

# INC and DEC Credit Requirement Education

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- Increment Offers (INCs) are virtual transactions that sell energy into the Day-Ahead Energy Market and buys in back in the Real-Time Energy Market
- Decrement Bids (DECs) are virtual transactions that buy energy from the Day-Ahead Energy Market and sell it back in the Real-Time Energy Market

INC or DEC credit requirement =

$$\sum (\text{MW} * \text{reference price})$$

Total INC and DEC credit requirement =  
Requirement for current day submitted transactions  
+ Requirement for previous day cleared transactions

$$\text{Reference Price}_{\text{node}} = 97^{\text{th}} \text{ percentile}(|DA LMP_{\text{node}} - RT LMP_{\text{node}}|)$$

Reference prices are calculated from previous year LMPs at the node that the transaction is submitted. Each year is divided into six two-month periods (January-February, March-April, May-June, July-August, September-October and November-December). For each period, the absolute value difference between the cleared day-ahead price and the actual real-time price for each hour in each day during that period is calculated. The 97th percentile value is chosen as the reference for that location.

<http://www.pjm.com/~media/committees-groups/subcommittees/cs/20170227/20170227-item-03a-inc-dec-requirement-education-document.ashx>