



## **Problem Statement: Parameter Limited Schedules**

### ***Issue:***

Currently, cost-based offers are subject to the parameters specified in the PJM Parameter Limited Schedules (PLS) matrix, for five parameters (minimum run time, minimum down time, maximum daily starts, maximum weekly starts, and turn down ratio). Price-based offers are subject to the limits imposed by the PLS matrix only in emergency conditions.

As a result, price-based schedules may be used as a method to exercise market power by requiring other market participants to pay additional operating reserve charges. As an example, units may extend their minimum run times and minimum down times to avoid being turned off when not economic, in order to increase operating reserve payments.

Currently, generators may offer more flexible parameters on price schedules than on cost schedules. For example, a unit may offer a four hour minimum run time on a price schedule and a five hour minimum run time on the corresponding cost schedule for the same unit. As the PLS matrix is intended to reflect the physical capabilities of units, the result is that such units currently are not offered on the most flexible parameter. The corresponding result may be increased operating reserve charges paid by market participants.

### ***Issue Source:***

The MMU is bringing this issue forward for consideration by the Markets and Reliability Committee (MRC) based on ongoing market monitoring.

### ***Background***

Operating reserve business rules currently contain the PLS matrix, which became effective December 1, 2008. Since then, cost based offers as well as price-based parameter limited schedules (for emergency situations) have been in effect in PJM.

### ***Assignment of Responsibility:***

The MIC is able to discuss possible parameter limited schedule changes and market power issues surrounding this matter.

### ***Objectives and Expected Activity:***

1. The MIC will evaluate and discuss possible market power and parameter limited schedule issues, and come to a solution to resolve any possible market power issues raised.

***Areas defined as out-of-scope:***

This is intended to address any PLS related rules needed to resolve the issues raised.

***Expected Milestones and Deadlines:***

Meeting	Activity
MRC: February 16, 2011	Review Problem Statement
MIC: March 17, 2011	Education and Fact Finding
MIC: April 12, 2011	Identify and Explore Interest
MIC: May 10, 2011	Develop Options for Each Component
MIC: June 14, 2011	Develop Comprehensive Changes