



Potential Demand Bid Volume Limits

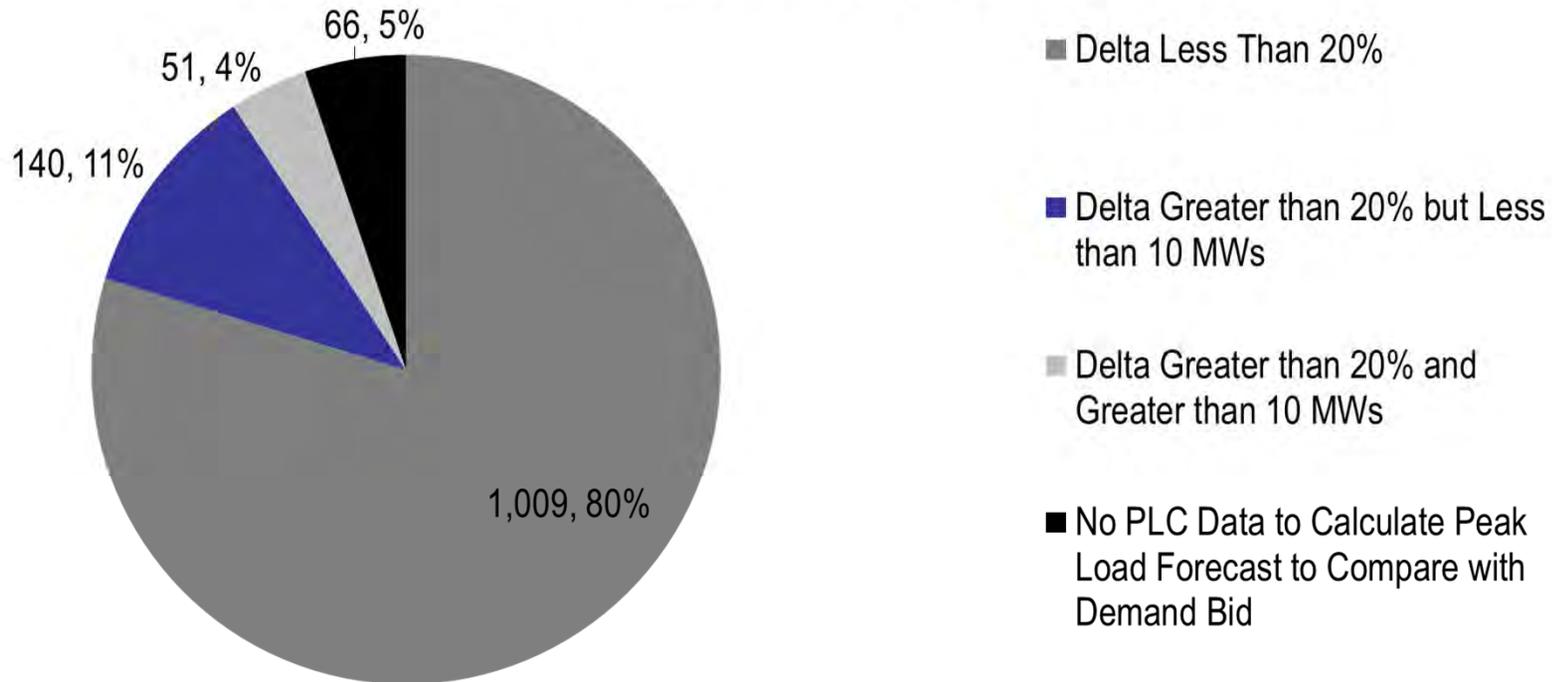
Market Implementation Committee
April 9, 2014



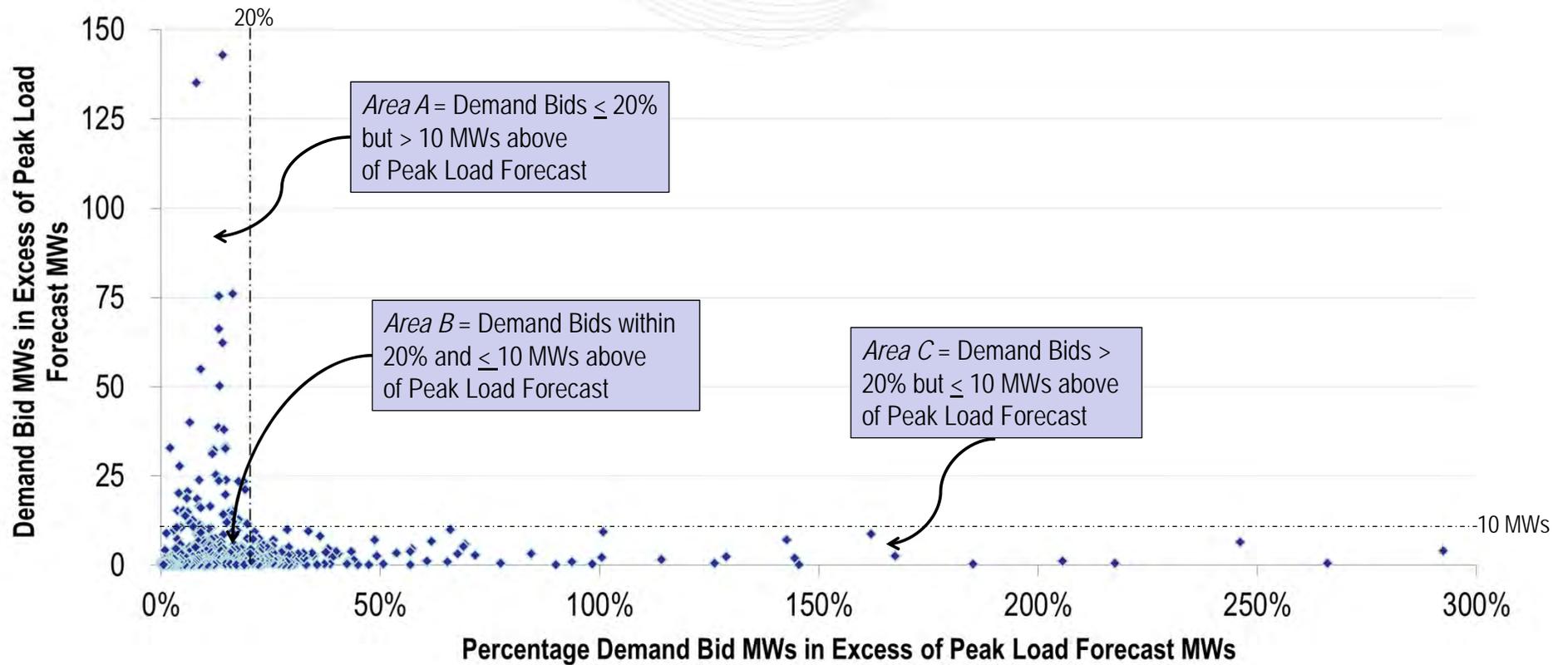
Initial Demand Bid Volume Limit Concept Analyzed

- Objective – Reduce the risk of material costs accruing on demand bids in excess of the load-serving commitments of the LSEs entering those demand bids
- Potential Limit – Demand Bids must be both $\leq 20\%$ and ≤ 10 MWs above the load-serving entity's peak load forecast for the operational day
- Potential peak load forecast:
 - Each LSE's share of the total daily peak load contributions (PLCs) for each transmission zone times PJM's peak load forecast for each zone
 - For transparency, intend to have a file of calculated peak load forecasts by LSE by transmission zone available daily two days prior to the applicable operational day
- Demand bids in excess of limit would not be accepted into the day-ahead market system

Distribution of LSE Demand Bids vs Peak Load Forecast



January 7, 2014 Real-Time Peak Load vs PLC – Distribution of LSE Demand Bids < 20% or < 10 MWS in Excess of Peak Load Forecast



- Survey Feedback on Credit Subcommittee's interest in pursuing demand bid limits further
- If survey response is positive, then:
 - Identify and analyze any additional options on how the demand bid limits could be defined.
 - Introduce concept to MIC, MRC and MC in anticipation of Credit Subcommittee recommendation.
 - Votes on Credit Subcommittee recommendation at MIC, MRC and MC.
 - Prepare and submit FERC filing for implementation, if approved by the Commission.
- If survey response is negative, then PJM will evaluate whether risk management benefits of potential demand bid limits merit higher committee discussion absent a Credit Subcommittee recommendation.



Member Credit Survey Topics

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- 1) Volume limit on DA Demand bids based on each member's peak load
- 2) Collateral breach cure period reduced from two business days to one business day
- 3) Payment breach cure period reduced from two business days to one business day
- 4) Both collateral and payment breach cure periods reduced from two business days to one business day
- 5) Working credit limit (WCL) reduced to lower than 75% of available market credit
- 6) Credit requirement based on higher of a lagging calculation (current Peak Market Activity) or a leading calculation (e.g. recent volumes times ratio of forward fuel costs to historical fuel costs)
- 7) Prepayments to modify PMA credit requirement allowed more than 10 times per 12-month period
- 8) Prepayments to modify PMA credit requirement allowed 16 times per 12-month period

- 8) Prepayments to modify PMA credit requirement allowed 10 times during each of the two semiannual periods between the April and October PMA resets
- 9) Prepayments to modify PMA credit requirements allowed for members without unsecured credit
- 10) Analysis of alternatives to the current virtual bidding credit requirement algorithm is warranted based on March 4, 2014 Credit Subcommittee presentations on adequacy of current virtual bidding credit requirements
- 11) Reduction of virtual transactions credit requirement from "1+3" (one upcoming market day plus prior three cleared market days) to "1+1"
- 12) Tariff change to allow for certification of no change to risk management policies as substitute for annual resubmission