Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Valley Forge Corporate Center
Eagleville, PA 19403
Phone: 610-271-8050
Fax: 610-271-8057

Monitoring Analytics

Problem Statement / Issue Charge

Market Path/Interface Pricing Point Alignment

Problem Statement:

Under PJM's current business rules, transactions can be scheduled to an interface based on a contract transmission path, but pricing points are developed and applied based on the electrical impact of the external power source on PJM tie lines, regardless of contract transmission path. PJM establishes prices for transactions with external balancing authorities by assigning interface pricing points to individual balancing authorities based on the Generation Control Area (source) and Load Control Area (sink) as specified on the NERC Tag. Assigning prices in this manner is an adequate method for ensuring transactions receive or pay the PJM market value of the transaction based on expected flows, but this methodology does not fully address loop flow issues.

The current approach will correctly identify the interface pricing point only if the market participant provides the complete path in the eTag. This approach will not correctly identify the interface pricing point if the market participant breaks the transaction into portions, each with a separate eTag. The result of such behavior can be incorrect pricing of transactions.

The issue is that the current interface pricing methodology does not provide PJM's Real-Time Market software applications an accurate forecast of the expected actual flows at its interfaces. Not having an accurate forecast results in a less than optimal economic dispatch solution. The issue is also that the current interface pricing methodology does not address the situation in which market participants break transactions into smaller segments to defeat the interface pricing rule and receive higher prices.

Issue Source:

The contract paths of external energy transactions are not an accurate representation of where the actual flows occur and PJM's current interface pricing method does not address all the related pricing issues. The result is inefficient interface pricing. Part of the issue is that the current interface pricing method does not adequately address loop flow issues and does not address the situation in which market participants break transactions into smaller segments to defeat the interface pricing rule and receive higher prices.