing reactive support to the 500 kV system or above, in addition to real-time load. (Priority: Low. First reported 2013. Status: Not adopted.)
- The MMU recommends modifications to the calculation of lost opportunity costs credits paid to wind units. The lost opportunity costs credits paid to wind units should be based on the lesser of the desired output, the estimated output based on actual wind conditions and the capacity interconnection rights (CIRs). The MMU recommends that PJM allow wind units to request CIRs that reflect the maximum output wind units want to inject into the transmission system at any time. (Priority: Low. First reported 2012. Status: Not adopted.)
- The MMU recommends that PJM clearly identify and classify all reasons for incurring uplift in the day-ahead and the real-time energy markets and the associated uplift charges in order to make all market participants aware of the reasons for these costs and to help ensure a long term solution to the issue of how to allocate the costs of uplift. (Priority: Medium. First reported 2011. Status: Partially adopted.)
- The MMU recommends that PJM revise the current uplift confidentiality rules in order to allow the disclosure of complete information about the level of uplift by unit and the detailed reasons for the level of uplift credits by unit in the PJM region. (Priority: High. First reported 2013. Status: Partially adopted.)<sup>19</sup>

<sup>19</sup> On September 7, 2018, PJM made a compliance filing for FERC Order No. 844 to publish unit specific uplift credits. The compliance filing was accepted by FERC on June 21, 2019. 166 FERC ¶ 61,210 (2019). PJM began posting unit specific uplift reports on May 1, 2019. 167 FERC ¶ 61,280 (2019).

- The MMU recommends that PJM eliminate the exemption for CTs and diesels from the requirement to follow dispatch in order to receive uplift. The performance of these resources should be evaluated in a manner consistent with all other resources (Priority: Medium. First reported 2018. Status: Adopted 2022.)

## Section 5, Capacity Market

### Definition of Capacity

- The MMU recommends elimination of the key remaining components of the CP model because they interfere with competitive outcomes in the capacity market and create unnecessary complexity and risk. (Priority: High. First reported Q3, 2022. Status: Not adopted.)
- The MMU recommends the enforcement of a consistent definition of capacity resource. The MMU recommends that the requirement to be a physical resource be enforced and enhanced. The requirement to be a physical resource should apply at the time of auctions and should also constitute a commitment to be physical in the relevant delivery year. The requirement to be a physical resource should be applied to all resource types, including planned generation, demand resources and imports.<sup>20 21</sup> (Priority: High. First reported 2013. Status: Not adopted.)
- The MMU recommends that DR providers be required to have a signed contract with specific customers for specific facilities for specific levels of DR at least six months prior to any capacity auction in which the DR is offered. (Priority: High. First reported 2016. Status: Not adopted.)
- The MMU recommends that Energy Efficiency Resources (EE) not be included in the capacity market because PJM's load forecasts now account for EE, unlike the situation when EE was first added to the capacity market.<sup>22</sup> (Priority: Medium. First reported 2016. Status: Not adopted.)
- The MMU recommends that intermittent resources, including storage, not be permitted to offer capacity

<sup>20</sup> See also Comments of the Independent Market Monitor for PJM, Docket No. ER14-503-000 (December 20, 2013).

<sup>21</sup> See "Analysis of Replacement Capacity for RPM Commitments: June 1, 2007 to June 1, 2019," <[http://www.monitoringanalytics.com/reports/Reports/2019/IMM\\_Analysis\\_of\\_Replacement\\_Capacity\\_for\\_RPM\\_Commitments\\_June\\_1\\_2007\\_to\\_June\\_1\\_2019\\_20190913.pdf](http://www.monitoringanalytics.com/reports/Reports/2019/IMM_Analysis_of_Replacement_Capacity_for_RPM_Commitments_June_1_2007_to_June_1_2019_20190913.pdf)> (September 13, 2019).

<sup>22</sup> "PJM Manual 19: Load Forecasting and Analysis," § 3.2 Development of the Forecast, Rev. 35 (Dec. 31, 2021).

MW based on energy deliveries that exceed their defined deliverability rights (CIRs). Only energy output for such resources below the designated CIR/deliverability level should be recognized in the definition of derated capacity (e.g. ELCC). Correctly defined derating factors will be lower than the CIRs required to meet those derating factors. (Priority: High. First reported 2021. Status: Not adopted.)

- The MMU recommends that PJM require all market participants to meet their deliverability requirements under the same rules. PJM should end the practice of giving away winter CIRs that appear to exist because other resources paid for the supporting network upgrades. (Priority: High. First reported 2017. Status: Not adopted.)<sup>23</sup>
- The MMU recommends that the must offer rule in the capacity market apply to all capacity resources. There is no reason to exempt intermittent and capacity storage resources, including hydro, and demand resources and energy efficiency resources from the must offer requirement. The same rules should apply to all capacity resources. (Priority: High. First reported 2021. Status: Not adopted.)

### Market Design and Parameters

- The MMU recommends that PJM reevaluate the shape of the VRR curve. The shape of the VRR curve directly results in load paying substantially more for capacity than load would pay with a vertical demand curve. More specifically, the MMU recommends that the VRR curve be rotated half way towards the vertical demand curve at the reliability requirement for the current Quadrennial Review. (Priority: High. First reported 2021. Status: Partially adopted.)
- The MMU recommends that the maximum price on the VRR curve be defined as net CONE. (Priority: Medium. First reported 2019. Status: Not adopted.)
- The MMU recommends that the test for determining modeled Locational Deliverability Areas (LDAs) in RPM be redefined. A detailed reliability analysis of all at risk units should be included in the redefined model. (Priority: Medium. First reported 2013. Status: Not adopted.)

<sup>23</sup> This recommendation was first made in the 2020/2021 BRA report in 2017. See the "Analysis of the 2020/2021 RPM Base Residual Auction," <[http://www.monitoringanalytics.com/reports/Reports/2017/IMM\\_Analysis\\_of\\_the\\_20202021\\_RPM\\_BRA\\_20171117.pdf](http://www.monitoringanalytics.com/reports/Reports/2017/IMM_Analysis_of_the_20202021_RPM_BRA_20171117.pdf)> (November 11, 2017).

- The MMU recommends that PJM clear the capacity market based on nodal capacity resource locations and the characteristics of the transmission system consistent with the actual electrical facts of the grid. Absent a fully nodal capacity market clearing process, the MMU recommends that PJM use a non-nested model with all LDAs modeled including VRR curves for all LDAs. Each LDA requirement should be met with the capacity resources located within the LDA and exchanges from neighboring LDAs up to the transmission limit. LDAs should be allowed to price separate if that is the result of the LDA supply curves and the transmission constraints between LDAs. (Priority: Medium. First reported 2017. Status: Not adopted.)
- The MMU recommends the use of a forward looking energy and ancillary services (E&AS) net revenue offset rather than the backward looking E&AS net revenue offset currently in the tariff. Forward prices for energy prices and fuel costs are a better guide to market expectations of net revenues than an average of the actual net revenues for the last three years. (Priority: High. First reported 2014. Status: Not adopted.)<sup>24</sup>
- The MMU recommends that PJM reduce the number of incremental auctions to a single incremental auction held three months prior to the start of the delivery year and reevaluate the triggers for holding conditional incremental auctions. (Priority: Medium. First reported 2013. Status: Not adopted.)
- The MMU recommends that PJM not sell back any capacity in any IA procured in a BRA. If PJM continues to sell back capacity, the MMU recommends that PJM offer to sell back capacity in incremental auctions only at the BRA clearing price for the relevant delivery year. (Priority: Medium. First reported 2017. Status: Not adopted.)
- The MMU recommends changing the RPM solution method to explicitly incorporate the cost of uplift (make whole) payments in the objective function. (Priority: Medium. First reported 2014. Status: Not adopted.)
- The MMU recommends that the Fixed Resource Requirement (FRR) rules, including obligations and performance requirements, be revised and updated to ensure that the rules reflect current market realities and that FRR entities do not unfairly take advantage of those customers paying for capacity in the PJM capacity market. (Priority: Medium. First reported 2019. Status: Not adopted.)
- The MMU recommends that the value of CTRs should be defined by the total MW cleared in the capacity market, the internal MW cleared and the imported MW cleared, and not redefined later prior to the delivery year. (Priority: Medium. First reported 2021. Status: Not adopted.)
- The MMU recommends that the market clearing results be used in settlements rather than the reallocation process currently used, or that the process of modifying the obligations to pay for capacity be reviewed. (Priority: Medium. First reported 2021. Status: Not adopted.)
- The MMU recommends that PJM improve the clarity and transparency of its CETL calculations. The MMU also recommends that CETL for capacity imports into PJM be based on the ability to import capacity only where PJM capacity exists and where that capacity has a must offer requirement in the PJM Capacity Market. (Priority: Medium. First reported 2021. Status: Partially adopted 2022.)
- The MMU recommends that the value of CTRs be defined by the total MW cleared in the capacity market, the internal MW cleared and the imported MW cleared, and not redefined later prior to the delivery year. Capacity Transfer Rights (CTRs) are used to return capacity market congestion revenues to load, but the CTRs that result from market clearing prices and quantities are not included in final settlements for individual LDAs. MMU also recommends that the market clearing results be used in settlements rather than the reallocation process currently used or that the process of modifying the obligations to pay for capacity be reviewed. (Priority: High. First reported 2022. Status: Not adopted.)<sup>25</sup>

<sup>24</sup> This recommendation was first made during the Quadrennial Review in 2014, including the PJM Capacity Senior Task Force (CSTF), the MRC and the MC. <<https://www.pjm.com/committees-and-groups/closed-groups/estf/>>.

<sup>25</sup> This recommendation first made in the 2023/2024 BRA report in 2022. See "Analysis of the 2023/2024 RPM Base Residual Auction Revised," <[http://www.monitoringanalytics.com/reports/Reports/2022/IMM\\_Analysis\\_of\\_the\\_20232024\\_RPM\\_Base\\_Residual\\_Auction\\_20221028.pdf](http://www.monitoringanalytics.com/reports/Reports/2022/IMM_Analysis_of_the_20232024_RPM_Base_Residual_Auction_20221028.pdf)> (October 28, 2022).

## Offer Caps, Offer Floors, and Must Offer

- The MMU recommends using the lower of the cost or price-based energy market offer to calculate energy costs in the calculation of the historical net revenues which are an offset to gross ACR in the calculation of unit specific capacity resource offer caps based on net ACR. (Priority: Medium. First reported 2021. Status: Not adopted.)
- The MMU recommends use of the Sustainable Market Rule (SMR) in order to protect competition in the capacity market from nonmarket revenues.<sup>26</sup> (Priority: High. First reported 2016. Status: Not adopted.)
- The MMU recommends that, as part of the MOPR unit specific standard of review, all projects be required to use the same basic modeling assumptions. That is the only way to ensure that projects compete on the basis of actual costs rather than on the basis of modeling assumptions.<sup>27</sup> (Priority: High. First reported 2013. Status: Not adopted.)
- The MMU recommends that modifications to existing resources be subject to market power related offer caps or MOPR offer floors and not be treated as new resources and therefore exempt. (Priority: Low. First reported 2012. Status: Not adopted.)
- The MMU recommends that the RPM market power mitigation rule be modified to apply offer caps in all cases when the three pivotal supplier test is failed and the sell offer is greater than the offer cap. This will ensure that market power does not result in an increase in uplift (make whole) payments for seasonal products. (Priority: Medium. First reported 2017. Status: Not adopted.)
- The MMU recommends that any combined seasonal resources be required to be in the same LDA and preferably at the same location, in order for the energy market and capacity market to remain synchronized and reliability metrics correctly

calculated. (Priority: Medium. First reported 2021. Status: Not adopted.)

- The MMU recommends that the definition of avoidable costs in the tariff be corrected to be consistent with the economic definition. Avoidable costs are costs that are neither short run marginal costs, like fuel or consumables, nor fixed costs like depreciation and rate of return. Avoidable costs are the annual marginal costs of capacity and therefore the competitive offer level for capacity resources and therefore the market seller offer cap. Avoidable costs are the annual marginal costs of capacity whether a new resource or an existing resource. (Priority: Medium. First reported 2017. Status: Not adopted.)<sup>28</sup>
- The MMU recommends that capacity market sellers be required to explicitly request and support the use of minimum MW quantities (inflexible sell offer segments) and that the requests only be permitted for defined physical reasons. (Priority: Medium. First reported 2018. Status: Not adopted.)
- The MMU recommends that relatively small proposed increases in the capability of a Generation Capacity Resource be treated as an existing resource and subject to the corresponding market power mitigation rules and no longer be treated as planned and exempt from offer capping. (Priority: Medium. First reported 2012. Status: Not adopted.)<sup>29</sup>

## Performance Incentive Requirements of RPM

- The MMU recommends that any unit not capable of supplying energy equal to its day-ahead must offer requirement (ICAP) be required to reflect an appropriate outage. (Priority: Medium. First reported 2009. Status: Not adopted.)
- The MMU recommends that retroactive replacement transactions associated with a failure to perform during a PAI not be allowed and that, more generally, retroactive replacement capacity transactions not be permitted. (Priority: Medium. First reported 2016. Status: Not adopted.)

<sup>26</sup> Brief of the Independent Market Monitor for PJM, Docket No. EL16-49, ER18-1314-000, -001; EL18-178 (October 2, 2018).

<sup>27</sup> See 143 FERC ¶ 61,090 (2013) ("We encourage PJM and its stakeholders to consider, for example, whether the unit-specific review process would be more effective if PJM requires the use of common modeling assumptions for establishing unit-specific offer floors while, at the same time, allowing sellers to provide support for objective, individual cost advantages. Moreover, we encourage PJM and its stakeholders to consider these modifications to the unit-specific review process together with possible enhancements to the calculation of Net CONE."); see also, Comments of the Independent Market Monitor for PJM, Docket No. ER13-535-001 (March 25, 2013); Complaint of the Independent Market Monitor for PJM v. Unnamed Participant, Docket No. EL12-63-000 (May 1, 2012); Motion for Clarification of the Independent Market Monitor for PJM, Docket No. ER11-2875-000, et al. (February 17, 2012); Protest of the Independent Market Monitor for PJM, Docket No. ER11-2875-002 (June 2, 2011); Comments of the Independent Market Monitor for PJM, Docket Nos. EL11-20 and ER11-2875 (March 4, 2011).

<sup>28</sup> This recommendation was first made in the 2023/2024 BRA report in 2022. See "Analysis of the 2023/2024 RPM Base Residual Auction Revised," <[http://www.monitoringanalytics.com/reports/Reports/2022/IMM\\_Analysis\\_of\\_the\\_20232024\\_RPM\\_Base\\_Residual\\_Auction\\_20221028.pdf](http://www.monitoringanalytics.com/reports/Reports/2022/IMM_Analysis_of_the_20232024_RPM_Base_Residual_Auction_20221028.pdf)> (October 28, 2022).

<sup>29</sup> This recommendation was first made in the 2014/2015 BRA report in 2012. See "Analysis of the 2014/2015 RPM Base Residual Auction," <[http://www.monitoringanalytics.com/reports/Reports/2012/Analysis\\_of\\_2014\\_2015\\_RPM\\_Base\\_Residual\\_Auction\\_20120409.pdf](http://www.monitoringanalytics.com/reports/Reports/2012/Analysis_of_2014_2015_RPM_Base_Residual_Auction_20120409.pdf)> (April 9, 2012).



- The MMU recommends that there be an explicit requirement that capacity resource offers in the day-ahead energy market be competitive, where competitive is defined to be the short run marginal cost of the units, including flexible operating parameters. (Priority: Low. First reported 2013. Status: Not adopted.)
- The MMU recommends that Capacity Performance resources be required to perform without excuses. Resources that do not perform should not be paid regardless of the reason for nonperformance. (Priority: High. First reported 2019. Status: Not adopted.)
- The MMU recommends that the market data posting rules be modified to allow the disclosure of expected performance, actual performance, shortfall and bonus MW during a PAI by area without the requirement that more than three market participants' data be aggregated for posting. (Priority: Low. First reported 2019. Status: Not adopted.)
- The MMU recommends that PJM require actual seasonal tests as part of the Summer/Winter Capability Testing rules, that the number of tests be limited, and that the ambient conditions under which the tests are performed be defined. (Priority: Medium. First reported Q1 2022. Status: Not adopted.)
- The MMU recommends that PJM select the time and day that a unit undergoes Net Capability Verification Testing, not the unit owner, and that this information not be communicated in advance to the unit owner. (Priority: Medium. First reported Q2 2022. Status: Not adopted.)

### Capacity Imports and Exports

- The MMU recommends that all capacity imports be required to be deliverable to PJM load in an identified LDA, zonal or smaller, or explicit combinations of specific zones, e.g. MAAC, prior to the relevant delivery year to ensure that they are full substitutes for internal, physical capacity resources. Pseudo ties alone are not adequate to ensure deliverability to PJM load. (Priority: High. First reported 2016. Status: Not adopted.)
- The MMU recommends that all costs incurred as a result of a pseudo tied unit be borne by the unit

itself and included as appropriate in unit offers in the capacity market. (Priority: High. First reported 2016. Status: Not adopted.)

### Deactivations/Retirements

- The MMU recommends that the notification requirement for deactivations be extended from 90 days prior to the date of deactivation to 12 months prior to the date of deactivation and that PJM and the MMU be provided 60 days rather than 30 days to complete their reliability and market power analyses. (Priority: Low. First reported 2012. Status: Partially adopted.)
- The MMU recommends that units recover all and only the incremental costs, including incremental investment costs, required by the Part V reliability service (RMR service) that the unit owner would not have incurred if the unit owner had deactivated its unit as it proposed. Customers should bear no responsibility for paying previously incurred costs, including a return on or of prior investments. (Priority: Low. First reported 2010. Status: Not adopted.)
- The MMU recommends elimination of the cost of service recovery rate in OATT Section 119, that Part V reliability service (RMR) should be provided under the deactivation avoidable cost rate in Part V, and that the cap on investment under the avoidable cost rate option be eliminated. The MMU also recommends specific improvements to the DACR provisions. (Priority: Medium. First reported 2017. Status: Not adopted.)

### Section 6, Demand Response

- The MMU recommends, as a preferred alternative to including demand resources as supply in the capacity market, that demand resources be on the demand side of the markets, that customers be able to avoid capacity and energy charges by not using capacity and energy at their discretion, that customer payments be determined only by metered load, and that PJM forecasts immediately incorporate the impacts of demand side behavior. (Priority: High. First reported 2014. Status: Not adopted.)
- The MMU recommends that the option to specify a minimum dispatch price (strike price) for demand

resources be eliminated and that participating resources receive the hourly real-time LMP less any generation component of their retail rate. (Priority: Medium. First reported 2010. Status: Not adopted.)

- The MMU recommends that the maximum offer for demand resources be the same as the maximum offer for generation resources. (Priority: Medium. First reported 2013. Status: Not adopted.)
- The MMU recommends that the demand resources be treated as economic resources, responding to economic price signals like other capacity resources. The MMU recommends that demand resources not be treated as emergency resources, not trigger a PJM emergency and not trigger a Performance Assessment Interval. The MMU recommends that demand resources be available for every hour of the year. (Priority: High. First reported 2012. Status: Not adopted.)
- The MMU recommends that the Emergency Program Energy Only option be eliminated because the opportunity to receive the appropriate energy market incentive is already provided in the economic program. (Priority: Low. First reported 2010. Status: Not adopted.)
- The MMU recommends that, if demand resources remain in the capacity market, a daily energy market must offer requirement apply to demand resources, comparable to the rule applicable to generation capacity resources.<sup>30</sup> (Priority: High. First reported 2013. Status: Not adopted.)
- The MMU recommends that demand resources be required to provide their nodal location, comparable to generation resources. (Priority: High. First reported 2011. Status: Not adopted.)
- The MMU recommends that PJM require nodal dispatch of demand resources with no advance notice required or, if nodal location is not required, subzonal dispatch of demand resources with no advance notice required. The MMU recommends that, if PJM continues to use subzones for any purpose, PJM clearly define the role of subzones in the dispatch of demand response. (Priority: High. First reported 2015. Status: Not adopted.)
- The MMU recommends that PJM not remove any defined subzones and maintain a public record of

all created and removed subzones. (Priority: Low. First reported 2016. Status: Not adopted.)

- The MMU recommends that PJM eliminate the measurement of compliance across zones within a compliance aggregation area (CAA). The multiple zone approach is less locational than the zonal and subzonal approach and creates larger mismatches between the locational need for the resources and the actual response. (Priority: High. First reported 2015. Status: Not adopted.)
- The MMU recommends that measurement and verification methods for demand resources be modified to reflect compliance more accurately. (Priority: Medium. First reported 2009. Status: Not adopted.)
- The MMU recommends that compliance rules be revised to include submittal of all necessary hourly load data, and that negative values be included when calculating event compliance across hours and registrations. (Priority: Medium. First reported 2012. Status: Not adopted.)
- The MMU recommends that PJM adopt the ISO-NE five-minute metering requirements in order to ensure that operators have the necessary information for reliability and that market payments to demand resources be calculated based on interval meter data at the site of the demand reductions.<sup>31</sup> (Priority: Medium. First reported 2013. Status: Not adopted.)
- The MMU recommends demand response event compliance be calculated on a five minute basis for all capacity performance resources and that the penalty structure reflect five minute compliance. (Priority: Medium. First reported 2013. Status: Partially adopted.)
- The MMU recommends that load management testing be initiated by PJM with limited warning to CSPs in order to more accurately represent the conditions of an emergency event. (Priority: Low. First reported 2012. Status: Not adopted.)
- The MMU recommends that shutdown cost be defined as the cost to curtail load for a given period that does not vary with the measured reduction or, for behind the meter generators, be the start cost

<sup>30</sup> See "Complaint and Motion to Consolidate of the Independent Market Monitor for PJM," Docket No. EL14-20-000 (January 27, 2014) at 1.

<sup>31</sup> See ISO-NE Tariff, Section III, Market Rule 1, Appendix E1 and Appendix E2, "Demand Response," <[http://www.iso-ne.com/regulatory/tariff/sect\\_3/mr1\\_append-e.pdf](http://www.iso-ne.com/regulatory/tariff/sect_3/mr1_append-e.pdf)>. (Accessed October 17, 2017) ISO-NE requires that DR have an interval meter with five-minute data reported to the ISO and each behind the meter generator is required to have a separate interval meter. After June 1, 2017, demand response resources in ISO-NE must also be registered at a single node.

defined in Manual 15 for generators. (Priority: Low. First reported 2012. Status: Not adopted.)

- The MMU recommends that the Net Benefits Test be eliminated and that demand response resources be paid LMP less any generation component of the applicable retail rate. (Priority: Low. First reported 2015. Status: Not adopted.)
- The MMU recommends that the tariff rules for demand response clarify that a resource and its CSP, if any, must notify PJM of material changes affecting the capability of the resource to perform as registered and must terminate or modify registrations that are no longer capable of responding to PJM dispatch directives at defined levels because load has been reduced or eliminated, as in the case of bankrupt and/or out of service facilities. (Priority: Medium. First reported 2015. Status: Not adopted.)
- The MMU recommends that there be only one demand response product in the capacity market, with an obligation to respond when called for any hour of the delivery year. (Priority: High. First reported 2011. Status: Partially adopted.<sup>32</sup>)
- The MMU recommends that the lead times for demand resources be shortened to 30 minutes with a one hour minimum dispatch for all resources. (Priority: Medium. First reported 2013. Status: Partially adopted.)
- The MMU recommends setting the baseline for measuring capacity compliance under winter compliance at the customers' PLC, similar to GLD, to avoid double counting. (Priority: High. First reported 2010. Status: Partially adopted.)
- The MMU recommends the Relative Root Mean Squared Test be required for all demand resources with a CBL. (Priority: Low. First reported 2017. Status: Partially adopted.)
- The MMU recommends that the limits imposed on the pre-emergency and emergency demand response share of the synchronized reserve market be eliminated. (Priority: Medium. First reported 2018. Status: Not adopted.)
- The MMU recommends that 30 minute pre-emergency and emergency demand response be considered to be 30 minute reserves. (Priority: Medium. First reported 2018. Status: Not adopted.)

<sup>32</sup> PJM's Capacity Performance design requires resources to respond when called for any hour of the delivery year, but demand resources still have a limited mandatory compliance window.

- The MMU recommends that energy efficiency resources not be included in the capacity market and that PJM should ensure that the impact of EE measures on the load forecast is incorporated immediately rather than with the existing lag. (Priority: Medium. First reported 2018. Status: Partially adopted.)
- The MMU recommends that, if energy efficiency resources remain in the capacity market, PJM codify eligibility requirements to claim the capacity rights to energy efficiency installations in the tariff and that PJM institute a registration system to track claims to capacity rights to energy efficiency installations and document installation periods of energy efficiency installations. (Priority: Medium. First reported 2022. Status: Not adopted.)
- The MMU recommends that demand reductions based entirely on behind the meter generation be capped at the lower of economic maximum or actual generation output. (Priority: High. First reported 2019. Status: Not adopted.)
- The MMU recommends that all demand resources register as Pre-Emergency Load Response and that the Emergency Load Response Program be eliminated. (Priority: High. First reported 2020. Status: Not adopted.)
- The MMU recommends that EDCs not be allowed to participate in markets as DER aggregators in addition to their EDC role. (Priority: High. First reported 2021. Status: Not adopted.)
- The MMU recommends that PJM include a 5.0 MW maximum size cap on DER aggregations. (Priority: Medium. First reported 2021. Status: Not adopted.)
- The MMU recommends that PJM use a nodal approach for DER participation in PJM markets. (Priority: Medium. First reported 2022. Status: Partially adopted.)

## Section 7, Net Revenue

- The MMU recommends that the net revenue calculation used by PJM to calculate the net Cost of New Entry (CONE) and net ACR be based on a forward looking calculation of expected energy and ancillary services net revenues using forward prices for energy and fuel. (Priority: Medium. First reported 2019. Status: Not adopted.)

## Section 8, Environmental and Renewables

- The MMU recommends that renewable energy credit markets based on state renewable portfolio standards be brought into PJM markets as they are an increasingly important component of the wholesale energy market. The MMU recommends that there be a single PJM operated forward market for RECs, for a single product based on a common set of state definitions of renewable technologies, with a single clearing price, trued up to real time delivery. (Priority: High. First reported 2010. Status: Not adopted.)
- The MMU recommends that PJM provide a full analysis of the impact of carbon pricing on PJM generating units and carbon pricing revenues to the PJM states in order to permit the states to consider a potential agreement on the development of a multistate framework for carbon pricing and the distribution of carbon revenues. (Priority: High. First reported 2018. Status: Not adopted.)
- The MMU recommends that jurisdictions with a renewable portfolio standard make the price and quantity data on supply and demand more transparent. (Priority: Low. First reported 2018. Status: Not adopted.)
- The MMU recommends that the Commission reconsider its disclaimer of jurisdiction over RECs markets because, given market changes since that decision, it is clear that RECs materially affect jurisdictional rates. (Priority: Low. First reported 2018. Status: Not adopted.)
- The MMU recommends that load and generation located at separate nodes be treated as separate resources in order to ensure that load and generation face consistent incentives throughout the markets. (Priority: High. First reported 2019. Status: Not adopted.)
- The MMU recommends that emergency stationary RICE be prohibited from participation as DR either when registered individually or as part of a portfolio if it cannot meet the capacity market requirements to be DR as a result of emissions standards that impose environmental run hour limitations. (Priority: Medium. First reported 2019. Status: Not adopted.)



## Section 9, Interchange Transactions

- The MMU recommends that PJM implement rules to prevent sham scheduling. The MMU recommends that PJM apply after the fact market settlement adjustments to identified sham scheduling segments to ensure that market participants cannot benefit from sham scheduling. (Priority: High. First reported 2012. Status: Not adopted.)
- The MMU recommends that PJM implement a validation method for submitted transactions that would prohibit market participants from breaking transactions into smaller segments to defeat the interface pricing rule by concealing the true source or sink of the transaction. (Priority: Medium. First reported 2013. Status: Not adopted.)
- The MMU recommends that PJM implement a validation method for submitted transactions that would require market participants to submit transactions on paths that reflect the expected actual power flow in order to reduce unscheduled loop flows. (Priority: Medium. First reported 2013. Status: Not adopted.)
- The MMU recommends that PJM end the practice of maintaining outdated definitions of interface pricing points, eliminate the NIPSCO, Southeast and Southwest interface pricing points from the day-ahead and real-time energy markets and, with VACAR, assign the transactions created under the reserve sharing agreement to the SOUTH interface pricing point. (Priority: High. First reported 2013. Status: Adopted, Q3 2022.)<sup>33</sup>
- The MMU recommends that transactions sourcing in the Western Interconnection be priced at either the MISO interface pricing point or the SOUTH interface pricing point based on the locational price impact of flows between the DC tie line point of connection with the Eastern Interconnection and PJM. (Priority: High. First reported 2020. Status: Not adopted.)
- The MMU recommends that PJM eliminate the IMO interface pricing point, and assign the transactions that originate or sink in the IESO balancing authority to the MISO interface pricing point. (Priority: Medium. First reported 2013. Status: Not adopted.)
- The MMU recommends that PJM monitor, and adjust as necessary, the weights applied to the components of the interfaces to ensure that the interface prices reflect ongoing changes in system conditions. The MMU also recommends that PJM review the mappings of external balancing authorities to individual interface pricing points to reflect changes to the impact of the external power source on PJM tie lines as a result of system topology changes. The MMU recommends that this review occur at least annually. (Priority: Low. First reported 2009. Status: Not adopted.)
- The MMU recommends that, in order to permit a complete analysis of loop flow, FERC and NERC ensure that the identified data are made available to market monitors as well as other industry entities determined appropriate by FERC. (Priority: Medium. First reported 2003. Status: Not adopted.)
- The MMU recommends that PJM explore an interchange optimization solution with its neighboring balancing authorities that would remove the need for market participants to schedule physical transactions across seams. Such a solution would include an optimized, but limited, joint dispatch approach that uses supply curves and treats seams between balancing authorities as constraints, similar to other constraints within an LMP market. (Priority: Medium. First reported 2014. Status: Not adopted.)
- The MMU recommends that PJM permit unlimited spot market imports as well as unlimited nonfirm point to point willing to pay congestion imports and exports at all PJM interfaces in order to improve the efficiency of the market. (Priority: Medium. First reported 2012. Status: Not adopted.)
- The MMU recommends that the emergency interchange cap be replaced with a market based solution. (Priority: Low. First reported 2015. Status: Not adopted.)
- The MMU recommends that the submission deadline for real-time dispatchable transactions be modified from 1800 on the day prior, to three hours prior to the requested start time, and that the minimum duration be modified from one hour to 15 minutes. These changes would give PJM a more flexible

<sup>33</sup> The grandfathered agreements associated with the Southwest interface pricing point expired in 2012. The Southwest interface pricing point is no longer an eligible pricing point in the day-ahead or real-time energy markets. Effective June 1, 2020, PJM retired the NIPSCO interface pricing point. Following the termination of the VACAR reserve sharing agreement on October 1, 2022, PJM retired the Southeast and Southwest interface pricing points.

product that could be used to meet load in the most economic manner. (Priority: Medium. First reported 2014. Status: Partially adopted, 2015.)

- The MMU recommends modifications to the FFE calculation to ensure that FFE calculations reflect the current capability of the transmission system as it evolves. The MMU recommends that the Commission set a deadline for PJM and MISO to resolve the FFE freeze date and related issues. (Priority: Medium. First reported 2019. Status: Not adopted.)
- The MMU recommends clear, explicit and detailed rules that define the conditions under which PJM will and will not recall energy from PJM capacity resources and prohibit new energy exports from PJM capacity resources. The MMU recommends that those rules define the conditions under which PJM will purchase emergency energy while at the same time not recalling energy exports from PJM capacity resources. The MMU recommends clear rules governing when PJM may recall capacity backed exports. (Priority: Medium. First reported 2010. Status: Partially adopted.)

## Section 10, Ancillary Services

### Regulation Market

- The MMU recommends that all data necessary to perform the regulation market three pivotal supplier test be saved by PJM so that the test can be replicated. (Priority: Medium. First reported 2016. Status: Not adopted.)
- The MMU recommends that the total regulation (TReg) signal sent on a fleet wide basis be eliminated and replaced with individual regulation signals for each unit. (Priority: Low. First reported 2019. Status: Not adopted.)
- The MMU recommends that the ability to make dual offers (to make offers as both a RegA and a RegD resource in the same market hour) be removed from the regulation market. (Priority: High. First reported 2019. Status: Not adopted.)
- The MMU recommends that the regulation market be modified to incorporate a consistent application of the marginal benefit factor (MBF) throughout the optimization, assignment and settlement process. The MBF should be defined as the Marginal Rate of

Technical Substitution (MRTS) between RegA and RegD. (Priority: High. First reported 2012. Status: Not adopted. FERC rejected.<sup>34</sup>)

- The MMU recommends that the lost opportunity cost in the ancillary services markets be calculated using the schedule on which the unit was scheduled to run in the energy market. (Priority: High. First reported 2010. Status: Not adopted.<sup>35</sup> FERC rejected.<sup>36</sup>)
- The MMU recommends that the lost opportunity cost calculation used in the regulation market be based on the resource's dispatched energy offer schedule, not the lower of its price or cost offer schedule. (Priority: Medium. First reported 2010. Status: Not adopted. FERC rejected.<sup>37</sup>)
- The MMU recommends that, to prevent gaming, there be a penalty enforced in the regulation market as a reduction in performance score and/or a forfeiture of revenues when resource owners elect to deassign assigned regulation resources within the hour. (Priority: Medium. First reported 2016. Status: Not adopted. FERC rejected.<sup>38</sup>)
- The MMU recommends enhanced documentation of the implementation of the regulation market design. (Priority: Medium. First reported 2010. Status: Not adopted. FERC rejected.<sup>39</sup>)
- The MMU recommends that PJM be required to save data elements necessary for verifying the performance of the regulation market. (Priority: Medium. First reported 2010. Status: Not adopted.)
- The MMU recommends that the \$12.00 margin adder be eliminated from the definition of the cost based regulation offer because it is a markup and not a cost. (Priority: Medium. First reported 2021. Status: Not adopted.)
- The MMU recommends that the ramp rate limited desired MW output be used in the regulation uplift calculation, to reflect the physical limits of the unit's ability to ramp and to eliminate overpayment for opportunity costs when the payment uses an unachievable MW. (Priority: Medium. First reported Q1, 2022. Status: Not adopted.)

<sup>34</sup> 162 FERC ¶ 61,295 (2018), *reh'g denied*, 170 FERC ¶ 61,259 (2020).

<sup>35</sup> This recommendation was adopted by PJM for the energy market. Lost opportunity costs in the energy market are calculated using the schedule on which the unit was scheduled to run. In the regulation market, this recommendation has not been adopted, as the LOC continues to be calculated based on the lower of price or cost in the energy market offer.

<sup>36</sup> 162 FERC ¶ 61,295 (2018), *reh'g denied*, 170 FERC ¶ 61,259 (2020).

<sup>37</sup> *Id.*

<sup>38</sup> *Id.*

<sup>39</sup> *Id.*

## Reserve Markets

- The MMU recommends that PJM replace the static MidAtlantic/Dominion Reserve Subzone with a reserve zone structure consistent with the actual deliverability of reserves based on current transmission constraints. (Priority: High. First reported 2019. Status: Partially adopted October 1, 2022.)
- The MMU recommends that the \$7.50 margin be eliminated from the definition of the cost of tier 2 synchronized reserve because it is a markup and not a cost. (Priority: Medium. First reported 2018. Status: Adopted October 1, 2022.)
- The MMU recommends that the variable operating and maintenance cost be eliminated from the definition of the cost of tier 2 synchronized reserve and that the calculation of synchronized reserve variable operations and maintenance costs be removed from Manual 15. (Priority: Medium. First reported 2019. Status: Adopted October 1, 2022.)
- The MMU recommends that the components of the cost-based offers for providing regulation and synchronous condensing be defined in Schedule 2 of the Operating Agreement. (Priority: Low. First reported 2019. Status: Not adopted.)
- The MMU recommends that the rule requiring that tier 1 synchronized reserve resources be paid the tier 2 price when the nonsynchronized reserve price is above zero be eliminated immediately and that, under the current rule, tier 1 synchronized reserve resources not be paid the tier 2 price when they do not respond. (Priority: High. First reported 2013. Status: Adopted October 1, 2022.)
- The MMU recommends that the tier 2 synchronized reserve must offer requirement be enforced on a daily and hourly basis. The MMU recommends that PJM define a set of acceptable reasons why a unit can be made unavailable daily or hourly and require unit owners to select a reason in Markets Gateway whenever making a unit unavailable either daily or hourly or setting the offer MW to 0 MW. (Priority: Medium. First reported 2013. Status: Adopted October 1, 2022.)
- The MMU recommends that, for calculating the penalty for a synchronized reserve resource failing to meet its scheduled obligation during a spinning event, the penalty should be based on the actual time since the last spinning event of 10 minutes or longer during which the resource performed because performance is only measured for events 10 minutes or longer and that the tier 2 shortfall penalty should include LOC payments as well as SRMCP and MW of shortfall. (Priority: Medium. First reported 2018. Status: Not adopted.)
- The MMU recommends that aggregation not be permitted to offset unit specific penalties for failure to respond to a synchronized reserve event. (Priority: Medium. First reported 2018. Status: Not adopted.)
- The MMU recommends that PJM eliminate the use of Degree of Generator Performance (DGP) in the synchronized reserve market solution and improve the actual tier 1 estimate. If PJM continues to use DGP, DGP should be documented in PJM's manuals. (Priority: Medium. First reported 2018. Status: Adopted October 1, 2022.)
- The MMU recommends that the details of VACAR Reserve Sharing Agreement (VRSA) be made public, including any responsibilities assigned to PJM and including the amount of reserves that Dominion commits to meet its obligations under the VRSA. (Priority: Medium. First reported 2020. Status: Not adopted.)
- The MMU recommends that the VRSA be terminated and, if necessary, replaced by a reserve sharing agreement between PJM and VACAR South, similar to agreements between PJM and other bordering areas. (Priority: Medium. First reported 2020. Status: Adopted October 1, 2022.)
- The MMU recommends that a reason code be attached to every hour in which PJM market operations adds additional DASR MW. (Priority: Medium. First reported 2015. Status: Adopted October 1, 2022.)
- The MMU recommends that PJM modify the DASR market to ensure that all resources cleared incur a real-time performance obligation. (Priority: Low. First reported 2013. Status: Adopted October 1, 2022.)
- The MMU recommends that, in order to mitigate market power, offers in the DASR market be based on opportunity cost only. (Priority: Low. First

reported 2009. Modified, 2018. Status: Adopted October 1, 2022.)

## Frequency Response, Reactive, and Black Start

- The MMU recommends that all resources, new and existing, have a requirement to include and maintain equipment for primary frequency response capability as a condition of interconnection service. The PJM capacity and energy markets already compensate resources for frequency response capability and any marginal costs. (Priority: Medium. First reported 2018. Status: Not adopted.)
- The MMU recommends that new CRF rates for black start units, incorporating current tax code changes, be implemented immediately. The new CRF rates should apply to all black start units. The black start units should be required to commit to providing black start service for the life of the unit. (Priority: High. First reported 2020. Status: Not adopted.)
- The MMU recommends that separate cost of service payments for reactive capability be eliminated and the cost of reactive capability be recovered in the capacity market. (Priority: Medium. First reported 2016. Status: Not adopted.)
- The MMU recommends that payments for reactive capability, if continued, be based on the 0.95 power factor included in the voltage schedule in Interconnection Service Agreements. (Priority: Medium. First reported 2018. Status: Not adopted.)
- The MMU recommends that, if payments for reactive are continued, fleet wide cost of service rates used to compensate resources for reactive capability be eliminated and replaced with compensation based on unit specific costs. (Priority: Low. First reported 2019.<sup>40</sup> Status: Partially adopted.)
- The MMU recommends that Schedule 2 to OATT be revised to state explicitly that only generators that provide reactive capability to the transmission system that PJM operates and has responsibility for are eligible for reactive capability compensation. Specifically, such eligibility should be determined based on whether a generation facility's point of interconnection is on a transmission line that is a Monitored Transmission Facility as defined by PJM

<sup>40</sup> The MMU has discussed this recommendation in state of the market reports since 2016 but Q3, 2019 was the first time it was reported as a formal MMU recommendation.

and is on a Reportable Transmission Facility as defined by PJM.<sup>41</sup> (Priority: Medium. First reported 2020. Status: Not adopted.)

## Section 11, Congestion and Marginal Losses

There are no recommendations in this section.

## Section 12, Planning

### Generation Retirements

- The MMU recommends that the question of whether Capacity Interconnection Rights (CIRs) should persist after the retirement of a unit be addressed. The rules need to ensure that incumbents cannot exploit control of CIRs to block or postpone entry of competitors.<sup>42</sup> (Priority: Low. First reported 2013. Status: Partially adopted, 2012.)

### Generation Queue

- The MMU recommends that barriers to entry be addressed in a timely manner in order to help ensure that the capacity market will result in the entry of new capacity to meet the needs of PJM market participants. (Priority: Low. First reported 2012. Status: Not adopted.)
- The MMU recommends improvements in queue management including that PJM establish a review process to ensure that projects are removed from the queue if they are not viable, as well as a process to allow commercially viable projects to advance in the queue ahead of projects which have failed to make progress, subject to rules to prevent gaming.<sup>43</sup> (Priority: Medium. First reported 2013. Status: Partially adopted.)
- The MMU recommends continuing analysis of the study phase of PJM's transmission planning to reduce the need for postponements of study results, to decrease study completion times, and to improve the likelihood that a project at a given phase in the study process will successfully go into service.<sup>44</sup> (Priority: Medium. First reported 2014. Status: Partially adopted.)

<sup>41</sup> See PJM Transmission Facilities (note that this requires you first log into a PJM Tools account. If you do not, then the link sends you to an Access Request page, <<https://pjm.com/markets-and-operations/ops-analysis/transmission-facilities>>.

<sup>42</sup> See Comments of the Independent Market Monitor for PJM, Docket No. ER12-1177-000 (March 12, 2012) <[http://www.monitoringanalytics.com/Filings/2012/IMM\\_Comments\\_ER12-1177-000\\_20120312.PDF](http://www.monitoringanalytics.com/Filings/2012/IMM_Comments_ER12-1177-000_20120312.PDF)>.

<sup>43</sup> Once implemented, the approved solutions from PJM's Interconnection Process Reform Task Force (IPRTF) should result in improvements in these areas.

<sup>44</sup> Ibid.



- The MMU recommends outsourcing interconnection studies to an independent party to avoid potential conflicts of interest. Currently, these studies are performed by incumbent transmission owners under PJM's direction. This creates potential conflicts of interest, particularly when transmission owners are vertically integrated and the owner of transmission also owns generation. (Priority: Low. First reported 2013. Status: Not adopted.)

### Market Efficiency Process

- The MMU recommends that the market efficiency process be eliminated because it is not consistent with a competitive market design. (Priority: Medium. First reported 2019. Status: Not adopted.)
- The MMU recommends that, if the market efficiency process is retained, PJM modify the rules governing cost/benefit analysis, the evaluation process for selecting among competing market efficiency projects and cost allocation for economic projects in order to ensure that all costs, including increased congestion costs and the risk of project cost increases, in all zones are included in order to ensure that the correct metrics are used for defining benefits. (Priority: Medium. First reported 2018. Status: Not adopted.)

### Comparative Cost Framework

- The MMU recommends that PJM modify the project proposal templates to include data necessary to perform a detailed project lifetime financial analysis. The required data includes, but is not limited to: capital expenditure; capital structure; return on equity; cost of debt; tax assumptions; ongoing capital expenditures; ongoing maintenance; and expected life. (Priority: Medium. First reported 2020. Status: Not adopted.)

### Transmission Competition

- The MMU recommends, to increase the role of competition, that the exemption of supplemental projects from the Order No. 1000 competitive process be terminated and that the basis for all such exemptions be reviewed and modified to ensure that the supplemental project designation is not used to exempt transmission projects from a transparent, robust and clearly defined mechanism to permit

competition to build such projects or to effectively replace the RTEP process. (Priority: Medium. First reported 2017. Status: Not adopted. Rejected by FERC.)<sup>45</sup>

- The MMU recommends, to increase the role of competition, that the exemption of end of life projects from the Order No. 1000 competitive process be terminated and that end of life transmission projects be included in the RTEP process and should be subject to a transparent, robust and clearly defined mechanism to permit competition to build such projects. (Priority: Medium. First reported 2019. Status: Not adopted. Rejected by FERC.)<sup>46</sup>
- The MMU recommends that PJM enhance the transparency and queue management process for nonincumbent transmission investment. Issues related to data access and complete explanations of cost impacts should be addressed. The goal should be to remove barriers to competition from nonincumbent transmission providers. (Priority: Medium. First reported 2015. Status: Not adopted.)
- The MMU recommends that PJM continue to incorporate the principle that the goal of transmission planning should be the incorporation of transmission investment decisions into market driven processes as much as possible. (Priority: Low. First reported 2001. Status: Not adopted.)
- The MMU recommends the creation of a mechanism to permit a direct comparison, or competition, between transmission and generation alternatives, including which alternative is less costly and who bears the risks associated with each alternative. (Priority: Low. First reported 2013. Status: Not adopted.)
- The MMU recommends that PJM establish fair terms of access to rights of way and property, such as at substations, in order to remove any barriers to entry and permit competition between incumbent transmission providers and nonincumbent transmission providers in the RTEP. (Priority: Medium. First reported 2014. Status: Not adopted.)
- The MMU recommends that rules be implemented to permit competition to provide financing for

<sup>45</sup> The FERC accepted tariff provisions that exclude supplemental projects from competition in the RTEP. 162 FERC ¶ 61,129 (2018), *reh'g denied*, 164 FERC ¶ 61,217 (2018).

<sup>46</sup> In recent decisions addressing competing proposals on end of life projects, the Commission accepted a transmission owner proposal excluding end of life projects from competition in the RTEP process, 172 FERC ¶ 61,136 (2020), *reh'g denied*, 173 FERC ¶ 61,225 (2020), and rejected a proposal from PJM stakeholders that would have included end of life projects in competition in the RTEP process, 173 FERC ¶ 61,242 (2020).

transmission projects. This competition could reduce the cost of capital for transmission projects and significantly reduce total costs to customers. (Priority: Low. First reported 2013. Status: Not adopted.)

- The MMU recommends that storage resources not be includable as transmission assets for any reason. (Priority: High. First reported 2020. Status: Not adopted.)

## Cost Allocation

- The MMU recommends a comprehensive review of the ways in which the solution based dfax is implemented. The goal for such a process would be to ensure that the most rational and efficient approach to implementing the solution based dfax method is used in PJM. Such an approach should allocate costs consistent with benefits and appropriately calibrate the incentives for investment in new transmission capability. No replacement approach should be approved until all potential alternatives, including the status quo, are thoroughly reviewed. (Priority: Medium. First reported 2020. Status: Not adopted.)
- The MMU recommends changing the minimum distribution factor in the allocation from 0.01 to 0.00 and adding a threshold minimum usage impact on the line.<sup>47</sup> (Priority: Medium. First reported 2015. Status: Not adopted.)

## Transmission Line Ratings

- The MMU recommends that all PJM transmission owners use the same methods to define line ratings and that all PJM transmission owners implement dynamic line ratings (DLR), subject to NERC standards and guidelines, subject to review by NERC, PJM and the MMU, and approval by FERC. (Priority: Medium. First reported 2019. Status: Not adopted.)

## Transmission Facility Outages

- The MMU recommends that PJM reevaluate all transmission outage tickets as on time or late as if they were new requests when an outage is rescheduled, and apply the standard rules for late submissions to any such outages. (Priority: Low. First reported 2014. Status: Not adopted.)

<sup>47</sup> See 2015 State of the Market Report for PJM, Volume II, Section 12: Generation and Transmission Planning, at 463, Cost Allocation Issues.

- The MMU recommends that PJM draft a clear definition of the congestion analysis required for transmission outage requests to include in Manual 3 after appropriate review. (Priority: Low. First reported 2015. Status: Not adopted.)
- The MMU recommends that PJM modify the rules to reduce or eliminate the approval of late outage requests submitted or rescheduled after the FTR auction bidding opening date. (Priority: Low. First reported 2015. Status: Not adopted.)
- The MMU recommends that PJM not permit transmission owners to divide long duration outages into smaller segments to avoid complying with the requirements for long duration outages. (Priority: Low. First reported 2015. Status: Not adopted.)

## Section 13, FTRs and ARR Market Design

- The MMU recommends that the current ARR/FTR design be replaced with defined congestion revenue rights (CRRs). A CRR is the right to actual congestion that is paid by physical load at a specific bus, zone or aggregate. (Priority: High. First reported 2015. Status: Not adopted.)

### ARR

- The MMU recommends that the ARR/FTR design be modified to ensure that the rights to all congestion revenues are assigned to load. (Priority: High. First reported 2015. Status: Not adopted.)
- The MMU recommends that all historical generation to load paths be eliminated as a basis for assigning ARRs. The MMU recommends that the current design be replaced with a design in which the rights to actual congestion paid are assigned directly to the load that paid that congestion by node. (Priority: High. First reported 2015. Status: Partially adopted.)
- The MMU recommends that, under the current FTR design, the rights to all congestion revenue be allocated as ARRs prior to sale as FTRs. Reductions for outages and increased system capability should be reserved for ARRs rather than sold in the Long Term FTR Auction. (Priority: High. First reported 2017. Status: Not adopted.)
- The MMU recommends that IARRs be eliminated from PJM's tariff, but that if IARRs are not eliminated, IARRs should be subject to the same

proration rules that apply to all other ARR rights. (Priority: Low. First reported 2018. Status: Not adopted.)

## FTR

- The MMU recommends that FTR funding be based on total congestion, including day-ahead and balancing congestion. (Priority: High. First reported 2017. Status: Not adopted.)
- The MMU recommends that bilateral transactions be eliminated and that all FTR transactions occur in the PJM market. (Priority: High. First reported Q1 2022. Status: Not adopted.)<sup>48</sup>
- The MMU recommends a requirement that the details of all bilateral FTR transactions be reported to PJM. (Priority: High. First reported 2020. Status: Not adopted.)
- The MMU recommends that PJM continue to evaluate the bilateral indemnification rules and any asymmetries they may create. (Priority: Low. First reported 2018. Status: Not adopted.)
- The MMU recommends that PJM reduce FTR sales on paths with persistent overallocation of FTRs, including a clear definition of persistent overallocation and how the reduction will be applied. (Priority: High. First reported 2013. Status: Partially adopted, 2014/2015 planning period.)
- The MMU recommends that PJM eliminate generation to generation paths and all other paths that do not represent the delivery of power to load. (Priority: High. First reported 2018. Status: Not adopted.)
- The MMU recommends that the Long Term FTR product be eliminated. If the Long Term FTR product is not eliminated, the Long Term FTR Market should be modified so that the supply of prevailing flow FTRs in the Long Term FTR Market is based solely on counter flow offers in the Long Term FTR Market. (Priority: High. First reported 2017. Status: Not adopted.)
- The MMU recommends that PJM improve transmission outage modeling in the FTR auction models, including the use of probabilistic outage modeling. (Priority: Low. First reported 2013. Status: Not adopted.)

<sup>48</sup> If adopted, this recommendation would replace the next two recommendations.

## Surplus

- The MMU recommends that all FTR auction revenue be distributed to ARR holders monthly, regardless of FTR funding levels. (Priority: High. First reported 2015. Status: Not adopted.)
- The MMU recommends that, under the current FTR design, all congestion revenue in excess of FTR target allocations be distributed to ARR holders on a monthly basis. (Priority: High. First reported 2018. Status: Not adopted.)
- The MMU recommends that FTR auction revenues not be used by PJM to buy counter flow FTRs for the purpose of improving FTR payout ratios.<sup>49</sup> (Priority: High. First reported 2015. Status: Not adopted.)

## FTR Subsidies

- The MMU recommends that PJM eliminate portfolio netting to eliminate cross subsidies among FTR market participants. (Priority: High. First reported 2012. Status: Not adopted. Rejected by FERC.)
- The MMU recommends that PJM eliminate subsidies to counter flow FTRs by applying the payout ratio to counter flow FTRs in the same way the payout ratio is applied to prevailing flow FTRs. (Priority: High. First reported 2012. Status: Not adopted.)
- The MMU recommends that PJM eliminate geographic cross subsidies. (Priority: High. First reported 2013. Status: Not adopted.)
- The MMU recommends that PJM examine the mechanism by which self scheduled FTRs are allocated when load switching among LSEs occurs throughout the planning period. (Priority: Low. First reported 2011. Status: Not adopted.)

## FTR Liquidation

- The MMU recommends that the FTR portfolio of a defaulted member be canceled rather than liquidated or allowed to settle as a default cost on the membership. (Priority: High. First reported 2018. Status: Not adopted.)

## Credit

- The MMU recommends the use of a 99 percent confidence interval when calculating initial margin requirements for FTR market participants, in order to assign the cost of managing risk to the FTR holders who benefit or lose from their FTR positions.

<sup>49</sup> See "PJM Manual 6: Financial Transmission Rights," Rev. 29 (Sep. 1, 2022).

(Priority: High. First reported 2021. Status: Not adopted.)

## Adopted Recommendations

The following is the complete list of all MMU recommendations that have been adopted by PJM, including the priority, date of first report, date of last report, and the section in the State of the Market Report in which the recommendation was made.

### Adopted 2022

- The MMU recommends that the implementation of the EE addback mechanism be modified to ensure that market clearing prices are not affected. (Priority: Medium. First reported 2016. Last reported 2022. Section 5, Capacity Market.)<sup>50</sup>
- The MMU recommends that PRD be required to respond during a PAI, regardless of whether the real-time LMP at the applicable location meet or exceeds the PRD strike price, to be consistent with all CP resources. (Priority: High. First reported 2017. Last reported 2022. Section 6, Demand Response.)
- The MMU recommends that PJM end the practice of maintaining outdated definitions of interface pricing points, eliminate the NIPSCO, Southeast and Southwest interface pricing points from the day-ahead and real-time energy markets and, with VACAR, assign the transactions created under the reserve sharing agreement to the SOUTH interface pricing point. (Priority: High. First reported 2013. Last reported 2022. Section 9, Interchange Transactions.)
- The MMU recommends that the \$7.50 margin be eliminated from the definition of the cost of tier 2 synchronized reserve because it is a markup and not a cost. (Priority: Medium. First reported 2018. Last reported 2022. Section 10, Ancillary Services.)
- The MMU recommends that the variable operating and maintenance cost be eliminated from the definition of the cost of tier 2 synchronized reserve and that the calculation of synchronized reserve variable operations and maintenance costs be removed from Manual 15. (Priority: Medium. First reported 2019. Last reported 2022. Section 10, Ancillary Services.)

<sup>50</sup> This recommendation was first made in the 2019/2020 BRA report in 2016. See "Analysis of the 2019/2020 RPM Base Residual Auction Revised," <[http://www.monitoringanalytics.com/reports/Reports/2016/IMM\\_Analysis\\_of\\_the\\_20192020\\_RPM\\_BRA\\_20160831-Revised.pdf](http://www.monitoringanalytics.com/reports/Reports/2016/IMM_Analysis_of_the_20192020_RPM_BRA_20160831-Revised.pdf)> (August 31, 2016).

- The MMU recommends that the rule requiring that tier 1 synchronized reserve resources be paid the tier 2 price when the nonsynchronized reserve price is above zero be eliminated immediately and that, under the current rule, tier 1 synchronized reserve resources not be paid the tier 2 price when they do not respond. (Priority: High. First reported 2013. Last reported 2022. Section 10, Ancillary Services.)
- The MMU recommends that the tier 2 synchronized reserve must offer requirement be enforced on a daily and hourly basis. The MMU recommends that PJM define a set of acceptable reasons why a unit can be made unavailable daily or hourly and require unit owners to select a reason in Markets Gateway whenever making a unit unavailable either daily or hourly or setting the offer MW to 0 MW. (Priority: Medium. First reported 2013. Last reported 2022. Section 10, Ancillary Services.)
- The MMU recommends that the VRSA be terminated and, if necessary, replaced by a reserve sharing agreement between PJM and VACAR South, similar to agreements between PJM and other bordering areas. (Priority: Medium. First reported 2020. Last reported 2022. Section 10, Ancillary Services.)
- The MMU recommends that a reason code be attached to every hour in which PJM market operations adds additional DASR MW. (Priority: Medium. First reported 2015. Last reported 2022. Section 10, Ancillary Services.)
- The MMU recommends that PJM modify the DASR market to ensure that all resources cleared incur a real-time performance obligation. (Priority: Low. First reported 2013. Last reported 2022. Section 10, Ancillary Services.)
- The MMU recommends that, in order to mitigate market power, offers in the DASR market be based on opportunity cost only. (Priority: Low. First reported 2009. Modified, 2018. Last reported 2022. Section 10, Ancillary Services.)
- The MMU recommends the removal of all labor costs from the Cost Development Guidelines. (Priority: Medium. First reported 2016. Last reported 2022. Section 3, Energy Market.)
- The MMU recommends that PJM eliminate the exemption for CTs and diesels from the requirement to follow dispatch in order to receive uplift. The



performance of these resources should be evaluated in a manner consistent with all other resources (Priority: Medium. First reported 2018. Last reported 2022. Section 4, Energy Uplift.)

- The MMU recommends that PJM eliminate the use of Degree of Generator Performance (DGP) in the synchronized reserve market solution and improve the actual tier 1 estimate. If PJM continues to use DGP, DGP should be documented in PJM's manuals. (Priority: Medium. First reported 2018. Last reported 2022. Section 10, Ancillary Services.)

## Adopted 2021

- The MMU recommends that PJM approve one RT SCED case for each five minute interval to dispatch resources during that interval using a five minute ramp time, and that PJM calculate prices using LPC for that five minute interval using the same approved RT SCED case. (Priority: High. First reported 2019. Last reported 2022. Section 3, Energy Market.)
- The MMU recommends that the offer cap for capacity resources be defined as the net avoidable cost rate (ACR) of each unit so that the clearing prices are a result of such net ACR offers, consistent with the fundamental economic logic for a competitive offer of a CP resource. (Priority: High. First reported 2017. Last reported 2022. Section 5, Capacity Market.)
- The MMU recommends that PJM update the values in the CRF table in the tariff when the components change. (Priority: High. First reported 2020. Last reported 2021. Section 5, Capacity Market.)
- The MMU recommends that the net revenue calculation used by PJM to calculate the net Cost of New Entry (CONE) VRR parameter reflect the actual flexibility of units in responding to price signals rather than using assumed fixed operating blocks that are not a result of actual unit limitations.<sup>51</sup>  
<sup>52</sup> The result of reflecting the actual flexibility is higher net revenues, which affect the parameters of the RPM demand curve and market outcomes. (Priority: High. First reported 2013. Last reported 2021. Section 5, Capacity Market.)
- The MMU recommends for oil tanks shared with other resources that only a proportionate share of the minimum tank suction level (MTSL) be allocated to black start service. The MMU further recommends

that the PJM tariff be updated to clearly state how the MTSL will be calculated for black start units sharing oil tanks. (Priority: Medium. First reported 2017. Last reported 2021. Section 10, Ancillary Services.)

- The MMU recommends that PJM enforce the FTR auction bid limits at the parent company level starting immediately. (Priority: High. First reported Q3, 2020. Last reported 2021. Section 13, Financial Transmission and Auction Revenue Rights.)
- The MMU recommends that PJM not use CT price setting logic to modify transmission line limits to artificially override the nodal prices that are based on fundamental LMP logic in order to reduce uplift. (Priority: Medium. First reported 2015. Last reported 2022. Section 3, Energy Market.)

## Adopted 2020

- The MMU recommends incorporating startup and notification times as additional parameters subject to limits in order to ensure the reliability of the grid, as well as to deter market manipulation by offering artificially lengthy startup and notification time parameters to withhold generation from the market. (Priority: Medium. First reported 2010. Last reported 2010, Section 3, Energy Market.)
- The MMU recommends revisions to the calculation of energy market opportunity costs to incorporate all time based offer parameters and all limitations that impact the opportunity cost of generating unit output. (Priority: Medium. First reported 2016. Last reported 2018, Section 3, Energy Market.)
- The MMU recommends that the tariff be changed to allow units to have fuel cost policies that do not include fuel procurement practices, including fuel contracts. Fuel procurement practices, including fuel contracts, may be used as the basis for fuel cost policies but should not be required. (Priority: Low. First reported 2018. Last reported 2020, Section 3, Energy Market.)
- The MMU recommends that PJM change the fuel cost policy requirement to apply only to units that will be offered with non-zero cost-based offers. The PJM market rules should require that the cost-based offers of units without an approved fuel cost policy be set to zero. (Priority: Low. First reported 2018. Last reported 2020, Section 3, Energy Market.)

<sup>51</sup> See PJM Interconnection, LLC, Docket No. ER12-513-000 (December 1, 2011) ("Triennial Review").  
<sup>52</sup> See the 2019 State of the Market Report for PJM, Volume 2, Section 7: Net Revenue.



- The MMU recommends changing the assignment of the Saskatchewan Power Company and Manitoba Hydro balancing authorities from the Northwest interface pricing point to the MISO interface pricing point and eliminating the Northwest interface pricing point from the day-ahead and real-time energy markets. (Priority: High. First reported Q1, 2020. Last reported 2020, Section 9, Interchange Transactions.)
- The MMU recommends that PJM eliminate the NCMPAIMP and NCMPAEXP interface pricing points. It is not appropriate to have special pricing agreements between PJM and any external entity. The same market pricing should apply to all transactions. (Priority: High. First reported Q2, 2020. Last reported 2020, Section 9, Interchange Transactions.)
- The MMU recommends that rules be implemented to require that project cost caps on new transmission projects be part of the evaluation of competing projects. (Priority: Medium. First reported 2015. Last reported 2020, Section 12, Generation and Transmission Planning.)

## Adopted 2019

- The MMU recommends that PJM market rules require the fuel type be identified for every price and cost schedule and PJM market rules remove nonspecific fuel types such as other or co-fire other from the list of fuel types available for market participants to identify the fuel type associated with their price and cost schedules. (Priority: Medium. First reported 2015. Last reported Q3, 2021, Section 3, Energy Market.)
- The MMU recommends that dispatchers classify the reasons for unit deselection and document all unit deselections. (Priority: Low. First reported 2009. Last reported 2009, Section 6, Ancillary Service Markets.)
- The MMU recommends that PJM immediately provide the required 12-month notice to Duke Energy Progress (DEP) to unilaterally terminate the Joint Operating Agreement. (Priority: Low. First reported 2013. Last reported 2019, Section 9, Interchange Transactions.)
- The MMU recommends that rules be implemented to ensure that CIRs are terminated within one year

if units cannot qualify to be capacity resources and, if requested, after one CP must offer exception to permit the issue of CP status to be addressed. (Priority: Low. First reported 2018. Last reported 2020, Section 12, Generation and Transmission Planning.)

- The MMU recommends that the forfeiture amount from the FTR forfeiture rule be based on the correct hourly cost of an FTR, rather than a simple daily price divided by 24. (Priority: High. First reported 2018. Last reported 2020, Section 13, FTRs and ARRs. Pending at FERC.)
- The MMU recommends that PJM perform a comprehensive evaluation of the up-to congestion product in coordination with the MMU and provide a joint report to PJM stakeholders to ensure that all market participants are aware of how these transactions impact the charges and credits to market participants in all other areas of the PJM Energy Market. (Priority: High. First reported 2009. Last reported 2012, Section 3, Operating Reserve.)
- The MMU recommends that PJM be more explicit and transparent about why tier 1 biasing is used in defining demand in the Tier 2 Synchronized Reserve Market. The MMU recommends that PJM define rules for estimating tier 1 MW, define rules for the use and amount of tier 1 biasing and identify the rule based reasons for each instance of biasing. (Priority: Medium. First reported 2012. Last reported 2020, Section 10 Ancillary Service Markets.)

## Adopted 2018

- The MMU recommends that units scheduled in the Day-Ahead Energy Market and not committed in real time be compensated for LOC incurred within an hour. (Priority: Medium. First reported 2013. Last reported Q3, 2018, Section 4, Energy Uplift.)
- The MMU recommends eliminating the use of internal bilateral transactions (IBTs) in the calculation of deviations used to allocate balancing operating reserve charges. (Priority: High. First reported 2013. Last reported Q3, 2021, Section 4, Energy Uplift.)
- The MMU recommends that PJM revise Manual 11 attachment C consistent with the tariff to limit uplift compensation to offered costs. The Manual 11 attachment C procedure should describe the

steps market participants must take to change the availability of cost-based energy offers that have been submitted day ahead. The MMU recommends that PJM eliminate the Manual 11 attachment C procedure with the implementation of hourly offers (ER16-372-000). (Priority: Medium. First reported 2016. Last reported 2018, Section 4, Energy Uplift.<sup>53</sup>)

## Adopted 2017

- The MMU recommends that PJM and MISO work together to align interface pricing definitions, using the same number of external buses and selecting buses in close proximity on either side of the border with comparable bus weights. (Priority: Medium. First reported 2012. Last reported 2018 Q3, Section 9, Interchange Transactions.)
- The MMU recommends that PJM apply the FTR forfeiture rule to up to congestion transactions consistent with the application of the FTR forfeiture rule to increment offers and decrement bids. (Priority: High. First reported 2013. Last reported 2018 Q3, Section 13, Financial Transmission and Auction Revenue Rights.)

## Adopted 2016

- The MMU recommends that PJM report correct monthly payout ratios to reduce understatement of payout ratios on a monthly basis. (Priority: Low. First reported 2012. Last reported: 2018 Q3, Section 13, Financial Transmission and Auction Revenue Rights.)
- The MMU recommends that the single clearing price for synchronized reserves be determined based on the actual five minute LMP and actual LOC and not the forecast LMP. (Priority: Low. First reported 2010. Last reported: 2018 Q3, Section 10, Ancillary Service Markets)

## Adopted 2015

- The MMU recommends that the lost opportunity cost in the energy market be calculated using the schedule on which the unit was scheduled to run in the energy market. (Priority: High. First reported 2009. Last reported: 2018 Q3 Section 4, Energy Uplift.)

- The MMU recommends including no load and startup costs as part of the total avoided costs in the calculation of lost opportunity cost credits paid to combustion turbines and diesels scheduled in the Day-Ahead Energy Market but not committed in real time. (Priority: Medium. First reported 2012. Last reported: 2018 Q3 Section 4, Energy Uplift.)
- The MMU recommends using the entire offer curve and not a single point on the offer curve to calculate energy lost opportunity cost. (Priority: Medium. First reported 2012. Last reported: 2018 Q3 Section 4, Energy Uplift.)
- The MMU recommends that all generation types face the same performance incentives. (Priority: High. First reported 2009. Last reported: 2012 Section 4, Capacity Market.)
- The existence of a capacity market that links payments for capacity to the level of unforced capacity and therefore to the forced outage rate creates an incentive to improve forced outage rates. The performance incentives in the RPM Capacity Market design need to be strengthened. (Priority: High. First reported 2009. Last reported: 2009 Section 5, Capacity Market.)
- The MMU recommends that the obligations of capacity resources be more clearly defined in the market rules. (Priority: High. First reported 2010. Last reported: 2011 Section 4, Capacity Market.)
- The MMU recommends that PJM eliminate all OMC outages from the calculation of forced outage rates used for any purpose in the PJM Capacity Market. (Priority: Medium. First reported 2013. Last reported: 2018 Q3 Section 5, Capacity Market.)
- The MMU recommends immediate elimination of lack of fuel as an acceptable basis for an OMC outage. (Priority: Medium. First reported 2012. Last reported: 2012 Section 4, Capacity Market.)
- PJM should scrutinize OMC outages for low Btu coal carefully. (Priority: Medium. First reported 2003. Last reported: 2009 Section 4, Capacity Market.)
- The MMU recommends that PJM eliminate the broad exception related to lack of gas during the winter period for single-fuel, natural gas-fired units. (Priority: Medium. First reported 2013. Last reported: 2018 Q3 Section 5, Capacity Market.)

<sup>53</sup> Although this recommendation has not been adopted exactly as recommended by the MMU, the implementation of hourly offers by PJM has effectively adopted this recommendation.

- The MMU recommends that Generation Capacity Resources be paid on the basis of whether they produce energy when called upon during any of the hours defined as critical. One hundred percent of capacity market revenue should be at risk rather than only fifty percent. (Priority: High. First reported 2012. Last reported: 2018 Q3 Section 5, Capacity Market.)
- The MMU recommends elimination of the exception related to a unit that runs less than 50 hours during the RPM peak period. (Priority: Low. First reported 2012. Last reported: 2012 Section 4 Capacity Market.)
- The MMU recommends that the use of the 2.5 percent demand adjustment (Short Term Resource Procurement Target) be terminated immediately. The 2.5 percent should be added back to the overall market demand curve. (Priority: Medium. First reported 2012. Last reported: 2018 Q3 Section 5 Capacity Market.)
- The MMU recommends that the definition of demand side resources be modified to ensure that such resources be fully substitutable for other generation capacity resources. Both the Limited and the Extended Summer DR products should be eliminated in order to ensure that the DR product has the same unlimited obligation to provide capacity year round as generation capacity resources. (Priority: High. First reported 2012. Last reported: 2018 Q3 Section 5 Capacity Market.)
- The MMU recommends that PJM increase the Capacity Resource Deficiency Charge, which is a penalty charge. (Priority: High. First reported 2013. Last reported: 2013 Section 5 Capacity Market.)
- The MMU recommends that all capacity imports have firm transmission to the PJM border prior to offering in an RPM auction. (Priority: High. First reported 2014. Last reported: 2018 Q3 Section 5, Capacity Market.)
- The MMU recommends that all capacity imports be required to be pseudo tied prior to the relevant Delivery Year in order to ensure that imports are as close to full substitutes for internal, physical capacity resources as possible. (Priority: High. First reported 2014. Last reported: 2017 Section 5, Capacity Market.)
- The MMU recommends that all resources importing capacity into PJM accept a must offer requirement. (Priority: High. First reported 2014. Last reported: 2018 Q3 Section 5, Capacity Market.)
- The MMU recommends capping the baseline for measuring compliance under GLD, for the limited summer product, at the customers' PLC. (Priority: High. First reported 2010. Last reported: 2018 Q3 Section 6, Demand Response.)
- Continued development of appropriate credit protections for transactions in PJM markets that are consistent with those available to participants in bilateral transactions. (Priority: Low. First reported 2002. Last reported: 2002 Section: Recommendations.)

## Adopted 2014

- The MMU recommends that PJM require all generating units to identify the fuel type associated with each of their offered schedules. (Priority: Low. First reported 2014. Last reported: 2018 Q1 Section 3, Energy Market.)
- Pending elimination of these DR products, the MMU recommends that PJM procure the maximum amount of Annual and Extended Summer capacity resources available during an RPM auction, without impacting the clearing price. Currently, PJM procures a minimum level of Extended Summer and Annual Resources, but could procure additional MW of these superior products without a change in the clearing price. (Priority: Medium. First reported 2012. Last reported: 2012 Section 4, Capacity Market.)
- The MMU recommends that demand resources whose technology type (load drop method) is designated as "Other" explicitly record the technology type. (Priority: Low. First reported 2013. Last reported: 2018 Q3 Section 6, Demand Response.)
- The MMU recommends that the Enhanced energy Scheduler (EES) application be modified to require that transactions be scheduled for a constant MW level over the entire 45 minutes as soon as possible. This business rule is currently in the PJM Manuals, but is not being enforced. (Priority: Low. First reported 2009. Last reported: 2011 Section 8, Interchange Transactions.)

- The MMU recommends that the rules for compliance with calls to respond to actual spinning events be reevaluated. (Priority: Low. First reported 2011. Last reported: 2012 Section 9, Ancillary Service Markets.)
- The MMU recommends that no payments be made to tier 1 synchronized reserve resources if they are deselected in the PJM market solution. The MMU also recommends that documentation of the tier 1 synchronized reserve deselection process be published. (Priority: High. First reported 2014. Status: Adopted, 2014. Last reported: 2018 Q3 Section 10, Ancillary Service Markets.)

### Adopted 2013

- The PJM Tariff defines offer capped units as those units capped to maintain system reliability as a result of limits on transmission capability. Offer capping for providing black start service does not meet this criterion. The MMU recommends that black start units not be given FMU status under the current rules. (Priority: Low. First reported 2013. Last reported: 2014 Q1, Section 3, Energy Market.)
- The MMU recommends that the notification requirement for deactivations be modified to include required notification of six to twelve months prior to an auction in which the unit will not be offered due to deactivation. The purpose of this deadline is to allow adequate time for potential Capacity Market Sellers to offer new capacity in the auction. (Priority: Low. First reported 2012. Last reported: 2012 Section 4, Capacity Market.)
- The MMU recommends modifying the evaluation criteria via a change to PJM's market software, to ensure that not willing to pay congestion transactions are not permitted to flow in the presence of congestion. (Priority: Low. First reported 2009. Last reported: 2009 Section 4, Interchange Transactions.)
- The MMU recommends that PJM modify the not willing to pay congestion product to address the issues of uncollected congestion charges. The MMU recommends charging market participants for any congestion incurred while such transactions are loaded, regardless of their election of transmission service, and restricting the use of not willing to pay congestion transactions to transactions at interfaces (wheeling transactions). (Priority: Low. First reported 2010. Last reported: 2011 Section 8, Interchange Transactions.)

- The MMU recommends that PJM, FERC, reliability authorities and state regulators reevaluate the way in which black start service is procured in order to ensure that procurement is done in a least cost manner for the entire PJM market. PJM should have responsibility to prepare the black start restoration plan for the region, with Members playing an advisory role. PJM should have the responsibility to procure required black start service on a least cost basis through a transparent process. (Priority: Low. First reported 2009. Last reported: 2011 Section 9, Ancillary Service Markets.)
- The MMU recommends that PJM document the reasons each time it changes the Tier 1 synchronized reserve transfer capability into the Mid-Atlantic subzone market because of the potential impacts on the market. (Priority: Low. First reported 2011. Last reported: 2011 Section 9, Ancillary Service Markets.)

### Adopted 2012

- The MMU recommends that PJM should, on an expedited basis, request that the tariff be modified to permit allocation of day-ahead operating reserve charges consistent with the prior allocation of these charges in real time. This would be a short term solution to the issue created by shifting operating reserve charges to the Day-Ahead Energy Market and therefore changing the allocation of those charges. In addition, PJM should start a stakeholder process to consider the market design and cost allocation issues in detail and propose a permanent tariff change that results from the process. (Priority: High. First reported 2012. Last reported: 2012-Q3 Section 3, Operating Reserve.)
- The MMU recommends that PJM conduct a detailed review of the Day-Ahead Market software in order to address the issue of occasional anomalous loss factors and their effect on the day-ahead market results. (Priority: Low. First reported 2011. Last reported: 2011 Section 10, Congestion and Marginal Losses.)
- The MMU recommends that the roles of PJM and the transmission owners in the decision making process to control for local contingencies be clarified, that PJM's role be strengthened and that the process

be made transparent. (Priority: Low. First reported 2013. Last reported 2018 Q3, Section 3, Energy Market.)

- The MMU recommends the use of a single five minute clearing price based on actual five minute LMP and lost opportunity cost to improve the performance of the Regulation Market. (Priority: Medium. First reported 2010. Status: Adopted in 2012. Last reported 2018 Q3, Section 10, Ancillary Service Markets.)

## Adopted 2011

- The MMU recommends eliminating internal source and sink bus designations for external energy transactions in the Day-Ahead and Real-Time Energy Markets. (Priority: Low. First reported 2010. Last reported: 2011 Section 8, Interchange Transactions.)
- The MMU continues to recommend the complete elimination of unsecured credit, over an appropriate transition period, based on the MMU's view of PJM's role in evaluating the credit worthiness of complex corporate entities and due to a concern about inappropriate shifts of risks and costs among PJM members. (Priority: Low. First reported 2009. Last reported: 2010 Section 8, Financial Transmission and Auction Revenue Rights.)

## Adopted 2010

- Implementation of rules governing the definition of final prices to ensure certainty for market participants. (Priority: High. First reported 2008. Last reported: 2009 Section 1, Introduction.)
- The MMU recommends the implementation of improved cost-based data submission to permit better monitoring and better analysis of markets. (Priority: Medium. First reported 2002. Last reported: 2009 Section 1, Introduction.)

## Adopted 2009

- Retention and application of enhancements to rules governing the payment of operating reserve credits to generators and the allocation of operating reserves charges among market participants that were implemented on December 1, 2008. The new operating reserve rules represent positive steps towards the goals of removing the ability to

exercise market power and refining the allocation of operating reserves charges to better reflect causal factors. (Priority: High. First reported 2006. Last reported: 2007 Section 1, Introduction.)

- The MMU recommends that the RPM market structure, definitions and rules be modified to improve the efficiency of market prices and to ensure that market prices reflect the forward locational marginal value of capacity. (Priority: High. First reported 2006. Last reported: 2011 Section 4, Capacity.)
- Retention and application of the improved market power mitigation rules in the Regulation Market to prevent the exercise of market power in the Regulation Market while ensuring appropriate economic signals when investment is required and an efficient market mechanism. The PJM Regulation Market continues to be characterized by structural market power. PJM's application of targeted, flexible real-time, market power mitigation in the Regulation Market addresses only the hours in which structural market power exists and therefore provides an incentive for the continued development of competition. (Priority: High. First reported 2006. Last reported: 2009 Section 1, Introduction.)
- While it is reasonable to limit the authority of LSE/EDCs in the review of demand side settlements as the LSE/EDCs have economic incentives to deny settlements, LSE/EDCs should be able to initiate PJM settlement reviews. (Priority: Low. First reported 2009. Last reported: 2009 Section 2, Energy Market, Part 1.)
- The MMU recommends ways to further improve the Economic program by increasing the probability that payments are made only for economic and deliberate load reducing activities in response to price. (Priority: Low. First reported 2009. Last reported: 2009 Section 2, Energy Market, Part 1.)
- The four steps in the normal operations review should be routinely applied to all registrations from the beginning of participation. This would include the ongoing evaluation of whether CBL accurately represents customer load for each customer; analysis of settlements to determine responsiveness to price and; required submission of detailed description of load reduction activities on specific days.



- The definition of CBL should continue to be refined to ensure that it reflects the actual normal use of individual customers including normal daily and hourly fluctuations in usage and usage that is a function of measurable weather conditions. When used to determine compliance in Load Management testing for GLD customers, the CBL calculation should include adjustments for ambient conditions.
- It is the MMU's recommendation that any settlement submitted with a consecutive 24 hour period of CBL greater than metered load should initiate a CBL review by PJM and that a customer should be required to provide documentation of load reduction actions taken prior to acceptance of such settlements. Further, in order for PJM or the MMU to assess the accuracy of the CBL for a particular customer or for the Program in general, more hourly load data is required than is currently captured by PJM.
- If, for any settlement, the number of consecutive hours showing load reduction is beyond a reasonable window for load reducing actions in response to price, it should initiate a CBL review and warrant further substantiation from the customer and CSP.
- Load reduction in response to price must be clearly defined in the business rules and verified in a transparent daily settlement screen.

### Adopted 2008

- Consistent application of local market power rules to all constraints. (Priority: High. First reported 2006. Last reported: 2007 Section 1, Introduction.)
- Retention and application of the improved local market power mitigation rules to prevent the exercise of local market power in the Energy Market while ensuring appropriate economic signals when investment is required. (Priority: Medium. First reported 2003. Last reported: 2009 Section 1, Introduction.)
- Consistent application of local market power rules to all units, including those currently exempt from offer capping. (Priority: High. First reported 2006. Last reported: 2007 Section 1, Introduction.)

### Adopted 2006

- Modification of incentives in the capacity market to require all Load Serving Entities (LSEs) to meet their obligations to serve load on a longer-term basis and to require all capacity resources to be offered on a comparable longer term basis. (Priority: Medium. First reported 1999. Last reported: 2000 Section Summary.)
- Reevaluation of the criteria used to determine whether generating units qualify for capacity resource status. (Priority: Medium. First reported 1999. Last reported: 1999 Section Summary.)

