



**Energy Price Formation Senior Task Force Report**  
**PJM Interconnection**  
**Members Committee Webinar**  
**April 16, 2018**

The Markets and Reliability Committee (MRC) approved the formation of the Energy Price Formation Senior Task Force (EPFSTF) at its December 21, 2017 meeting to evaluate proposals to enhance energy market and reserve market pricing.

The EPFSTF held its 1st meeting on January 18, 2018. The EPFSTF reviewed the problem statement and issue charge, reviewed the draft EPFSTF charter and workplan, and reviewed PJM's planned response to FERC regarding their Order Instituting Section 206 Proceeding and Commencing Paper Hearing Procedures and Establishing Refund Procedures issued on December 21, 2017 regarding fast-start resources.

The second EPFSTF meeting was held on January 29, 2018. The EPFSTF continued consideration of the charter and workplan, and performed interest identification. The EPFSTF began consideration of Key Work Activity 2 regarding design criteria. The EPFSTF considered plans for education sessions, and received an educational discussion regarding Locational Marginal Pricing calculation and uplift, and received an update on PJM's planned response to FERC's Order Instituting Section 206 Proceeding and Commencing Paper Hearing Procedures and Establishing Refund Procedures issued on December 21, 2017 regarding fast-start resources.

The third EPFSTF meeting was held on February 15, 2018. The EPFSTF continued consideration of the charter and workplan and completed interest identification. The EPFSTF continued consideration of Key Work Activity 2 regarding design criteria and Key Work Activity 3 regarding gaps between design criteria and the current market design.

The fourth EPFSTF meeting was held on March 5, 2018. The EPFSTF completed consideration of the charter. Dr. Scott Harvey, FTI Consulting, provided a presentation reviewing the History of LMP, discussing the goals of implementing LMP pricing in the 1990s, constraints with the LMP design and implementation and the evolution of LMP. The EPFSTF continued consideration of Key Work Activity 2 regarding design criteria and Key Work Activity 3 regarding gaps between design criteria and the current market design. Finally, the EPFSTF briefly reviewed the matrix entries for design components, status quo and options regarding PJM's response to FERC in the fast start resources compliance filing.

The fifth EPFSTF meeting was held on March 29, 2018. The task force completed Key Work Activity 2 – identification of design criteria, and continued work on Key Work Activity 4 – identification of gaps between the design criteria and the current market design, focusing on reserves and shortage pricing. Representatives from ERCOT provided education on ERCOT's Operating Reserves and Reliability Deployment Price Adders. The EPSTF also captured design components to build the options matrix focusing on Shortage pricing and Reserves pricing.



On April 12, 2018 PJM posted a letter from PJM President & CEO Andy Ott which discussed activities of the EPFSTF, addressing suggested focus areas and timelines.

Next meeting: March 29, 2018

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