

PROBLEM/OPPORTUNITY STATEMENT
Settlement/Allocation of Emergency Load Response Costs
Submitted by City of Rochelle
Dan Westin (815-561-2050)

Problem Statement

Presently, the Market Settlements Section of the Emergency Load Response Program in Schedule 1 of the PJM Operating Agreement provides that “during emergency conditions, costs for emergency purchases in excess of LMP are allocated among PJM Market Buyers in proportion to their increase in net purchases from the PJM energy market during the hour in the real time market compared to the day-ahead market.”

In addition, section 11.2.1 of BP Manual 28 states as follows: “PJM allocates the total hourly charge for the Emergency Load Response Program to PJM Market Participants in proportion to their real time deviation from their net interchange in the day-ahead market, whenever that deviation increases their spot market purchases or decreases their spot market sales less any real-time dispatch reduction MWs.”

This allocation method is intended to spread costs associated with emergency load response (ELR) throughout the PJM footprint to load serving entities in proportion to the amount of load they pull out in the real time market as compared to what was scheduled in the day ahead market. However, in implementing this calculation of real time deviation for settlement purposes, PJM uses initial real time data, rather than reconciled real time data. This means that operational defects in metering that have the effect of either overstating or understating actual real time load are not factored in to PJM’s settlement of ELR costs.

Objective

To use reconciled load data in order to ensure that ELR costs are properly allocated to PJM Market Buyers. Because such data is readily available within the two month time frame in which ELR settlement occurs, implementation of such a requirement is administratively feasible. Use of reconciled load data for ELR settlement purposes would also be consistent with other PJM settlement practices.

Timeliness

Any required revisions to BP Manual 28 (for example, to specify use of reconciled real time load data) would be minimal; limited Committee or Subcommittee analysis is required since the underlying allocation methodology provided for in the PJM Operating Agreement and applicable manuals would not be altered. Therefore the matter should be resolved within the next 30 to 60 days.

Magnitude/Impact

The impact of using reconciled real time data would vary by stakeholder and by circumstance. Use of reconciled real time would not materially impact PJM or the Independent Market Monitor.