

Manual 11

Offer Cap Verification

MRC

Sept. 28, 2017

Catherine Tyler



Monitoring Analytics

Importance of Exception Process

- **PJM's automated screen does not calculate costs using the method in the fuel cost policy.**
 - **Offers that fail PJM's screen will go to the exception process.**
- **PJM and the IMM developed a Manual 11 exception process, incorporating IMM review and use of data from MIRA.**
- **PJM and the IMM may disagree on exceptions.**
 - **IMM will need to take issues to FERC.**
 - **Joint approval is a better option.**



No Verification for Demand Response

- **Order 831 removes the DR offer cap, as long as offers are based on cost.**
- **PJM's compliance filing does not allow PJM to use verified cost-based offers to cap uplift payments to DR, as it does for generators.**
- **PJM Manuals do not define DR energy costs.**
- **Many DR offers are unverifiable. There should be a hard cap incorporated in Manual 11.**

Monitoring Analytics, LLC

2621 Van Buren Avenue

Suite 160

Eagleville, PA

19403

(610) 271-8050

MA@monitoringanalytics.com

www.MonitoringAnalytics.com



Background



Offer Caps and Market Power

- **Efficient markets require that prices reflect the short run marginal cost of production.**
- **Offer caps and market power mitigation provide protection against inefficiently high prices when a supplier has market power.**
- **The goal is the right price. Not too high and not too low.**



Order 831

- **FERC requires RTOs to develop a new process:**
 - **RTO or IMM verified cost-based offers**
 - **\$1,000/MWh to \$2,000/MWh prior to market clearing**
 - **Over \$2,000/MWh for make whole payments**
 - **Verification also applies to demand response.**
 - **Build on existing market power mitigation practices for offer verification.**

- **Docket ER17-1567**



Existing Practices for Cost Verification

- **Fuel Cost Policies**
- **IMM after the fact verification**
- **IMM cost input data collection (MIRA)**



Issues with Compliance Filing

- **Not building on existing practices**
- **Issues with Automated Screening Process**
 - **Not using fuel cost policy information**
 - For example, not using gas hubs in policy
 - **Not using all Manual 15 cost inputs**
 - For example, not including emissions or VOM costs
 - **Inaccurate formulation**
- **No PJM or IMM ex ante verification of demand response cost based offers**



Issues with Offer Verification Process

- **Accurate, timely verification requires a clear streamlined process.**
 - **Should specify data used from MIRA**
 - **Should require cost inputs other than fuel cost prior to operating day**
- **IMM verification of cost-based offer compliance**
 - **Like penalty language, IMM and PJM agreement should be required before offers are used.**
- **Demand Response costs should be in Manual 15.**
 - **Same level of review as generation**

Uplift Payment Eligibility: M11 Attachment D

- **Att. D covers uplift payments for approved exceptions to screening process and offers over \$2,000 per MWh.**
- **M11 Att. D does not make clear that:**
 - **The unit must operate in real time for eligibility.**
 - **All parts of the cost offer will be verified (incremental energy, start up, no load).**
 - **IMM verification of the cost offer should be required.**