NEWS RELEASE

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New PJM Settlements Program Provides Members Better Market Signals

(Valley Forge, Pa. – April 10, 2018) – Following a year-long development and testing program with stakeholder input, on April 1, PJM implemented a market settlements solution that better aligns market credits and charges with real-time grid conditions.

This enhanced market settlement solution – also known as five-minute settlements – follows Order 825 issued by the Federal Energy Regulatory Commission, which focused on standardizing market processes associated with market settlements and shortage pricing.

Aligning the dispatch and settlement intervals removes any imbalance of market price signals, which could undercompensate energy market sellers. PJM previously settled its markets on an hourly basis with payments based on an average of five-minute prices for an hour. That previous hourly settlement (with five-minute dispatch) failed to reflect the actual value of resources responding to operating needs on a five-minute basis.

“This new alignment provides appropriate compensation for resources to respond to the actual operating needs of the market in each five-minute interval,” said PJM Chief Financial Officer Suzanne Daugherty. “It means better alignment between payments earned for following dispatch, which reflects system conditions and constraints.”

After its January 2017 compliance filing, PJM spent a considerable amount of time working with stakeholders and on market trials to develop the best available settlement solutions and reporting options.

“PJM and stakeholders ran close to 40 different tests covering every aspect of settlements,” said Daugherty.

“The test results allowed stakeholders to compare five-minute and hourly settlement results for specific operating days and specific types of markets (such as day-ahead and balancing energy markets, ancillary services and operating reserves).

“The stakeholders also provided valuable feedback to PJM to ensure five-minute calculations and reports would be accurate in several different scenarios.”

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The FERC issued Order 825 in June 2016; PJM submitted its compliance filing on Jan. 11, 2017, with a proposed implementation on Feb. 1, 2018. PJM informed the FERC in December 2017 of its intentions to move implementation to April 1, 2018, to complete additional testing with stakeholders.

The final rule PJM implemented aligns settlement and dispatch intervals by:

- Settling energy transactions in the real-time markets in the same time interval it dispatches energy
- Settling operating reserves transactions in the real-time markets in the same time interval that it prices operating reserves
- Settling inter-tie transactions in the same time interval that inter-tie transactions are scheduled

PJM Interconnection, founded in 1927, ensures the reliability of the high-voltage electric power system serving 65 million people in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. PJM coordinates and directs the operation of the region's transmission grid, which includes over 84,042 miles of transmission lines; administers a competitive wholesale electricity market; and plans regional transmission expansion improvements to maintain grid reliability and relieve congestion. PJM's regional grid and market operations produce annual savings of $2.8 billion to $3.1 billion. For the latest news about PJM, visit PJM Inside Lines at insidelines.pjm.com.

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