

# Manual 11

## Offer Cap Verification

MIC

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Joe Bowring

Joel Romero Luna

Catherine Tyler



Monitoring Analytics

# Offer Caps and Market Power

- **Efficient markets require that prices reflect the short run marginal cost of production.**
- **Offer caps and market power mitigation provide protection against inefficiently high prices when a supplier has market power.**
- **The goal is the right price. Not too high and not too low.**

# Order 831

- **FERC requires RTOs to develop a new process:**
  - **RTO or IMM verified cost-based offers**
    - **\$1,000/MWh to \$2,000/MWh prior to market clearing**
    - **Over \$2,000/MWh for make whole payments**
  - **Verification also applies to demand response.**
  - **Build on existing market power mitigation practices for offer verification.**

# Existing Practices for Cost Verification

- **Fuel Cost Policies**
- **IMM after the fact verification**
- **IMM cost input data collection (MIRA)**



# Issues with Automated Screen

- **The IMM raised significant issues with the PJM compliance filing in a FERC filing:**
  - **Not building on existing practices**
    - **Not using IMM resources**
    - **Not using most accurate data available**
      - MIRA and Fuel Cost Policies
  - **Inaccurate automated screen formulation**
  - **No PJM or IMM ex ante verification for demand response**

# Issues with Offer Verification Process

- **Accurate, timely verification requires a clear streamlined process.**
  - **Should specify data used from MIRA**
  - **Should require cost inputs other than fuel cost prior to operating day**
- **IMM verification of cost-based offer compliance**
  - **Like penalty language, IMM and PJM agreement should be required before offers are used.**
- **Demand Response costs should be in Manual 15.**
  - **Same level of review as generation**

# Uplift Payment Eligibility: M11 Attachment D

- **Att. D covers uplift payments for approved exceptions to screening process and offers over \$2,000 per MWh.**
- **M11 Att. D does not make clear that:**
  - **The unit must operate in real time for eligibility.**
  - **All parts of the cost offer will be verified (incremental energy, start up, no load).**
  - **IMM verification of the cost offer should be required.**



**Monitoring Analytics, LLC**

**2621 Van Buren Avenue**

**Suite 160**

**Eagleville, PA**

**19403**

**(610) 271-8050**

**MA@monitoringanalytics.com**

**www.MonitoringAnalytics.com**

