Real-Time Dispatchable Transactions: Problem Statement

March 17, 2011 Market Implementation Committee

Background / Introduction

Real-time dispatchable transactions, also known as "Real-Time with Price" transactions, allow market participants to specify a floor or ceiling price which the PJM dispatch will evaluate on an hourly basis prior to implementing the transaction. For an import transaction, the market participant specifies a minimum LMP price they wish to receive in order to deliver energy to the PJM market. For an export, the market participant specifies a maximum LMP price they wish to pay in order to buy from the PJM market.

Real-time dispatchable transactions are required to be submitted to PJM by 12:00 noon, the day prior to the operating day. These transactions do not hold ramp room at the time of submission. PJM Manual M-41 specifies the following:

> *Once the information is entered in EES, a NERC Tag must be submitted with the ramp reservation associated on the NERC Tag … …Upon Implementation of the NERC Tag, PJM will curtail the tag to 0 MW in preparation for the real-time loading/unloading of the transaction.*

Real-time dispatchable transactions are also evaluated differently than real-time schedules. PJM Manual M-41 further states:

> *Real-Time with Price schedules are verified differently than Real-Time schedules. Real-Time with Price schedules are evaluated hourly to determine whether or not they will be loaded for the upcoming hour. When it is determined that the economics for the schedule warrant the transaction to be loaded or unloaded, the transaction will be modified by PJM personnel. This evaluation is based on a very conservative approach and works similar to the way generation is called on and off. In addition to the economics of the transaction, the PJM may also take into consideration the ramp availability for the loading or unloading of the schedule. Since Real-Time with Price schedules do not hold ramp room, there may be times where the economics warrant a schedule to be loaded, but due to security issues related to ramp, the schedule will not be called on to flow. Once a Real-Time with Price schedule has been called on to flow, a reload request will be issued by PJM. If all external parties approve the reload request, and it passes the Control Area to Control Area checkout process, the schedule will flow.*

Problem Statement

In December, 2010, real-time dispatchable transactions accumulated approximately $23 million in balancing operating reserve credits. These credits were the result of make-whole payments for hours where the transactions were implemented, but the real-time LMP did not meet its bid.

Charge

Consider and develop as appropriate modifications to the real-time dispatchable transaction product, or the evaluation of the product, to mitigate the excessive collection of balancing operating reserve credits.