



Energy Market Uplift Senior Task Force Report
PJM Interconnection
Markets and Reliability Committee
July 31, 2014

The [Energy Market Uplift Senior Task Force](#) (EMUSTF) met most recently on July 17, 2014. The Charter and Timeline were presented to the September 26, 2013 MRC, and the Charter was approved.

The EMUSTF began its work in July 2013 and has conducted 19 meetings. Work of the group has been parsed into two phases:

- Phase 1 – Efforts to reduce uplift costs and reflect as much of these costs in LMP as possible:
 - Identify scenarios under which PJM may commit a resource in the Day-Ahead market that results in out-of-market uplift costs and consider alternative approaches to clearing such resources consistent with reliable operations, and explore possible improvements to the PJM Day-Ahead pricing that have potential to minimize uplift costs while maintaining prices that are consistent with operational reliability needs.
 - Identify scenarios under which PJM may dispatch a resource in the Real-Time market that results in out-of-market uplift costs, consider alternative approaches to pricing, and explore changes to the PJM market mechanisms that have the potential to minimize uplift costs.
- Phase 2 – Cost allocation:
 - Explore new methodologies for the allocation of make-whole payments that may include, but are not limited to, methodologies where Operating Reserve make-whole costs are netted with other out-of-market costs and payments (e.g. balancing congestion, Marginal Loss Surplus), that are consistent with cost causation/benefit principles
 - Explore and determine appropriate methodologies for the allocation of make-whole payments that may include, but are not limited to, methodologies that create variable and fixed charge rates, with the objective of minimizing the variability of such charges, that are consistent with cost causation/benefit principles.

The initial EMUSTF effort was focused on Phase 1. A significant amount of stakeholder education regarding price formation, unit commitment, and operator action has been required to allow stakeholders to be in a position to develop potential solutions.

Concurrent with and separate from the EMUSTF exploration, beginning in December 2013 PJM staff took actions to reduce some drivers of uplift payments. These actions were aimed resolving specific situations that are the largest contributors to uplift.

Within the EMUSTF Phase 1 solution packages have been developed by PJM staff, the Independent Market Monitor, DC Energy, PSEG, Dominion and Citigroup. Evaluation of these packages is underway.



The EMUSTF is now developing Phase 2 solutions. Eight separate solution packages have been proposed at present. These packages are split between variations on the current cost allocation methodologies, and new, "whole cloth", solutions which envision a quasi-fixed rate applied to all transactions. Each of these proposed packages are being refined.

Solution packages from Phase 1 will be coupled with solutions developed in Phase 2 for final proposal to the Markets and Reliability Committee. The EMUSTF is expected to complete its work in 4Q14.

Next meeting:

- August 13, 2014

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