

Schedule Selection Proposals

MRC

October 25, 2023

IMM



Monitoring Analytics

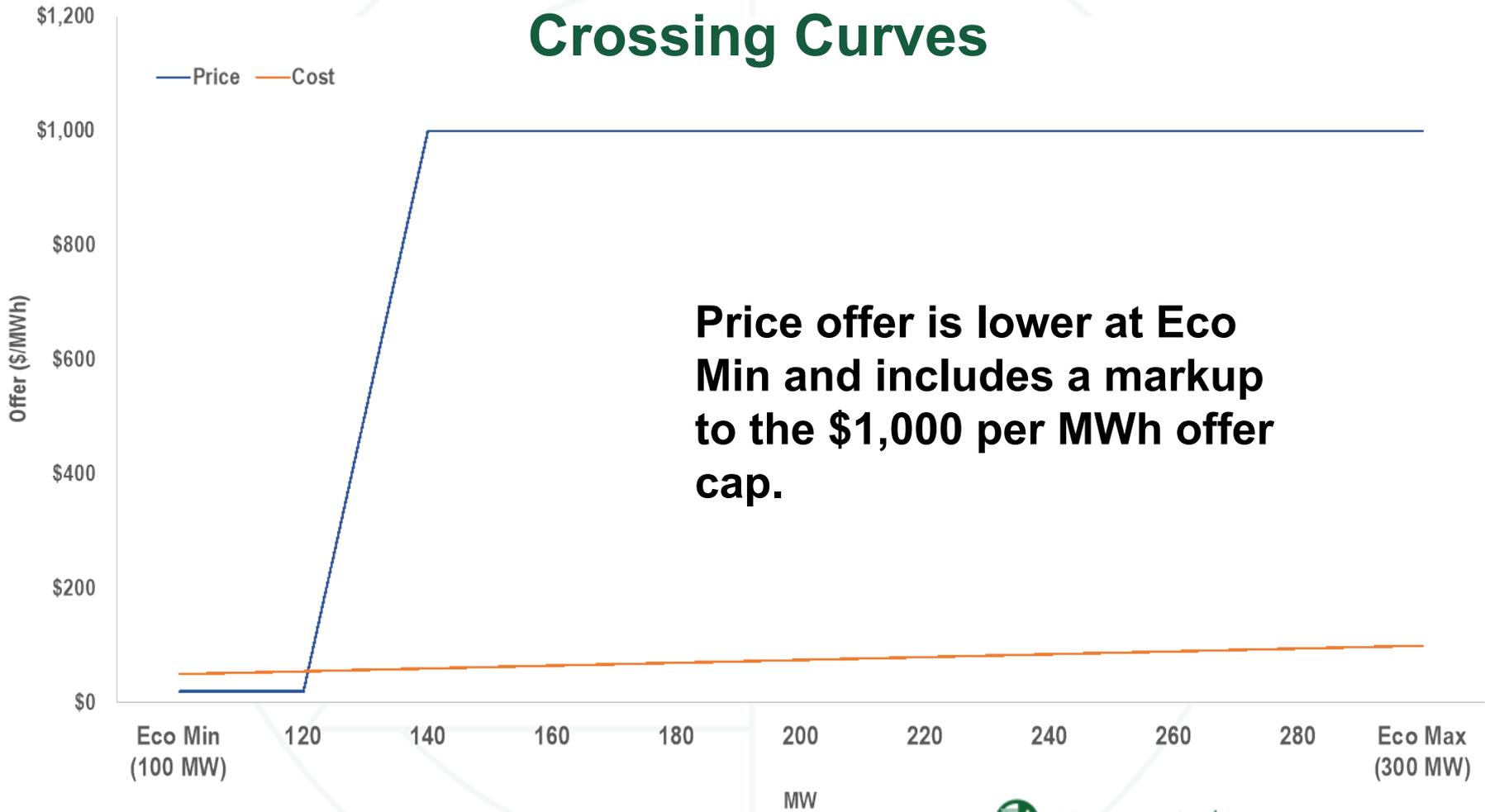
Schedule Selection

- **Schedule selection occurs when a resource has market power as determined by the TPS test.**
- **Current Process**
 - **Optimizes over all 24 hours**
 - **A price offer may appear less expensive day ahead but its inflexible parameters or markup are not reevaluated in real time.**
 - **If conditions change, market power may be exercised in real time on the price offer.**

PJM Proposal

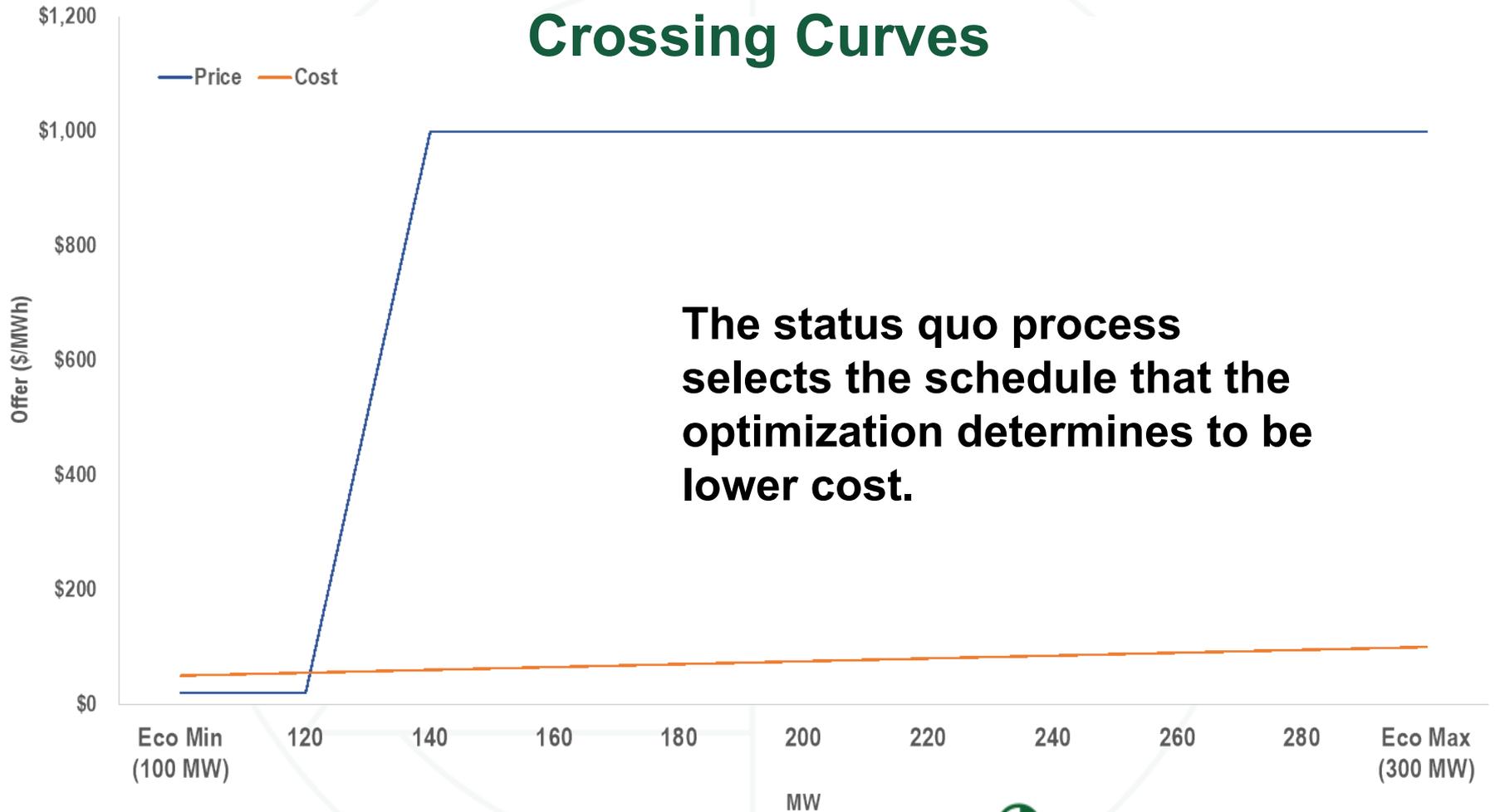
- **Removes optimization in schedule selection.**
- **Replaced with a simple formula that evaluates offers only at the economic minimum output level (EcoMin) for only the highest priced hours.**
- **Creates new opportunities for manipulation of offers to avoid market power mitigation to the cost offer.**
- **Never evaluates markup above the EcoMin.**
- **The PJM proposal is an unreasonable, unacceptable weakening of market power mitigation.**
 - **It would allow a resource with market power to markup offers to \$1,000 per MWh beyond EcoMin output level.**

Crossing Curves



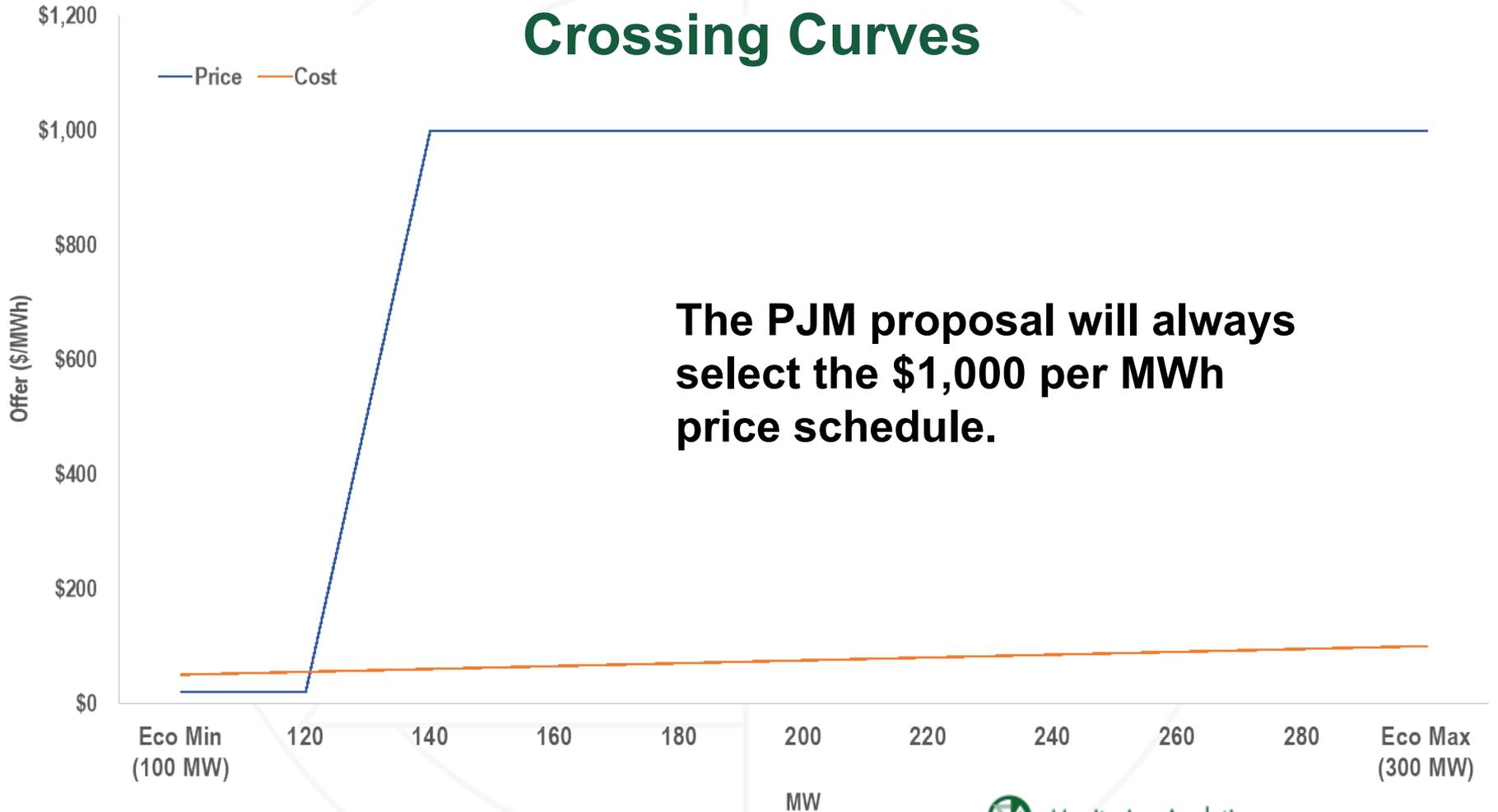
Price offer is lower at Eco Min and includes a markup to the \$1,000 per MWh offer cap.

Crossing Curves



**The status quo process
selects the schedule that the
optimization determines to be
lower cost.**

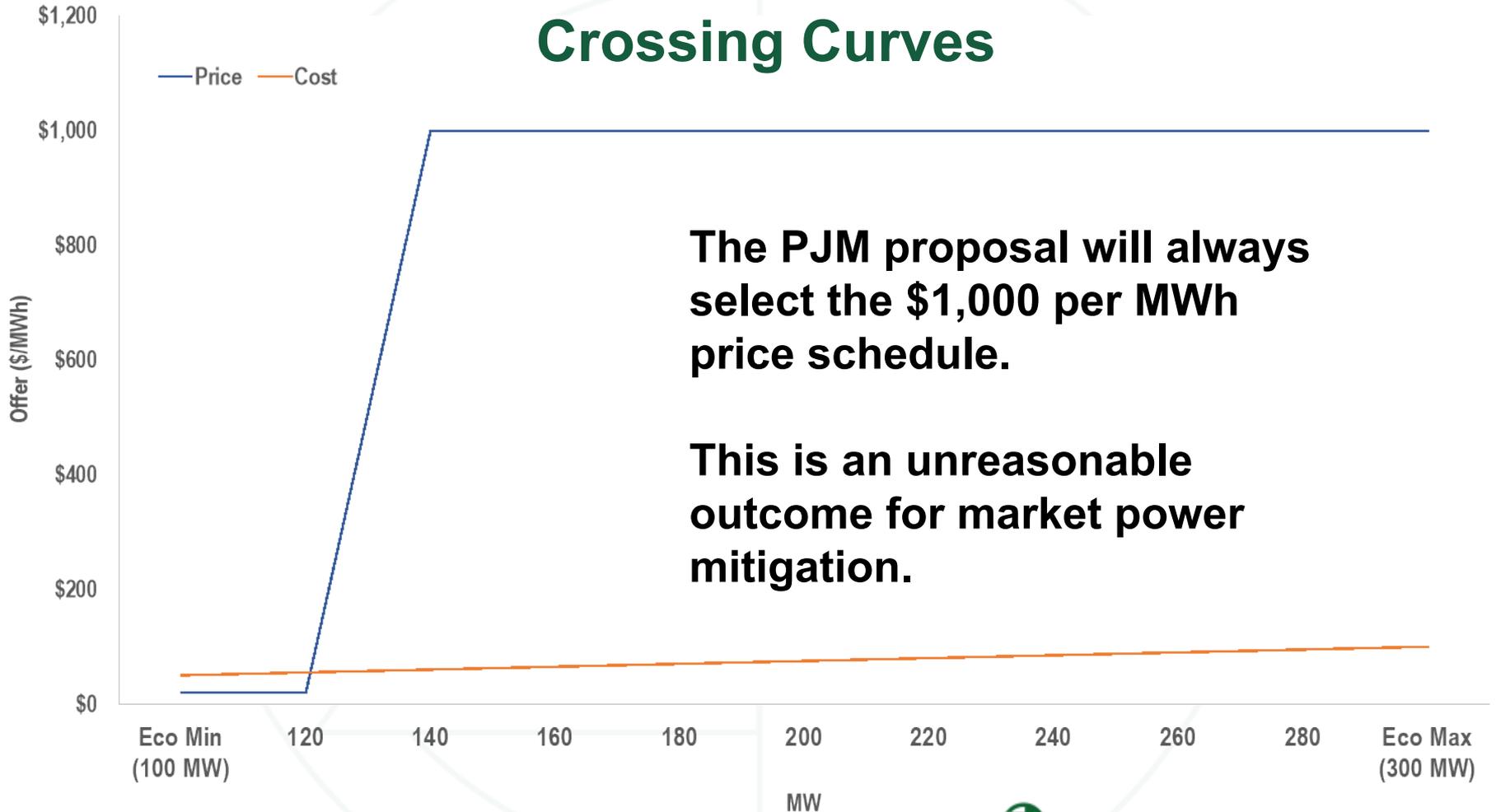
Crossing Curves



The PJM proposal will always select the \$1,000 per MWh price schedule.



Crossing Curves



The PJM proposal will always select the \$1,000 per MWh price schedule.

This is an unreasonable outcome for market power mitigation.

GT Power Group / PJM Proposal

- **Protects market power mitigation**
- **Ensures commitment to a cost offer when a resource fails the TPS test, but it may be the wrong cost offer.**
- **Drawback:**
 - **Still relies on PJM formula for resources with multiple cost offers, which results in unreasonable outcomes in some cases.**
 - **For dual fuel units on days with large natural gas cost changes, the wrong fuel type will be chosen in some circumstances.**

Dual Fuel Unit Problem

- **The PJM proposal and GT Power Group/PJM proposal will result in incorrect schedule commitment for a dual fuel unit on a day with a large change in gas prices.**
- **Example**
 - **Gas day 1: gas is the more economic fuel.**
 - **Gas day 2: oil is the more economic fuel.**
 - **The PJM formula only evaluates the highest cost hours based on the limited minimum run time, so it will only evaluate based on gas day 2, when fuel costs are higher.**
 - **Even during gas day 1, when gas is less expensive, PJM will only consider commitment of the unit to run on oil.**

GT Power Group / IMM Proposal

- **Protects market power mitigation**
- **Ensures commitment to the cost offer when a resource fails the TPS test.**
- **Key difference**
 - **Instead of a formula, market seller would choose among multiple cost based offers.**
- **The IMM recommends that the MRC consider and approve the GT Power Group / IMM proposal.**

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