

Reserve Market Enhancements Proposed Component 8: Shortage Pricing Transparency

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views expressed are my own and not necessarily those of any client.*

Proposed Energy Price Reform Component #8

Proposal: Instances of shortage pricing that cross a price threshold would trigger a requirement for PJM to inform the public:

1. That electricity supplies are relatively short, so please use electricity wisely and conserve;
2. That electricity prices may be extremely high during this period;
3. The time period (hours or days) over which these conditions may persist, and the geographic scope.

*(typical content for an appeal to the public
under emergency or near-emergency conditions)*

Proposed Component #8: Motivation

- Public should know when reserves are low and energy prices may be very high
 - Appeals to the public can be very effective in moderating demand
 - Public should know when their consumption is at high prices (even if hedged)
- Shortage pricing sets prices administratively in a manner that is supposed to represent customer willingness to pay
 - Customers should have the option to not pay (and not consume)
 - Many customers are not watching electricity prices day to day

Proposed Component #8: Possible Details

- When is the requirement triggered?
 - Shortage price component of LMP exceeds a threshold
 - Exception for very short duration shortages in RT market?
 - Suggested threshold: \$300/MWh shortage price component?
 - Roughly an order of magnitude greater than typical LMPs
 - *PJM simulations: perhaps one incident, mornings of Dec. 21-22, 2017*
- What exactly is required?
 - Content (as suggested on slide 2): supplies are short, prices may be high, please conserve, applicable time period
 - Distribution: To stakeholders and to media outlets (not just a press release on PJM website)